WHAT HAPPENS TO COBRA NOW THAT THE EXCHANGES ARE UP AND RUNNING?

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People are always asking us about the longevity of COBRA as it relates to public and private exchange options for terminating employees and employer groups. People are wondering what will become of this product over time.

Business Insurance Magazine reports that private exchanges hit the 1 million mark as of early January. Over four times that number enrolled through the federal and state exchanges. Federal subsidies outside of the exchange are now available for policies bought on the open market, according to *The New York Times* (2/28/14).

Who truly knows how all of these changes in healthcare insurance will impact COBRA as we know it today? However, unless there are also changes to the federal COBRA law, it's likely to be here to stay. Employers must offer COBRA continuation to their terminating employees regardless of other forms of coverage now available to them, such as the exchanges. The administrative burden and steep penalties to employers for errors still apply to COBRA for any employer of 20 or more employees.

One thing we know people are experiencing with the exchange option is "narrow networks." If an employee has been under care or using a particular provider or hospital, that provider or hospital may not participate in the carrier's products in the exchange. This may affect the choices a terminating employee makes. Qualified beneficiaries may find subsidized options on the open market for the same cost or less than the exchange and have access to a network that includes their preferred providers.

People who need coverage elect COBRA for multiple reasons based on their healthcare needs and financial considerations. Others may choose not to elect COBRA and choose another form of coverage. With the option of coverage under the exchanges today and the removal of pre-existing conditions as a reason to deny coverage, affordable plans can be found through the exchange. Sometimes, the cost differential is significant but sometimes it is not, depending on type of coverage and other demographic information.

The real change in COBRA is not whether employers need to continue buying the administration of COBRA through a qualified administrator, but whether terminated employees will elect it or opt for a plan through an exchange. Employers need the peace of mind that they are in compliance with COBRA federal guidelines, timelines, etc., as they apply to any qualified beneficiary. The administrator may see a reduction of the two percent of premium that they can withhold due to participation, but I would not suggest reduction in the administration of COBRA for employer groups to which it applies. COBRA is a service as well as an option and an employer law. HIU