



RESEARCH MEMO

Pending House and Senate Bills Would Subsidize COBRA Coverage

Both the House of Representatives and the Senate are considering different economic help bills, parts of which would subsidize COBRA coverage for participants who lose coverage. This *Research Memo* touches on the highlights of the Bills. Since they are both in the early stages, and due to their differences, one can expect the need for a conference committee to work out a compromise. However, it appears likely that some form of the Bills will likely pass. As such, Health Plans need to be aware of this possibility for planning purposes.

HOUSE BILL

The House Bill (H.R. 598) is available at: <http://thomas.loc.gov/cgi-bin/query/z?c111:H.R.598.RH:>

The text for the entire Bill is also available on the House website at: <http://waysandmeans.house.gov/media/pdf/110/caltext.pdf>.

The Staff Summary of just the COBRA provisions is available at: <http://www.house.gov/jct/x-6-09.pdf>.

According to the *Staff Summary*, the COBRA measures in the House Bill would, among other things:

- create a taxpayer-funded subsidy paying for 65% of COBRA costs for people who are involuntarily terminated from employment between September 1, 2008 and December 31, 2009; the subsidy lasts until the earlier of 12 months or until the former worker is eligible for new employer coverage (pages 6-10 of the Staff Summary); and
- mandate that employers extend COBRA coverage for COBRA-eligible former workers who have attained age 55 or have 10 years of service until they are eligible for Medicare, secure alternative employer coverage or the employer offering COBRA coverage terminates all health plans it sponsors (pages 11-12 of the Staff Summary).

With COBRA coverage being expensive and only subsidized at most for 12 months, it is doubtful many such workers would keep COBRA beyond the 12 months subsidized period unless they couldn't obtain coverage through another job or less expensive individual coverage.

SENATE BILL

The Senate Finance Committee has issued a Chairman's Mark (of the House Bill?) that takes a different approach. The Senate Bill calls for a 65% subsidy for workers under similar terms as the House bill, but only for 9 months instead of 12 months. However, the Senate Bill does not include provisions that would extend COBRA coverage to older and long-term workers.

The Senate Finance Committee Summary is available by "[clicking here](#)."

The American Benefits Council posted a comparison of the House and Senate COBRA provisions on Benefitslink.com, available by "[clicking here](#)" or accessible at: http://www.americanbenefitscouncil.org/documents/cobra-stimulus_compchart012709.pdf

Financial Impact

The passage of either Bill would most likely have some negative financial impact on a health plan since COBRA coverage tends to cover a less healthy population of users. According to one report, the cost to cover COBRA enrollees is on average 145% higher than the cost to cover active employees. Other research shows that the cost to cover older COBRA users (ages 55-64) is on average 185% higher than the premiums paid for active employees.

The bad news for health plans is that COBRA generally only allows the Plan to charge the COBRA user 102% of the cost of coverage to the Plan. Whether the cost gap between allowed charge and incurred charge holds true for multiemployer plans is not known for certain. Plans could determine their own cost gap and estimate the range of financial effects the new law would have.

Future Watch

We will report on these Bills as they wind through Congress. Generally, we wait until such Bills are further down the line to report on proposed legislation, but since either Bill would represent a dramatic, though limited, change to COBRA we chose to mention these Bills now.

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