



# COBRA: Are Subsidies Needed?

EBRI Webinar

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# Speakers



**Jake Spiegel,  
Research Associate,  
EBRI**



**Joseph Antos,  
Wilson H. Taylor  
Resident Scholar in  
Health Care and  
Retirement Policy,  
American Enterprise  
Institute (AEI)**



**Mark Wilson,  
President, American  
Health Policy  
Institute, Vice  
President, Health  
and Employment  
Policy, HRP  
Chief  
Economist, HRP**



**Moderator: Paul  
Fronstin, Director of  
the Health Research  
and Education  
Program, EBRI**

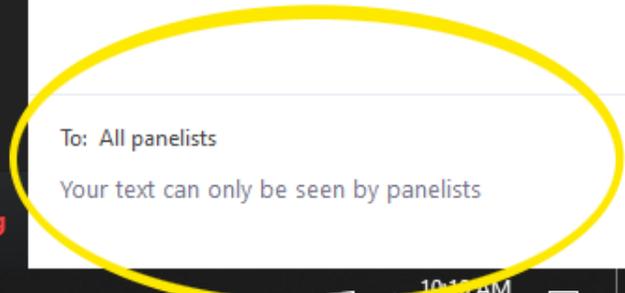
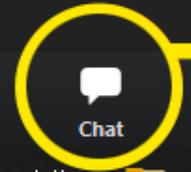
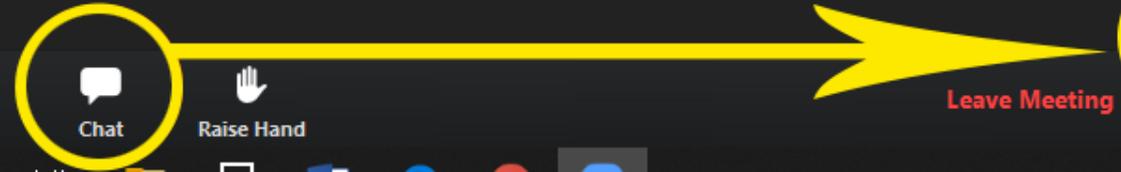
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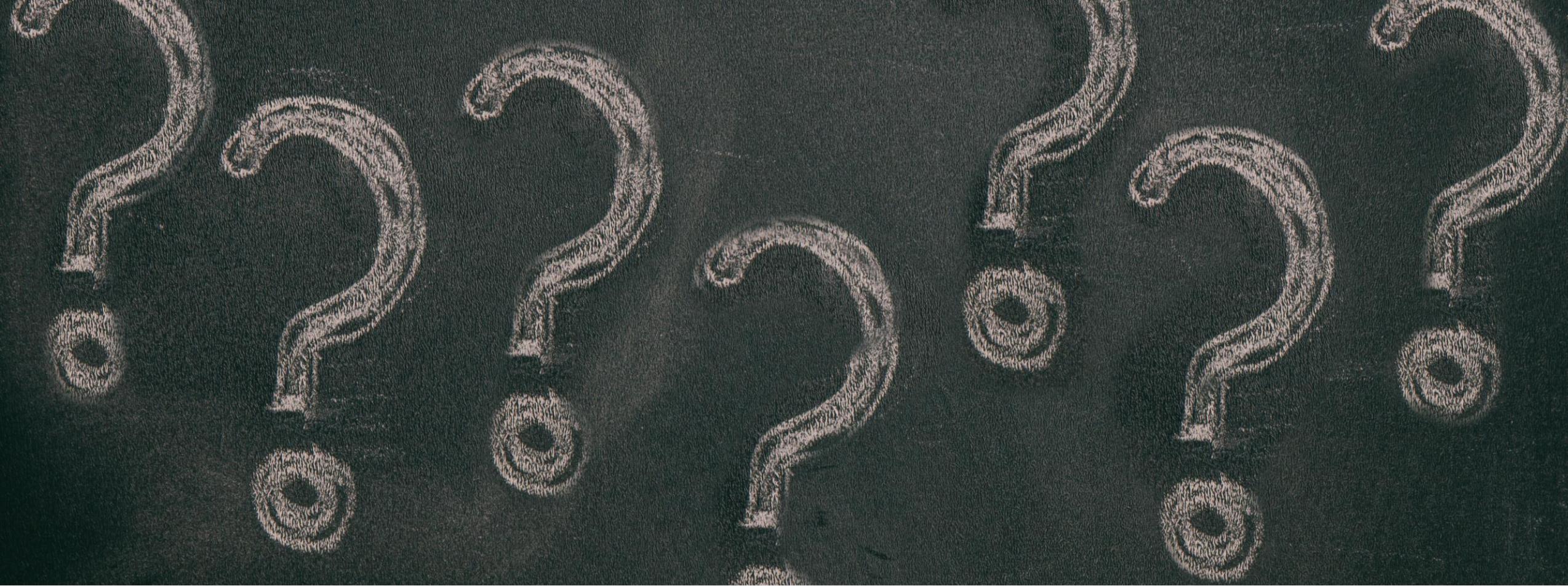
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# POLLING QUESTION

