

FAQ Regarding Recent COBRA Regulation Changes



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Update

1. The American Rescue Plan Act directed the IRS/Treasury to issue guidance on the COBRA Subsidy and Tax Credit. This guidance has not yet been published.
2. Paychex and PaychexOne COBRA clients were sent (via email) information to confirm Assistance Eligible Individuals (AEIs). Once this information is returned, eligible participants will be contacted and enrollments processed accordingly.
3. Please continue to check back. We will be updating this page as soon as additional information is available.



1. How does the American Rescue Plan Act impact COBRA?

The American Rescue Plan Act includes subsidized COBRA coverage for certain COBRA participants who qualified due to involuntary termination or reduced hours.

2. Who is eligible?

- a. Individuals who become COBRA-eligible while the subsidy is in effect between April 2021 – September 2021.
- b. Individuals who have active COBRA continuation coverage.
- c. Individuals who would still be on COBRA continuation had they elected coverage after experiencing their qualifying event. This includes individuals who had elected COBRA but dropped it before reaching their maximum 18 months of COBRA continuation.
 - i. For example, if an individual was involuntarily terminated from their job and lost eligibility for their employer-sponsored health insurance as of January 1, 2020, that individual may be eligible for subsidized COBRA coverage from April 1, 2021 through July 1, 2021. The individual would have reached their 18 months maximum COBRA continuation on July 1, 2021, had they elected when they were first eligible.

3. How is Paychex responding to the passing of the American Rescue Plan Act?

Paychex is working to notify impacted participants in an attempt to provide them with a reasonable time frame to make any elections or past payments within the allotted time.

4. Is Paychex notifying clients of action they need to take regarding the American Rescue Plan Act?

Paychex will be sending communication to clients with additional details of how the American Rescue Plan Act impacts their business. Paychex will also continue sending monthly activity reports to assist the client in tracking COBRA activity.

5. Is Paychex notifying participants of action they need to take regarding American Rescue Plan Act?

Paychex will be sending communication to impacted participants, notifying them of what action needs to be taken.

6. What is an AEI?

- a. An AEI is an Assistance Eligible Individual.
- b. An "Assistance Eligible Individual" (AEI) is defined as an individual who:
 - Qualified for COBRA due to involuntary termination (other than for gross misconduct) or reduction in hours

AND

- Elects coverage

7. Are participants that are pending election now able to elect coverage effective April 1, 2021?

- a. Participants must have been involuntarily termed OR have a reduction in hours to be eligible for American Rescue Plan Act.
- b. Participants that are eligible for coverage that have not elected coverage previously, will be able to elect COBRA coverage effective April 1, 2021.

8. What if a participant is offered COBRA effective Aug. 1, 2021 due to involuntary termination?

Assuming continued AEI status, the participant would be eligible to elect COBRA and receive the COBRA subsidy effective Aug. 1, 2021 through Sept. 30, 2021.

After the two-month COBRA subsidy, the participant would be able to continue COBRA for the remainder of their COBRA eligibility, but would be responsible for the COBRA premiums.

Please note, the COBRA participant would not be eligible for the subsidy prior to their COBRA start date.

9. How much of the premium will the subsidy cover?

The subsidy covers 100% of the premium of an AEI, including the 2% administrative fee.

10. Is an AEI still eligible for COBRA subsidy if they have other insurance?

If the AEI becomes eligible for other employer-sponsored health insurance coverage or Medicare, they are no longer eligible **AND** could be subject to penalties if they do not report. The AEI does not have to enroll in the other coverage to lose eligibility for the COBRA subsidy.

11. Will my COBRA premiums be subsidized so I won't need to pay?

President Biden recently signed the American Rescue Plan Act into law. This new law may give you another chance to elect subsidized COBRA continuation coverage as of April 1, 2021. You will still need to pay any COBRA premiums owed before April 1, 2021 to be covered prior to April. You may receive additional notice from Paychex if you might be eligible for subsidized COBRA premium payments.

