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**COST EFFECTIVENESS METHODOLOGY FOR
COBRA CONTINUATION BENEFICIARIES**

1902(u) of the
Act

Premium payments are made by the agency only if such payments are likely to be cost-effective. The agency specifies the guideline used in determining cost-effectiveness by selecting one of the following methods:

The methodology as described in SMM section 3598.

Another cost-effective methodology as described below. *

*See [Supplement 11 to Attachment 2.6\(A\)](#), pages 2 and 3

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Due to the client's age or a pre-existing condition, is it reasonable to assume that the client may not be able to obtain another policy in the future or that a pre-existing condition would not be covered by a new policy for a period where medical utilization may be expected.

5. For policies in force, what are the maximum benefit levels of the policy?
 - a) Have the maximum benefit levels been met, rendering the A/R?
 - b) If so, is the maximum benefit recurring? Will it be reinstated on an annual basis, at the end of a specific benefit period, or does it apply separately to unrelated injuries, sicknesses, and/or conditions?
 - c) If there will be benefits or recurring benefits that will pertain to the A/R's potential medical expenses, how do these benefits compare to the cost of the premium?
6. Review the number of dependents in a family. In general, the larger the family, the more cost beneficial it is to purchase family coverage.
7. Compare the cost of the COBRA premium to the cost of all medical services received by the applicant/recipient in the previous year (see #2). Using this comparison and the other factors related to anticipated future utilization (3 through 6) decide whether or not it is cost beneficial to pay the premium. That is, does the cost of the COBRA premium payment appear likely to be less than the Medicaid expenditures for an equivalent set of services.

NOTE: For those districts that use the "Health Insurance Automated Decision Tree" (HIADT), make sure that the premium payment used in the calculation is the total premium. Under COBRA continuation coverage, the individual (or Medicaid) is generally responsible for both the employer's and employee's share of the insurance premium not to exceed 102% of the applicable premium (or 150% of the premium for disabled individuals beginning in the nineteenth month of coverage). In addition, only use the Medicaid payments for the equivalent set of services that would otherwise be paid for by the insurance policy.

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