

Complex Case Scenarios

Preventing Gaps in Health Care Coverage Mini-Series:

Transitioning from Employer-Sponsored Coverage to Other Health Coverage



Center for Consumer Information and Insurance Oversight

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Transitioning from Employer-Sponsored Coverage to Other Health Coverage

Agenda

- Employer-Sponsored Coverage to Consolidated Omnibus Budget Reconciliation Act (COBRA) Continuation Coverage
- Employer-Sponsored Coverage to a Marketplace Plan
- Employer-Sponsored Coverage to Medicaid or the Children's Health Insurance Program (CHIP) Coverage
- Employer-Sponsored Coverage to Medicare Coverage
- Summary and Key Takeaways

Transitioning from Employer-Sponsored Coverage to Other Health Coverage

Patrick, 40 years old, Married, Father of Two Children

- Patrick lost his job at a home security systems company in May 2015. His job offered health benefits to its employees and their dependents. Patrick's spouse and children don't work or have any additional income.
- Patrick and his family will be covered by his employer's health plan until May 31, 2015.
- After losing his job, Patrick estimates that his total household income in 2015 will be \$60,000 (including severance pay, unemployment benefits, and independent security consulting work).
- To avoid a gap in coverage, what health coverage options are available to Patrick and his family once his employer-sponsored coverage ends?

Transitioning from Employer-Sponsored Coverage to Other Health Coverage

To avoid a gap in coverage, what are some of the health coverage options available to Patrick and his family once his employer-sponsored coverage ends?

- COBRA Coverage
- Marketplace Coverage
- Medicaid or CHIP Coverage

Option 1

Transitioning from Employer-Sponsored Coverage to COBRA Coverage

Transitioning from Employer-Sponsored Coverage to COBRA Coverage

Basics of COBRA

- COBRA gives some employees and their families the option to continue receiving health coverage through their employer's plan for a limited time after their employment ends.
- When the qualifying event is the employee's termination of employment (for reasons other than gross misconduct) or reduction in hours of work, qualified beneficiaries must be provided **18 months** of continuation coverage.
- For most other qualifying events, qualified beneficiaries must be provided **36 months** of continuation coverage.
- COBRA coverage for which individuals entitled to an 18-month maximum period can be extended for two reasons **only** :
 1. *Disability*: Consumers will be eligible for an 11-month extension of coverage if a qualified beneficiary in the family is disabled and meets certain criteria. Total length of COBRA coverage is 29 months.
 2. *Second Qualifying Event*: If consumers who are covered by COBRA experience a second qualifying event, they will be eligible for an 18-month extension of COBRA coverage. Second qualifying events include the death of the covered employee, divorce or separation, or Medicaid entitlement. Total length of COBRA coverage is 36 months.

Transitioning from Employer-Sponsored Coverage to COBRA Coverage

Basics of COBRA (continued)

- Employers decide whether or not they will contribute to their employee's premiums under COBRA, so consumers may be responsible for the entire monthly premium by themselves; therefore, the cost of the continuation coverage may be more expensive for consumers than it was when they were employed.
- Upon experiencing a qualifying event (e.g., losing their jobs), consumers have **60 days** to decide whether to enroll in COBRA coverage.
- If consumers choose to enroll in COBRA coverage, they have **45 days** after making the election to pay the first month's premium.
- COBRA coverage can retroactively begin on the date consumers' job-based insurance ended, as long as the election is made within the 60-day election period for COBRA coverage. For example, if Patrick lost his job on May 1st and he has coverage through May 31st, he can sign up for COBRA on July 1st (60 days after his coverage ended) and have a retroactive coverage date of June 1st.

Transitioning from Employer-Sponsored Coverage to COBRA Coverage

COBRA Coverage and Eligibility for Marketplace Coverage

- If consumers are eligible for COBRA coverage but are **not enrolled** in COBRA coverage (i.e. have not yet signed up), they may still qualify for advance payments of the premium tax credit (APTC) or cost-sharing reductions (CSRs) through the Marketplace, if they are otherwise eligible. These consumers may be eligible for a special enrollment period to buy a Marketplace plan if they lost their employer-sponsored coverage within the last 60 days.
- If consumers are eligible for COBRA coverage and **are enrolled** in COBRA coverage (i.e. have signed up for COBRA), they are not eligible for APTC/ CSRs through the Marketplace or a special enrollment period based on losing employer-sponsored coverage. However, they may later qualify for a special enrollment period due to another qualifying life event.
- Assuming that Patrick is otherwise eligible to enroll in Marketplace coverage (e.g., lawfully present, not incarcerated, resides in the state where the Marketplace is operating), he will be eligible to enroll through a special enrollment period due to losing his employer-sponsored coverage. Once Patrick signs up for COBRA, he is no longer eligible for that special enrollment period.

