Transitioning from Employer-Sponsored Coverage to Other Health Coverage

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Agenda

- Employer-Sponsored Coverage (ESC) to Consolidated Omnibus Budget Reconciliation Act (COBRA)
- ESC to a Marketplace Plan
- ESC to Medicaid or the Children's Health Insurance Program (CHIP) Coverage
- Summary and Key Takeaways

*Please note that this presentation relates specifically to the Federally Facilitated Exchange (FFE) and that reference to Marketplace refers to the FFE, although the content also may be applicable to other exchanges.

Transitioning from Employer-Sponsored Coverage to Other Health Coverage

- Aaron is 40 years old, married, and a father of two children.
- Aaron lost his job as a restaurant manager in February 2020 when the restaurant closed due to the coronavirus disease 2019 (COVID-19) pandemic. His job offered health benefits to its employees and their dependents, and Aaron and his family were covered under this plan. Aaron's spouse and children don't work or have any additional income.
- Aaron and his family will be covered by his employer's health plan until February 29, 2020.
- After losing his job, Aaron estimates that his total household income in 2020 will be $70,000 (including severance pay and unemployment benefits).

Transitioning from ESC to Other Health Coverage

To avoid a gap in coverage, what are some of the health coverage options that are available to Aaron and his family once his ESC ends?

- COBRA Coverage
- Marketplace Coverage
- Medicaid or CHIP Coverage

Option 1

Transitioning from ESC to COBRA Coverage

Transitioning from ESC to COBRA Coverage

Basics of COBRA:

- COBRA gives some employees and their families the option to continue receiving health coverage through their employer's plan for a limited time after their employment ends, if the employer had at least 20 employees on more than 50 percent of its typical business days in the previous calendar year. (State mini-COBRA laws may apply to employers not subject to Federal COBRA).
- Employees and their families could become qualified beneficiaries if coverage under the plan is lost because of certain life events called qualifying events. When the qualifying event is the employee's voluntary or involuntary termination of employment (for reasons other than gross misconduct) or reduction in hours of work, continuation coverage generally lasts for 18 months.
- For most other qualifying events, continuation coverage generally lasts for 36 months.

Transitioning from ESC to COBRA Coverage (Cont.)

Basics of COBRA (cont.):

- In certain cases, continuation coverage may end earlier than the end of the maximum period. For example, coverage may end earlier because premiums are not paid in full on a timely basis or because the employer ceases to maintain any group health plan.
- COBRA coverage for which individuals are entitled to an 18-month maximum period can be extended for two reasons only:

    1. Disability: Consumers will be eligible for an 11-month extension of coverage if a qualified beneficiary in the family is disabled and meets certain criteria. Total length of COBRA coverage is 29 months.
    2. Second Qualifying Event: If consumers who are covered by COBRA experience a second qualifying event, they will be eligible for an 18-month extension of COBRA coverage. Second qualifying events include the death of the covered employee, divorce or separation, or Medicaid entitlement. Total length of COBRA coverage is 36 months.

Transitioning from ESC to COBRA Coverage (Cont.)

Basics of COBRA (cont.):

- Employers decide whether or not they will contribute to their employees' premiums under COBRA, so consumers may be responsible for the entire monthly premium by themselves. Therefore, the cost of the continuation coverage may be more expensive for consumers than it was when they were employed.
- Typically, consumers have 60 days to decide whether to enroll in COBRA coverage.
  - For example, if Aaron lost his job on February 1 and has ESC through February 29, he can sign up for COBRA any time during the period March 1 through April 29 (60 days after his coverage ended) with a retroactive coverage date of March 1.

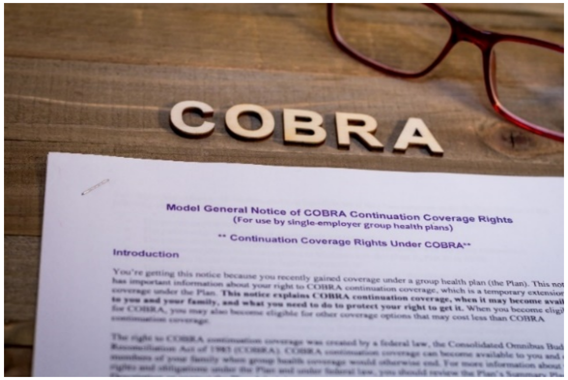
Transitioning from ESC to COBRA Coverage (Cont.)

