



# Elder RecoverE-News

A series of e-briefs to examine the Recovery Act's impact on elders and their families

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## Wider Opportunities for Women

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## Consolidated Omnibus Budget Reconciliation Act (COBRA)

### Background: COBRA

Congress passed COBRA health benefit provisions in 1986 to provide eligible former employees, retirees, spouses, former spouses and dependent children the right to temporary continuation of health coverage at group rates. Coverage is available after loss of employer health coverage due to specific events. Group health coverage for COBRA participants is usually more expensive than health coverage for active employees, since the employer pays a part of the premium for active employees while COBRA participants generally pay the entire premium themselves. It is, however, typically less expensive than individual health coverage without COBRA assistance. Workers obtain specific health care information on COBRA through their health plan rules statements along with claims procedures.

### Recovery Impact

The Recovery Act provided for premium reductions and additional election opportunities for health benefits under COBRA. To be eligible for COBRA premium assistance provided through the Recovery Act, individuals had to have been involuntarily terminated between September 1, 2008 and May 31, 2010; ineligible for another group health plan; and have a modified adjusted income below \$145,000, or \$290,000 if married and filing a joint tax return. Eligible individuals paid 35% of their COBRA premiums and the remaining 65% was subsidized through the Recovery Act. Additional legislation was passed after the first Recovery Act provision expired to extend the duration of time workers received COBRA with the last extension ending in May 2010.

With the 65% subsidy, a family paid an average of \$389 a month for COBRA. Without the subsidy, the cost to an unemployed family can be as high as \$1,111 a month—far beyond what most can afford.

A [survey](#) by Hewitt Associates found that the percentage of laid-off workers who opted for COBRA doubled since the subsidy began in March 2009, from 19% to 38%, with industries like aerospace and defense seeing the rate of COBRA enrollments more than double, from 30% (September 2008 to February 2009) to 63% (March 2009 to November 2009).

However, another research study by the Employee Benefit Research Group found that the COBRA subsidies available in April 2009 did not appear to have had an immediate impact on the percentage of individuals with coverage through a former employer. As many as 2 million households relied on COBRA assistance in 2009, the latest data available. About 12-15% of eligible households obtained health insurance. One reason for low participation is

that even with the Recovery Act subsidy, eligible workers were still generally unable to afford to pay 35% of premiums.

In addition, there are limitations to the federal provisions. Large portions of workers did not qualify for COBRA or the subsidy. Ineligible groups include those whose employers went out of business or have the equivalent of fewer than 20 employees; unemployed workers who, before job loss, were employed and covered by small firms that were governed by neither COBRA nor state mini-COBRA laws; and unemployed workers who did not receive coverage from their employers before job loss.

For older workers, we can infer some favorable impact—they are the ones that would pay the most in the individual market without COBRA, and many of them were forced to accept early retirement but were not yet eligible for Medicare; therefore subsidized group rates are especially important and beneficial to them. Additional data is expected to be available in September 2010; at that time, we can learn more about the impact COBRA had on workers in general as well as on older workers. Regardless, according to a Government Accountability Office analysis, COBRA data will understate the number of individuals receiving health insurance. For example, the data covers the premium assistance paid for the former employee only; the spouse and any children would still count as one person provided assistance. In the analysis, Internal Revenue Service officials state that the relevant form did not include dependents due to a short implementation period, space constraints on the form and a desire not to overburden employers with additional reporting requirements.

Sources: [COBRA Assistance: A Lifeline for America's Unemployed 2010](#) (Families USA); [COBRA Held for Laid-Off Workers May Come Before Christmas](#) (Kaiser Health News); [Hewitt Research Continues to Show High Rate of COBRA Enrollments Among Subsidy-Eligible Employees](#) (Hewitt Associates); [EBRI Notes](#) (Employee Benefit Research Institute)

## State Impact

While data is limited on state impact, one targeted Treasury Department report analyzed the uptake of COBRA in New Jersey. The report showed that the Recovery Act subsidy did in fact reduce the cost of COBRA from about \$13,500 to \$4,725 for a typical family; roughly 15% of Unemployment Insurance (UI) beneficiaries received health insurance coverage via COBRA; and about 80% of individuals who used the Recovery Act COBRA subsidy were households with annual incomes between \$30,000 and \$134,000. According to Treasury data, states with the largest number of recipients included Florida, California, Texas, New York and Illinois.

Some states opted to pass laws expanding the federal COBRA program and offered the insurance extension to small businesses as well; therefore, benefits varied based on an individual's state of residence. A chart comparing state regulations is available online on the [Kaiser Family Foundation State Health Facts](#) site.

Sources: [Cobra Insurance Coverage Since the Recovery Act: Results from New Survey Data 2010](#) (U.S. Treasury Department Office of Economic Policy); [Interim Report to the Congress on COBRA Premium Assistance](#) (U.S. Treasury Department); [How Effectively Does the American Recovery and Reinvestment Act Help Laid-Off Workers and States Cope with Health Care Costs?](#) (Robert Wood Johnson Foundation); [Expanded COBRA Continuation Coverage for Small Firm Employees, 2010](#) (Kaiser Family Foundation)

## Funding Expired – Update

There have been three extensions of benefits since the Recovery Act passed the first COBRA subsidy. Currently, many state officials are calling on the federal government to extend benefits to protect workers and stay off further state budget cuts. Some states have expanded their programs; for example, in May 2010, Illinois' Governor signed legislation that ensures unemployed small business workers receive continued COBRA health coverage and discounts provided under the Recovery Act.

The federal COBRA subsidy is expired and was dropped from a larger jobs bill that extended UI after Republicans filibustered the package. The Senate voted last week in favor of the bill (59 to 39) and the House approved it on Thursday, July 22 with a 272 to 152 vote, and President Obama signed the bill into law.

About 2.5 million people lost their UI benefits when the extension expired at the end of May. Retroactive payments will be sent out, but it will take weeks for people to receive them.

COBRA still needs to be introduced as a separate bill in Congress and it is unclear what bill, if any, may include it. Without additional assistance, most unemployed families will not be able to afford their former employer's health insurance through the COBRA program. A Families USA study analyzed state by state the average UI payments, compared to the average COBRA premiums, and found that for many it would take their whole unemployment check to continue coverage. In fact, in nine states, the cost of COBRA premiums was equal to or exceeded the UI payment.

Sources: [Groups Call Upon Schumer and Gillibrand to Restore Medicaid and COBRA Health Insurance Funding](#) (Citizen Action); [Enhanced Medicaid match extension would help state budget and low-income families](#) (OK Policy Blog); [Governor Quinn Signs Bill to Protect Small Business Workers' Health Insurance](#) (State News Services); [Squeezed Caught Between Unemployment Benefits and Health Care Costs](#) (Families USA); [Congress extends unemployment benefits](#) (Wall Street Journal)