

Survey:

Compliance implications of the American Rescue Plan Act (ARPA) on employment, health, and welfare benefits



Employers and plan sponsors face challenges as they navigate the latest federal legislation intended to counter the pandemic's effect.

In a recent survey, we asked employers how they will address the requirements and optional provisions outlined in ARPA.

What is your biggest COBRA subsidy challenge?

- 40%** Identifying subsidy eligible individuals

- 15%** Coordinating with COBRA administrator

- 23%** Satisfying the notice and communication requirements

- 8%** Responding to COBRA beneficiary questions

- 14%** Collecting the tax credit

Overview: Effective April 1, ARPA provides a 100% subsidy for COBRA coverage through September 30th and employers identified their most significant challenge administering the subsidy.

Next steps: Review your records and identify those that are subsidy-eligible, remembering that you must look back to October 2019. Review the model notices and guidance issued by the Department of Labor on April 7.

For reference: See our FYI, published April 9, 2021.

Do you plan to increase the maximum Dependent Care Assistance Plan (DCAP) benefit?

- 14%** Yes

- 41%** No

- 45%** Not sure yet

Overview: Employers can opt to increase the 2021 DCAP maximum to \$10,500, but a large number remain undecided.

Next steps: If you are considering increasing your maximum benefit to \$10,500 in 2021, review the impact of the increase on nondiscrimination testing. Consider limiting the maximum election amount to \$10,500 less any employee rollovers from 2020.

Will you continue to offer Families First Coronavirus Response Act (FFCRA) leave?

- 24%** Yes

- 12%** No

- 34%** Not sure

- 30%** Not applicable

Overview: Employers with fewer than 500 employees were required to provide FFCRA leave for specific COVID-related reasons and could receive tax credits to offset the cost through December 31, 2020. FFCRA tax credits were available through Q1 to employers that voluntarily provided leave thereafter. ARPA expands the qualifying reasons for taking paid leave and gives employers more time to receive tax credits.

Next steps: Determine whether to offer FFCRA leave during the period from April 1 to September 30 and take advantage of the available tax credit. If you continue to offer FFCRA leave, update policies to let employees know they can take time off to receive and recover from the vaccine.

Do you currently participate in a work sharing program?

- 3%** Yes

- 80%** No

- 14%** Not sure

- 3%** Under consideration

Overview: Work sharing programs provide an alternative to layoffs. They allow employers to retain trained workers by reducing their hours and workers to collect a prorated portion of their unemployment benefit. Participation in these state-administered programs has been somewhat limited.

Next steps: Work sharing can be an effective tool to keep trained workers during a downturn and to mitigate hiring and onboarding costs as conditions improve. Determine whether your organization could benefit from a work sharing program.