

April 2010

The Extension of the COBRA Subsidy: An Update

In an effort to help people maintain coverage after a layoff, the stimulus bill officially known as the American Recovery and Reinvestment Act of 2009 (ARRA) provided a 65% subsidy to some of the unemployed to help them temporarily afford to keep their previous employer-sponsored coverage through the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).¹ This program has since been extended and the latest extension will allow individuals who are laid off through the end of May 2010 to qualify for the subsidy. Without this subsidy, individuals maintaining their previous employer-sponsored coverage have to pay the full premium—both the employee and the employer share—plus a 2% administrative fee. The full cost of maintaining the average employer-sponsored coverage through COBRA is \$1,137 per month for family coverage and \$410 per month for individual coverage.² Under the subsidy, the cost of maintaining the average policy is \$398 per month for a family and \$144 for an individual.

Who is eligible for the subsidy and how long does it last?

The Continuing Extension Act of 2010 signed into law on April 15, 2010 extends the eligibility period for the COBRA subsidy through May 31, 2010. Under the original law, only workers laid-off from September 1, 2008 to December 31, 2009 qualified for the subsidy. An extension passed in December 2009 allows individuals to continue to receive the subsidy for up to 15 months, instead of the original nine months.

Has the COBRA subsidy been extended to any new groups of individuals?

In March 2010, the Temporary Extension Act of 2010 extended the COBRA subsidy to individuals who lost their employer-sponsored insurance when their hours were reduced and who were later laid off. These individuals were previously ineligible for COBRA and the subsidy after losing their jobs because the original law only makes continuing employer-sponsored coverage through COBRA an option for those who had such coverage immediately prior to becoming eligible for COBRA. In order to qualify for the subsidy due to these circumstances, an individual must have had his or her hours reduced from September 1, 2008 to May 31, 2010 and have been laid off from March 2, 2010 to May 31, 2010. These individuals do not have to retroactively pay subsidized COBRA premiums for the period from when they lost their coverage to when they were laid-off. However, their 18 months of COBRA eligibility are still calculated from the date when they originally lost coverage.

Extending this subsidy will provide an opportunity for more individuals to maintain their previous employer-sponsored coverage during this recession. This subsidy is an interim measure and does not take the place of the comprehensive health care reform law enacted in March 2010. Once all of the key provisions of that law take effect in 2014, expanded Medicaid eligibility and a health insurance Exchange with subsidies for those who qualify will provide a comprehensive set of options for the unemployed and other Americans.

¹ Schwartz, K. "The COBRA Subsidy for the Unemployed." Kaiser Commission on Medicaid and the Uninsured. (April 2010 #7875-02).

² Calculations based on premium data from: Kaiser Family Foundation and Health Research & Educational Trust. *2009 Kaiser/HRET Employer Health Benefits Survey*. (September 2009 #7790).