



Maintaining Health Insurance Coverage After Losing Employment: The COBRA Subsidy under the American Reinvestment and Recovery Act of 2009

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As the nation's unemployment rate reaches over 8 percent, the highest it has been in over 25 years, millions of Americans are at risk for losing health care coverage. Under the 1985 Consolidated Omnibus Budget Reconciliation Act (COBRA), most employees who are laid off from work are eligible for temporary continued health care coverage. Unemployed workers can continue health care coverage for up to 18 months but must pay the full cost of the premium, including the portion that had been paid by the employer, plus 2 percent. For many laid-off workers, the cost of continuing coverage while unemployed is unaffordable.¹

The American Recovery and Reinvestment Act of 2009 (ARRA) includes a provision for temporary assistance to help keep unemployed Americans insured. A newly unemployed worker who meets certain eligibility requirements can maintain coverage under COBRA at just 35 percent of the cost of the premium for up to nine months. The federal government will reimburse employers in the form of a payroll tax credit or a refund check for the remaining 65 percent of the cost of the insurance. Eligible individuals are responsible for paying the full cost of coverage after nine months.

Many Connecticut residents have lost their jobs during the recent economic downturn. In March 2009, the seasonally adjusted unemployment rate in Connecticut reached 7.5 percent, the highest it has been since 1992; an estimated 142,000 individuals were unemployed.² Rising unemployment affects health insurance coverage for many workers and their families, as two out of every three Connecticut residents rely on employment-based coverage.³ In Connecticut, laid-off workers can take advantage of COBRA continuation coverage and the COBRA subsidy under the former employer's group health plan.

Eligibility for the COBRA Subsidy

Individuals and their family members are eligible for the COBRA subsidy if:

- The worker was involuntary terminated from the job between September 1, 2008 and December 31, 2009 (even if the worker previously declined COBRA coverage);
- The worker and family members had been covered by an insurance plan offered by an employer with the equivalent of 20 or more full time employees (under federal laws governing benefits) or an employer with less than 20 employees (under Connecticut's "mini-COBRA" program, recently updated to take advantage of the ARRA COBRA subsidy⁴); and
- The worker's same year income is below \$125,000 for an individual or \$250,000 for a married couple.

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Individuals and family members are not eligible for the COBRA subsidy if the employer no longer offers health insurance to any employees; if the employer goes out of business; if the worker had coverage under an individually purchased insurance plan; or if the worker's same year income exceeds the annual limit.⁵

In Connecticut, if a worker is 62 to 65 years of age and is eligible for COBRA, the employer must offer to extend COBRA continuation coverage until the person reaches 65, up to a maximum of 36 months.⁶

How to Enroll in the COBRA Subsidy Program

When an employee is laid-off, the employer must notify the eligible worker of the option to maintain health insurance coverage under COBRA for up to 18 months from the date coverage ended, including up to 9 months of subsidized coverage. Employers must also notify all former employees who lost their jobs after September 1, 2008, even if the worker had elected not to maintain coverage.⁷ Once notified, laid-off workers have 60 days to decide if they want to continue coverage with the COBRA subsidy.

Where to Check for More Information

For more information about COBRA continuation coverage, workers can contact:

- Former employer or employer's benefits manager;
- United Way Infoline 2-1-1 (call or download the comprehensive guide "Where to Turn in Connecticut When You Become Unemployed" at www.211ct.org/search/unemployment.pdf)
- Connecticut Office of the Health Care Advocate 1-866-466-4446;
- Connecticut Department of Insurance Consumer Affairs Division 1-800-203-3447; or
- U.S. Department of Labor's Employee Benefits Security Administration at 1-866-444-3272 (www.dol.gov/COBRA).

Unemployed workers and their families who are not eligible for COBRA continuation coverage may be eligible for the HUSKY Program (www.huskyhealth.com), the Charter Oak Health Plan (www.charteroakhealthplan.com), Medicaid or State Administered General Assistance (www.ct.gov/dss), or Connecticut's Health Reinsurance Association which guarantees access to health insurance coverage for individuals who cannot get coverage because of pre-existing conditions (www.hract.org). United Way Infoline 2-1-1 can assist callers with information about these coverage options.

¹ According to the Kaiser Foundation, the average annual cost of employer-sponsored health insurance in 2008 was \$4,704 for an individual and \$12,680 for a family. On average, employees paid 16% of the cost of coverage for an individual and 27% of the cost for family coverage for their employees. For more information about employer-sponsored health insurance coverage, see: Kaiser Family Foundation and Health Research & Education Trust. Kaiser/HRET employer health benefits survey, 2008 (#7790). Available at: www.kff.org.

² US Department of Labor Bureau of Labor Statistics. Available at: <http://data.bls.gov/PDQ/servlet/SurveyOutputServlet>.

³ Connecticut Office of Health Care Access. Databook: health insurance coverage in Connecticut. Results of the Office of Health Care Access 2006 household survey. Available at: www.ct.gov/ohca.

⁴ State of Connecticut Office of the Governor. New state law allows stimulus to extend COBRA coverage for unemployed (press release 4/17/09). Available at: www.ct.gov/governorrell

⁵ Laid-off workers with same year income between \$125,000 and \$145,000 (individual) or \$250,000 and \$290,000 (married couple filing a joint federal income tax return) may be eligible for a partial subsidy of COBRA premiums.

⁶ Connecticut General Assembly Office of Legislative Research. Continuation of coverage for individuals age 62 and over. January 7, 2004. Available at: www.cga.ct.gov/2004/rpt/2004-R-0004.htm.

⁷ Those who experienced a gap in coverage are not required to pay back premiums and are not subject to exclusions for pre-existing conditions.