

Understanding COBRA



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Learning Objectives

- To understand what COBRA is, who qualifies for it, and the benefits it covers
- To understand which employers must offer it
- To educate consumers on the timelines to sign up for COBRA
- To educate consumers on what to consider when deciding whether or not to elect COBRA coverage



What is COBRA?

The Consolidated Omnibus Budget Reconciliation Act (COBRA):

- Allows employees and their beneficiaries the option to keep group health coverage at group rates temporarily after certain qualifying events that would otherwise terminate their eligibility for the coverage, likely at the consumer's own cost.



COBRA is a Law, Not a Health Plan



- COBRA requires certain group health plans to provide temporary continuation of group health coverage that otherwise might be terminated.
- Continuation of coverage is only available when coverage would otherwise be lost due to certain specific events.
- Employers decide whether or not they will contribute to their employee's premiums under COBRA. Consumers may be responsible for the entire monthly premium by themselves.
- The amount COBRA participants contribute to group health coverage is usually more than the amount active employees contribute toward the group coverage.
- The cost of COBRA participants' full premium cannot exceed 102 percent of the cost of the plan for similarly situated individuals who have not incurred a qualifying event.

Who Qualifies for COBRA?

- COBRA contains provisions giving certain former employees, retirees, spouses, former spouses, and dependent children the right to temporary continuation of group coverage at group rates.
- If a consumer's employer is required to comply with COBRA, the consumer is eligible for COBRA coverage after just one day of coverage as an active employee or dependent of an active employee on their group health plan.
- A COBRA "qualifying event" is what triggers a consumer's ability to exercise their COBRA rights.



How Does COBRA Work?

- COBRA coverage may give you the opportunity to purchase temporary extended health care benefits offered by your former employer while you are looking for a new job or during a waiting period for health benefits imposed by your new employer.
- COBRA coverage provides continuity of coverage because you generally stay in the same plan you were in when you were employed, with the same network of doctors and hospitals and the same deductible.
- You also may have more affordable or more generous options for health coverage available to you and your family through other group health plan coverage, such as through:
 - A spouse's plan;
 - Individual health insurance coverage, such as through the Marketplace; and/or
 - Certain governmental programs.



COBRA Qualifying Events



Qualifying events for employees and/or eligible dependents include:

- Death of the current employee;
- Loss of eligibility for the group health plan due to voluntary or involuntary termination or a reduction in hours as a result of resignation, discharge (except for “gross misconduct”), layoff, strike or lockout, medical leave, or slowdown in business operations;
- Divorce or legal separation that terminates the ex-spouse’s eligibility for benefits; or
- A dependent child reaching the age at which they are no longer eligible for coverage as a dependent of an active employee under the group plan (generally age 26).

How Long Can a Consumer Stay on COBRA?

- When consumers elect COBRA coverage due to termination of employment or a reduction of hours, they are generally allowed up to an additional 18 months of group health coverage.
- In certain circumstances, consumers may extend COBRA continuation coverage up to an additional 36 months of group health coverage:

Extensions:

- Dependents of a covered employee who becomes eligible for Medicare
 - If a covered employee becomes entitled to Medicare benefits (either Part A or Part B) and later has a termination of employment or a reduction of employment hours, the period of COBRA coverage for the employee's spouse and dependent children lasts until the later of the 36-month period that begins on the date the covered employee became entitled to Medicare, or the 18 or 29-month period that begins on the date of the covered employee's termination of employment or reduction of employment hours.
- Disability
 - additional 11 months for a total of 29 months.

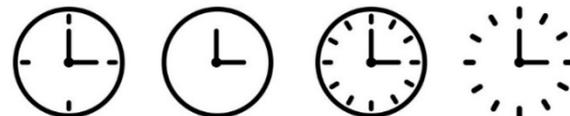


How Long Can a Consumer Stay on COBRA? (Cont.)

