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**SPENCERS BENEFITS REPORTS COBRA SURVEY SAYS
MORE WERE ELIGIBLE, FEWER SIGNED UP, COSTS STAY HIGH**

(RIVERWOODS, ILL., June 12, 2009) – As more and more employees become eligible for COBRA continuing health coverage due to layoffs, a smaller and smaller percentage of them are actually signing up for it, due to its high cost. That is the finding of a survey this spring by *Spencer's Benefits Reports*, a leading research service for employee benefits plan administrators at organizations across the U.S. While 16.87 percent of employees became eligible for COBRA in the 2008 plan year covered by the survey, only 9.69 percent of those eligible actually signed up for coverage. *Spencer's Benefits Reports* is produced by Wolters Kluwer Law & Business, a leading provider of research information and software solutions in key specialty areas for legal, business compliance and human resources professionals (hr.cch.com).

"This is the highest percentage of employees becoming eligible and the lowest rate of election for COBRA coverage since *Spencer's* first conducted a COBRA survey in 1989, but something we might expect given the severity of current economic conditions," explained Stephen A. Huth, managing editor for *Spencer's Benefits Reports*. "The 2009 survey will provide a baseline of COBRA experience at the height of a recession but before the temporary 65 percent COBRA subsidy in the American Recovery and Reinvestment Act took effect."

This is the 16th survey of COBRA coverage *Spencer's* has conducted since the 1986 enactment of the Consolidated Omnibus Budget Reconciliation Act (COBRA), which provides workers and their families who lose their health benefits due to certain circumstances (such as voluntary or involuntary job loss, reduced work hours, transition between jobs, death or divorce) the right to choose to continue group health benefits provided by their group health plan for limited periods of time. Qualified individuals may be required to pay the entire premium for coverage, plus up to 2 percent more for administrative costs.

The survey found that average annual COBRA costs for employers was \$10,988 in 2009, compared to an average annual cost for active employees of \$7,190, making coverage for COBRA 54 percent more costly than that for active employees.

"Because COBRA beneficiaries must pay for the high cost of COBRA coverage, the trend of sicker beneficiaries choosing the coverage is not surprising," Huth said. "In addition, although we talk about 'average' costs, the costs actually vary wildly from one company to the next for all but the largest employers. In part, this is because the low incidence of COBRA elections in any one company makes COBRA operate more like individual health insurance rather than like group insurance. Thus, providing COBRA coverage for most employers is much like rolling dice."

Costs Seen as Main Problems

The survey also examined what employers felt were the primary difficulties with the COBRA law. Not surprisingly, the top two concerns were cost. Employers indicated that the number-one concern is their own cost, followed by the fact that beneficiaries can't afford the coverage. Other leading concerns included complexity of rules and laws followed by recently enacted COBRA expansions.

"Concern with the cost of COBRA to employees hardly registered as a problem before 2002, but since then it has been at or near the top of the list," said Huth. "Of course, if many healthy employees feel they can't afford coverage, the cost of COBRA to employers rises as the covered population tends to be sicker. It will be interesting to see if the new 65 percent subsidy increases the percentage of people signing up for COBRA, or keeps them on COBRA longer."

However, Huth also noted there are still positive aspects of COBRA that should not be overlooked.

"COBRA has provided substantial benefits, with an estimated 4.8 million individuals annually receiving coverage to which they may not otherwise have access," he said. "This puts it in the same league as two sources of public health insurance for the nonelderly: individuals under age 65 covered by Medicare and 7 million people under age 65 covered by the military's CHAMPUS/VA programs. It's also provided the bridge in the insurance gap for individuals who want to take early retirement and enabled job mobility to employees who may otherwise not move to a more desirable job for fear of losing health insurance."

About the Survey and *Spencer's Benefits Reports*

The 2009 COBRA survey of plan administrators, conducted via the Internet and e-mail, represents the responses of 120 organizations with more than 1,600,000 employees across the U.S. *Spencer's Benefits Reports* has been conducting the survey since 1989. *Spencer's Benefits Reports* is available as an annual online subscription. To order, call 1-800-449-9525.

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