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## **American Rescue Plan Act COBRA Subsidy**

### **Frequently Asked Questions**

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#### **What is COBRA coverage?**

The Consolidated Omnibus Budget Reconciliation Act (COBRA) generally requires group health plans to offer plan participants and their families the opportunity for a temporary extension (usually 18 months) of health coverage in certain circumstances when coverage under the plan would typically end. Such an extension, often referred to as “COBRA coverage”, usually requires the payment of a monthly premium to the group health plan.

#### **Under the American Rescue Plan Act, how much does COBRA continuation cost and how long does it last?**

The American Rescue Plan Act provides for COBRA coverage to be fully subsidized by the federal government, which means no cost to those who qualify during the time the subsidy is in effect. The subsidized COBRA coverage period is limited to the six (6) months of April 2021 through September 2021. If a qualified participant has additional COBRA eligibility, coverage may continue after this period on a self-pay basis.

#### **Who qualifies for subsidized COBRA coverage?**

Generally, anyone who lost coverage due to an involuntary termination or reduction in hours within the past 18 months (on or after November 1, 2019) may qualify for subsidized COBRA coverage beginning in April 2021 and ending September 30, 2021, or upon expiration of the individual’s COBRA coverage period, whichever comes first.

#### **How do I find out if I qualify for subsidized COBRA coverage?**

If your group health plan determines you had a loss of coverage within the last 18 months (on or after November 1, 2019), a notice will be sent to you explaining the subsidized COBRA coverage provisions under the American Rescue Plan Act. You will be provided with election forms to complete and return to your plan’s administrative office within 60 days. Once these forms are processed you will receive a coverage determination notice from the administrative office. ***Read these forms carefully and read the information below for some tips to make the process easier.***

#### **What is an “involuntary termination of employment that allows me to be eligible for the COBRA subsidy?**

The IRS has clarified that an “involuntary separation” is a “severance from employment due to the independent exercise of unilateral authority of the employer to terminate employment other than due to the employee’s implicit request, where the employee was willing and able to continue performing services.”

This might include an employee resignation for “good reason” due to the employer implementing a material negative change in the employment relationship that is analogous to a constructive discharge.

NOTE: minor changes in pay, duties and hours are unlikely to meet this standard. This is a fact-specific inquiry. For purposes of NWA's ARP/COBRA administration, NWA will rely on the attestation of the participant.

**I chose to retire based on everything that was happening. Can I qualify for subsidized COBRA?**

No. The IRS has clarified that retirement, even early retirement brought on by the pandemic, will NOT be construed as an involuntary separation. If a participant chose to retire, the ARP subsidy will not be available.

**Do my dependents qualify for subsidized COBRA coverage as well?**

If you have a spouse or child who also lost group health plan coverage due to your involuntary termination or reduction in hours, they may also be eligible for COBRA with the subsidy. They may receive election forms for subsidized COBRA coverage and must complete and return them. Subsidized COBRA is not available if a dependent has an independent qualifying event such as losing coverage due to a divorce, aging out of plan eligibility, or becoming eligible for coverage under another employer's health plan.

**If I qualify for subsidized COBRA coverage, will it be the same coverage I had when I was employed?**

Possibly. While the American Rescue Plan Act allows group health plans to let qualified COBRA subsidy candidates enroll in other plan options offered to plan participants, it does not require them to do so. The enrollment materials you receive will explain your options.

**If I'm expecting to receive election forms for subsidized COBRA coverage, when will I get them?**

Group health plans are required to send this notice to those who may qualify for subsidized COBRA coverage within the 60 days beginning on April 1, 2021. Most plans administered by NWA have confirmed and approved their processes. Mailings are in process and participants should receive election packages by May 10, 2021. Please note, even if it takes some time for these forms to reach you, if you qualify for the subsidy it will still take effect retroactively to April 1, 2021.

**What do I need to know about the election forms?**

The election forms you will receive are based on the model language prepared by the Department of Labor. The forms are fairly short and should not take much time to complete. Pay close attention to the questions asked in the attestation (the middle of the first page of the two-sided election form). You will be asked to confirm that you are NOT currently eligible for coverage under another group health plan or Medicare. **If you DO NOT have coverage under Medicare or through another group health plan (such as a new job or a spouse's coverage), be sure to check the "YES" box** – you are confirming you have no other coverage options, not that you are covered under another plan. If you check the wrong box, your subsidized coverage will be delayed or denied.

Be sure to complete the attestation section of the two-page form (middle of the first page of the two-page form) even if you already have a form of subsidized COBRA. This information is necessary to provide you with no-cost continued coverage under ARPA.

