

OHS Issues Guidance on Paying Health Insurance Premiums

By CAPLAW Staff
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Summer is finally here, and with its arrival many Head Start programs have questions about how to navigate the issue of paying for group health plan premiums for their seasonally furloughed employees. The issue is particularly complicated this year, in light of the American Rescue Plan's new COBRA premium assistance [tax credit](#). On June 2, 2021, the Office of Head Start (OHS) issued Information Memorandum (IM) [ACF-IM-HS-21-02](#) to provide guidance on furloughed employees' health plan premiums.

In General

OHS, for the first time, directly addresses using Head Start funds to pay group health premiums for Head Start staff whose hours are partially or completely reduced during the summer months until they are recalled when programs resume in the fall. OHS uses the term "furlough" in the IM to refer to employees whose employment status changes for a period not exceeding 90 days, resulting in a loss of employer-provided group health plan coverage, and are expected to return to work after the furlough period.

OHS clarifies that Head Start grantees may pay the partial or entire cost of group health premiums, including the cost of COBRA premiums, for furloughed employees for up to 90 days. The grantee must have written policies that clearly describe the eligibility, terms, and conditions of paying such premiums. These costs are allowable even if the furloughed employee does not return to work when later recalled by the Head Start program. This policy applies to Head Start furloughs in general and is not limited to furloughs related to the COVID-19 pandemic.

Head Start grantees should consult with their insurance carrier to make sure their group health plan allows for paying premiums for furloughed employees, and to confirm that coverage will continue for such employees. Grantees should also review their state unemployment compensation requirements to determine whether paying group health premiums for furloughed employees will affect their eligibility for unemployment benefits during the furlough period.

COBRA Premium Assistance

For this year, Head Start employees who are furloughed may qualify for COBRA premium assistance under the American Rescue Plan Act (ARPA). OHS notes that grantees may be eligible to claim reimbursement under ARPA for the full cost of paying a furloughed employee's health insurance premium cost during the period of April 1, 2021 through September 30, 2021. This year, COBRA notices must include information about the COBRA premium assistance, which is included in new model notices available on the U.S. Department of Labor's website. See [CAPLAW's prior eNews Brief](#) for more information.

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