- Consumers may also extend COBRA coverage longer than the initial 18-month period with a second qualifying event (e.g., divorce or death), up to an additional 18 months, for a total of 36 months.
- For consumers with any qualifying event, COBRA coverage may end earlier if:
 - An individual does not pay premiums on a timely basis.
 - The employer ceases to maintain any group health plan.
 - After the COBRA election, an individual obtains coverage with another employer group health plan.
 - After the COBRA election, a beneficiary first becomes enrolled for Medicare benefits. However, if Medicare entitlement, either Part A or Part B, is effective on or before the date of the COBRA election, COBRA coverage may not be discontinued on account of Medicare enrollment, even if the individual enrolls in the other part of Medicare after the date of the election of COBRA coverage.
- Eligibility for Medicaid or eligibility for Marketplace coverage does not make consumers ineligible for COBRA.

Timelines to Elect COBRA Coverage

- Usually, consumers have until the later of 60 days after losing eligibility for their employer's group health coverage or 60 days after receiving their COBRA election notice to elect COBRA coverage.
 - Consumers have 45 days after election to pay their first month's premium.
- However, due to the COVID-19 National Emergency, these deadlines have been temporarily extended.
 - Instead of employees being required to elect COBRA coverage within 60 days of losing group health coverage, plans are now required to “disregard” the period between March 1, 2020, and 60 days after the end of the National Emergency.
 - Therefore, employees who have experienced a COBRA continuation coverage qualifying event have until the earlier of one year from the date they were first eligible for relief or 60 days after the announced end of the COVID-19 National Emergency, which is ongoing.



Timelines to Elect COBRA Coverage (Cont.)

- For example, a consumer who would have been required to make a COBRA election by March 1, 2020, had until February 28, 2021, which is the earlier of one year from March 1, 2020, or the end of the COVID-19 National Emergency (which remains ongoing).
- Similarly, a consumer who would have been required to make a COBRA election by March 1, 2021, has until the earlier of one year from that date (i.e., March 1, 2022) or the end of the COVID-19 National Emergency.
- COBRA coverage will generally* begin retroactively on the date consumers' active-employment-based group health coverage ended, as long as the election is made within the allowable election period for COBRA coverage.

*The American Rescue Plan Act of 2021 (ARP) has made some allowances for consumers who did not previously enroll in COBRA to elect coverage retroactively. These allowances will be outlined later in this webinar.

Which Employers are Required to Offer COBRA?

- Employers with 20 or more employees are generally required to offer COBRA coverage and to notify their employees of the availability of such coverage.
- COBRA applies to plans maintained by private-sector employers and plans sponsored by most state and local governments.



What Benefits Must be Covered by COBRA?

- COBRA coverage must provide identical benefits to those available to similarly situated enrollees who are not receiving COBRA coverage under the plan (generally the same coverage that the beneficiary had immediately before qualifying for continuation coverage).
- A change in the benefits under the plan for the active employees will also apply to qualified beneficiaries.
- Qualified beneficiaries must be allowed to make the same choices given to non-COBRA beneficiaries under the plan, such as during periods of open enrollment by the plan.



Knowledge Check #1

A consumer's costs under COBRA will generally not be the same as when they were employed or worked enough hours to be eligible for group health coverage.

True or False



Knowledge Check #1 Answer

A consumer's costs under COBRA will generally not be the same as when they were employed or worked enough hours to be eligible for group health coverage.

Answer: **True**



Employers decide if they'll contribute to the consumer's premiums under COBRA. Consumers may be responsible for the entire monthly premium and up to a two percent administrative fee. This will likely be more expensive than when they were employed.

Can You Change From COBRA to a Marketplace or Other Individual Market Plan?

	If your COBRA is running out	If you're ending COBRA early	If your COBRA costs change because your former employer stops contributing or you lose a government subsidy (like COBRA premium assistance) and you must pay full cost
During Open Enrollment	Yes, you can change.	Yes, you can change.	Yes, you can change.
Outside Open Enrollment	Yes, you can change — you qualify for a Special Enrollment Period.	No, you can't change until the next Open Enrollment Period, your COBRA runs out, or you qualify for a Special Enrollment Period another way.	Yes, you can change — you qualify for a Special Enrollment Period.

COBRA Coverage and Eligibility for Marketplace or Other Individual Coverage



How can assisters help consumers decide if COBRA is the best option?

