



## Addressing Racial, Educational, and Economic Gaps in COBRA Health Insurance Awareness

Miranda Elyse Yaver, University of Pittsburgh-Pittsburgh Campus

### Key Findings:

- Black and Hispanic workers, non-college-educated, and less affluent workers are significantly less likely than other workers to have heard of COBRA, or continuation health coverage.
- Black and Hispanic workers, non-college-educated, and less affluent workers are significantly less likely than other workers to expect that their health care costs would increase under COBRA health insurance, though the race effect disappears when isolating analysis to union members.

If workers from marginalized backgrounds do not understand the financial impact of COBRA enrollment, they are vulnerable to making employment decisions that ultimately prove harmful.

In 1985, the Consolidated Omnibus Budget Reconciliation Act (COBRA) offered Americans their first opportunity to have continuation health coverage – that is, health coverage that they could keep for up to 18 months once leaving one's place of employment. With 153 million Americans relying on employer-sponsored insurance, changes in work can be disruptive to health coverage and continuity of care.

Enacted 25 years prior to the Affordable Care Act (ACA), COBRA initially seemed like a critical way to avoid staying in an undesirable job because of the benefits package. A key limitation of COBRA is that it requires employees to pay 102% of the full premium of the employer-sponsored health plan. Because COBRA is both expensive and tends to escape national public attention, it is important to know to what extent American workers understand this health program and, in turn, how to make informed decisions about employment and health insurance.

Drawing on nationwide survey of 1,947 U.S. adults, I found that Black and Hispanic, less educated, and less affluent workers are significantly less likely than other workers to understand this program, and that this sometimes leads Black and Hispanic workers to consider leaving their jobs based on an expectation of more affordable access to health insurance. However, unions play a critical role in reducing these information barriers so that workers can make choices that better align with their finances and health priorities.

### The Continued Significance of COBRA Since the ACA's Passage

Even though the Affordable Care Act allows anyone – regardless of employment status – to purchase individual health coverage through a state or federal marketplace, COBRA still serves as a critical program for people temporarily exiting the workforce. The average annual deductible in an employer-sponsored health plan in 2023 was just over \$1,700. In contrast, among the Affordable Care Act marketplace plans in 2024, the

average deductible for a silver plan is just over \$4,500.

Thus, for a patient who has met their deductible and made progress toward their out-of-pocket maximum on their employer's health plan, paying a higher deductible on a new ACA plan before regaining meaningful access to health benefits may not be desirable relative to a higher premium to keep one's existing health plan through COBRA. Consequently, it is essential that workers be able to make informed decisions about this critical issue of health insurance and, relatedly, employment.

## **Harmful Information Barriers Among Workers from Marginalized Backgrounds**

Informational barriers can prevent workers from making the best decisions about their employment and health insurance. COBRA is not a highly visible health insurance program, with just 64% of survey respondents having heard of COBRA at all. What's more, while 69% of White or Asian respondents had heard of COBRA, just 47% of Black or Hispanic respondents had. Similarly, 50% of respondents earning up to \$50,000 annually and 57% of non-college-educated respondents had heard of COBRA.

Having heard of COBRA is not enough: one must also understand the implications of the increase in monthly premium, and this can be particularly challenging with a less visible health program, and given the notably low health literacy among Americans, especially those from marginalized groups. In keeping with this, while 43% of survey respondents understand that their health care costs would go up under COBRA, just 29% of Black or Hispanic respondents, 31% of less affluent respondents, and 36% of non-college-educated respondents understand this.

If workers from marginalized groups do not understand that their health care costs would dramatically increase, they might be vulnerable to leaving their place of employment with an expectation of having more meaningful access to health benefits than they might actually experience. And in fact, Black and Hispanic workers are 4 percentage points more likely to leave their employment while counting on the ability to enroll in COBRA. If this insurance program is ultimately prohibitively expensive, it may lead to gaps in insurance and, in turn, care, and increase the health and economic insecurity of those from marginalized groups.

## **The Powerful Role of Unions**

Despite union membership declining in recent decades, unions constitute a powerful force in providing workers with health insurance information, whether providing explainers of health insurance programs or offering Frequently Asked Questions and other materials about COBRA specifically. The resources offered by unions are especially important because Black workers have higher than average union membership rate.

My survey finds that unions can not only provide valuable health insurance to all members but can also reduce inequities in health information. When surveying union members specifically, Black and Hispanic workers are no less likely to understand the effect of COBRA on health costs.

## **Improving Workers' Knowledge of COBRA Health Insurance**

When a worker has been terminated or there has been another "qualifying event" (e.g., death of the covered employee), employers are required to notify qualified beneficiaries (employees, spouses, dependents) of their

right to enroll in COBRA health insurance within six months of termination. Despite this, many workers have limited, if any, knowledge of COBRA.

The lack of familiarity with COBRA is perpetuated because many workers, especially non-union members, struggle to understand the health insurance information provided by their employers. Though the average American adult reads at an 8th grade level, health materials are often written at a 10th grade level or higher. Just 31% of survey respondents said that their employer gave clear instructions about COBRA benefits and enrollment – and marginalized workers were even less likely to understand this information. With most people dependent on their employer's human resources office for this information, improving health insurance communication can be both critical and impactful.

## **Policy Recommendations**

- Oppose right-to-work laws, which depress union membership and, in turn, health insurance familiarity.
- Federal mandate of readability scores of 7th grade level or lower for employer documents related to health insurance.
- Strengthen federal (Department of Labor and Centers for Medicare and Medicaid Services) enforcement to ensure private and government employer compliance with COBRA provisions related to notification and eligibility of employees.