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Statement

Before the

Committee on Ways and Means
U.S. House of Representatives

Hearing on

Oversight of Tax Law Related to Health Insurance

by

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Principal Points

- The goal of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) was to relieve the hardships employees and their families experience resulting from the temporary loss of group health insurance by providing a period of transition to other coverage. COBRA, as amended in legislation subsequent to its passage in 1985, requires employers with health insurance plans to offer continued access to group health insurance to qualified beneficiaries if they lose coverage as a result of a qualifying event.

- COBRA coverage can be considered advantageous for most workers, as it allows continuation of the policy one had in place at work. Although an employee can be required to pay 102 percent of the premium for COBRA coverage, workers can usually realize significant savings compared with purchasing the equivalent health insurance policy in the private market. COBRA premiums will usually be lower than insurance plans purchased directly from an insurance company due to economies of scale in administering group health insurance and the reduced risk of adverse selection. Furthermore, employment-based health insurance typically covers a larger array of benefits than individually purchased health insurance for an equivalent premium. As a result, COBRA coverage would be a “better buy” than a plan purchased in the individual market. COBRA coverage can be considered even more beneficial to older workers, who would get a community rate. COBRA is also seen as advantageous, in general, because it improves health insurance portability and reduces job-lock.

- Many employers consider COBRA to be a costly mandate for three reasons. First, premiums collected from COBRA beneficiaries typically do not cover the costs of the health care services rendered because of adverse selection. The Clinton administration has recognized this in its FY 1999 budget proposal. Second, COBRA imposes an additional administrative cost on employers. Not only do employers have to administer the plan, they must also find and notify COBRA eligible individuals. This process could be costly, especially for divorced and separated spouses and other dependents. While health plans are allowed to charge 102 percent of the cost of the health plan, the additional 2 percent may not fully cover these administrative costs. Third, many employers view the penalties for noncompliance as excessively large.

- Assuming that individuals electing COBRA coverage are a relatively higher risk population than the general work force, any expansion in the current law that affects either the size of the firm covered under COBRA or the length of time that former workers are eligible for continuous coverage would almost certainly increase employer costs for health insurance. In addition, subsidies for COBRA coverage would increase the percentage of eligible workers electing COBRA coverage. While this might reduce the degree of adverse selection, it would still drive up the overall claim costs for employers. One alternative to mitigate higher health care costs would be to allow workers to choose from plans that are similar to the current plan, such as plans with a high deductible. It should be noted, however, that previous research indicates that access to continuation of coverage is not likely to have a major effect on the level of the uninsured, although there is evidence that the availability of continuation of coverage increases the duration of unemployment, suggesting that it allows individuals to spend more time in “productive” job searches. Some of this effect may be due to state-mandated continuation-of-coverage laws and the existence of dual labor markets.

- Another alternative would be to guarantee access to health insurance coverage either in the individual market or through state-sponsored high-risk insurance pools. The Health Insurance Portability and Accountability Act of 1996 (HIPAA) included provisions for group-to-individual portability for workers who have exhausted COBRA coverage. Under this provision, workers have an incentive to continue COBRA coverage in order to qualify for coverage in the individual market. As mentioned above, this is costly to employers and workers. In order to reduce costs to employers, COBRA could be repealed if group-to-individual portability were guaranteed at the time that a worker leaves an employer. This, however, would have the effect of “shifting” the cost of continuation-of-coverage mandates from employers to insurance companies in the individual market, and ultimately, to individuals covered in this market. Thus, any expansion in continuation-of-coverage mandates either through COBRA or through increased access to insurance in the individual market would increase costs to workers, employers, or insurers.

- HIPAA “improves” portability as it makes it easier for individuals with preexisting conditions to get new health insurance on job change. In contrast, COBRA “guarantees” portability, as it allows workers to maintain their current health insurance plan.

- If cost issues are not addressed with future COBRA expansions, employers may consider various alternatives to reduce, shift, or eliminate the impact of this increased cost. One alternative is for employers to continue requiring active employees to share in the increased costs through higher employee contributions. A second alternative is to reduce or eliminate health care benefits for active employees and/or future retirees and their families. A third alternative is to reduce the size of the work force eligible for health insurance benefits.

Introduction

Madame Chair and members of the committee, I am pleased to appear before you this afternoon to discuss continuation of health insurance coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). My name is Paul Fronstin. I am a research associate at the Employee Benefit Research Institute (EBRI), a private, nonprofit, nonpartisan, public policy research organization based in Washington, DC. EBRI has been committed, since its founding in 1978, to the accurate statistical analysis of economic security issues. Through our research we strive to contribute to the formulation of effective and responsible health and retirement policies. Consistent with our mission, we do not lobby or advocate specific policy solutions. I would ask that my full statement be placed in the record.