PLEASE SHARE YOUR THOUGHTS



# COBRA: Are Subsidies Needed?

Jake Spiegel  
Research Associate, EBRI



**POLLING QUESTION**  
PLEASE SHARE YOUR THOUGHTS

## Background on COBRA

- Allows newly-separated workers to continue participating in their employer-sponsored plan
- Participants must pay both their share *and* the employer's share of their plan's premiums
- Prospective beneficiaries have 60 days to elect coverage after being notified by their plan's administrator, and 45 days to start paying premiums
  - This lag contributes to the adverse selection mechanism
  - Potentially exacerbated by a provision in the CARES Act that allows qualified beneficiaries 60 days to enroll after the end of the national emergency, which is still ongoing

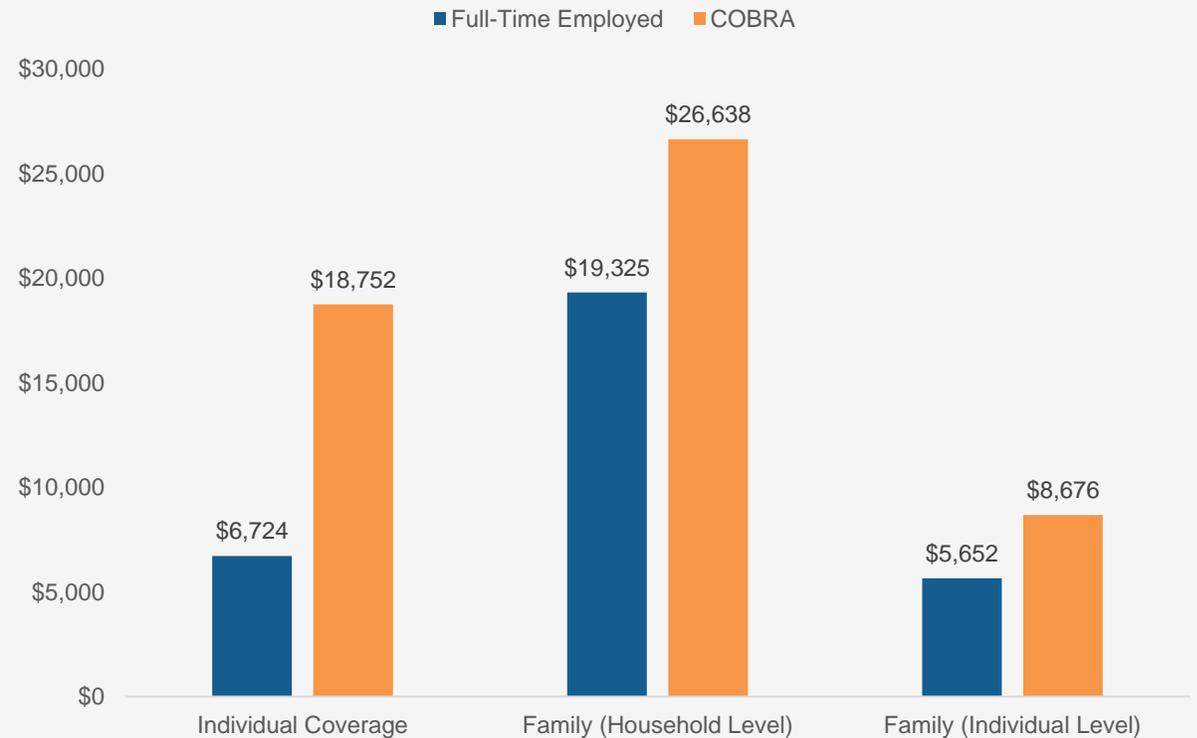
## Adverse Selection

- To what extent are workers who enroll in COBRA systematically different from those who do not?
- To answer that question, we used the IBM Health Analytics Marketscan Commercial Claims and Encounters database, which contains data on individuals covered by workplace-sponsored plans, including COBRA beneficiaries