- Many individuals and families, particularly those not eligible for COBRA premium assistance through the ARP (as discussed later in this webinar), may have lower-cost options in the Marketplace, other individual market plans, or through their spouse's employer.
- If consumers are eligible for COBRA coverage but have not made a COBRA coverage selection (i.e., have not yet signed up), they may still qualify for advance payments of the premium tax credit (APTC) or cost-sharing reductions (CSRs) through the Marketplace, if they are otherwise eligible. Additionally, consumers who have made a COBRA coverage selection may qualify for APTC or CSRs so long as they terminate their COBRA coverage by the time their Marketplace plan would start.
- These consumers may be eligible for a Special Enrollment Period (SEP) to buy a Marketplace plan or other individual market plan if they lost their employer's group health coverage within the last 60 days.

COBRA Premium Assistance Under the American Rescue Plan Act of 2021 (ARP)

- Under the ARP, individuals who are eligible for COBRA coverage because of their own or a family member's reduction in hours or an involuntary termination from employment and who elect COBRA coverage may be eligible for a **full premium subsidy** that covers the entire cost of COBRA. This premium subsidy is available from April 1 until September 30, 2021.
 - Individuals eligible for the extended COBRA election period should have received a notice within 60 days of April 1, 2021 – that is, no later than May 31, 2021.
 - The notice will provide additional details about the COBRA premium assistance and how to request it.
 - Individuals have 60 days after they are provided the notice to elect COBRA coverage.
 - When their COBRA premium assistance ends, the consumer can enroll in a Marketplace plan with an SEP. If they know their COBRA premium assistance is ending September 30, 2021, they can report a September 30 loss of coverage to qualify for an SEP starting August 1, 2021.
- Consumers can learn more about COBRA premium assistance at [DOL.gov/agencies/ebsa/laws-and-regulations/laws/cobra/premium-subsidy](https://www.dol.gov/agencies/ebsa/laws-and-regulations/laws/cobra/premium-subsidy) and [HealthCare.gov/unemployed/cobra-coverage/](https://www.healthcare.gov/unemployed/cobra-coverage/).

COBRA Premium Assistance Under the ARP (Cont.)

- Under the ARP, consumers who were offered COBRA and declined to elect COBRA at that time, or elected COBRA and later discontinued it, may have another opportunity to elect COBRA coverage and get the full premium subsidy if they are still within the period of time that they could have had COBRA coverage (generally 18 months from the employee's reduction in hours or involuntary termination).
- Individuals can begin their coverage prospectively from the date of their election or, if an individual has a qualifying event on or before April 1, choose to start their coverage as of April 1, even if the individual receives an election notice and makes such election at a later date.
 - In either case, please note that the COBRA premium assistance is only available for periods of coverage from April 1, 2021, through September 30, 2021. Assistors should note that individuals not eligible for COBRA premium assistance through the ARP may have lower cost options in the Marketplace, other individual market plans, or through their spouse's employer.



Changing from Marketplace Coverage to COBRA

- Consumers can change from Marketplace coverage to COBRA continuation coverage, but they won't qualify for a premium tax credit and other savings on Marketplace coverage for any month they have COBRA continuation coverage.
- If they want to change from Marketplace coverage to COBRA coverage with COBRA premium assistance, consumers can make sure their Marketplace coverage ends on the last day before their COBRA coverage starts.
- If their COBRA coverage starts sooner than they can end their Marketplace coverage with premium tax credit, consumers can ask their former employer to waive COBRA continuation coverage when they had Marketplace coverage. This way, they won't have to pay back the tax credit for when they had both.



COBRA and Eligibility for Other Health Coverage Under the ARP

- Under the ARP, consumers who are or become eligible for other group health coverage, such as through a new employer's plan or a spouse's plan, or who are eligible for Medicare **are not eligible for the COBRA premium assistance.**
 - However, eligibility for Medicaid or eligibility for Marketplace coverage does not make you ineligible for COBRA or for the COBRA premium assistance.
- Consumers receiving the COBRA premium assistance must notify their plans if they become eligible for coverage under another group health plan or for Medicare. Failure to do so can result in a tax penalty.