12. Does the American Rescue Plan Act apply to both federal and state compliance clients?

Yes. Unlike the extension mandate, the ARPA applies to both federal and state compliance. There may be some differences in how the subsidy works with state continuation. For example, the "second chance"/subsidy special election period to enroll may not apply in some states with state continuation. Each state can decide whether or not to allow it.

13. How long is the subsidy in effect for?

The subsidy is in effect from **April 1, 2021 through Sept. 30, 2021.**

Federal COBRA Extension Mandate FAQs (effective March 1, 2020)

1. Does the COBRA extension mandate apply to all pending participants the same?

No. The mandate will apply on a participant-by-participant basis.

2. Is Paychex notifying participants of updates in the federal extension mandate?

Yes. Paychex is sending out notification to impacted participants with details on what action they need to take.

3. Are pending election participants still eligible to enroll?

Yes, current pending election participants are eligible to enroll back to their original COBRA start date.

4. Will pending participants who elect coverage back to their initial eligibility date be responsible for any back payments that have not been paid?

Yes. Any premiums that are owed will need to be paid.

5. How long does a participant have to enroll in COBRA coverage?

A participant has one year plus 60 days from their initial COBRA start date to elect coverage OR 60 days from the end of the National Emergency, which is currently still ongoing.



6. Why did I get a notice of non-payment? I thought my COBRA premium payments were put on hold due to the COVID-19 pandemic.

The Department of Labor recently updated its guidance that extended the due date to pay premiums for COBRA coverage. Under the new guidance, premium payments must be paid within one year of when your premium grace period began, or when the Outbreak period is declared over, in order to continue COBRA coverage. Based on this information, we sent you a notice stating when your premium payment is due if you wish to continue coverage.

7. Where do COBRA premium payments go?

To continue COBRA coverage, you must send premium payments by the deadline to:

**Paychex Inc.
Attn: COBRA Dept.
25151 Network Place
Chicago, IL 60673-1251**

8. What happens if a participant doesn't enroll in coverage by the deadline?

For pending election participants: If you do not enroll by the deadline, you will no longer be eligible to enroll in COBRA.

9. What happens if a participant doesn't send a premium payment by the deadline?

For participants who elected COBRA and do not submit payment for back premiums due by the deadline: If you don't pay your owed premium payment by the deadline, your COBRA coverage will be terminated back to your last paid through date.

Processing Steps

1. How is COBRA coverage being terminated for participants who elected COBRA, but do not submit payments for back premiums by the deadline?

- **Paychex Insurance Agency Brokered plans (including Paychex Flex® Ben. Admin)** – Paychex will submit a carrier request to terminate coverage back to their last paid through date.
- **Standalone COBRA** – Paychex will provide updated reporting for our clients to submit carrier updates to terminate coverage back to their last paid through date.
- **BeneTrac (Paychex COBRA Service)** – Paychex will provide updated reporting for our clients to submit carrier updates to terminate coverage back to their last paid through date via the BeneTrac site.
- **BeneTrac (BeneTrac COBRA Service)** – Paychex will update our client's BeneTrac site, requesting carrier terminations back to their last paid through date. Clients will need to approve these changes for any information to feed to the carrier via EDI connections.

- **PEO/Paychex Insurance Agency Hybrid** – Paychex will submit a carrier request to terminate coverage back to their last paid through date.

Note: For situations in which a participant does not pay the required back COBRA premium owed and there is a difference between the participant's paid through date and the carrier cancellation date, Paychex should advise the client to discuss its specific situation with its own legal, tax, or other advisor. The uncertainty around this situation is not related to or caused by Paychex, but rather complexity and uncertainty within the industry due to the mandate.

2. What reporting will Paychex be sending to clients?

Paychex will continue sending monthly activity reports to assist the client in tracking COBRA activity.

For more details on the COBRA guidance, please refer to these resources:

[American Rescue Plan Act - COBRA](#)

[American Rescue Plan Act - Premium Tax Credits](#)

[Department of Labor COBRA Premium Subsidy FAQs](#)

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