

# CORRESPONDENCE

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ACF Administration for Children and Families	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	
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## INFORMATION MEMORANDUM

**TO:** All Head Start and Early Head Start Agencies and Delegate Agencies

**SUBJECT:** Group Health Insurance Plan Premiums for Furloughed Employees

### INFORMATION:

Most Head Start grantees provide health insurance coverage to employees eligible under the terms of their group health plan. Eligibility for coverage generally includes several factors, such as length of employment, hours worked, and full- or part-time status. Premiums may be paid entirely by the employer or shared between employer and employee, in accordance with the employer's policies and procedures. When a covered employee no longer meets the criteria for group health plan coverage, they experience a [continuation of health coverage \(COBRA\)](#) qualifying event.

In this Information Memorandum (IM), the term *furlough* refers generally to a change in employment status, not to exceed 90 days, that results in a loss of coverage eligibility under the terms of the employer's group health plan. This IM applies only to furloughed employees expected to return to work.

### Summer Program Closures

Program schedules for many grantees include a summer closure. Employees are furloughed, laid off, or placed on unpaid leave until they are recalled when services resume in the fall.

### COVID-19 Furloughs

As a result of the COVID-19 pandemic, some programs have implemented furloughs in addition to their usual summer closures. The American Rescue Plan Act, 2021, includes [COBRA premium assistance](#). This tax credit is available to eligible employers for the cost of premium assistance provided for periods of health coverage on or after April 1, 2021, through September 30, 2021.

### Group Health Premium Payment During Furloughs

The Office of Head Start recognizes that payment of group health insurance premiums by furloughed employees may create a financial burden. Such issues decrease the likelihood that qualified staff will return when needed for fall services. Uninterrupted availability of insurance coverage may assist a grantee's recruitment and retention efforts.

Grantees may, subject to supportive policies and procedures, pay the partial or entire cost of group health premiums for employees subject to furlough for up to 90 days. Failure of a furloughed employee to return to work when recalled by the employer does not render costs paid for their group health premiums unallowable. This policy applies to covered furloughs in general and is not specific to COVID-19 or time-limited in relation to COVID-19.

### **Considerations**

Grantees choosing to implement policies and procedures for payment of group health premiums on behalf of furloughed employees should consult with their insurance carrier to make sure their group health plan allows for such payments, and that coverage will continue for furloughed employees. Depending on each group health plan, coverage may be continued through direct payment of premiums by the employer or payment of premiums by the employer after a COBRA election by the furloughed employee.

State unemployment compensation insurance requirements should also be reviewed to determine the impact on eligibility and benefits, if any, resulting from employer premium payments for furloughed employees. While the [Internal Revenue Code, Sec. 106](#), contains language that excludes employer-paid premiums from gross income, payments may impact unemployment compensation insurance eligibility status or benefits in some states.

Grantees are encouraged to consider the budget impact and potential benefits of paying all or part of group health premium costs for furloughed employees. If a plan for payment of premiums for furloughed employees is developed, it must be supported by written policies and procedures that clearly describe the eligibility, terms, and conditions of the plan.

Thank you for your work on behalf of children and families.

/ Dr. Bernadine Futrell /

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