

Economic Stimulus Bill has Sweeping Impact on Employee Benefits

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The American Recovery and Reinvestment Act of 2009, commonly called the economic stimulus bill, contains major changes to how employers must administer COBRA continuation coverage with respect to employees (and their covered spouses and dependents) who are involuntarily terminated between September 1, 2008 and December 31, 2009.

Employers are now required to provide qualifying individuals a 65% subsidy toward COBRA continuation coverage costs and allow those who did not elect COBRA at the time of the employee's separation, or have since lost coverage, another opportunity to elect COBRA coverage. Employers can recoup the cost of the subsidy by taking a credit against payroll taxes otherwise due.

Additionally, employers must provide a notice about the subsidy and new election period to anyone who had a COBRA qualifying event within this time period, regardless of whether the COBRA qualifying event was related to an employee's involuntary termination. The new law is effective immediately.