

Understanding COBRA



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Learning Objectives

- To understand what Consolidated Omnibus Budget Reconciliation Act (COBRA) continuation coverage is, who qualifies for it, and the benefits it provides.
- To understand which employers must offer it.
- To educate consumers on the timelines to sign up for COBRA continuation coverage.
- To educate consumers on what to consider when deciding whether or not to elect COBRA continuation coverage.



What is COBRA?

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, often 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 qualified beneficiaries, such as 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 continuation 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 continuation coverage may give consumers the opportunity to purchase temporary extended health care benefits offered by their former employers while they are looking for a new job or during a waiting period for health benefits imposed by their new employer.
- COBRA continuation coverage provides continuity of coverage because consumers generally stay in exactly the same plan they were in when they were employed, with the same network of doctors and hospitals and the same deductible.
- Consumers also may have more affordable or more generous options for health coverage available to them and their 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 continuation 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 and later has a termination of employment or a reduction of employment hours, the period of COBRA continuation 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.

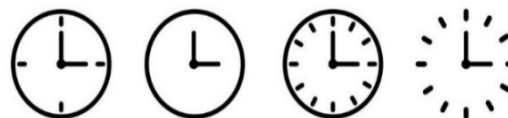


How Long Can a Consumer Stay on COBRA? (Cont.)

- Consumers may also extend COBRA continuation 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 continuation 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 group health plan.
 - After the COBRA election, a beneficiary first becomes enrolled in Medicare benefits.
 - An individual engages in conduct that would justify the plan in terminating coverage of a similarly situated enrollee not receiving continuation coverage (such as fraud).
- However, if Medicare entitlement, either Part A or Part B, is effective on or before the date of the COBRA election, COBRA continuation 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 continuation coverage.
- Eligibility for Medicaid or eligibility for Marketplace coverage does not make consumers ineligible for COBRA.

Timelines to Elect COBRA Continuation 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, whichever is later, to elect COBRA continuation 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 or receiving a COBRA election notice, 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 the end of their 60-day election period paused 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 Continuation Coverage (Cont.)

- For example, a consumer who would have been required to make a COBRA election by March 1, 2020, had until March 1, 2021, which is the earlier of one year from March 1, 2020, or the end of the COVID-19 National Emergency (which is ongoing).
- Similarly, a consumer who would have been required to make a COBRA election by March 1, 2021, had until the earlier of one year from that date (i.e., March 1, 2022) or the end of the COVID-19 National Emergency (which is ongoing).
- 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 continuation coverage.

Which Employers are Required to Offer COBRA?

- Employers with 20 or more employees are generally required to offer COBRA continuation 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 continuation coverage must provide identical benefits to those available to similarly situated enrollees who are not receiving COBRA continuation coverage under the plan (generally the same coverage that the qualified 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 in COBRA continuation coverage.
- 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

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 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 Market Coverage



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

- Many individuals and families, particularly those whose employers are not contributing to their COBRA premiums, may have lower-cost options in the Marketplace, other individual market plans, or through their spouse's employer.
- If consumers are eligible for COBRA continuation coverage but have not made a COBRA continuation 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 continuation coverage selection may qualify for APTC or CSRs so long as they terminate their COBRA continuation 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 plans if they lost their employer's group health coverage within the last 60 days.

COBRA Continuation Coverage and Medicaid/CHIP

- Medicaid and the Children's Health Insurance Program (CHIP) are free or low-cost health programs that cover many benefits, including hospitalizations, doctor services, and prescription drugs.
- In all states, Medicaid and CHIP provide health coverage for many low-income families, children, pregnant women, the elderly, and people with disabilities. In some states, Medicaid provides coverage for adults below a certain income level. In other states, individuals may still qualify for Medicaid if they are medically needy, even if their income exceeds the usual qualifying levels. Under the Affordable Care Act, modified adjusted gross income (MAGI) is used to determine most consumers' financial eligibility for Medicaid and CHIP. Federal law provides additional funding to states to expand their Medicaid programs to cover certain adults younger than 65 with income up to 133 percent (effectively 138 percent) of the federal poverty level (the "adult group").
- Most Medicaid or CHIP coverage counts as minimum essential coverage (some types of reduced coverage do not count). Consumers who are determined to be eligible for such coverage are no longer eligible for APTC and savings on out-of-pocket costs through the Marketplace.
- Those who qualify for Medicaid can enroll in Medicaid at any time, not just during Open Enrollment. Consumers may apply through [HealthCare.gov](https://www.healthcare.gov) or directly with their state's Medicaid agency.

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 continuation coverage including premiums, deductibles, and coinsurance
- Quality of care
- Potential savings for Marketplace coverage, if eligible
- Comparative benefits

Complex Case Scenario

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

- On March 16, 2022, Michael lost his job. Michael's employer offered health benefits to its employees and their dependents. Michael's spouse works and earns \$2,650 a month in additional income. His spouse does not have employer-sponsored health coverage.
- Michael and his family were covered by his employer's health plan until March 31, 2022.
- After losing his job, Michael estimates that his total household income in 2022 will be \$60,000 (including severance pay and unemployment benefits).



Complex Case Scenario (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 continuation 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 continuation coverage.
- However, due to the COVID-19 National Emergency, Michael instead has until the earlier of one year or 60 days after the National Emergency ends to elect COBRA coverage, plus 60 days.
- Since Michael lost his job on March 16 and his coverage on March 31, he can elect COBRA continuation coverage to begin on April 1. If Michael chooses to elect COBRA continuation 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 continuation coverage, he should consider the following:

- COBRA continuation coverage may be more expensive than typical ESC, since employers are not required to contribute to COBRA premiums.
- COBRA continuation coverage may be 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 higher costs.
- Michael should also decide if he wants to elect COBRA continuation 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.



Option: COBRA Coverage (Cont.)



- If Michael voluntarily drops his COBRA continuation 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 continuation coverage runs out or if his employer stops contributing to his COBRA premiums and he must pay the full cost.

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 for Marketplace coverage 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 continuation 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.
- 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 American Rescue Plan Act of 2021, visit [HealthCare.gov/more-savings](https://www.healthcare.gov/more-savings).

Option: Medicaid Coverage



Even though Michael's state (Arizona) 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 continuation coverage and will have to pay for the entire premium himself.
2. He can choose to decline COBRA continuation 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.



Resources

- [COBRA coverage & the Marketplace](#)
- [COBRA Continuation Coverage Questions and Answers](#)
- [FAQs on COBRA Continuation Health Coverage for Employers and Advisers](#)

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](#)
- Link to American Rescue Plan Act of 2021: [Congress.gov/bill/117th-congress/house-bill/1319/text](#)