COBRA

COBRA's goal was to relieve the hardships employees and their families experience resulting from the temporary loss of group health insurance by providing a period of transition to other coverage.[1] COBRA, as amended in legislation subsequent to its passage in 1985, requires employers with health insurance plans to offer continued access to group health insurance to qualified beneficiaries if they lose coverage as a result of a qualifying event. COBRA requires continued access for 18 months for covered employees, spouses, and dependent children who lose coverage when a covered employee terminates employment (for reasons other than gross misconduct) or there is a reduction in his or her hours of employment. COBRA requires continued access for 29 months for qualified beneficiaries who are disabled at the time of the qualifying event, or who become disabled within the first 60 days of the qualifying event, as clarified in the Health Insurance Portability and Accountability Act of 1996 (HIPAA). HIPAA also clarified that the 11-month extension for the disabled applies to all qualified beneficiaries, not just to the policyholder. COBRA requires continued access for 36 months for spouses and dependent children who lose coverage as a result of a covered employee's death, divorce, or legal separation. In addition, spouses and dependent children qualify for continued access for 36 months if a covered employee becomes eligible for the Medicare program.

Prior to the enactment of the Omnibus Budget Reconciliation Act of 1989 (OBRA '89), coverage could be terminated prior to the end of the maximum period if the qualified beneficiary became covered under another group health plan. However, OBRA '89 provides that COBRA need not terminate before the maximum period if the qualified beneficiary becomes covered under another group health plan that excludes or limits a preexisting condition.[2]

HIPAA includes additional COBRA clarifications affecting beneficiaries, newborns, and adopted children. First, newborns and adopted children will be allowed to enroll immediately under a qualified beneficiary's COBRA coverage, without being required to wait until the next open enrollment period. Second, COBRA coverage may be terminated as soon as any preexisting condition limitation in the new plan has been satisfied.

The coverage offered must be identical to that available prior to the change in the workers' employment status. The qualifying employee or dependent may be required to pay up to 102 percent of the premium (disabled qualified beneficiaries may be required to pay up to 150 percent of the premium for months 19 through 29). Group health plans for public and private employers with fewer than 20 employees are excluded from these provisions, as are plans offered by churches (as defined in sec. 414(e) of the Internal Revenue Code); the District of Columbia; or any territory, possession, or agency of the United States.

Advantages of COBRA

COBRA coverage can be considered advantageous for most workers, as it allows continuation of the policy one had in place at work. Although an employee can be required to pay 102 percent of the premium for COBRA coverage, workers can usually realize significant savings compared with purchasing the equivalent health insurance policy in the private market. COBRA premiums will usually be lower than insurance plans purchased directly from an insurance company due to economies of scale in administering group health insurance and the reduced risk of adverse selection.[3] Furthermore, employment-based health insurance typically covers a larger array of benefits than individually purchased health insurance for an equivalent premium. As a result, COBRA coverage would be a "better buy" than a plan purchased in the individual market.

COBRA coverage can be considered even more beneficial to older workers. Consider the following example for a small firm with a traditional fee-for-service health plan offered by Blue Cross Blue Shield in the Washington, DC, region for plan years starting March 1, 1995. Under the health plan, the annual premium for all workers with a family plan was $10,859. However, the expected cost of the plan varies greatly across workers. The actuarial cost for family coverage for workers under age 30 was $4,524, while the actuarial cost for workers ages 55 and older was $12,759. If a worker chooses COBRA coverage, the premium would be $11,076, or 102 percent of the annual premium. Young workers would have an incentive to forgo COBRA coverage, while older workers would have an incentive to accept COBRA coverage. As a result, the COBRA coverage pool of insured workers is adversely selected.

COBRA is also seen as improving health insurance portability and reducing job-lock. Concern about portability of health insurance arises in situations where a worker is leaving, or would like to leave, a job, and during periods of unemployment and labor force withdrawal. Concerns arise when a worker is unemployed or retires prior to Medicare eligibility and desires "bridge" coverage. In addition, portability could help alleviate the loss of insurance benefits when a worker is offered a new job that could alter his or her insurance status. Workers may remain with current employers for a number of reasons. A prospective employer may not offer health insurance. A waiting period may be required before a worker becomes eligible for coverage. The benefits package offered through the prospective employer may be less generous. And, the worker (or a dependent) may have a preexisting condition that would not be covered under the plan. These scenarios may result in "job-lock," or in employees forgoing job opportunities that could potentially increase their productivity and income. In other words, workers may forgo job opportunities in which a better match between the worker and the employer would enable the worker to perform his or her job more effectively. For employers that want employees to leave or retire and for employees who would prefer to change jobs, job-lock can be undesirable.