  - The database contained over 800,000 active, full-time workers and their partners and dependents, as well as 46,000 COBRA beneficiaries and their partners and dependents
  - We examined six years' worth of data ranging from 2013 through 2018
- Our analysis indicates that COBRA beneficiaries are indeed systematically different than people with coverage through a full-time worker

# Spending Differences

- Several differences between COBRA beneficiaries and people receiving coverage through a full-time worker immediately jump out:
  - People covered by COBRA spent nearly 3x more on health care on average than people covered through a full-time worker; \$18,752 vs \$6,724
  - Families covered by COBRA spent more on average as well; \$26,638 vs \$19,325

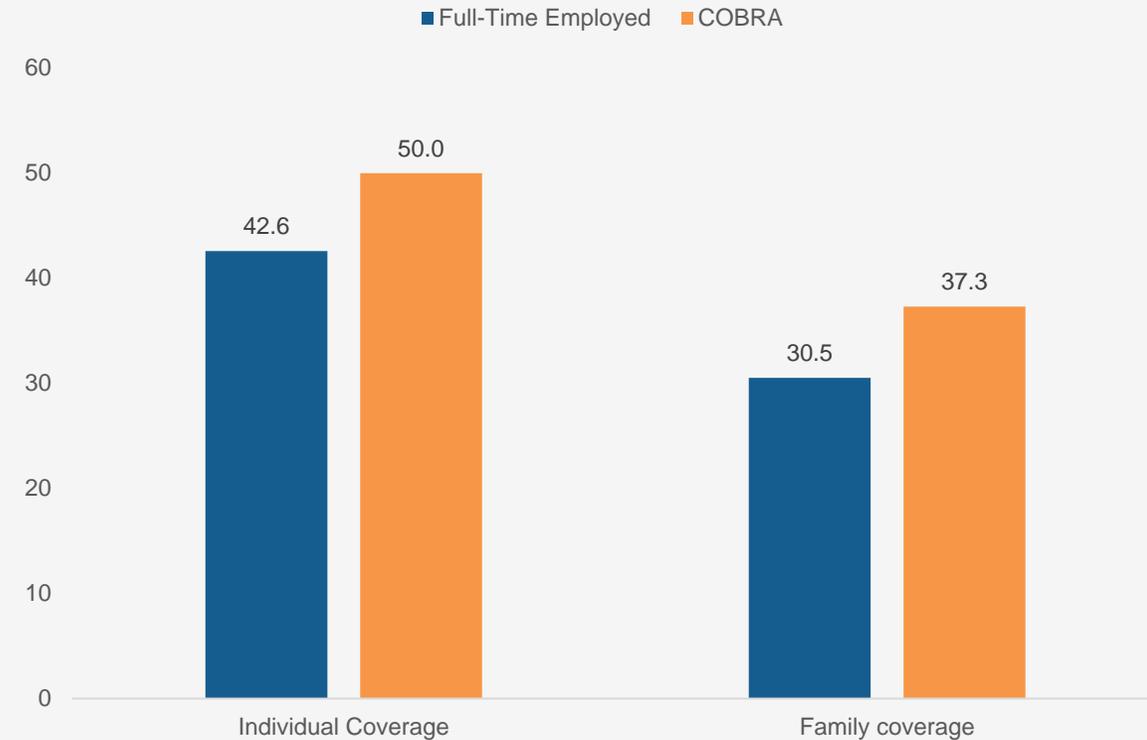
Overall Spending on Health Care Services, by Coverage Status, 2018



## Demographic Differences

- People covered through COBRA are older than those covered through a full-time worker, for both individual coverage and family coverage
- COBRA beneficiaries with individual coverage are also more likely to be female (57% vs 53%), though there is no difference among those with family coverage

