

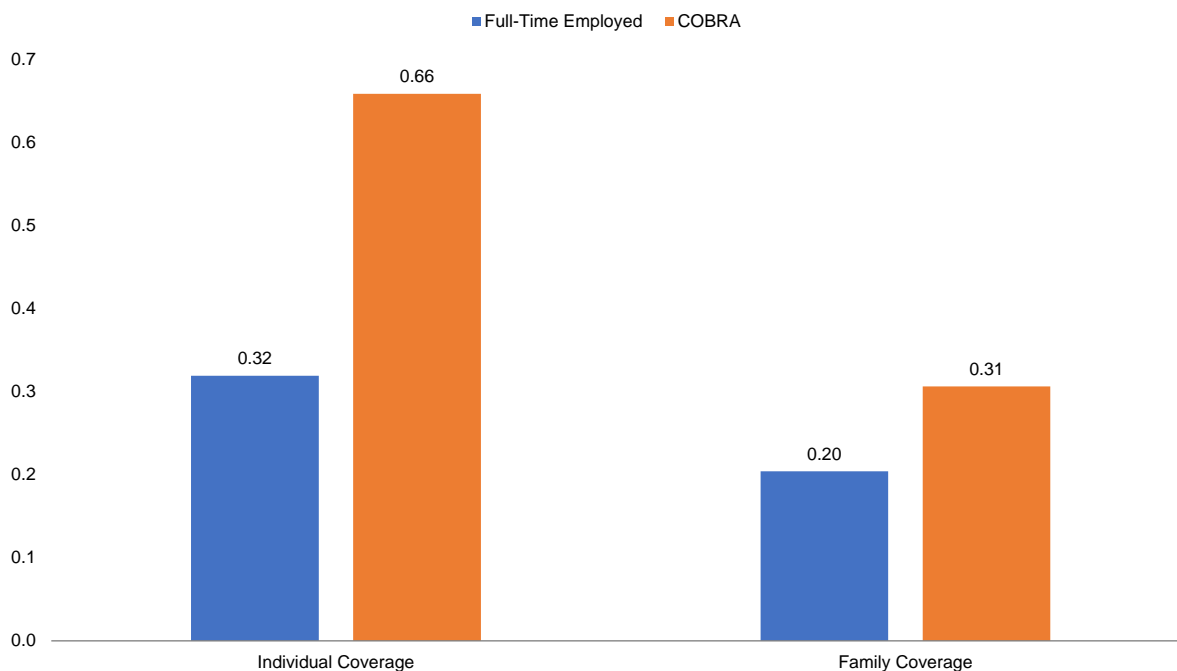
## COBRA — Differences in Use and Spending

Prospective Consolidated Omnibus Budget Reconciliation Act (COBRA) beneficiaries have 60 days to enroll after their employer gives notice of their eligibility. This lengthy enrollment period could lead to adverse selection, with only people who have already accumulated large medical expenses (or have an expectation that they will do so) choosing to enroll in COBRA.

In the *Issue Brief* “[COBRA: A Closer Look at Who Enrolls and the Case for Subsidies](#),” the Employee Benefit Research Institute (EBRI) used administrative claims data to quantify the extent to which COBRA beneficiaries are systematically different from people who receive health insurance coverage through a full-time worker. Notably, EBRI found that the average person with health insurance coverage through COBRA spent significantly more than the average person receiving coverage through a full-time worker. But what drove those differences in spending?

EBRI found that COBRA beneficiaries tended to be less healthy. Using the Charlson Comorbidity Index (CCI) as a measure of health, EBRI’s report found that the average COBRA beneficiary with individual coverage had a CCI of 0.66, compared with 0.32 for workers with coverage through a full-time worker. (A lower score indicates the presence of fewer chronic conditions, and thus, a higher 10-year predicted survival rate.)