Disadvantages of COBRA

Many employers consider COBRA to be a costly mandate for three reasons. First, because of adverse selection, premiums collected from COBRA beneficiaries typically do not cover the costs of the health care services rendered. Second, COBRA imposes an additional administrative cost on employers. Not only do employers have to administer the plan, they must also find and notify COBRA eligible individuals. This process could be costly, especially for divorced and separated spouses and other dependents. While health plans are allowed to charge 102 percent of the cost of the health plan, the additional 2 percent may not fully cover these administrative costs. Third, many employers view the penalties for noncompliance as excessively large.[4]

COBRA Expansion and Alternatives to Expansion

Assuming that individuals electing COBRA coverage are a relatively higher risk population than the general work force, any expansion in the current law that affects either the size of the firm covered under COBRA or the length of time that former workers are eligible for continuous coverage would almost certainly increase employer costs for health insurance. In addition, subsidies for COBRA coverage, as previously proposed by the Clinton administration, would increase the percentage of eligible workers electing COBRA coverage. While this might reduce the degree of adverse selection if individuals previously at the margin because of low expected health care costs accepted COBRA coverage, it would still drive up the overall claim costs for employers, especially self-insured employers. One alternative to mitigate higher health care costs would be to allow workers to choose from plans that are similar to the current plan, such as plans with a high deductible. It should be noted, however, that previous research indicates that access to continuation of coverage is not likely to have a major effect on the level of the uninsured.[5] However, there is evidence that the availability of continuation of coverage increases the duration of unemployment, suggesting that it allows individuals to spend more time in "productive" job searches.[6] Some of this effect may be due to state-mandated continuation-of-coverage laws and the existence of dual labor markets.[7]

Another alternative would be to guarantee access to health insurance coverage either in the individual market or through state-sponsored high-risk insurance pools. HIPAA included provisions for group-to-individual portability for workers who have exhausted COBRA coverage. Under this provision, workers have an incentive to continue COBRA coverage in order to qualify for coverage in the individual market. As mentioned above, this is costly to employers and workers. In order to reduce costs to employers and workers, COBRA could be repealed if group-to-individual portability were guaranteed at the time that a worker leaves an employer. This, however, would have the effect of "shifting" the cost of continuation-of-coverage mandates from employers and workers to insurance companies in the individual market, and ultimately, to individuals covered in this market. Thus, any expansion in continuation-of-coverage mandates either through COBRA or through increased access to insurance in the individual market would increase costs to workers, employers, or insurers.

HIPAA also includes a provision to encourage states to provide medical coverage for high-risk individuals by granting tax-exempt status to organizations that establish high-risk insurance pools. These pools would be open to individuals with preexisting conditions. If individuals were to enroll in these pools instead of taking COBRA coverage, the burden of adverse selection would no longer fall on employers. It should be noted, however, that state sponsored high-risk pools have not been effective in covering a significant portion of the population, in large part due to high premiums. Hence, any attempt to use these pools for health insurance portability may yield mixed results.

COBRA Costs and Beneficiaries

Several surveys have been conducted regarding issues surrounding the use of COBRA. A survey of approximately 200 firms, covering 1.42 million workers, conducted by Charles D. Spencer & Associates, Inc., in the spring of each year has typically yielded consistent answers about the problem of adverse selection and COBRA coverage. According to the survey, average employer claims costs for COBRA beneficiaries were $5,591, compared with $3,332 for active employees in surveyed plans in 1996. Thus, average continuation-of-coverage costs were 156 percent of the active employee claims costs. Large differences between active employee costs and COBRA costs have been typical since 1990, when average active employee costs were $2,769, compared with $4,208 for COBRA costs (chart 1).

Another study also found some evidence that COBRA beneficiaries used more health care than active workers.[8] This study examined claims data from three large employer health plans, and found that COBRA costs ranged from 32 percent to 224 percent higher than health care costs for active workers. For one plan, these differences were due entirely to demographics, with COBRA beneficiaries being much more likely to be women of child-bearing age. These data would suggest that allowing employers and insurers to set COBRA premiums based on risk-adjusted factors, such as demographics, would reduce the level of adverse selection.