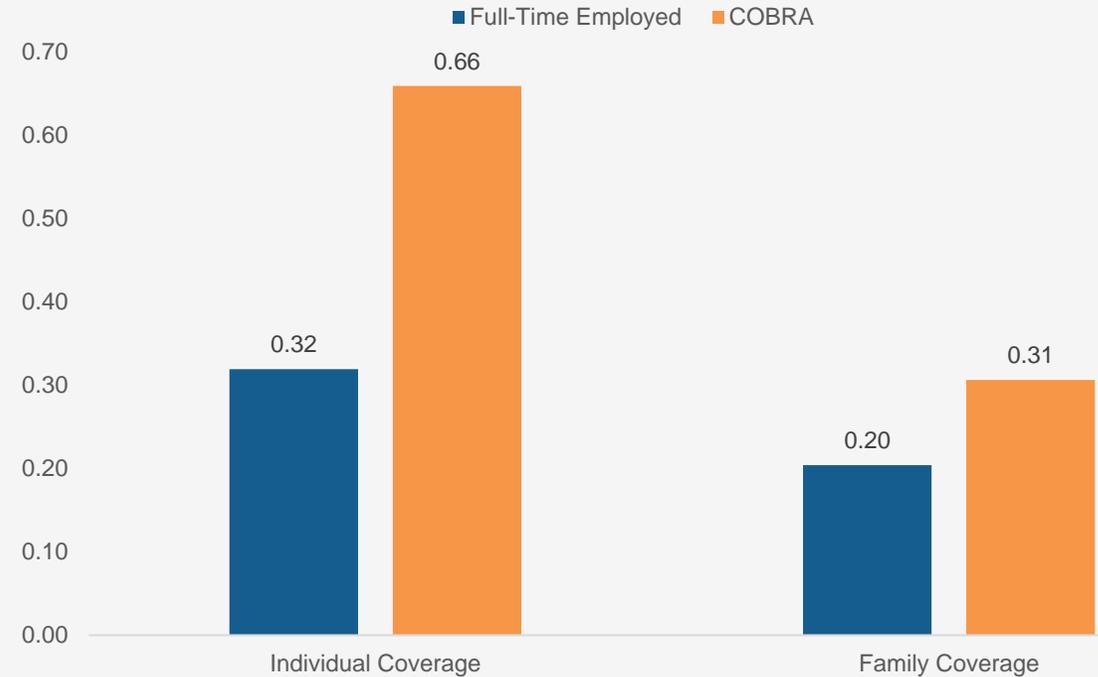
Average Age, by Coverage Status, 2018



# Health Differences

- COBRA beneficiaries are sicker than those who receive coverage through a full-time worker
  - The Charlson Comorbidity Index (CCI) is an index comprised of 17 conditions that is a useful predictor of short-term mortality
  - We use this as a proxy for health
  - COBRA beneficiaries have a higher CCI than do people who receive coverage through a full-time employee, indicating the presence of more chronic conditions that are associated with higher 10-year mortality rates

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

## Health Differences

- In addition to the CCI, we also examined twelve other chronic conditions, like high cholesterol, diabetes, and cancer
- We find that COBRA beneficiaries have higher incidences of these conditions, too

Presence of Select Health Conditions, by Source of Coverage						
Variable	Employee-only Coverage			Family Coverage		
	Full-time Employee	COBRA		Full-time Employee	COBRA	
High cholesterol	14%	23%	**	9%	15%	**
High blood pressure	15%	21%	**	8%	11%	**
Mental health disorders	7%	14%	**	6%	9%	**
Spine and back disorders	7%	13%	**	6%	8%	**
Diabetes	8%	11%	**	4%	6%	**
Respiratory disease or infection	8%	11%	**	10%	11%	
Connective tissue disease	5%	10%	**	4%	7%	**
Non-traumatic joint disorders	5%	9%	**	4%	6%	**
Chronic Obstructive Pulmonary Disease (COPD)	5%	8%	**	5%	6%	
Cancer	2%	6%	**	2%	3%	**
Nervous system disorders	2%	5%	**	2%	3%	**
Thyroid disorders	3%	4%	**	2%	3%	*
*Indicates Statistical Significance at a 5% Level						
**Indicates Statistical Significance at a 1% Level						