Basics of COBRA (cont.):

- If consumers choose to enroll in COBRA coverage, they typically have 45 days after making the election to make the initial premium payment.
- If elected within the applicable timeframe, COBRA coverage begins on the date the job-based coverage ended, as long as the election is made within 60 days of the loss of coverage. Consumers are still responsible for paying premiums for their retroactive coverage.
- These timeframes have been extended due to the COVID-19 pandemic. In determining the 60-day election period and the 45-day period to make an initial payment, the timeframe from March 1 until 60 days after the National Emergency ends is disregarded.

COBRA Coverage and Eligibility for Marketplace Coverage

- If the consumer is entitled to COBRA continuation coverage after losing job-based coverage, the consumer may still quality for a Special Enrollment Period (SEP) to enroll in Marketplace coverage due to loss of coverage. Consumers generally have 60 days before or after their existing coverage ends, which may or may not be the last day of employment, to select a Marketplace plan.
- A consumer may qualify for advance payment of the premium tax credit (APTC) and cost-sharing reductions (CSRs) for the period of Marketplace coverage that begins after the consumer ends COBRA continuation coverage or after the employer coverage ends if the consumer did not accept the COBRA coverage once the employer coverage ended.



COBRA Coverage and Eligibility for Marketplace Coverage (Cont.)

- If the consumer has elected COBRA coverage, they can decide to voluntarily drop COBRA coverage and enroll in a Marketplace plan if the consumer is still within the 60-day SEP window to enroll in Marketplace coverage.
- If the consumer is enrolled in COBRA continuation coverage, the consumer may qualify for an SEP to enroll in Marketplace coverage if the COBRA continuation coverage costs change because the consumer's former employer stopped contributing, so the consumer has to pay full cost.
  - Visit HealthCare.gov/unemployed/cobra-coverage/ to learn more about COBRA continuation coverage and the Marketplace.
- Finally, consumers who elect COBRA may qualify for an SEP when their COBRA coverage ends.

When COBRA Coverage Ends

Can Aaron change from COBRA to a Marketplace plan?

Timing of Change from COBRA to a Marketplace plan	If Aaron's COBRA is ending	If Aaron is ending COBRA early	If Aaron's COBRA costs change because his former employer stops contributing and he must pay full cost
During Open Enrollment	Yes, Aaron can change.	Yes, Aaron can change.	Yes, Aaron can change.
Outside Open Enrollment	Yes, Aaron can change – he would qualify for a Special Enrollment Period (SEP).	No, Aaron can't change until the next Open Enrollment Period, his COBRA runs out, or he qualifies for an SEP another way – for example, if he lost his non-COBRA job-based coverage in the past 60 days.	Yes, he can change — he qualifies for an SEP.

Considerations When Transitioning to COBRA Coverage

- COBRA coverage may be more expensive than typical employer-based coverage, since employers are not required to contribute to premium costs or other costs associated with COBRA coverage; therefore, consumers may have to pay the entire monthly premium themselves, plus a small administrative fee.
- COBRA coverage may be a good option to prevent a gap in coverage and for continuity of care, but it may not be a viable long-term option for some consumers due to its costs and the limited period it is available.
- Consumers should also decide if they will enroll all qualified beneficiaries (i.e., dependents or children) in COBRA coverage, or if these family members may be eligible to enroll in Medicaid, CHIP, or other health coverage.

Option 2

Transitioning From ESC to a Marketplace Plan

Transitioning from ESC to a Marketplace Plan

Marketplace Plan Basics

- Consumers have 60 days before or after their existing coverage ends, which may or may not be the last day of employment, to complete an application on HealthCare.gov and select a Marketplace plan.
- If a consumer was prevented from enrolling in a Marketplace plan within 60 days of the last day of their ESC because the consumer was affected by the COVID-19 pandemic, the consumer may be eligible for another SEP.
- Consumers who missed the deadline to enroll in a Marketplace plan due to COVID-19 should contact the Marketplace Call Center to see if they are eligible for this SEP.

Transitioning from ESC to a Marketplace Plan (Cont.)