While data on COBRA elections and limited data on the size of the COBRA population are available, virtually no data exist on COBRA beneficiaries themselves. For policy purposes, it is important to understand the characteristics of the COBRA population and how this population differs from the rest of the population. In order to gain a better understanding of the COBRA population, we used data from the 1993 panel of the Survey of Income and Program Participation (SIPP). SIPP is a longitudinal study that follows individuals for 36 months. Combining waves 6 through 9 of the 1993 panel allows the observation of individuals over a 12-month period. This 12-month period, October 1994–September 1995, represents the most recent SIPP data that allow researchers to track the entire sample for 12 months.[9]

Because the COBRA population is examined over a 12-month period, it is impossible to determine the full duration of each spell. Some spells may have begun before October 1994, while others may have ended after September 1995. As a result, we separate COBRA beneficiaries into two groups—those with COBRA coverage for the entire 12-month period and those with COBRA coverage for less than 12 months—with the understanding that the latter group may in fact have had COBRA coverage for 12 months or longer. Our analysis sample represents 0.6 million individuals with COBRA coverage for 12 months between October 1994 and September 1995, 4.4 million individuals with COBRA for less than 12 months, and 59.2 million individuals with employment-based health insurance coverage in their own name for the entire 12-month period.

As you can see from table 1, the COBRA population is much older than the population of individuals with employment-based coverage through their current employer. While we may be capturing a retirement effect, meaning older individuals use COBRA as a bridge to Medicare coverage, we find similar results when limiting the analysis to workers. COBRA beneficiaries are also more likely than individuals with coverage through a current employer to be male, married, white, have no children under age 18, and to have a graduate school education. They are also less likely to be working.

With respect to income, 12-month COBRA beneficiaries have higher personal income than the population with insurance coverage through their current employer (table 2). This difference is almost entirely due to differences in other personal income, which includes retirement income. This would suggest that retirees are using COBRA as a bridge to Medicare. However, workers are also more likely to be using other personal income for COBRA coverage. In both cases, the total population and workers had higher average asset income than persons with employment-based coverage through their current employer.

Previous research has been unable to determine what happens to COBRA beneficiaries after COBRA benefits end.[10] Using SIPP, we can determine the health insurance status of COBRA beneficiaries after they leave COBRA. According to chart 2, 41 percent of persons ages 18–64 received coverage in their own name from their own employer after leaving COBRA. An additional 12 percent received employment-based coverage as a dependent. Ten percent purchased private coverage on their own. Twenty-six percent became uninsured. The same general pattern can be seen for workers leaving COBRA coverage, with 48 percent returning to employment-based coverage in their own name, 9 percent gaining coverage as a dependent, 7 percent purchasing private coverage on their own, and 26 percent becoming uninsured.

The Health Insurance Portability and Accountability Act of 1996

Portability was also the goal of legislation passed in 1996. HIPAA established greater portability of health insurance in that it prohibits group health plans from imposing preexisting condition exclusion periods on individuals with a history of prior health insurance coverage. HIPAA did not ensure that a worker who changes jobs will have access to health insurance coverage on the new job, and did not ensure that health insurance on a new job would be affordable. In addition, HIPAA did not allow individuals to maintain the *same* group health plan after a job change. When a worker changes health plans on job change, there is a chance that he or she may well have to change health care providers, and there is also a high chance that the benefits package will be different; therefore, "total" portability is not achieved.

Health insurance would be totally portable if a worker did not have to change health plans on job change. In order to understand portability, a brief examination of pension plans is helpful. All pension plans are portable in that they allow "vested" workers to keep accumulated assets on job change.[11] For example, if a worker with a defined contribution plan changes jobs, the amount accumulated in the account could be rolled over into a qualified individual retirement account and, in some cases, into the new employer's pension plan. Keeping this definition of portability in mind, HIPAA did not make health insurance totally portable. HIPAA "improves" portability as it makes it easier to get new health insurance on job change for individuals with preexisting conditions. In contrast, COBRA "guarantees" portability, as it allows workers to maintain their current health insurance plan.