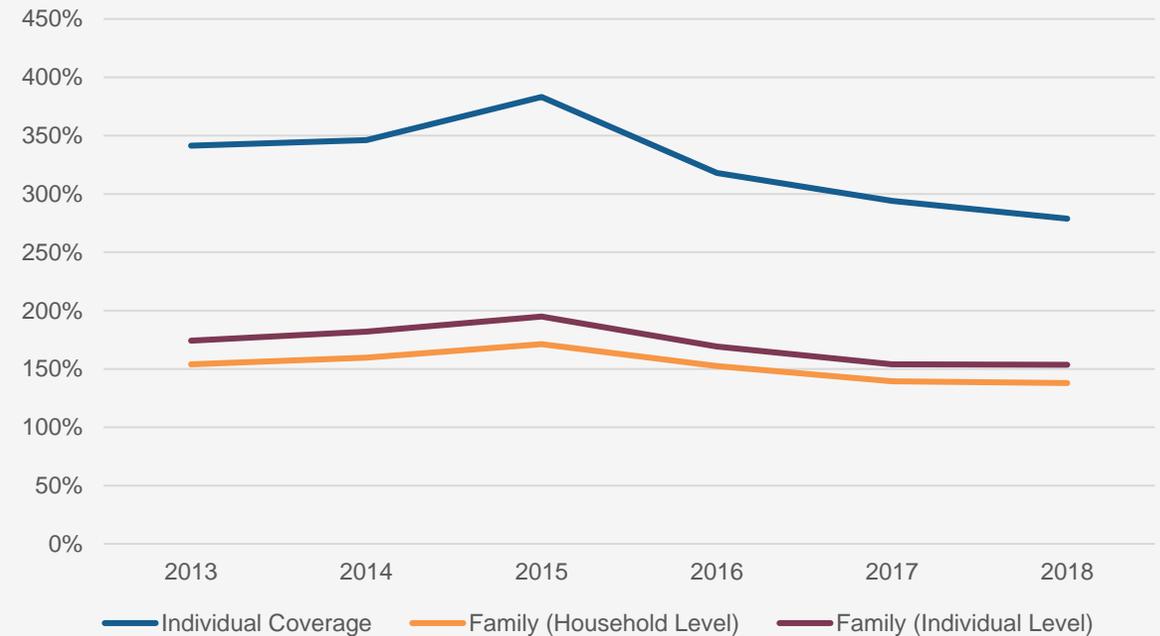
## Utilization Differences

- COBRA beneficiaries are less healthy as measured by the CCI, and more frequently have expensive chronic conditions than do people with coverage through a full-time employed worker
- Unsurprisingly, they also use inpatient and outpatient services more frequently
- They also spend more while pursuing this care, and significantly so in many cases

	FTE (N=145,052)	COBRA (N=16,437)	p-value
<b>Use:</b>			
Inpatient Hospital Admissions	0.04	0.10	<0.01**
Inpatient Hospital Days	0.16	0.78	<0.01**
Emergency Department Visits	0.36	0.40	0.23
Office Visits	4.07	6.69	<0.01**
Primary Care Physician	1.92	2.52	<0.01**
Specialist Physician	2.15	4.18	<0.01**
Prescription Drug Fills	17.30	30.02	<0.01**
<b>Cost:</b>			
Total	\$6,724	\$18,756	
Inpatient Hospital	\$1,111	\$4,313	<0.01**
Emergency Department	\$306	\$451	0.05
Office Visits			
Primary Care Physician	\$223	\$310	<0.01**
Specialist Physician	\$258	\$526	<0.01**
Outpatient Services			
Diagnostic	\$1,011	\$2,067	<0.01**
Surgery	\$470	\$1,020	<0.01**
Chemotherapy	\$155	\$710	<0.01**
Medical Supplies, Devices, and Durable Medical Equipment	\$128	\$360	<0.01**
Dialysis	\$83	\$879	0.13
Radiation Therapy	\$62	\$218	0.29
Other Outpatient Services	\$894	\$2,702	<0.01**
Prescription Drugs			
Prescription Drug Spending from Pharmacy Claims	\$1,707	\$4,130	<0.01**
Specialty Drugs Spending from Medical Claims	\$207	\$723	<0.01**
Other Non-Specialty Drug Spending from Medical Claims	\$127	\$360	<0.01**

## Adverse Selection Over Time

- COBRA beneficiaries are higher spenders; however, the gap has shrunk in recent years
- Previously, COBRA was the only way for newly-separated workers to retain health insurance
- Now, ACA exchanges and the subsidies made available to households earning less than 400% of the FPL give people other options
- We interpret the shrinking gap as evidence that ACA exchanges have somewhat moderated the adverse selection mechanism



