

Frequently Asked Questions: COBRA Subsidy Extension for Workers and Families Act

Q. What is COBRA continuation coverage?

A. “COBRA” refers to the Consolidated Omnibus Reconciliation Act of 1985. This law allows individuals to continue health coverage under an employer-sponsored health plan after they experience a qualifying event, such as termination of employment or reduction of hours.

Q. How did the American Rescue Plan help laid off workers and their families afford COBRA?

A. The American Rescue Plan Act provided subsidies to allow eligible individuals to maintain their job-based health benefits with no monthly premiums for up to six months.

Q. How much does an individual pay in monthly COBRA premiums under the American Rescue Plan Act?

A. Nothing. Eligible individuals owed no COBRA premiums from April 1, 2021, through September 30, 2021, saving the average person more than \$590 per month for self-only coverage or \$1,700 per month for family coverage.

Q. When does the COBRA subsidy provided in the American Rescue Plan end?

A. The COBRA subsidy will be available through September 30, 2021.

Q. What would the COBRA Subsidy Extension for Workers and Families Act do?

A. This measure would extend monthly subsidies provided through the American Rescue Plan through September 30, 2022.

Q. Who is eligible for the COBRA subsidy?

A. Individuals who have experienced either an involuntary termination of employment or reduction of hours may be eligible for the subsidy.

Q. What health plans are required to provide the subsidy?

A. The subsidy must be provided through job-based health plans subject to federal COBRA requirements, including private sector employers with 20 or more employees, as well as plans offered to state and local government employees. In addition, the subsidy will be available under employer plans with fewer than 20 employees that are subject to state “mini-COBRA” requirements.

Q. How do workers access this coverage?

A. Employers and health plans must waive all COBRA premiums for eligible individuals. For workers not currently on COBRA, employers and plans must provide notices to eligible individuals informing them of their right to enroll in subsidized coverage.

Q. How will employers and health plans be reimbursed for the subsidy?

A. The employer or health plan will be reimbursed through a refundable payroll tax credit. Collectively bargained multiemployer plans will be eligible for this credit.

Q. Does this measure extend the duration of COBRA coverage?

A. No. COBRA is generally available following a qualifying event for a period of coverage of up to 18 months (or longer in certain circumstances).

Q. Will receipt of subsidized COBRA benefits impact individual income tax liability?

A. No. The COBRA subsidy will not be considered gross income for purposes of federal income tax.

Q. Why might individuals choose COBRA over other coverage options?

A. COBRA allows workers and their families to maintain coverage under a job-based health plan without interruption. While many people may prefer to switch to Medicaid or Marketplace coverage following a loss of job-based coverage, COBRA allows individuals to keep their current doctors, maintain continuity of care during an ongoing course of treatment, such as chemotherapy, and avoid restarting an annual deductible or out-of-pocket limit mid-year.