Transitioning from Employer-Sponsored Coverage to COBRA Coverage

When COBRA Coverage Runs Out

- When Patrick's COBRA coverage runs out in November 2016 (18 months after it began), he will be eligible for a special enrollment period to purchase Marketplace coverage.
- Patrick can drop his COBRA coverage at any time, but may not be eligible for a special enrollment period on the Marketplace.
- If Patrick voluntarily drops his coverage during the Marketplace's annual Open Enrollment Period, beginning November 1, 2015, he can purchase a Marketplace plan with APTC/CSRs, if eligible.
- If Patrick voluntarily drops his COBRA coverage outside of the Marketplace's annual open enrollment period, he may not be eligible for a special enrollment period to purchase coverage through the Marketplace. The special enrollment period based on loss of COBRA coverage only applies when a consumer's COBRA coverage runs out, not when somebody ends COBRA coverage voluntarily or stops paying premiums.
- If Patrick ends his COBRA coverage early outside of the Annual Open Enrollment Period, he might experience a gap in coverage, and could be subject to the personal responsibility fee if he or his family members are without coverage for more than 3 consecutive months during the plan year.

Transitioning from Employer-Sponsored Coverage to COBRA Coverage

Considerations When Transitioning to COBRA Coverage

- COBRA coverage may be more expensive than typical employer-based coverage, since employers are not required to contribute to premium costs or other costs associated with health insurance; therefore consumers usually have to pay the entire monthly premium themselves, plus a small administrative fee, because their former employer is not required to pay any of their insurance costs.
- COBRA coverage is a good option to prevent a gap in coverage and for continuity of care, but it may not be a viable long term option for some consumers due to its costs.
- Consumers should also decide if they will enroll all qualified beneficiaries (i.e., dependents or children) in COBRA coverage, or if these family members may be eligible to enroll in Medicaid, CHIP, or other health coverage.

Option 2

Transitioning from Employer-Sponsored Coverage to a Marketplace Plan

Transitioning from Employer-Sponsored Coverage to a Marketplace Plan

Marketplace Plan Basics

- Consumers have 60 days to select a Marketplace plan from the time their existing coverage ends, which may or may not be the last day of employment. Consumers should maintain documentation of their current coverage and effective dates in order to request the special enrollment period.
- Consumers can go to the Marketplace to see if they qualify for APTC/CSRs. Through the Marketplace, they can also learn if they qualify for free or low-cost coverage from Medicaid or CHIP.
- Consumers should be reminded that they must reconcile advanced payments of premium tax credits when filing their annual federal income tax return. They need to report changes in household income (e.g. getting a new job) within 30 days so that the amount of APTC/CSRs through the Marketplace can be adjusted.

Transitioning from Employer-Sponsored Coverage to a Marketplace Plan

Considerations for Transitioning to a Marketplace Plan:

- Patrick has **60 days** after his employer-sponsored coverage ends to enroll in Marketplace coverage. Because Patrick's coverage ends on May 31st, he must select a plan by July 30th.
- When applying for coverage through the Marketplace, Patrick should have both his family's current monthly household income and their estimated total household income for 2015 (not just his household income before or after losing his job), to determine eligibility for APTC/CSRs, or for other coverage, such as Medicaid, or CHIP. To most accurately estimate household income, Patrick should also include any expected unemployment compensation and anticipated wages from future employment.
- Patrick should consider what plan would best meet his family's needs and budget. He should consider if his family's preferred providers, medications, and health services would be covered by a particular Marketplace plan. The amounts of copayments and other out-of-pocket expenses may be different from the amount Patrick was used to paying when covered by his employer's health plan.

