

COBRA Coverage Explained

For many Americans, employer-sponsored health insurance provides a vital safety net for accessing essential healthcare services. However, when leaving a job or experiencing a qualifying life event like divorce or death, maintaining that coverage can become challenging. This is where COBRA enters the picture.

✓ What is COBRA?

COBRA, which stands for Consolidated Omnibus Budget Reconciliation Act, is a federal law that allows eligible employees and their dependents to continue their group health insurance coverage for a limited period after experiencing a qualifying event that would otherwise result in loss of coverage.

✓ The Pros of COBRA Coverage

Continuity of Coverage

One of the primary benefits of COBRA is that it allows individuals to maintain the same health insurance coverage they had while employed, including access to the same network of doctors and healthcare providers.

Familiarity and Comfort

COBRA coverage can provide a sense of familiarity and comfort during times of transition, as individuals and their families can continue receiving care from the same healthcare providers without interruption.

No Pre-existing Condition Exclusions

Unlike individual health insurance plans outside the ACA marketplace, COBRA coverage cannot deny coverage or impose pre-existing condition exclusions. This ensures that individuals with pre-existing health conditions can continue to access the care they need without facing discrimination.

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The Cons of COBRA Coverage

Costly Premiums

While COBRA coverage offers continuity of coverage, it comes at a cost. Individuals are responsible for paying the full premium, including the portion previously covered by their employer, plus a 2% administrative fee. This can result in significantly higher monthly premiums compared to employer-sponsored coverage.

Limited Duration

COBRA coverage is temporary and typically lasts for up to 18 months for most qualifying events (or up to 36 months in certain circumstances). Once COBRA coverage expires, individuals must seek alternative health insurance options, which can be challenging and costly.

No Employer Contribution

With COBRA coverage, individuals bear the full cost of premiums without the employer contribution, making it less affordable for some individuals, particularly those facing financial hardships or unemployment.

An important note regarding COBRA & Medicare

Once eligible for Medicare, COBRA is not considered creditable coverage. Taking COBRA coverage while Medicare eligible could potentially result in late enrollment penalties and/or difficulty enrolling into Medicare in the future.

COBRA coverage can serve as a valuable bridge for individuals and their families during times of transition, offering continuity of coverage and peace of mind. However, the high cost of premiums and limited duration of coverage are important factors to consider when evaluating the pros and cons of COBRA. It's essential for individuals to explore all available options and weigh the benefits against the costs to make an informed decision about their healthcare coverage needs. If you have questions, contact our team! We'd love to help.

Advisors across the country trust our team of experts to help their clients find the right plan to meet their financial goals.

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