## Implications

- Our analysis suggests that people who take up COBRA benefits spend more, are systematically older and less healthy, and consume more health care goods and services
  - This suggests that there is an adverse selection mechanism at play
  - Those who anticipate (or have already incurred) large medical expenses are disproportionately represented among COBRA beneficiaries, and this seems to be an important part of the calculus behind deciding whether or not to enroll
- To the extent that subsidies nudge marginally healthier workers to enroll in COBRA benefits, employers' risk pools could improve
- That the spending gap between COBRA beneficiaries and those covered by a full-time worker has shrunk over the past few years suggests that the adverse selection mechanism might be moderated by the ACA exchanges

# COBRA: Are subsidies needed?

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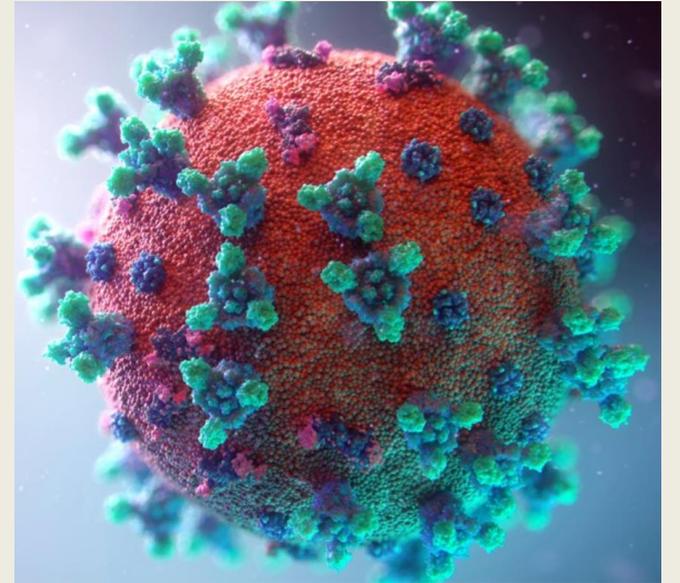
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**Joseph R. Antos, Ph.D.**  
**Wilson H. Taylor Scholar in Health Care  
and Retirement Policy**  
**American Enterprise Institute**



# Policy goals

- During the pandemic
  - Minimize disruption to work
  - Maintain continuity of health care
  - Restore a healthy economy



# Policy goals

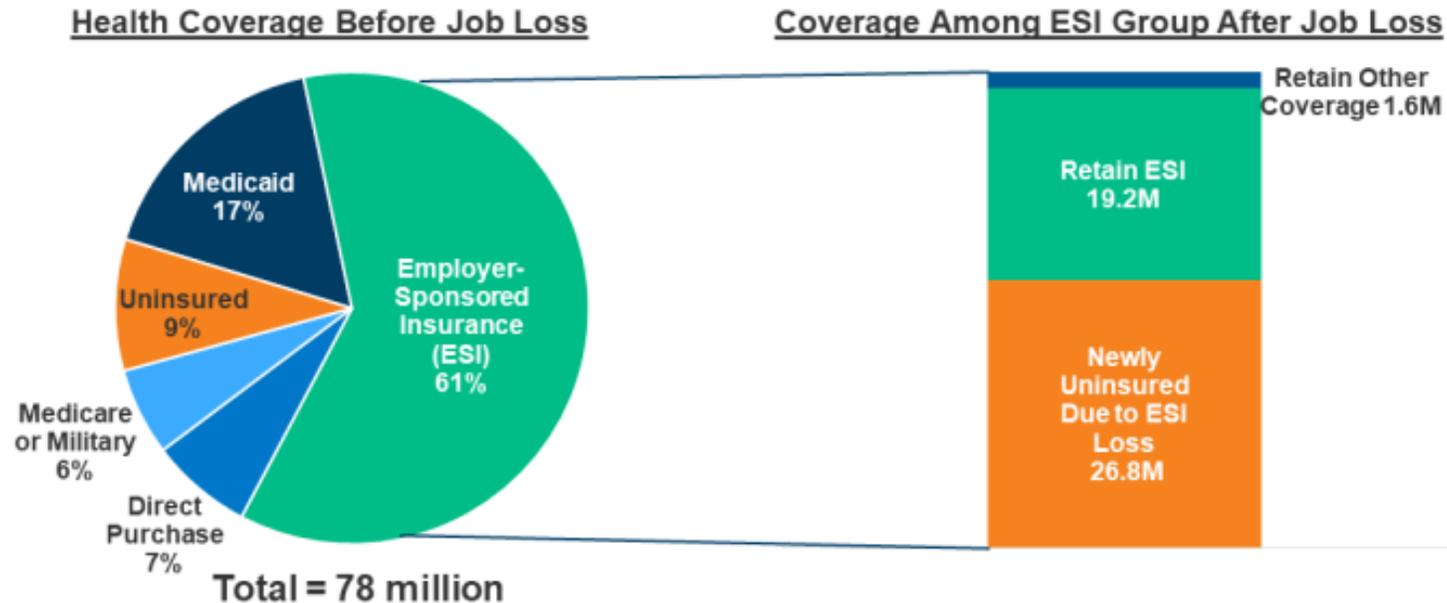
- During the pandemic
  - Minimize disruption to work
  - Maintain continuity of health care
  - Restore a healthy economy
- During the new normal
  - Better plan options
  - Better value
  - Innovation



