



Medicare and COBRA Insurance

I recently lost my job and my employer offered me COBRA coverage. I will also be eligible for Medicare soon and would like to know, how do Medicare and COBRA work together?

~ Mr. Elliott

Dear Mr. Elliott,

COBRA, the Consolidated Omnibus Budget Reconciliation Act, is a federal law. COBRA provides people with the option of staying on their employer's group health plan (GHP) for a limited time after their employment ends. This is usually for 18 months but may last up to 36 months. COBRA coverage can be expensive and costs more than what you were paying for health coverage before your employment ended. How Medicare and COBRA work together depends on which type of coverage you have first.

If you have Medicare first and then become eligible for COBRA, you can have both Medicare and COBRA. It is important to remember that Medicare pays first and COBRA pays second. So, you do not want to drop your Medicare – without Medicare you have no primary insurance, which is essentially like having no insurance at all. After Medicare pays, COBRA may cover some or all of what Medicare does not pay.

Whether you should take COBRA depends on the type of coverage you want and can afford. Your COBRA coverage may include extra benefits that are not covered by Medicare, like coverage for routine dental care or eyeglasses. You have two options:

1. You can enroll in COBRA and keep your Medicare coverage. If you choose to do this, you will be responsible for paying both your Medicare Part B and COBRA monthly premiums.
2. You can decide to turn down COBRA and only have Medicare coverage. If you have dependents that are covered by your COBRA, make sure you talk to your benefits coordinator before turning down COBRA to see how this will impact your dependents.

If you only had Medicare Part A (not Part B) while you were working, make sure to enroll in Medicare Part B, even if your employer is offering you COBRA. You have up to eight months after your employment ends to enroll in Part B. However, it is best to plan ahead and enroll in Part B while you are still working so that your coverage starts by the time your employment ends. When your employment ends, Medicare becomes your primary insurance. If you wait to enroll in Part B until after your COBRA ends, you may not be able to get coverage right away and you may have to pay a late enrollment penalty.

When you enroll in Medicare Part B, you also trigger your Medigap open enrollment rights. Medigap policies are Medicare supplemental insurance plans that help pay your out-of-pocket costs (like coinsurances and deductibles) under Original Medicare. Your Medigap open enrollment period lasts six months from the date you enroll in Part B.

It lets you buy any Medigap policy regardless of any health problems you may have, without paying more for the policy. You will pay a monthly premium for any Medigap policy you buy. Compare the benefits and costs of having a Medigap policy to COBRA to see which is a better value for you.

If you have COBRA first and then become eligible for Medicare, your COBRA coverage may end. Since you will not be fully covered with COBRA you should enroll in Medicare Part A and Part B when you are first eligible to avoid a late enrollment penalty.

However, you may be allowed to keep your COBRA coverage if it is offered to you and you wish to use it for extra benefits like prescription drug or dental coverage. Ask your employer if your prescription drug coverage under COBRA is considered “creditable.” Creditable coverage is drug coverage that is as good as or better than Medicare’s prescription drug coverage. If you keep COBRA drug coverage and it is creditable, you may delay enrolling into **Medicare Part D** drug plan until your COBRA ends. You will **not** have to pay a Part D late enrollment penalty, as long as you enroll within 63 days of losing your drug coverage. If it is not creditable, consider enrolling in a Part D drug plan. Contact your former employer to find out whether enrolling in Part D will affect your other benefits.

If your family members have COBRA through your former employer’s plan, they may be able to continue their COBRA coverage for a period of time, even after your COBRA coverage ends when you become eligible for Medicare.

Please note the rules are different if you qualify for Medicare due to End-Stage Renal Disease (ESRD). Please visit www.Medicare.gov for information about enrolling in Part B if you have ESRD.

Here is where you can go for additional information or if you need help:

Medicare: 800-MEDICARE (800-633-4227) or TTY 877-486-2048

Department of Labor: 866-487-2365 or TTY 877-889-5627

Online Resources:

Who Pays First - <http://www.medicare.gov/publications/pubs/pdf/02179.pdf>

Medicare and COBRA - <http://www.ssa.gov/disabilityresearch/wi/medicare.htm#cobra>

United States Department of Labor - <http://www.dol.gov/ebsa/faqs/faq-consumer-cobra.html>



AgeOptions on behalf of the Make Medicare Work Coalition

