COVID-19 Effects on COBRA Coverage

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HBI's research on how COVID-19 has affected COBRA coverage through April 30, 2020, is summarized below.

Extended Election Periods

The Department of Labor and the Department of the Treasury extended the time frame during which beneficiaries can elect COBRA coverage. Due to the COVID-19 pandemic, any beneficiary becoming eligible for COBRA on or after March 1, 2020, can elect coverage throughout the duration of the emergency period and throughout an additional 60-day window beginning on the date the emergency period ends. For example, if the emergency period were to have ended on April 30, 2020, the additional 60-day window from the departments of Labor and Treasury would have been scheduled to end on June 29, 2020. That date in June is when the beneficiary's normal 60-day window for COBRA election would begin, and it would be scheduled to end on August 28, 2020. Therefore, a patient whose qualifying event occurred on March 1, 2020, or later would have until at least late August to decide to elect COBRA coverage.

Additionally, the departments of Labor and Treasury are expanding temporarily the definition of "timely" payments of COBRA premiums during the COVID-19 emergency period. While COBRA premiums must be paid for each month during the emergency period, payments are considered to have been timely for any month if they are made within 30 days of the end of the emergency period and the additional 60-day window. For example, if the emergency period were to have ended on April 30, 2020, the additional 60-day window would have been scheduled to end on June 29, 2020. If the beneficiary had not yet paid premiums for March, April, May, or June, they would have 30 days from June 29 in which to do so, meaning a deadline of July 29, 2020. As long as premium payments meet this temporarily expanded definition of "timely," insurers cannot cancel COBRA coverage for care provided during the COVID-19 emergency period and the additional 60-day window from the departments of Labor and Treasury. If only some outstanding premium payments are made by that deadline, however, coverage could be canceled for the unpaid months. For example, payments equal to two months' premiums made by July 29 in that example would be applied to March and April, and coverage would be canceled for May and later months.

Click here for the full announcement from the departments of Labor and Treasury.

COBRA Overview

- **The Consolidated Omnibus Budget Reconciliation Act created the ability for beneficiaries who are laid off or who have their hours reduced (meaning they no longer qualify for their employer-based healthcare plan) to maintain their coverage.**
- **Normally, beneficiaries have 60 days from a qualifying event (such as the date of their layoff) to elect COBRA coverage, and they normally have another 45 days in which to make their first premium payment.**
- **Employers (and other third parties) are allowed to assist with COBRA premium payments, but they are not required to.**
- **If no assistance is provided, the beneficiary must pay the full cost of maintaining coverage, which could be as much as 102% of their plan costs (the additional 2% covers administrative fees).**
- **COBRA coverage is generally available for 18 months following a qualifying event.**

Paying COBRA Premiums for Patients

HBI research has shown it is generally acceptable for a healthcare provider to pay patients' COBRA premiums. For some patients, receiving premium assistance is the only barrier preventing them from becoming uninsured; if no other assistance is available, patients could have to pay up to 102% of the plan cost to maintain coverage, which could be unaffordable.

However, providers have long questioned whether to do so based on concerns that are still in play, such as the return on that investment—for example, the patient might later seek care from a different healthcare provider using their COBRA coverage. Another common area of concern is ensuring premium assistance is provided only to patients who truly need it—for example, by requiring a typical financial assistance application without telling the patient COBRA assistance also is being considered. Generally, healthcare providers formalize criteria for providing COBRA premium assistance in a policy based on internal risk mitigation requirements and ROI predictions.

This question has renewed importance due to rising unemployment in the wake of COVID-19. As of April 30, 2020, reports stated unemployment stood at approximately 18%-20%. Kaiser Family Foundation data has shown that employer-sponsored plans previously covered nearly half the population, so a surge in unemployment is expected to shift some patients into Medicaid, Affordable Care Act health insurance marketplace plans, or COBRA coverage while the rest are expected to remain uninsured.

Therefore, while providing COBRA premium assistance to patients could prevent an immediate spike in uncompensated care, the need could be too high for individual healthcare providers to meet, especially when revenue is depressed due to cancellations of nonemergent services.

Proposed COBRA Premium Relief

The Worker Health Coverage Protection Act (HR 6514) was introduced in the U.S. House of Representatives on April 14, 2020, and would remove that burden on healthcare providers of deciding whether to provide COBRA premium relief.

The bill has been referred to committees for debate, but no additional timeframe was available as of April 30, 2020 (click here to track progress online). This act would, among other provisions, provide federal funding to cover COBRA premiums for beneficiaries who have lost employment, been furloughed, or have had their hours reduced due to COVID-19. The bill proposes offering premium assistance for up to 15 months of coverage, and eligible individuals would be defined by falling under an annual adjusted gross income cap ($125,000 for an individual tax filer and $250,000 for spouses filing jointly). Individuals above that cap who received premium assistance would be expected to later repay it through an adjustment to their gross income on future tax filings.

Similar proposals are included in the Take Responsibility for Workers and Families Act (HR 6379), introduced in the House on March 23, 2020, and referred to committees without debate as of April 30, 2020 (click here to track progress online).

HBI will be monitoring this legislation.

COVID-19 is an ongoing situation and organizations' processes are changing daily to adapt to various needs during this crisis. As such, this information is up-to-date as of April 30, 2020. HBI is continually monitoring the situation and updating material as we gather additional information. While HBI has attempted to ensure the accuracy of research provided in this document, the information has been obtained from numerous resources. Therefore, HBI cannot guarantee its accuracy and is not liable for any claims or losses that arise from errors or omissions within this document.