

HENDERSON BROTHERS UPDATE

New FAQ Guidance - American Rescue Plan's New COBRA Subsidy

August 2021

On July 26, 2021, the IRS issued [Notice 2021-46](#), providing additional guidance on the application of the American Rescue Plan Act (ARPA) COBRA subsidy. The guidance comes in the form of 11 new FAQs and expands on [prior guidance](#) issued on May 18, 2021.

Background:

The ARPA subsidy covers 100% of COBRA and state mini-COBRA premiums from April 1-Sept. 30, 2021, for certain assistance-eligible individuals whose work hours were reduced or whose employment was involuntarily terminated. The subsidy is funded via a tax credit provided to employers, insurers or group health plans, according to the terms of the statute.

Q&A Topics:

The questions addressed include:

- Subsidy availability to individuals eligible for an extension who had not elected it;
- Whether subsidies for vision or dental-only coverage ends due to eligibility for other coverage that does not include vision or dental benefits;
- Subsidy availability under a state statute that limits continuation coverage to government employees;
- Whether employers may claim the tax credit if the Small Business Health Options Program (SHOP) Exchange requires employers to pay COBRA premiums; and
- Which party may claim the tax credit in situations involving parties other than an insurer or former common law employer providing COBRA coverage.

Please reach out to your HB consultant or analyst if you have questions.

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