



American Rescue Plan Signed Provides COBRA Subsidies & DCFSA Limit Increase

On March 11, 2021 President Biden signed the [American Rescue Plan Act](#) of 2021 (ARP), which provides financial relief to employers and employees affected by the COVID 19 pandemic. The legislation included several provisions affecting health benefits:

- Premium assistance will be paid to plan sponsors and insurers to cover 100 percent of the COBRA continuation coverage premium for assistance eligible individuals and their qualified beneficiaries beginning on April 1, 2021 and ending September 30, 2021. Premium assistance is available if health coverage was lost due to involuntary termination of employment or a reduction in hours. It is not available for those who voluntarily terminated employment. Premium assistance is initially “advanced” by the plan sponsor or insurer and then reimbursed by the government through a refundable tax credit.
- An extended COBRA election period is provided for individuals who are not enrolled in COBRA continuation coverage as of April 1, 2021 and who are otherwise eligible for premium assistance, and for any individual who elected COBRA continuation coverage and discontinued such coverage before April 1, 2021.
- A plan may permit a “Plan Enrollment Option,” which allows assistance-eligible individuals to change coverage to another similar or lower-cost option within 60 days of receiving the required employer notice provided:
 - the plan sponsor permits a change in coverage
 - the premium for the other option is equal to or less than the premium for the coverage option in which the individual was enrolled at the time the COBRA qualifying event occurred
 - the other option is offered to similarly situated employees
 - the other option provides more than limited health coverage (i.e., does not include excepted benefits, qualified small employer health reimbursement arrangement, or flexible spending arrangements).
- Health plans are required to provide additional notification on the availability of the premium assistance and extended election periods to individuals not currently enrolled in COBRA continuation coverage who are otherwise eligible for premium assistance. The notice must be provided within 60 days before the first day of the first month beginning after the date of the ARP (i.e., April 30, 2021). The

Departments of Labor, Treasury and Health and Human Services must draft and issue model notices within 30 days after the enactment of the Act (i.e., April 12, 2021).

For the 2021 plan year, the dependent care flexible spending account (DCFSA) contribution limit will increase from \$5,000 to \$10,500 and from \$2,500 to \$5,250 for married filing single. An employer can amend their cafeteria plan retroactively to adopt this increased limit, as long as they amends the plan by the end of the plan year and the plan is operated consistently with the amendment.