

# COBRA Subsidy Has Some Holes

<http://www.insurancenewsnet.com/article.asp?a=1&id=105488>

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**HEADLINE:** COBRA subsidy has some holes; Not all laid-off workers will qualify for benefit

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A new federal subsidy designed to help laid-off workers pay for health **insurance** could be out of reach for thousands of jobless workers because they worked for a small company or their former employer has gone out of business.

The subsidy, part of the economic stimulus package enacted earlier this year, covers 65% of COBRA premiums for individuals laid off between Sept. 1, 2008, and the end of this year. The subsidy is available for up to nine months.

COBRA allows individuals who leave their jobs to continue their former employer's health coverage for up to 18 months. In the past, though, individuals had to pay 102% of the premiums, making COBRA unaffordable for most jobless workers. For a family, the average cost of unsubsidized COBRA premiums exceeds \$1,000 a month. With the subsidy, the average family will pay \$377 a month, according to the Kaiser Family Foundation.

Companies were required to notify former workers about the subsidy by April 18. The White House estimates more than 7 million unemployed workers will qualify. Reasons some will not:

\*Their former employer has gone out of business. If an employer terminates its group health plan, former employees are ineligible for COBRA, says Michael Langan, principal with Towers Perrin, a human resources consultant. That makes them ineligible for the subsidy, too, he says.

During the last four months of 2008, the most recent data available, 11,645 businesses filed for Chapter 7 bankruptcy protection, up 70% from the same period in 2007, according to the Administrative Office of the U.S. Courts.

\*They worked for a small company and live in a state that doesn't provide extended COBRA coverage. The federal COBRA law only applies to companies with 20 or more workers. Some 39 states and Washington, D.C., have enacted "mini COBRA" laws that require small companies that provide group coverage to allow former employees to continue the coverage. Still, gaps between the federal and state laws remain, leaving laid-off employees with a reduced subsidy or none at all. "There are a lot of people who can't avail themselves" of the full COBRA subsidy, says Ron Pollack, executive director of Families USA.

Jobless workers who haven't received a notice or have questions about their eligibility should contact the company that administers their employee benefits program, Langan says. The Department of Labor also has a fact sheet about the subsidy at [www.dol.gov/ebsa/cobra.html](http://www.dol.gov/ebsa/cobra.html).

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