If you have dependents seeking coverage, be sure to complete their information on the second/back page of the two-sided election form. If you need more room to list additional dependents, please copy this page and add their information and include it when you mail back the election form. **These forms should be sent back to NWA by U.S. Mail** (please do not attempt to fax or email the forms as it will only delay the enrollment process). An envelope is being included in your package to make this easier. The envelope will require return postage. If you misplace your return envelope, the forms may be mailed to NWA at 2323 Eastlake Ave., East, Seattle, WA 98102.

**If I lost coverage during the last 18 months, must I start my COBRA coverage immediately following the month I lost coverage?**

No. If coverage was lost before April 2021 and you did not elect to self-pay for COBRA coverage at that time, you may elect to begin your subsidized COBRA coverage effective April 1, 2021, provided you meet the qualification requirements.

**If I lost coverage during the last 18 months and I elected to self-pay for COBRA continuation, must I pay for this coverage during the months it will be subsidized by the American Rescue Plan?**

No. Provided you qualify for the COBRA subsidy, if you are currently covered by COBRA, as of the April 2021 coverage month your cost of the COBRA coverage will be fully subsidized by the federal government. You may remain on subsidized COBRA coverage until September 30, 2021, unless your COBRA coverage was due to end before September 2021 or you obtain other coverage; the subsidy under the American Rescue Plan Act does not extend your original COBRA coverage past its 18-month limit. If your COBRA coverage continues beyond September 30, 2021, you will have to resume self-paying the required premium in October.

**If I lost coverage during the last 18 months and I elected to self-pay for COBRA continuation, and paid for one or more months of coverage during the subsidized period, will I receive a refund?**

Yes. If you self-paid for coverage for any of the months covered by the subsidy (April 2021 through September 2021), your health plan will send you a refund for these premium payments. Please be patient as any possible refunds will not be processed or mailed until the Internal Revenue Service reimburses your plan for the cost of the coverage. This may take one (1) to four (4) months. NOTE: this is only an estimate as the IRS has not yet implemented a reimbursement process.

**If I lost coverage during the last 18 months and I elected to self-pay for COBRA continuation, but dropped my COBRA coverage before the 18-month COBRA period ended, can I re-enroll in the subsidized COBRA plan?**

Yes. Qualified plan participants who only used a portion of their 18-month COBRA extension period between November 2019 and April 2021 may elect to re-enroll in COBRA as of April 2021

and receive the COBRA subsidy. However, you cannot exceed the total 18 months allowed for COBRA continuation beginning with your qualifying event. If, for example, you elected to self-pay for COBRA continuation beginning on November 1, 2019 and you discontinued COBRA coverage in January 2021, thereby using 14 months of COBRA, you would only qualify for subsidized COBRA for the remainder of the 18-month period, beginning on April 1, 2021 and ending on July 31, 2021.

**Does my income impact my eligibility to qualify for subsidized COBRA coverage?**

No. There is no income cap for the subsidy.

**If I qualify for subsidized COBRA coverage but then become eligible for other coverage, such as Medicare or a plan I get through my employer or my spouse's employer, can I keep my subsidized COBRA coverage?**

No. Should you become eligible to enroll in another form of coverage, including Medicare, you must inform the administrative office of this fact and your subsidized COBRA coverage will end the month before your new coverage starts. Failure to make this notification of other health coverage could result in federal tax penalties. You will receive a form from NWA to assist in promptly reporting your other coverage in the event this arises. You can also call NWA at (877) 328-9894 to notify us of this circumstance.

**If I currently have health coverage, do I need to do anything?**

No. Should you have a qualifying event that results in a loss of coverage in the future, though, you will be contacted by the Administrative Office.

**I am eligible for retiree medical coverage. Can I get the ARP subsidy instead?**

It depends. If the retiree coverage is part of the same group health plan, the ARP subsidy is available. If the retiree coverage is available under a separate group health plan, the ARP subsidy is not available.

**IMPORTANT NOTE:** All health benefits provided by an organization constitute a single group health plan as long as it is available to all similarly situated employees (even if the amount charged for retiree coverage is higher than the charge to active employees. (IRS Q&A 36)

**IF YOU HAVE MORE QUESTIONS, PLEASE CALL (877) 328-9894. WE WILL BE HAPPY TO HELP YOU.**

Please note: Details about the specific requirements and provisions of the COBRA program under the American Rescue Plan Act are still being refined and released by the US Department of Labor. While every effort has been made to ensure the information in this document is accurate and up to date, NWA accepts no liability for any errors or omissions in this document. Please visit the Department of Labor's website at [www.dol.org](http://www.dol.org) for more information about the American Rescue Plan Act.