Marketplace Plan Basics (cont.):

- Consumers can go to the Marketplace to see if they qualify for APTC and CSRs.
- Through the Marketplace, they can also learn if they qualify for free or low-cost coverage from Medicaid or CHIP.
- Consumers should be reminded that they must reconcile APTC when filing their annual federal income tax return. Additionally, they need to report any changes in household income (e.g., getting a new job or change in the amount of unemployment benefits received) by updating their Marketplace application within 30 days of the change so that the amount of APTC and CSRs through the Marketplace can be adjusted.

Considerations for Transitioning to a Marketplace Plan

- Aaron has <u>60 days</u> after his ESC ends to enroll in Marketplace coverage. However, if he knows he'll lose coverage within the next 60 days, he can submit an application on HealthCare.gov before he actually loses his coverage to help avoid a gap in coverage.
- Because Aaron's coverage ends on February 29, he must select a plan by April 29 under normal circumstances, or, if he misses this deadline due to the COVID-19 pandemic, he may also qualify for another SEP that would extend the deadline.

Considerations for Transitioning to a Marketplace Plan (Cont.)

- When applying for coverage through the Marketplace, Aaron should have both his family's current monthly household income and their estimated total household income for 2020 (not just his household income before or after losing his job) to determine eligibility for APTC and CSRs or for other coverage, such as Medicaid and CHIP.
- To most accurately estimate household income, Aaron should also include any expected unemployment compensation and anticipated wages from future employment.
- Consumers should include all unemployment compensation they're receiving, including the additional $600/week of federal pandemic unemployment compensation, when reporting their current monthly income on their application.

Considerations for Transitioning to a Marketplace Plan (Cont.)

- The Coronavirus Aid, Relief, and Economic Security (CARES) Act calls for the IRS to make economic impact payments of up to $1,200 per taxpayer and $500 for each qualifying child. If consumers get one of these payments, they don't need to include it in the income they report on their HealthCare.gov application. These payments don't impact their eligibility for financial assistance for health care coverage through the Marketplace or their eligibility for Medicaid or CHIP. For more information, visit [IRS Coronavirus Tax Relief.]

- Aaron should consider what plan would best meet his family's needs and budget. He should consider if his family's preferred providers, medications, and health services would be covered by a particular Marketplace plan. The amounts of copayments and other out-of-pocket expenses may be different from the amount Aaron was used to paying when covered by his employer's health plan.

Transitioning to a Marketplace Plan While Minimizing Gaps in Coverage

The effective date for Aaron's Marketplace coverage will depend on when he chooses a plan:

- Aaron can report his loss of ESC and select a plan up to 60 days in advance of the last date of coverage. If he chooses a plan on or before the date his ESC ends (in this case, February 29), Aaron's Marketplace coverage will begin on the first day of the month following his loss of his ESC.
  - For example, if he enrolls in a plan on February 15, his coverage will begin on March 1 because his ESC ends on February 29. Aaron can report his loss of ESC up to 60 days in advance of the last date of coverage, and his plan will start March 1.

Transitioning to a Marketplace Plan While Minimizing Gaps in Coverage (Cont.)

- Alternatively, Aaron can report his loss of ESC and select a plan up to 60 days after the last date of coverage. If he chooses a plan after his ESC ends, since the Marketplace gives an accelerated coverage effective date for an SEP based on loss of minimum essential coverage (MEC), his coverage will begin on the first day of the month following plan selection.

Eligibility for Financial Assistance Through the Marketplace

Aaron and his family may be eligible for APTC and CSRs to help them afford coverage purchased through the Marketplace because their expected household income of $70,000 is between 100 percent and 400 percent of the Federal Poverty Level (FPL).

Option 3

Transitioning from ESC to Medicaid Coverage

Transitioning from ESC to Medicaid Coverage

Aaron anticipates his household income for 2020 will only be $40,000 (including severance pay and unemployment payments), which is below 138 percent of the FPL, and he lives in a state that expanded Medicaid to cover adults making up to 138 percent of the FPL.

Transitioning from ESC to Medicaid Coverage (Cont.)