Figure 1  
Charlson Comorbidity Index (CCI\*), by Coverage Status



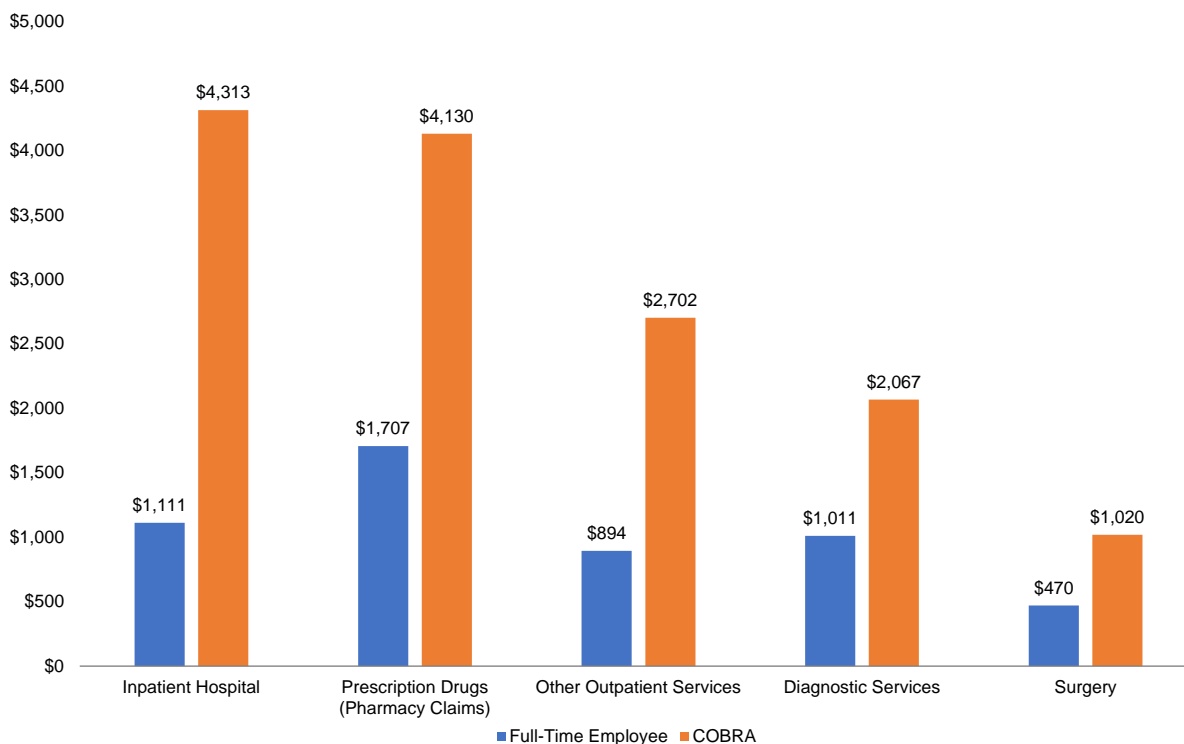
\* CCI is an index comprised of the following conditions: acute myocardial infarction, congestive heart failure, peripheral vascular disease, cerebrovascular disease, dementia, chronic obstructive pulmonary disease (COPD), rheumatoid disease, peptic ulcer, mild liver disease, diabetes, hemiplegia or paraplegia, renal disease, cancer, moderate/severe liver disease, and AIDS.

Source: Employee Benefit Research Institute estimates based on administrative enrollment and claims data.

Accordingly, EBRI’s study noted that COBRA beneficiaries were significantly more likely than those receiving coverage through a full-time worker to have chronic conditions that are sometimes expensive to manage. For instance, COBRA beneficiaries more frequently had high cholesterol (23 percent vs. 14 percent through a full-time worker), high blood pressure (21 percent vs. 15 percent through a full-time worker), and mental health disorders (14 percent vs. 7 percent through a full-time worker). In fact, each of the 12 chronic conditions EBRI examined were more prevalent among COBRA beneficiaries.

As a result of being less healthy on average, EBRI found that COBRA enrollees more frequently visited doctors and hospitals, and spent more on prescription drugs. For instance, 10 percent of COBRA beneficiaries were admitted to a hospital for inpatient services, compared with 4 percent of active workers. COBRA beneficiaries also used outpatient services more frequently, visiting doctors’ offices on average roughly seven times over the course of a year, compared with four for full-time workers, and visiting specialists nearly twice as often. COBRA beneficiaries also spent more while pursuing care. Notably, they spent almost two and a half times more on prescription drugs than full-time workers on average: \$4,130 compared with \$1,707. The average COBRA beneficiary also spent more on inpatient hospital services (\$4,313 compared with \$1,111), outpatient services (\$2,702 compared with \$894), diagnostic services (\$2,067 compared with \$1,011), and surgeries (\$1,020 compared with \$470).

Figure 2  
**Spending on Services: COBRA vs. Full-Time Employees**



Source: Employee Benefit Research Institute estimates based on administrative enrollment and claims data.

EBRI’s report establishes that COBRA beneficiaries are systematically different from people who receive coverage through a full-time worker. COBRA beneficiaries, on average, are less healthy and have more chronic health conditions. Consequently, COBRA beneficiaries use hospitals and doctors’ services more frequently and spend more on prescription drugs.

The EBRI report, “[COBRA: A Closer Look at Who Enrolls and the Case for Subsidies](#),” is published as the July 2020 EBRI *Issue Brief*.

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