Transitioning from Employer-Sponsored Coverage to a Marketplace Plan

Transitioning to a Marketplace Plan while Minimizing Gaps in Coverage

- The effective date for Patrick's Marketplace coverage will depend on when he chooses a plan:
 - If he chooses a plan on or before his employer-sponsored coverage ends (in this case, May 31st), Patrick's Marketplace coverage will begin on the first day of the month following his loss of his employer-sponsored coverage. For example, if he enrolls in a plan on May 13th, his coverage will begin on June 1st because of his coverage ending on May 31st. Note: Patrick can report his loss of employer-sponsored coverage up to 60 days in advance of the last date of coverage.
 - If he chooses a plan after his employer-sponsored coverage ends, since the FFM gives an accelerated coverage effective date for an SEP based on loss of MEC, his coverage will begin on the first day of the month following plan selection. For example, if he enrolls in a plan on June 2nd, his coverage will begin on July 1st. Note: Patrick has 60 days after losing his employer-sponsored coverage to report it to the Marketplace and select a plan.

Transitioning from Employer-Sponsored Coverage to a Marketplace Plan

Eligibility for Financial Assistance through the Marketplace

- Patrick and his family may be eligible for APTC/CSRs to help them afford coverage purchased through the Marketplace because their household income of \$60,000 is between 100 percent and 400 percent of the federal poverty level.

Option 3

Transitioning from Employer-Sponsored Coverage to Medicaid Coverage

Transitioning from Employer-Sponsored Coverage to Medicaid Coverage

Patrick, 40 years old, Married, Father of Two Children

- Patrick lost his job at a home security systems company in May 2015. His job offered health benefits to its employees and their dependents. Patrick's spouse and children don't work or have any other form of income. Patrick's state has expanded its Medicaid program to cover adults up to 138 percent of the federal poverty level.
- Patrick and his family will be covered by the employer's health plan until May 31, 2015.
- After losing his job, Patrick estimates that his total household income in 2015 will be \$25,000 (including severance pay, unemployment benefits, and independent security consulting work).
- Are Patrick and his family eligible for Medicaid or CHIP coverage?

Transitioning from Employer-Sponsored Coverage to Medicaid Coverage

Are Patrick and his family eligible for Medicaid or CHIP coverage?

- Yes. Patrick and his family would likely be eligible for Medicaid coverage.
- Eligibility for Medicaid and CHIP is based on many factors including household income, size, and composition; residency, and the state's eligibility rules.
- Generally, in states that have expanded their Medicaid programs under the Affordable Care Act, adults with incomes of up to 138 percent of the federal poverty level may be eligible for Medicaid coverage, with many states covering children and parents at higher income thresholds. In states that have not yet expanded their Medicaid programs, some consumers, like families, typically have to earn less than 100 percent of the federal poverty level to be eligible for Medicaid coverage. Other consumers, like adults without children, may not be eligible for Medicaid coverage in states that have not expanded their Medicaid programs. For more information about state-specific eligibility criteria for these programs, please see: <http://www.Medicaid.gov/medicaid-chip-program-information/program-information/downloads/medicaid-and-chip-eligibility-levels-table.pdf>

Transitioning from Employer-Sponsored Coverage to Medicaid Coverage

Considerations for Transitioning to Medicaid and CHIP Coverage

- Consumers can apply for and enroll in Medicaid or CHIP any time of year, not just during the Marketplan annual Open Enrollment Period. If Patrick and his family qualify for Medicaid or CHIP, their coverage generally will be effective at least back to the date of application.
- Consumers should check to be sure that their providers participate in the Medicaid or CHIP programs.

Option 4

Transitioning from Employer-Sponsored Coverage to Medicare Coverage

Transitioning from Employer-Sponsored Coverage to Medicare Coverage

Patrick, 64 years old, Married, No Dependents

- Patrick is turning 65 and is planning to retire from his job.
- He and his wife are covered under Patrick's employer-sponsored coverage.
- Patrick's kids are over the age of 26 and do not live at home.
- How should Patrick transition from employer-sponsored coverage to Medicare coverage? Will there be a gap in his health coverage

Transitioning from Employer-Sponsored Coverage to Medicare Coverage

Medicare Basics

- Medicare is a federal health insurance plan for people who are age 65 or older, people who are disabled, or people who have permanent kidney failure. Medicare has four parts: A (hospital insurance), B (medical insurance), C (Medicare Advantage plans), and D (prescription drug coverage). Part A is free for Medicare beneficiaries who have worked enough quarters to qualify for premium-free Part A, while the other three parts of Medicare require premium payments.
- Consumers who are receiving Social Security retirement or disability benefits are automatically enrolled in Medicare Part A and B, and do not need to sign up for Medicare. Benefits and coverage begins with the 25th month of disability benefits. Consumers who are receiving Social Security or Railroad retirement benefits when they turn age 65 are also automatically enrolled; these beneficiaries who are automatically enrolled based on their age and receipt of retirement benefits will receive their Medicare benefits beginning the month of their 65th birthday.
- Consumers who are eligible for Medicare have to sign up for Parts A and B if they are not getting Social Security or Railroad Retirement Board (RRB) benefits (i.e., consumers who are still working). Consumers should sign up for Medicare three months before they turn 65, even if they plan to delay receiving Medicare Part B or retirement benefits because they are still working.