Conclusion

HIPAA included provisions that directly affected COBRA by clarifying eligibility criteria for newborns and adopted children and individuals with disabilities. These were minor changes to COBRA. More important, however, is the fact that HIPAA may indirectly result in more individuals electing COBRA coverage, and may result in individuals keeping COBRA coverage for longer periods. HIPAA allows individuals who keep their coverage in effect to avoid preexisting condition waiting periods, and guarantees access to health insurance coverage in the individual market after COBRA benefits have been exhausted. These HIPAA provisions combined with any attempt to expand COBRA coverage further, either through subsidies or by allowing workers to choose from plans with lower premiums, will likely result in increased employer health care costs. Survey data indicate that the primary issue concerning COBRA is its impact on claims experience and administrative costs for active employees, employers, and COBRA beneficiaries. If the cost issues are not addressed with future COBRA expansions, employers may consider various alternatives to reduce, shift, or eliminate the impact of this increased cost.

One alternative is for employers to continue requiring active employees to share in the increased costs through higher employee contributions. Since at least 1987, employers have been increasingly shifting the cost of health insurance coverage onto workers. In 1987, 44.2 percent of workers with employee-only coverage had that coverage fully financed by their employer, compared with 32.5 percent in 1996 (chart 3). In addition, 36.7 percent of workers with family coverage had that coverage fully financed by their employer, compared with 25.9 percent in 1996. As the employee share of health insurance premiums increases, active employees increasingly pay part of the cost of adverse claims experience under COBRA (above the 102 percent of premium/cost allowed) because former employees and their families under COBRA are not paying the true cost of the coverage they are receiving.

A second alternative is to reduce or eliminate health care benefits for active employees and/or future retirees and their families, thereby reducing or eliminating the COBRA continuation coverage. This might be a particularly attractive option for small employers, who are already experiencing high health insurance premiums. In addition, small employers are not as likely as large employers to absorb cost increases. The reduction in coverage shifts a greater share of the cost to employees, but elimination of coverage obviously exacerbates the problem of access to health insurance.

A third alternative is to reduce the size of the work force eligible for health insurance benefits. Employers could accomplish this by substituting part-time workers for full-time workers or by increasing the hours worked by full-time workers. One study found that the increased use of part-time workers as a percentage of the labor force accounted for 7 percent of the decline in employment-based health insurance between 1988 and 1993.[12] Furthermore, another study found that hours of work increased for workers with health insurance by 0.06–0.10 hours per week, compared with workers without health insurance.[13] The study also found that hours of work increased more rapidly in industries with relatively high health insurance costs.

Finally, where possible, the employer may pass additional costs along to workers or consumers. Workers could be affected if wage increases are not as large as they would have been if COBRA costs were not an issue. Consumers would be affected if employers raised product prices, creating additional inflationary pressure in the economy.

The survey data and the alternatives available to employers to deal with increased medical plan costs suggest that some changes to COBRA may be necessary. An increase in the percentage of the premiums allowed to be charged to COBRA beneficiaries may be in order to accommodate the higher level of claims costs associated with COBRA beneficiaries. The Clinton administration has recognized this idea in its FY 1999 budget proposal. One provision of the proposal would define another COBRA qualifying event as occurring for current retirees when an employer drops retiree health benefits. This provision would allow retirees to elect COBRA coverage, but employers would be allowed to charge 120 percent to 125 percent of the premium. Any such increase should consider both the current impact COBRA claims are having on employers and COBRA beneficiaries' ability to continue the coverage if the premium becomes too high. Another alternative would be to reduce the length of time coverage is required to be offered. A shortened rather than lengthened COBRA coverage continuation period could help reduce employers' administrative costs. While those most likely to be affected are former employees' families, the survey data indicate that the majority of COBRA beneficiaries would not be adversely affected. The longer-term loss of coverage problem could be dealt with as part of the larger overall problem of health care access, costs, and quality. However, with COBRA and HIPAA generating a relatively large-scale debate over legislation that does very little to affect coverage levels, even larger scale reforms concerning health care access, costs, and quality will likely be that much more difficult to accomplish.

Madame Chair, this concludes my statement. Thank you for the opportunity to testify this afternoon. I would be happy to answer any questions that you or members of the committee might have.

Endnotes

1 Paul Millholland, "Employers' COBRA Costs," *EBRI Notes*, No. 11 (Employee Benefit Research Institute, November 1992): 1–4.

2 The Supreme Court is going to consider the case when a qualified beneficiary already has other health insurance coverage. The dispute concerns whether individuals who have other health insurance coverage prior to the COBRA qualifying event are eligible for continuation of coverage under COBRA.

3 Adverse selection occurs when higher-risk individuals are more likely to seek health insurance coverage than low-risk individuals.

4 Stephen H. Long and M. Susan Marquis, "COBRA Continuation Coverage: Characteristics of Enrollees and Costs in Three Plans," in *Health Benefits and The Workforce*, U.S. Department of Labor, Pension and Benefits Welfare Administration (Washington, DC: U.S. Government Printing Office, 1992).

