

Employers – 100% COBRA (or State Continuation) Premium Payment Required as of April 1, 2021

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The American Rescue Plan Act (ARPA) significantly impacts employers who have terminated an employee or reduced the hours of any employee. As of April 1st, 100% of premiums for COBRA or state continuation coverage must be paid by the employer. This is a federally supported subsidy. The federal government will reimburse employers dollar for dollar against their quarterly payroll tax obligations.

Eligibility

Available for employees and their qualifying dependents if an employee lost or will lose their health benefits due to involuntary separation or reduction in hours. The involuntary separation or reduction in hours is not required to be related to COVID-19.

Eligibility Examples:

- On May 2, 2021, Employee hours will be reduced from full-time to part-time resulting in loss of health benefits.
- On December 1, 2019, Employee lost their job and did not elect COBRA or health continuation coverage. (This is being referred to as – “Second Bite at the Apple”)
- An Employee who has an individual health plan will be able to elect COBRA for the 6 months of this subsidy.

Ineligibility Examples:

- Employees whose job loss was voluntary or the result of gross misconduct; or
- Employees who are eligible for another group health plan (i.e. spouse’s plan) or Medicare.

Timing

Starts on April 1, 2021 and lasts for six months maximum. The subsidy may end for an employee

before the September 30, 2021 end date if the maximum period of coverage ends prior to that date.

This is retroactive back to before the COVID-19 outbreak began. At a minimum, it is an 18-month look-back, i.e. November 2019. Depending upon the employer location, if it is state continuation vs. COBRA then the retroactive period may be greater.

New Notice Requirements

Model language for the new notices expected by April 10th.

- **COBRA Election Notices:** Employers must update their notices for newly eligible employees with language describing the subsidy for those who trigger a continuation right during the six-month subsidy period.
- **Notice to Existing Qualified Beneficiaries:**
 - Inform those on COBRA that premium payments are not required by the employee during the six-month subsidy period.
 - Inform those within their maximum coverage period but not currently on COBRA of the subsidy benefit.
 - Notice is required by May 31st.
- **Subsidy Ending Notice**

Employer Reimbursement

The employer pays full COBRA or state continuation premiums and administrative fees. The employee pays ZERO. If an employee provides payment during the subsidy period, then the employer must provide reimbursement. Employer will recover premiums through:

- A payroll tax credit. This is similar to how employers recover paid leave costs under FFCRA. Guidance is expected related to the documentation an employer must retain when taking the credit.
- A refundable credit if the premiums are greater than the payroll tax obligation. A form is expected for the employer to use just as they may have used under FFCRA when seeking a refundable credit.

More to come once the regulatory agencies release their guidance.

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