- Are Aaron and his family eligible for Medicaid or CHIP coverage?
  - Yes, Aaron and his family would likely be eligible for Medicaid coverage.
- Eligibility for Medicaid and CHIP is based on many factors including household income, size, and composition; residency; and the state's eligibility rules.
  - Generally, in states that have expanded their Medicaid programs under the Patient Protection and Affordable Care Act (PPACA), adults with incomes of up to 138 percent of the FPL may be eligible for Medicaid coverage, with many states covering children and pregnant women at higher income thresholds.
  - In states that have not yet expanded their Medicaid programs, some consumers, like adults who live with and take care of a child, typically have to earn much less than 138 percent of the FPL to be eligible for Medicaid coverage.
  - Other consumers, like adults without children, may **not** be eligible for Medicaid coverage in states that have not expanded their Medicaid programs.
- For more information about state-specific eligibility criteria for these programs, visit Medicaid.gov/state-overviews/index.html.

Considerations for Transitioning to Medicaid and CHIP Coverage

- Consumers can apply for and enroll in Medicaid or CHIP at any time of the year, not just during the Marketplace annual Open Enrollment Period (OEP).
- If Aaron and his family qualify for Medicaid or CHIP, their coverage generally will be effective at least back to the date of the application.
- Consumers should check to be sure that their providers participate in Medicaid or CHIP programs.

Key Takeaways: Transitioning from ESC to COBRA or Marketplace Coverage

- By law, most employees who are covered by ESC are allowed to extend their coverage through COBRA for a period of 18 months or, in some cases, longer.
- Consumers who lose their ESC (or other qualifying coverage) can qualify for an SEP to enroll in Marketplace coverage for up to 60 days after they lose ESC.
- Consumers have 60 days before or after their existing coverage ends, which may or may not be the last day of employment, to select a Marketplace plan.
- Consumers can decide to voluntarily drop their COBRA coverage and enroll in a Marketplace plan if they are still within their 60-day SEP window to enroll in Marketplace coverage.

Key Takeaways: Transitioning from ESC to COBRA or Marketplace Coverage (Cont.)

- If the consumers remain enrolled in COBRA after the 60-day SEP window closes, the consumer cannot drop their COBRA coverage and enroll in a Marketplace plan **unless**:
  - Their COBRA coverage has been exhausted;
  - The former employer stops contributing to the cost of their COBRA coverage and the former employee is responsible for the full cost of the coverage;
  - It is during the Marketplace OEP; or
  - The former employee qualifies for another SEP to enroll in Marketplace coverage.
- If consumers enroll in COBRA coverage, they typically have 45 days after making the election to pay the first month's premium; however, this timeline has been extended. The time from March 1 to within 60 days after the end of the National Emergency due to the COVID-19 pandemic is not counted in calculating these 45 days.

Key Takeaways: Transitioning from ESC to COBRA or Marketplace Coverage (Cont.)

- If elected within the applicable timeframe, COBRA coverage retroactively begins on the date the consumers' job-based insurance ended if the applicable premium is paid within the applicable time period (the time period from March 1 to after is ignored in calculating the applicable time period).
- Consumers who are eligible (but not enrolled) in COBRA can receive APTC and CSRs through the Marketplace, if otherwise eligible.
- Consumers who are enrolled in COBRA can be eligible for APTC and CSRs if they drop COBRA coverage by the time their Marketplace coverage begins and are otherwise eligible for APTC and CSRs.
- If consumers enroll in COBRA, they may be eligible for an SEP to select coverage on the Marketplace when their COBRA coverage ends.

Key Takeaways: Transitioning from ESC to Medicaid and CHIP

- If consumers drop their COBRA coverage before it is exhausted and it is outside of the Marketplace annual OEP, consumers may experience a gap in health coverage unless they enroll in other coverage.
- In order to enroll in coverage through the Marketplace outside of the OEP, consumers must qualify for a different SEP.
  - A consumer who voluntarily ends their COBRA coverage early **does not** qualify for a SEP due to a loss of ESC or COBRA.

Key Takeaways: Transitioning from ESC to Medicaid and CHIP (Cont.)

- Consumers may be eligible for Medicaid or CHIP coverage based on their household income, composition, and size; residency; and the state's eligibility rules.
- If applicants are determined to be eligible for Medicaid or CHIP, their coverage will generally be effective at least back to the date of the application.
- Consumers can apply for Medicaid or CHIP at any time.
- For more information about state-specific eligibility criteria for these programs, please visit Medicaid.gov/state-overviews/index.html

Resources

- HealthCare.gov/unemployed/cobra-coverage/
- DOL.gov/agencies/ebsa/coronavirus
- CMS.gov/CCIIO/Resources/Fact-Sheets-and-FAQs#COVID-19