

# Your Early Retiree Health Insurance Decision Guide

## COBRA or an ACA plan? A framework for retiring before 65

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Retiring before 65 means you need health insurance to bridge the gap until Medicare, and you usually have more than one way to get there. The two most common paths are continuing your employer plan through COBRA or enrolling in an individual ACA plan through Connect for Health Colorado. The right answer depends on your numbers, and getting it right can save you a great deal of money. This guide walks you through the framework so you know what to look at and why.

As always, our guidance is 100% FREE. Colorado Health Insurance Brokers is paid by the insurance carriers, so whether you enroll through us, through another broker, or directly with the carrier, you pay the exact same premium for the same plan.

### First, the two main paths

Before the framework, here is what each option actually is.

#### COBRA

COBRA lets you keep the exact employer plan you have now, the same network and the same benefits, for a limited time after you leave your job, usually up to 18 months. You pay the full premium yourself, both the share you used to pay and the share your employer used to cover, plus a small administrative fee. You generally have 60 days from the date your coverage ends to elect COBRA.

#### An ACA plan (Connect for Health Colorado)

An ACA plan is an individual health plan you buy on Colorado's marketplace, Connect for Health Colorado. The premium depends on the plan you choose and your age, but the key feature is that you may qualify for a Premium Tax Credit that lowers what you actually pay, depending on your income. Leaving your job is a qualifying life event that opens a Special Enrollment Period, so you do not have to wait for Open Enrollment.

### The factors that decide it

There is no single right answer here. The best path depends on a handful of specific numbers. Here is what each one tells us and why it matters.

#### 1. Your estimated income (MAGI) for the current tax year

This is the single biggest factor. Premium Tax Credits on an ACA plan are based on your Modified Adjusted Gross Income for the year. If your income lands in the right range, a subsidized ACA plan can cost dramatically less than COBRA. If your income is high this year, the subsidy may be small or zero, which can tilt the decision the other way. We will look at your estimate together against the current thresholds.

## 2. Your estimated income for next year

This is the factor most people overlook, and it often changes the answer. When you retire mid-year, this year's income may still be high from your working months, while next year's income often drops once you are fully retired. That can mean COBRA or an unsubsidized plan makes sense for the rest of this year, then a subsidized ACA plan becomes the better value in January. Looking two years out lets us plan the whole bridge, not just the next few months.

## 3. Your plan's deductible and out-of-pocket maximum

These two numbers define your worst-case spending for the year. We need them for your current plan so we can compare it fairly against ACA options, because a lower premium is not a better deal if it comes with a much higher out-of-pocket maximum.

## 4. How much you have already paid toward them this year

This is the factor that protects you from a costly mistake. If you or a family member has already made significant headway toward your deductible or out-of-pocket maximum this year, switching to a new plan mid-year resets that progress to zero. After a surgery or a serious diagnosis, that reset can wipe out thousands of dollars you have already spent, and it often outweighs a lower premium. We always check this before recommending a mid-year change.

## 5. Your monthly premium, broken out by covered person, medical only

We need the medical-only premium for each person on the plan, separately. COBRA and ACA cover different people differently, so a spouse might do better on one path and an adult child aging off the plan might do better on their own. Per-person, medical-only numbers let us compare the medical coverage apples to apples, without dental and vision muddying the math.

## A note on the income thresholds

Premium Tax Credit eligibility and the income thresholds behind it can change from year to year, so this guide deliberately focuses on the framework rather than this year's specific figures. We keep an up-to-date explainer on our website covering how Premium Tax Credits work in Colorado, which you can read here:

<https://www.coloradohealthinsurancebrokers.com/health-insurance-explainer-colorado-premium-tax-credits-guide/>

When we meet, we will apply the current thresholds to your actual estimate so you get a real answer for your situation, not a general rule of thumb.

## A few things people often miss

**The 60-day COBRA window does not stop the clock on planning.** You have 60 days to elect COBRA, and electing it is retroactive to when your coverage ended. That gives you a little room to compare options, but it is not a reason to wait. The sooner we run your numbers, the more options you keep open.

**The cheapest premium is not always the cheapest plan.** A lower monthly premium can come with a higher deductible, a higher out-of-pocket maximum, or a narrower network. We weigh the whole picture, including your doctors and your medications, not just the premium.

**Mid-year switches reset your spending progress.** This is worth repeating because it is the most expensive mistake we see. If you have already met part or all of your deductible or out-of-pocket maximum this year, moving to a new plan starts that count over. Sometimes it is still worth it, but only after we have done the math.

## Gather these numbers before our meeting

Having these ready makes our planning meeting far more productive. You do not have to figure out what they mean, that is our job. Just collect them from your current plan documents, your most recent pay information, and your benefits summary, and bring them to the meeting.

What to bring	Your number
<b>Estimated income (MAGI) for the current tax year</b> Your best estimate of total household income for this year	
<b>Estimated income (MAGI) for next year</b> Especially if it will drop once you are fully retired	
<b>Current plan deductible</b> For the whole plan, found on your benefits summary	
<b>Current plan out-of-pocket maximum</b> The most you would pay in a year, on your benefits summary	
<b>Progress toward the deductible / out-of-pocket max this year</b> Has anyone on the plan had major medical costs already this year?	
<b>Monthly premium per covered person, medical only</b> List each person separately; exclude dental and vision	

*Tip: for the spending-progress question, a recent Explanation of Benefits or your online member portal usually shows how much of your deductible and out-of-pocket maximum you have used so far this year.*

## Best Price Guarantee

As always, our services are 100% FREE and there is no extra cost or mark-up. Whether you get your health insurance through us, another agent/broker or directly from the insurance exchange or insurance carrier, you'll pay the exact same monthly premium for the same plan, so you can rest assured that you're getting the best available price.

## Let's run your numbers together

You do not have to sort this out on your own. Bring the numbers above to a no cost planning meeting and we will compare COBRA against your ACA options side by side, check that your doctors and medications are covered, and map out the right plan for both this year and next.

Schedule a no cost planning meeting using my online calendar at:

<https://cohealthins.youcanbook.me/>