# How well has the “safety net” worked?

Figure 1

## Health Insurance Coverage Before and After Job Loss Among People in a Family Experiencing Job Loss as of May 2, 2020



Notes: "Retain Other Coverage" refers to individuals holding multiple sources of coverage prior to family job loss.

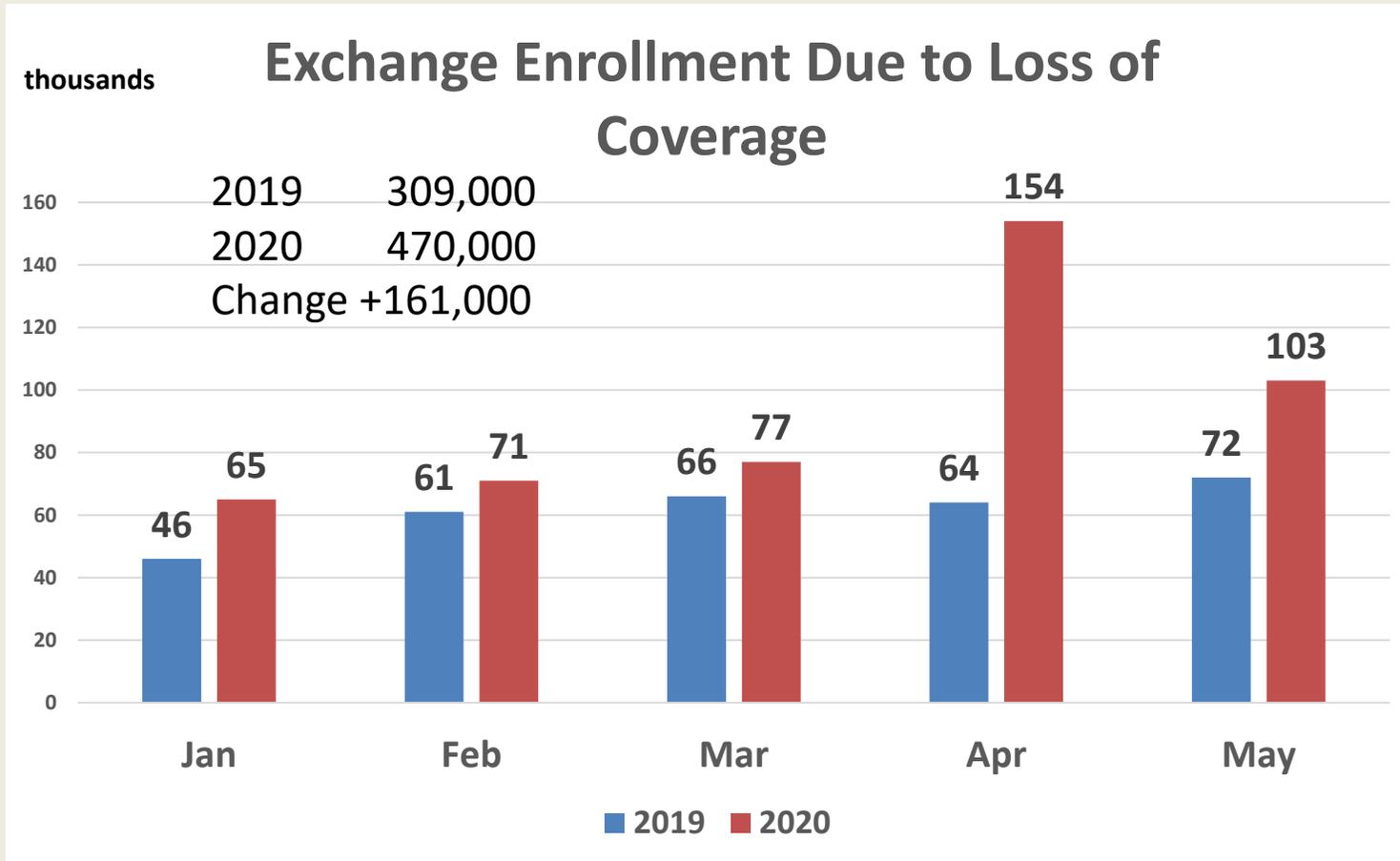
"Retain ESI" refers to individuals in families with multiple workers accessing ESI through separate employment-based policies.