To COBRA or Not to COBRA



Things to consider when deciding between COBRA, Marketplace coverage, or other individual market plans:

- Continuity of coverage
- Access to care: Provider networks
- Formularies
- Total cost: COBRA coverage including premiums, deductibles, and co-insurance
- Quality of care
- Potential savings for Marketplace coverage, if eligible
- Comparative benefits

Complex Case Scenario #1

Michael is 43 years old, married, and the father of one child.

- On March 16, 2021, Michael lost his job due to the COVID-19 outbreak. Michael's employer offered health benefits to its employees and their dependents. Michael's spouse and child don't work or have any additional income.
- Michael and his family were covered by his employer's health plan until March 31, 2021.
- After losing his job, Michael estimates that his total household income in 2021 will be \$60,000 (including severance pay and unemployment benefits).



Complex Case Scenario #1 (Cont.)

To avoid a gap in coverage, what health coverage options are available to Michael and his family once his employer-sponsored coverage (ESC) ends?

- COBRA Coverage
- Marketplace Coverage or other Individual Market Plans
- Medicaid or CHIP Coverage



Option: COBRA Coverage



- Upon experiencing a qualifying event (e.g., losing his job), Michael and any qualified beneficiaries would typically have 60 days to decide whether to elect COBRA coverage.
- However, due to the COVID-19 National Emergency, Michael instead has until 60 days after the National Emergency ends to elect COBRA coverage.
 - Since Michael lost his job on March 16 and his coverage on March 31, he can elect COBRA coverage to begin on April 1.
- If Michael chooses to elect COBRA coverage, he has 45 days after making the election to pay the first month's premium.
- In general, COBRA's definition of a "qualified beneficiary" includes only a covered employee, their spouse, and dependent children who were covered under the health plan on the day before the COBRA qualifying event as well as children born to or adopted by the employee during a period of COBRA coverage.

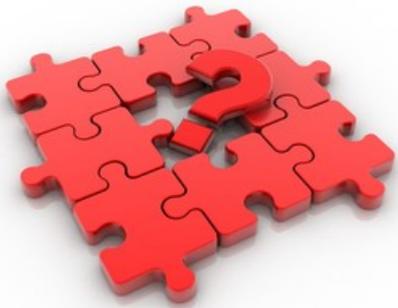
Option: COBRA Coverage (Cont.)

If Michael wants to elect COBRA coverage, he should consider the following:

- He may be eligible for a full premium assistance that covers the entire cost of COBRA from April 1 until September 30, 2021.
- After the COBRA premium assistance ends, Michael would be responsible for his COBRA costs, but he can qualify for an SEP based on the end of the premium assistance to enroll in Marketplace coverage with APTC and CSRs, if he is otherwise eligible.
- COBRA coverage may be more expensive than typical ESC since employers are not required to contribute to COBRA premiums; therefore, Michael will probably have to pay the entire monthly premium himself after the subsidy ends.
- COBRA coverage is a good option to prevent a gap in coverage and for possible continuity of care with existing providers, but it may not be the best long-term option for Michael and his family due to its likely costs.



Option: COBRA Coverage (Cont.)



- Michael should also decide if he wants to elect COBRA coverage for his spouse and child who are qualified beneficiaries (i.e., dependents or children), or if these family members may be eligible to enroll in Medicaid, CHIP, or other health coverage.
- If Michael voluntarily drops his COBRA coverage outside of the individual market annual Open Enrollment Period and more than 60 days after his original loss of employer coverage, he may not be eligible for an SEP to purchase individual market coverage.
- However, he will qualify for an SEP when his COBRA coverage runs out and when his COBRA costs change because COBRA premium assistance ends (there is also an SEP available when the cost of COBRA increases due to an employer discontinuing subsidy payments).

Option: Marketplace Coverage or Other Individual Market Plans



Michael has 60 days after losing his ESC to enroll in Marketplace coverage or another individual market plan through an SEP (to minimize gaps in coverage, consumers also have 60 days before their loss of coverage to submit an application and enroll in a plan for coverage starting the first of the month after the last day of their employer coverage).

