

# COVID-19 Stimulus Bill Includes Six Months of Free COBRA Health Coverage

**Employee Benefits & Executive Compensation Blog** on **March 10, 2021**

The American Rescue Plan Act of 2021 (“ARPA”), which was just passed by Congress and will be sent to President Biden for signature, includes an opportunity for free COBRA coverage for a six-month period from April through September 2021 for employees (and their family members) who experience a loss of group health coverage due to reduced hours of employment or involuntary termination of employment (other than for gross misconduct).

The ARPA COBRA subsidy appears to be designed to capture all employees who lost job-based health coverage due to a loss of work (other than a voluntary termination of employment) since the COVID-19 pandemic began. Any employee who lost coverage as of April 2020 (when the pandemic began impacting employment) is potentially eligible for the entire six-month subsidy, since their 18-month COBRA period would include the period from April 1 through September 30, 2021 when the subsidy ends. Even employees who lost health coverage as far back as November 2019 may benefit from the subsidy, since their 18-month maximum COBRA period will not expire until the end of April 2021. However, individuals who are eligible for other group health coverage or Medicare are not eligible for the subsidy.

Importantly, the subsidy is available to employees who did not elect COBRA coverage during their original election period, as well as those who initially elected COBRA but let their coverage lapse. These individuals must be offered an additional window of at least 60 days to elect COBRA coverage. Of course, since COBRA election deadlines have been extended during the pandemic as a result of the DOL/IRS deadline tolling guidance, many individuals are still within their original COBRA election periods. However, this special election opportunity allows these individuals to make a *prospective* COBRA election for the period beginning April 1, 2021, without requiring payment of premiums retroactive to the original loss of coverage, which is a departure from the normal COBRA rules. The maximum COBRA period is not extended in such a case (that is, it is still counted from the date of the original qualifying event).

Plan administrators are required to begin notifying eligible individuals of the COBRA subsidy within 60 days of April 1, 2021. The U.S. Department of Labor is required to issue model COBRA notices addressing the subsidy, and we expect the government agencies to issue guidance on various issues related to the subsidy in the coming weeks.

***Stay Tuned***- We will post a comprehensive summary of ARPA's COBRA subsidy provisions, including the various notification and other requirements, soon.

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