Source: KFF. Job Losses occurred March 1<sup>st</sup> through May 2<sup>nd</sup>, 2020. See Methods for more details.



**>26 million may have lost employer coverage**

# Modest increase in exchange, Medicaid enrollment



<b>Medicaid Enrollment</b>	
April 2019	71,743,000
April 2020	72,348,000
Change	+605,000

Total special enrollment, Jan.-May: 704, 896 (2019) 892,141 (2020)

<https://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/Downloads/SEP-Report-June-2020.pdf>

## Why subsidize COBRA?

- Families keep their doctors, no interruption in treatment
- Families already paid off their annual deductible under ESI, a new policy starts over with higher deductible
- Laid-off workers can't afford \$20K COBRA premium, may not be eligible for ACA subsidy or Medicaid
- Culture of work – culture of health
- Reduce loss of firm's human capital investments
- Creating a new government program not feasible or advisable

# Bipartisanship

## FOR

- Conservatives/Republicans
  - Americans for Tax Reform, others: “While not ideal, workplace health insurance at least has the virtue of not being run by the government.”
- Liberals/Democrats
  - \$3 T HEROES Act: 100% subsidy
- Employers
  - U.S. Chamber of Commerce supports 90% subsidy

## AGAINST

- Conservatives/Republicans
  - Blase (NEC): subsidy makes unemployment more attractive, a bailout for insurers
  - Abortion opponents
- Liberals/Democrats
  - Bernie Sanders: Single payer cheaper, fairer
- Employers
  - Adverse selection increases cost

# COBRA: Are Subsidies Needed?

August 4, 2020

Mark Wilson

President, American Health Policy Institute, Vice President,  
Health and Employment Policy, HRPA Chief Economist

HRPA

# COBRA Coverage – Large Employer Views

## Pros

- Continuation of coverage and providers – avoids ACA's narrow network coverage
- Prevents the deductible clock from starting over
- More people in plans paying commercial rates
- Fewer uninsured

## Cons

- Adverse selection = significant costs for employers
- Particularly for self-insured, but even for fully-insured
- Even 100% subsidy won't offset 2.8 times health care spending for individual coverage and 1.4 times spending for family coverage

# Are COBRA Subsidies Necessary?

## Many of the newly unemployed have other coverage

- 68% Medicaid/CHIP, ESI thru other family member, Medicare/other
- 10% uninsured

## Of those that lose employer coverage

- 32% likely to pick up ESI thru another family member
- 28% likely enroll in Medicaid/CHIP
- 6% likely to enroll in subsidized ACA coverage
- 35% uninsured (3.5 million)

# Q&A



# EBRI Research Centers & Surveys

**Centers function as think tanks within EBRI. Each analyzes the state of play of the current system and the potential impact of proposed policy changes.**

- Retirement Security Research Center
- Center for Research on Health Benefits Innovation
- Financial Wellbeing Research Center

## **Surveys Available due to Member Sponsorship**

- Retirement Confidence Survey
- Consumer Engagement in Health Care Survey
- Workplace Wellness Survey

**Contact Betsy Jaffe [jaffe@ebri.org](mailto:jaffe@ebri.org) to find out how to leverage these resources**

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