5 Jacob Alex Klerman and Omar Rahman, "Employment Change and Continuation of Health Insurance Coverage," in *Health Benefits and The Workforce*, U.S. Department of Labor, Pension and Benefits Welfare Administration (Washington, DC: U.S. Government Printing Office, 1992).

6 Jonathan Gruber and Brigitte C. Madrian, "Non-Employment and Health Insurance Coverage," *Journal of Public Economics*, forthcoming.

7 Dual labor market theory suggests that there are two noncompeting labor markets: a primary sector that offers relative high wage, stable jobs that include employee benefits, and a secondary sector that tends to be low-wage and unstable. This theory would indicate that workers with health insurance who change jobs are likely to get another job with health insurance, but workers without health insurance tend not to gain health insurance on job change. See P. B. Doeringer and M.J. Piore, *Internal Labor Markets and Manpower Analysis* (Lexington, MA: DC Health, 1971).

8 Stephen H. Long and M. Susan Marquis, "COBRA Continuation Coverage: Characteristics of Enrollees and Costs in Three Plans," in *Health Benefits and The Workforce*, U.S. Department of Labor, Pension and Benefits Welfare Administration (Washington, DC: U.S. Government Printing Office, 1992).

9 SIPP does not allow researchers to make a distinction between retiree health benefits and COBRA coverage. The health insurance question asks respondents to report the source of health insurance coverage, but limits the answers to current employer, former employer, or other. In order to make the distinction between retiree health benefits and COBRA coverage, data from the September 1994 CPS Population Survey were used to impute COBRA coverage for individuals ages 40–64. All individuals under age 40 were assumed to have COBRA coverage. SIPP also does not allow researchers to identify spouses and dependents with COBRA coverage; therefore, the population estimates presented in this paper should be considered a lower bound estimate.

10 COBRA benefits will end either because the person has exhausted the benefits or stopped paying for the benefit before the 18-month benefit period was reached.

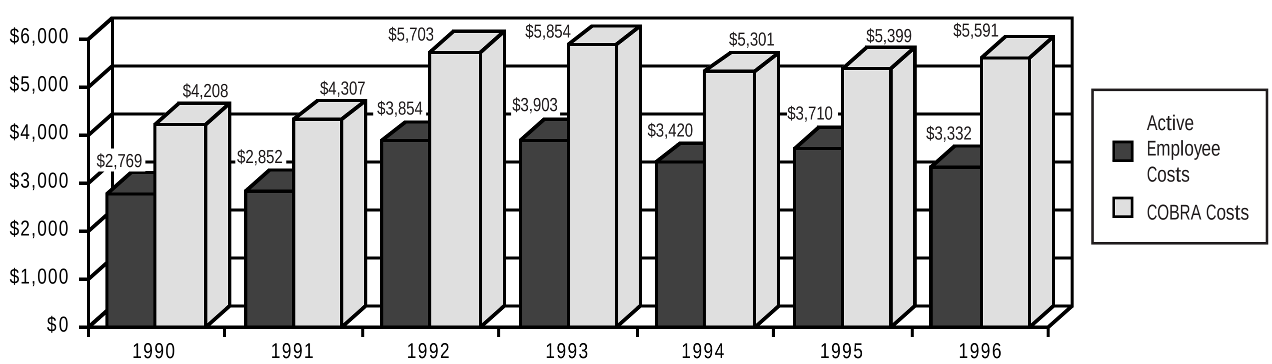
11 For workers with a defined benefit plan, job change may result in a loss of potential benefits. Defined benefit plans typically base benefits in part on years of service. As a result, workers who change jobs may not be credited for past service with former employers. In addition, full vesting of pension benefits does not usually occur immediately for plan participants.

12 Paul Fronstin and Sarah C. Snider, "An Examination of the Decline in Employment-Based Health Insurance Between 1988 and 1993," *Inquiry* 33 (Winter 1996/97): 317–325.

13 David M. Cutler and Brigitte C. Madrian, "Labor Market Responses to Rising Health Insurance Costs: Evidence on Hours Worked," unpublished paper, October 1997.

Chart 1

Seven Years of Adverse Selection: Average Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) Costs per Participant, Plan Years 1990–1996



Source: Stephen A. Hugh, "COBRA Costs Continue to Be High, Erratic," *Employee Benefit Plan Review* (September 1997): 36–44.

