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Coverage & Access

Many Fired Corporate Executives Retain Health Benefits Under COBRA for Remainder of Their Contracts, According to SEC Filings

Documents filed this year with the Securities and Exchange Commission indicate that many U.S. companies continue to provide health insurance for CEOs and other executives who lose their jobs because of conditions in their contracts, "sometimes for years to follow," the *Wall Street Journal* reports. In the past, companies did not disclose information about the cost of health insurance for executives who lose their jobs, but SEC recently increased disclosure requirements. The companies purchase health insurance for executives who lose their jobs through the 1986 Consolidated Omnibus Budget Reconciliation Act, or COBRA, which allows all workers who lose their jobs to retain employer-sponsored health insurance provided that they pay 102% of the premiums. For example, in the event that video rental chain Blockbuster fires Frank Paci, executive vice president for strategic planning and business development, the company could have to pay $27,202 for three years to purchase his health and dental insurance through COBRA. In the event that discount broker Charles Schwab fired CEO and founder Charles Schwab without cause, the company would have to pay $32,561 for 36 months to purchase his health insurance through COBRA. In addition, insurer Safeco has agreed to pay $15,000 to purchase health insurance through COBRA for former president and chief operating officer Michael LaRocco, who resigned in July 2006.

COBRA Costs

Consumer advocates maintain that most employees cannot afford to purchase health insurance through COBRA. Ron Pollack, executive director of Families USA, said that four out of five employees eligible for COBRA do not purchase health insurance through the program. He said, "The problem is that people eligible for COBRA have to pay the full freight -- and they have to do so at a time when they're unemployed and don't have the resources" (Francis, *Wall Street Journal*, 4/5).