NATIONAL CENTER FOR POLICY ANALYSIS

10 Ways to Keep Health Coverage if You Lose Your Job

Brief Analysis No. 653 by Devon Herrick April 14, 2009

A layoff does not have to involve losing your health coverage. Although there is no need to panic, you should not put off taking action. Here are 10 options to consider as soon as possible after getting pink-slipped.

Dallas Headquarters:
12770 Coit Road, Suite 800
Dallas, TX 75251
972.386.6272
Fax: 972.386.0924
www.ncpa.org

Washington Office:
601 Pennsylvania Avenue NW,
Suite 900, South Building
Washington, DC 20004
202.220.3082
Fax: 202.220.3096

NCPA
NATIONAL CENTER FOR POLICY ANALYSIS

1. Use It Before You Lose It. One of the first things you should do if you are laid off is ask the company human resources (HR) department exactly when your employer-paid coverage expires. If you are laid off during the middle of the month, you may have employer-sponsored health insurance through the end of that month. That's time enough to refill a prescription or move up a needed doctor's appointment.

2. Stay in Your Employer's Plan by Paying COBRA Premiums. COBRA (the Consolidated Omnibus Budget Reconciliation Act) is a federal law that gives former employees the right to stay in an employer's health insurance plan for up to 18 months. But the cost is high: You have to pay 100 percent of the employer's premiums plus 2 percent for administrative costs. In general, you must sign up for COBRA within 60 days after being notified of eligibility following a job loss. If you allow 62 days to lapse and don't sign up for COBRA or any other health coverage, you can lose in other ways.

Having a significant gap in coverage can result in a waiting period before pre-existing conditions are covered when enrolling in another plan at a new job. Procrastinators can also be denied coverage if they try to buy individual insurance on their own. For more information about COBRA, check the Department of Labor Web site: http://www.dol.gov/ebsa/faqs/faq_compliance_cobra.html.

3. Take Advantage of the Federal (COBRA) Subsidy. Under the new stimulus bill, laid-off workers may qualify for a 65 percent subsidy of COBRA costs for up to nine months. Those who are laid-off from September 1, 2008, through December 31, 2009 are eligible. For details on how to apply for help, go to the U.S. Department of Labor Web site: http://www.dol.gov/ebsa/COBRA.html.

4. Choose One of Your Former Employer's Cheaper Plans. When employers are covering much of the cost, employees often choose the health plan with the most generous benefits. You may want a less expensive health plan if you are responsible for the total cost. Like an open enrollment period, a layoff may give you the option to switch plans.

You should ask your former HR representative as soon as possible if the company offers an insurance plan that would cost less under COBRA. For instance, high-deductible plans cover catastrophic medical expenses and, frequently, some preventive services. Many of these plans can be combined with a health savings account (HSA) that allows families to make deposits and pay medical bills with pretax dollars. The premium cost may be less than your previous plan.

5. Join Your Spouse's or a Parent's Health Plan. You may have the option to join a health plan through your spouse's or parent's workplace. However, federal law requires you to sign up within 30 days from the date of a job loss or loss of benefits. Some states require insurers to cover dependent children up to age 30. For details on laws in various states, see: http://www.ncsl.org/programs/health/dependentstatus.htm.

6. Shop for Individual Coverage. There may be cheaper alternatives to COBRA, especially if you have no severe health problems. For example, a Dallas family of four with both parents in their 20s could buy a preferred provider organization (PPO) plan with a $2,000 deductible for a $4,680 annual premium. That same family's annual COBRA premium would be closer to $13,000, on average. If the family chose a $5,000 deductible, the annual premium would be less than $3,500. Some of these plans also qualify for an HSA, allowing the policy holder to set money aside tax-free to pay medical expenses. You can contact independent insurance agencies to compare policies or shop online at sites that compare prices, such as http://www.ehealthinsurance.com. Some insurers even offer short term medical "gap" coverage for people between jobs, retiring prior to Medicare eligibility, or not yet eligible for company benefits and for students about to graduate.

7. Even if You Are Uninsurable, You May Be Able to Get Insurance. Under federal law, people who have been continuously insured with no significant gaps in coverage (that is, no more than 62 days), cannot be denied individually purchased coverage because of health status. Different states enforce this federal requirement in different ways. Some states require insurers to accept all applicants, regardless of pre-existing conditions. However, in states with so-called *guaranteed issue* regulations, premiums are often two to three times as high as those in states that allow insurers to charge premiums based on health status. More commonly, 35 states have high-risk pools to insure those who are turned down by commercial insurers. Twenty-nine states requires insurers to make at least one "guaranteed issue" plan available to those who have been continuously covered, regardless of health status.

8. Check on Public Programs. If your family's income has fallen due to a job loss, you may qualify for public programs, such as the State Children's Health Insurance Program (S-CHIP) or Medicaid. People enrolled in public programs often face reduced access to primary care physicians and rationing by waiting due to low provider reimbursement. However, Medicaid or S-CHIP may be preferable to going without coverage.

9. Consider a Limited Benefit Plan. Limited benefit plans — sometimes called mini-meds — have a maximum annual benefit. They may pay for a set number of office visits per year and may only cover generic drugs. These policies usually also cover some hospitalization. However, benefits may be capped at a maximum of, say, $10,000, $25,000 or possibly $50,000 in a given year. When Tennessee moved many families on its Medicaid program (TennCare) to limited benefit plans, about 98 percent of enrollees never exceeded their $25,000 annual maximum.

10. Join a Concierge Physician Practice. Some innovative physician practices provide primary care in return for monthly (or annual) fees. Dallas-area physician Nelson Simmons offers a package of services for less than $500 a year. About 70 small business owners pay $40 per employee per month for Simmons' plan. In return, employees get same-day primary care services and steep discounts. Enrollees must pay out-of-pocket for specialist care, surgeries and diagnostic tests, but Simmons negotiates the rates with providers. The total out-of-pocket cost is typically much lower than what you would pay as an uninsured individual. For example, a tonsillectomy for a child costs less than half of the normal fee ($2,100 versus $4,800) and an MRI scan can be less than one-fourth the standard rate ($350 versus $1,600).

An Arizona-based firm, the *No Insurance Club*, has a package that allows individuals to see a primary care physician up to 12 times per year in return for an annual fee of $480. A family can share 16 visits per year for $680. Generic drugs are discounted and most routine lab tests are low cost or included in the annual fee. This type of arrangement may even be combined with a catastrophic health plan to ensure a major illness doesn't turn into a financial catastrophe. Physicians are joining the practice in selected cities nationwide.

Conclusion. Because of the high cost, only about one in 10 laid-off workers actually signs up for COBRA coverage. However, you should not allow COBRA sticker shock to stop you from looking any further for solutions. If you ask questions and don't procrastinate past the 62-day window, you will have more and better health coverage options.

Devon Herrick is a senior fellow with the National Center for Policy Analysis.