Table 1

Characteristics of Persons and Workers Ages 18-64 with 12 Months of Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) Coverage, Less than 12 Months of COBRA Coverage, and 12 Months of Employment-Based Coverage in Own Name, October 1994-September 1995

	Persons Ages 18–64			Workers		
	COBRA 12 months	COBRA 1–11 months	Employment-based coverage in own name 12 months	COBRA 12 months	COBRA 1–11 months	Employment-based coverage in own name 12 months
Age						
18–24	1%	11%	6%	2%	13%	6%
25–34	5	27	29	7	29	29
35–44	6	23	33	5	24	33
45–54	20	19	23	17	18	23
55–64	68	19	9	69	17	9
Gender						
Male	67	55	59	70	57	59
Female	33	45	41	31	43	41
Marital Status						
Married	76	55	62	79	55	62
Widowed	4	3	2	7	2	2
Divorced	11	14	13	3	12	13
Separated	4	3	3	2	4	3
Never married	6	26	21	9	27	21
Race						
White	94	82	81	94	82	80
Black	5	7	9	4	8	10
Hispanic	1	8	7	2	7	7
Other race	0	3	3	0	3	3
Number of Own Children Under Age 18						
None	93	67	58	89	65	58
One	5	14	17	9	14	17
Two	1	13	17	0	14	17
Three or more	1	6	8	2	7	7
Education						
Some school	12	10	9	7	8	8
High school	36	29	34	33	28	32
College	32	46	43	37	48	44
Graduate school	19	15	15	22	15	16
Household Type						
Married couple	76	61	66	79	62	67
Male head	0	2	3	0	1	3
Female head	9	12	11	5	11	11
Other male	5	13	11	5	12	11
Other female	10	12	9	11	13	9
Group quarters	0	0	0	0	0	0
Number of Jobs						
One job	52	64	95			
Two jobs, all month	2	2	3			
Two jobs, not all month	0	2	0			
Two jobs, no overlap	0	2	0			
No job	46	30	2			

Source: Employee Benefit Research Institute estimates from the 1993 panel of Survey of Income and Program Participation, Waves 6–9.

Table 2

Sources of Income of Persons and Workers Ages 18-64 with 12 Months of COBRA Coverage, Less than 12 Months of COBRA Coverage, and 12 Months of Employment-Based Coverage in Own Name, October 1994-September 1995

	Persons Ages 18–64			Workers		
	COBRA 12 months	COBRA 1–11 months	Employment-based coverage in own name 12 months	COBRA 12 months	COBRA 1–11 months	Employment-based coverage in own name 12 months
Total Income						
Less than $10,000	14%	15%	2%	9%	8%	2%
$10,000–$19,999	24	31	21	15	34	21
$20,000–$29,999	15	24	28	17	25	29
$30,000–$39,999	15	14	21	17	17	21
$40,000–$49,999	7	8	13	7	8	13
$50,000 or more	25	8	16	35	9	16
Earned Income						
Less than $10,000	54	30	2	39	22	2
$10,000–$19,999	17	29	23	22	31	23
$20,000–$29,999	8	19	29	13	22	29
$30,000–$39,999	11	12	20	12	14	21
$40,000–$49,999	1	4	12	2	5	12
$50,000 or more	9	5	15	13	6	14
Asset Income[a]						
Less than $10,000	97	98	99	97	99	99
$10,000–$19,999	1	2	1	4	1	1
$20,000–$29,999	2	1	0	0	1	0
Other Income[b]						
Less than $10,000	29	85	98	26	87	98
$10,000–$19,999	40	9	1	38	5	1
$20,000–$29,999	17	5	0	21	6	0
$30,000–$39,999	9	1	0	10	1	0
$40,000–$49,999	5	1	0	3	0	0
$50,000 or more	1	0	0	2	1	0
Total Family Income						
Less than $10,000	4	4	0	4	2	0
$10,000–$19,999	11	14	8	7	16	8
$20,000–$29,999	20	18	14	12	16	14
$30,000–$39,999	17	19	16	16	20	17
$40,000–$49,999	8	13	16	7	15	16
$50,000 or more	40	32	46	53	31	45