Transitioning from Employer-Sponsored Coverage to Medicare Coverage

Medicare Basics (continued)

- To sign up for Medicare, consumers like Patrick can apply in person at a local Social Security office or online at: <http://www.ssa.gov/medicare/apply.html>
- Consumers have an initial enrollment period to sign up for Medicare. For most consumers, the initial enrollment period starts three months before their 65th birthday and ends three months after the month they turn 65. Consumers who do not enroll in Medicare Parts A and B during their initial enrollment period will be able to enroll during the general enrollment period that occurs each year from January 1st to March 31st. Coverage will not start until July of that year.
- If consumers do not sign up for Medicare Part B when first eligible, they may be subject to a late enrollment penalty; however, if consumers are still working and have group health plan or large group health plan coverage based on current employment, they can delay signing up for Medicare Part B without being subject to the late enrollment penalty.

Transitioning from Employer-Sponsored Coverage to Medicare Coverage

Transitioning to Medicare while Avoiding Gaps in Coverage

- To prevent a gap in coverage when he retires, Patrick should sign up for Medicare as soon as he is eligible. Patrick's employer-sponsored coverage may continue (depending on the size of the employer) to be the primary payer for his health care expenses until he ends his employer-sponsored coverage. Patrick should make sure that he properly enrolls in Medicare Part A and B coverage before he retires or ends his employer-sponsored coverage.
- Medicare Parts A and B may not cover all the benefits that consumers may need. There are optional add-on coverage options that consumers like Patrick can choose, such as a Medigap Plan that supplements traditional Medicare coverage. For more information about Medigap Plans and to see which plans are available in a specific state, please see: <http://www.medicare.gov/supplement-other-insurance/compare-medigap/compare-medigap.html>
- If consumers need more information or help comparing Medicare health and drug plans that are available, they can visit: [Medicare.gov/find-a-plan](http://www.Medicare.gov/find-a-plan). Consumers can also call 1-800-772-1213 if they want to enroll in Medicare or 1-800-MEDICARE (1-800-633-4227) if they have questions about their Medicare coverage.

Key Takeaways

Transitioning from Employer-Sponsored Coverage

Transitioning from Employer-Sponsored Coverage to Other Health Coverage

Key Takeaways: Transitioning from Employer-Sponsored Coverage

- By law, some employees who are covered by employer-sponsored coverage are allowed to extend their coverage through COBRA for a period of 18 months, or in some cases longer.
- Consumers who lose their employer-sponsored coverage have 60 days to decide whether to enroll in COBRA coverage or to select a Marketplace plan. Consumers can apply for Medicaid or CHIP at any time. If consumers enroll in COBRA coverage, they have 45 days after making the election to pay the first month's premium.
- COBRA coverage can be retroactively applied to the date consumers' job-based insurance ended, as long as the consumer makes the election within the 60-day election period.
- Consumers who are eligible (but not enrolled) in COBRA can receive APTC/CSRs through the Marketplace, if otherwise eligible.
- If consumers enroll in COBRA, they will be eligible for a 60-day special enrollment period to select coverage on the Marketplace when their COBRA coverage is exhausted.

Transitioning from Employer-Sponsored Coverage to Other Health Coverage

Key Takeaways: Transitioning from Employer-Sponsored Coverage (continued)

- If consumers drop their COBRA coverage before it is exhausted and it is outside of the Marketplace Annual Open Enrollment Period, consumers may experience a gap in health coverage, unless they enroll in other coverage. In order to enroll in coverage through the Marketplace outside of the Marketplace Annual Open Enrollment Period, consumers must qualify for a different special enrollment period. A consumer who ends his or her COBRA coverage early does not qualify for a special enrollment period due to a loss of employer-sponsored coverage or COBRA.
- Consumers may be eligible for Medicaid or CHIP coverage based on their household income, composition, and size. If applicants are determined to be eligible for Medicaid or CHIP, their coverage will generally be effective at least back to the date of application.
- Consumers who are transitioning to Medicare coverage should apply through the Social Security Administration if they are still working and not receiving Social Security benefits.