Job Loss - Important Information Workers Need To Know To Protect Their Health Coverage and Retirement Benefits

The Department of Labor's Employee Benefits Security Administration (EBSA) administers the Employee Retirement Income Security Act of 1974 (ERISA), which governs retirement plans (including profit sharing and 401(k) plans) and welfare plans (including health, disability, and life insurance plans). ERISA also includes the health coverage continuation and portability provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA) and the Health Insurance Portability and Accountability Act (HIPAA), as well as protections added by the Affordable Care Act (ACA). This fact sheet focuses on job loss, its effect on workers' health benefits and retirement benefits, and how these laws impact workers' rights.

When facing job loss or a reduction in hours, you need to know your options ahead of time to prevent loss of health coverage. There may be several options available to individuals who are losing their health coverage when they lose their jobs:

Special Enrollment in Another Group Plan. If other group health coverage is available (for example through a spouse's employer-provided plan), special enrollment in that plan should be considered. It allows the individual and his/her family an opportunity to enroll in a plan for which they are otherwise eligible, regardless of enrollment periods. However, to qualify, enrollment must be requested within 30 days of losing eligibility for other coverage. After you request special enrollment, your coverage will begin no later than the first day of the next month.

In addition, under the ACA, a group health plan cannot deny coverage to an individual due to a preexisting condition. A plan generally cannot limit or deny benefits relating to a health condition that was present before your enrollment date in the plan.

COBRA Continuation Coverage. If the individual's employer continues to operate and offer a group health plan, COBRA continuation coverage may be available. COBRA, which generally applies to employers with 20 or more employees, allows the individual and his/her family to continue the same group health coverage at group rates. The cost for coverage may be higher than what the individual was paying before because former employees usually pay the entire premium, that is, the premium active employees pay plus the amount of the contribution made by the employer. In addition, there may be a 2 percent administrative fee. The cost for COBRA coverage is usually higher than the cost for coverage under special enrollment in a spouse's plan.

The plan should send a notice regarding the availability of COBRA coverage. After this notice is provided, you generally have 60 days to elect coverage. COBRA begins the day health care coverage ended and lasts up to 18 months (and longer in some cases). Note: Once an individual has elected COBRA, he/she won't be eligible for special enrollment in another group health plan, such as a spouse's plan, until all COBRA coverage available is exhausted.

Workers who have lost or may lose their jobs due to the negative effects of global trade may be eligible for the Health Coverage Tax Credit (HCTC), a refundable tax credit to pay for specified types of health insurance coverage (including COBRA continuation coverage). The HCTC pays 72.5% of qualified health insurance premiums, with individuals paying 27.5%. For more information, visit **IRS.gov/HCTC**.

Special Enrollment in Individual Health Coverage.

The Health Insurance Marketplace is another way that workers who lose their jobs can find health coverage for themselves and their families. The Marketplace offers comprehensive health coverage and you may be eligible for a tax credit that will lower your monthly premiums and cost-sharing reductions that will lower your out-of-pocket costs for deductibles, coinsurance, and copayments. Losing your job-based health coverage is a special enrollment event which allows you to enroll in a Marketplace plan outside of the open enrollment period. To qualify for special enrollment, you must select a plan either within 60 days before losing your job-based coverage or within 60 days after losing your job-based coverage. The date your coverage will start depends on when you select a plan. A Marketplace plan, like a group health plan, cannot deny coverage due to a pre-existing condition. Information on Marketplace coverage is available at **HealthCare.gov** or by calling 1-800-318-2596 (TTY 1-855-889-4325).

Health Coverage through a Government Program.

At **Healthcare.gov**, you also can find out if you and your family qualify for free or low-cost coverage from Medicaid and/or the Children's Health Insurance Program (CHIP). Medicaid is a state-administered health coverage program for low-income families and children, pregnant women, the elderly, people with disabilities, and in some states, other adults. CHIP is a Federal/state partnership that helps provide children – including those in families who do not have health coverage due to a temporary reduction in income – with health coverage. Information on Medicaid can be obtained through your state Medicaid office. CHIP information is available at **insurekidsnow.gov**.

Retirement Benefits.

ERISA provides rules for those responsible for the management and oversight of your retirement plan. It also provides you with rights and responsibilities, including specific rights to plan information. If you lose your job, make sure you have a copy of your plan's current Summary Plan Description (SPD) and your individual benefit statement. If not, request a copy. The SPD tells you if and when you can collect your benefits or how to roll over your 401(k) account to a new employer's plan or to an IRA (if your old plan permits you to do so). The individual benefit statement lets you monitor your account balance and is an important statement to keep on file. If your retirement savings remain in your former employer's plan, keep current on any changes the company makes, including changes of address, employer name, or mergers and give the plan any changes to your contact information. If your benefits are in a traditional pension plan and your plan ends without enough money to pay the promised benefits, the Pension Benefit Guaranty Corporation will assume responsibility as trustee of the plan and pay benefits up to a maximum guaranteed amount set by law.

The free publications listed below provide more information:

- Retirement and Health Care Coverage…Questions and Answers for Dislocated Workers
- An Employee's Guide to Health Benefits under COBRA
- What You Should Know About Your Retirement Plan

They are available on EBSA's Web site or by calling toll-free 1-866-444-3272 to request copies. If you have questions about these options, you can contact one of our Benefits Advisors electronically at askebsa.dol.gov or by calling 1-866-444-3272.

For more information on the Pension Benefit Guaranty Corporation, visit pbgc.gov or call 1-800-400-7242.

This fact sheet has been developed by the U.S. Department of Labor, Employee Benefits Security Administration, Washington, DC 20210. It will be made available in alternate formats upon request: Voice telephone: 202-693-8664; TTY: 202-501-3911. In addition, the information in this fact sheet constitutes a small entity compliance guide for purposes of the Small Business Regulatory Enforcement Fairness Act of 1996.