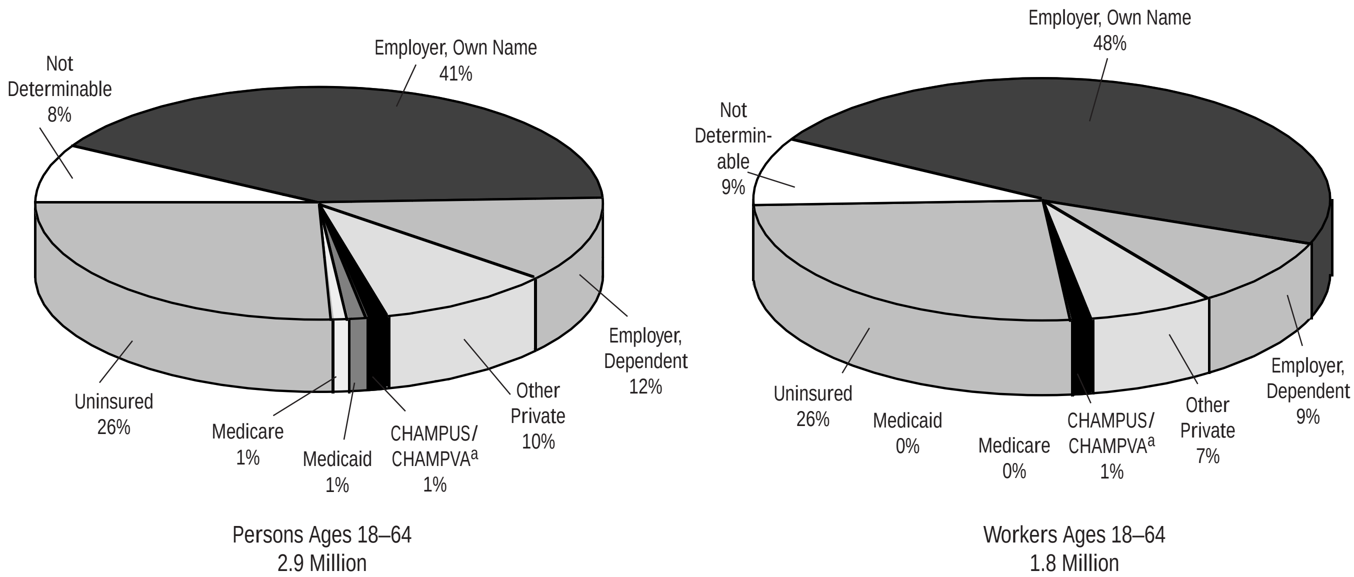
Source: Employee Benefit Research Institute estimates from the 1993 panel of Survey of Income and Program Participation, Waves 6–9.

[a]Asset income includes interest from savings accounts, money market funds, securities, and bonds; stock dividends received and reinvested; net rental income, mortgage interest, and royalties or other investment income.

[b]Other income includes Social Security, railroad retirement, unemployment compensation, supplemental employee benefits, veterans' compensation, workers' compensation, employer or union temporary sickness payments, disability insurance, child support, alimony, private or public pension income, annuity income, and other cash income not included elsewhere. It does not include means-tested cash transfer payments.

Chart 2

Sources of Coverage After Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) Coverage Persons and Workers Ages 18–64 Whose COBRA Spell Ended During Survey

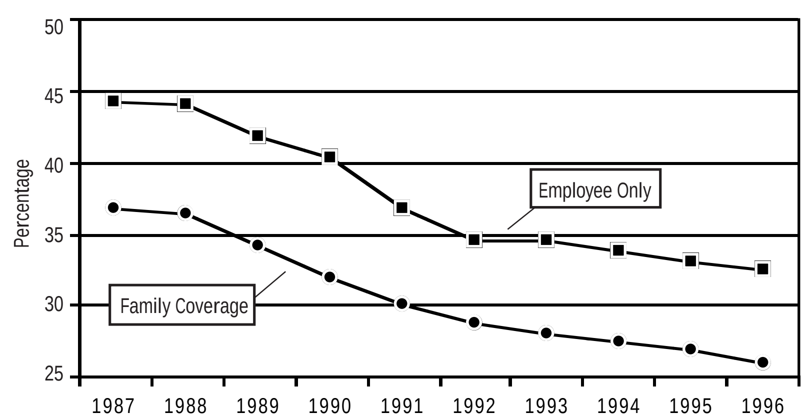


Source: Employee Benefit Research Institute estimates from the 1993 panel of Survey of Income and Program Participation, Waves 6–9.

[a]Civilian Health and Medical Program of the Uniformed Services/Civilian Health and Medical Program of the Veterans Administration.

Chart 3

Percentage of Persons with Employment-Based Health Insurance in Own Name Whose Employer Fully Financed Health Insurance, 1987–1996



Source: Employee Benefit Research Institute estimates from the March 1988–1997 Current Population Surveys.