intheloop
connecting
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community

COBRA

Prior to the Affordable Care Act (ACA), individuals who lost their employer-sponsored insurance when leaving a job had few options to obtain affordable health insurance. Many consumers were unable to purchase insurance on the private market due to pre-existing conditions, and COBRA coverage was often unaffordable. Under the ACA, consumers who are losing employer coverage can now choose between COBRA or marketplace coverage options.

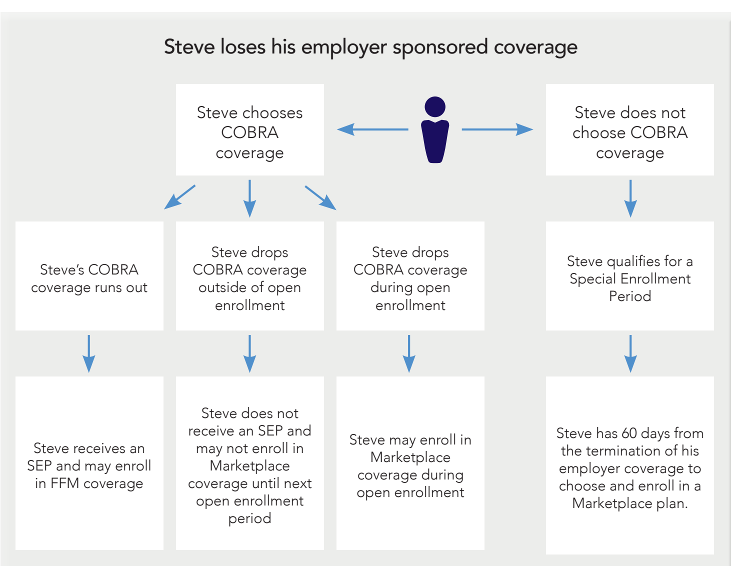
WHAT IS COBRA?

COBRA is an extension of employer-sponsored insurance for employees who lose health insurance coverage when they leave a job, either voluntarily or involuntarily, or when their employment status changes due to a reduction in hours.

COBRA allows consumers to retain the same coverage they had while employed, but the cost is often much more than what the consumer was paying as an employee. Typically, when a consumer elects to use COBRA, she pays the full price of the premium plus the administrative costs for the employer to offer the insurance. Due to the high cost of COBRA coverage, many consumers find it unaffordable.

WHAT OPTIONS DO CONSUMERS NOW HAVE?

When a consumer loses employer-sponsored insurance and is offered COBRA coverage, she can choose between COBRA and marketplace coverage. Many factors contribute to a consumer's choice whether to use COBRA or marketplace coverage. In addition to cost differences between the two options, consumers may consider provider networks and total out-of-pocket expenses. For example, if a consumer is in the middle of cancer treatments, he may choose COBRA coverage, even if it is more expensive, to ensure his provider network remains the same.



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When presented with the option of COBRA or marketplace coverage, consumers should consider the following:

If a consumer chooses COBRA for health insurance:

- The consumer may not change her mind and switch to marketplace coverage until the next open enrollment period.
- During the next open enrollment period, the consumer may switch to marketplace coverage.
- If the COBRA coverage expires, the consumer will receive a Special Enrollment Period and may enroll in marketplace coverage even if the expiration of COBRA happens outside of open enrollment.

If a consumer chooses not to use COBRA and to enroll in marketplace coverage:

- The consumer has 60 days from the end of employer coverage to choose and enroll in a marketplace plan through a Special Enrollment Period.
- Depending on the consumer's income, she may be eligible for Advanced Premium Tax Credits to help pay for marketplace coverage and Cost-Sharing Reductions to reduce her out-of-pocket costs.

MORE INFORMATION AND RESOURCES ABOUT COBRA:

COBRA Coverage and the Marketplace, HealthCare.gov

Navigator Resource Guide on Private Health Insurance Coverage and the Health Insurance Marketplace, Robert Wood Johnson Foundation and the Center on Health Insurance Reforms (see questions 160-162)

COBRA Continuation Coverage Questions and Answers, Centers for Medicare & Medicaid Services

COBRA Continuation Coverage, Department of Labor