- When consumers decide not to elect COBRA coverage, they may still qualify for APTC or CSRs through the Marketplace, if eligible.
- Additionally, if a consumer initially elects COBRA continuation coverage, they may still use their loss of coverage SEP to enroll in Marketplace coverage until the end of their SEP window, which is 60 days after their loss of pre-COBRA job-based coverage.
- They may also qualify for APTC if they terminate their COBRA continuation coverage.

Option: Marketplace Coverage or Other Individual Market Plans (Cont.)

- Michael may be eligible for APTC based on his family size and his total estimated annual household income.
- For more information about enhanced APTC benefits under the ARP, visit [HealthCare.gov/more-savings/](https://www.healthcare.gov/more-savings/).



Option: Medicaid Coverage



Even though Michael's state (Maine) has expanded Medicaid, he is not eligible for Medicaid based on his household income.

Review of Options for Michael

Michael has a few options to avoid a gap in coverage and continue his health coverage after he loses his job:

1. He can elect COBRA coverage with the premium assistance available through the ARP and continue with COBRA coverage. However, after September 30, 2021, Michael will have to pay for the entire premium himself;
2. He can elect COBRA coverage now. Then, when the subsidy stops on September 30, he can use an SEP to enroll in Marketplace coverage with APTC, if he otherwise qualifies. Michael would be eligible for this SEP because his COBRA coverage costs will change when the ARP COBRA assistance ends; or
3. He can choose to decline COBRA coverage and instead enroll in a Marketplace plan now with APTC, if he otherwise qualifies, or enroll in an individual market plan off the Marketplace without APTC.



Complex Case Scenario #2



- Elaine lost her job in April 2021 and was offered COBRA continuation coverage but declined it due to the high cost.
- In May 2021, Elaine enrolled in individual market health insurance coverage through the Marketplace with APTC.
- Elaine now wants to know if she still may be able to sign up for COBRA and if she would be eligible for COBRA premium assistance.

Points to Consider

- Potential assistance-eligible individuals can use the COBRA election period to change from individual market health insurance coverage (that they got either through the Health Insurance Marketplace®, such as through HealthCare.gov, or outside of the Marketplace) to COBRA continuation coverage with premium assistance.
- Since it is still within the COBRA election period (generally 18 months), Elaine may now opt to elect COBRA.
- However, if Elaine enrolls in COBRA with premium assistance, she will no longer be eligible for a premium tax credit (PTC) or APTC for Marketplace coverage she otherwise would qualify for during the COBRA premium assistance period.



Points to Consider (Cont.)



- Elaine should contact the Marketplace to let them know that she has enrolled in other minimum essential coverage and wants to end her Marketplace coverage.
- If Elaine elects COBRA and does not end her Marketplace coverage with APTC, she may have to repay some or all the APTC during the period she was enrolled in both COBRA and Marketplace coverage. This repayment would be required when she files her income tax return for 2021.
- When Elaine's COBRA premium assistance ends, she could use an SEP to switch back to Marketplace coverage.

Resources

- [COBRA Premium Subsidy for Workers and Families](#)
- [FAQs About COBRA Premium Assistance Under the American Rescue Plan Act of 2021 \(ARP\)](#)
- [COBRA Premium Subsidy for Employers and Advisers](#)
- [COBRA coverage and the Marketplace](#)
- [COBRA Continuation Coverage Questions and Answers](#)
- [FAQs on COBRA Continuation Health Coverage for Employers and Advisers](#)

Resources (Cont.)

American Rescue Plan Act of 2021:

HealthCare.gov:

[New, lower costs on Marketplace coverage](#)

HHS Fact Sheet:

[HHS.gov/about/news/2021/03/12/fact-sheet-american-rescue-plan-reduces-health-care-costs-expands-access-insurance-coverage.html](#)

CMS Fact Sheet:

[CMS.gov/newsroom/fact-sheets/american-rescue-plan-and-marketplace](#)

Link to American Rescue Plan Act of 2021:

[Congress.gov/bill/117th-congress/house-bill/1319/text](#)

[COVID-19 Fact Sheet for Assisters](#)