



## ACTION NEEDED TO HELP LAID-OFF TEXANS TAKE FULL ADVANTAGE OF COBRA PROVISIONS IN ARRA

The American Recovery and Reinvestment Act (ARRA) includes federal funds to help people being laid off maintain private health insurance coverage through COBRA and state continuation while seeking new jobs. The Texas Legislature must modify state insurance laws to maximize the coverage options and premium assistance available to Texans losing job-based coverage. These changes, which require no General Revenue, will help keep more Texans covered through the private market instead of joining the growing ranks of the uninsured.

- **ARRA includes federal funds to cover 65% of COBRA and state continuation premiums to help recently unemployed workers maintain coverage.**
- **Many Texans cannot maximize premium assistance unless the Legislature modifies state insurance laws.**
- **The Texas Legislature should increase the period of state continuation and give Texans laid off before the premium reduction was announced a second chance to enroll.**
- **HB 2453 and SB 1771 seek to make needed changes.**

*COBRA*, established in federal law, allows workers leaving employment and their families to remain covered under a former employer's health plan by paying the full premium cost (employer's and employee's shares). People can continue coverage through COBRA for 18 months. COBRA only applies to businesses with 20 or more full-time employees.

*State continuation*, established in state law, is similar to COBRA. It allows Texans leaving employment to continue coverage through a former employer's health plan by paying the full premium cost, but unlike COBRA, allows coverage for only six months. Employees of small businesses (with fewer than 20 full-time employees) only have access to state continuation.

### ARRA Premium Assistance

ARRA provides a 65 percent subsidy for COBRA and state continuation coverage to workers losing jobs during the recession and their families. The 65 percent subsidy is entirely federally funded and requires no General Revenue. The subsidy is available to each eligible enrollee for up to nine months. To be eligible for the premium reduction, a person must:

- Be involuntarily terminated between September 1, 2008 and December 31, 2009;
- Be eligible for and elect COBRA or state continuation coverage;
- Earn less than \$145,000 a year for individuals or \$290,000 for families; and
- Lack access to other group coverage (such as through a spouse's employer) or Medicare, regardless of enrollment in that coverage.

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People receiving premium assistance will pay 35 percent of the premium to their health plan. The health plan will take the 65 percent difference as a credit against payroll taxes due to the IRS.

### **ARRA Second Chance Election**

ARRA gives workers laid off between September 1, 2008 and when ARRA took effect a second chance to elect COBRA now that the 65 percent premium reduction is available. People who choose this option will not be subject to new pre-existing condition waiting periods. The new enrollment period applies only to COBRA. States must pass conforming laws to make the same opportunity available through state continuation.

### **Actions Needed to Maximize Assistance for Texans**

The Texas Legislature must make conforming changes to state insurance law to ensure that ARRA provides all of the intended health insurance benefits equally to people with COBRA and state continuation. To ensure that all Texans can make the most of federal assistance, Texas must:

- Lengthen the coverage period of state continuation for people who are not COBRA-eligible from 6 to 18 months; and
- Give recently unemployed Texans a second chance to enroll in state continuation and take advantage of the premium reduction.

HB 2453 by Representative Eiland and SB 1771 by Senator Duncan seek to make the changes needed to help more recently unemployed Texans maintain health insurance coverage.