

Score Big Savings on Health Coverage

Washington is buzzing about pending changes in the health-care system, and a bill could pass before the end of the year. In the meantime, if you're facing a layoff, graduating from college and losing benefits, or struggling to pay rising premiums, you can still find affordable coverage.

Several recent developments could help you save thousands of dollars on health-insurance premiums. For one thing, this year's economic-stimulus legislation included a health-insurance subsidy for laid-off workers. In many states, new laws allow children to be covered by their parents' policies until they reach their mid twenties. And early retirees can now purchase insurance that will cover them until they qualify for **Medicare**.

YOU'VE BEEN LAID OFF

When you lose your job, you may be able to get coverage from your spouse's employer, continue your own coverage through COBRA -- the federal law that lets former employees continue group coverage for up to 18 months -- or search for an individual policy. Compare all three options: Many employers no longer subsidize coverage for family members, so adding on to your spouse's plan could be expensive.

COBRA is available to employees of companies with 20 or more workers, and you can't be rejected or charged a higher rate because of your health. But you'll have to pay the full cost yourself, which averages \$12,600 per year for family coverage and \$4,700 per year for individuals, according to the Kaiser Family Foundation.

Under the stimulus legislation, Uncle Sam will pay 65 percent of COBRA premiums for up to nine

months for people who lose their job between Sept. 1, 2008, and Dec. 31, 2009. But if you're healthy, you might still get a better deal on your own.

Melissa Harrison, 32, lost her job as a horticulturalist at a nursery in Summerville, **South Carolina**, in early February, just weeks before Congress passed the stimulus. She could have stayed on her old policy through COBRA, but her premiums would have jumped from \$200 per month to \$480. She went to eHealthInsurance.com, used a tool that lists the insurance networks that included her doctor, and found a policy issued by Celtic for \$190 per month. The policy carries a \$1,500 deductible, doesn't charge for annual exams and screenings, and offers maximum coverage of \$7 million.

Harrison qualified for the 65 percent COBRA subsidy a few weeks later, but she turned it down. She would have saved only about \$20 a month with the subsidy, and the price would have jumped back up to \$480 after nine months. Plus, she liked the Celtic policy better -- especially because she had been paying out-of-network charges to visit her doctor under her employer's plan.

Harrison concedes that it's tough to focus on shopping for health insurance when you're worrying about finding work. "But my mother drilled into me that you have to have insurance," she says. "If you have a little time, you can get a better deal than COBRA and find a policy that fits you better, too."

YOU HAVE HEALTH ISSUES

Premiums will be pricier if you're older or have medical conditions. Laura and Shaun Best of Stevenson Ranch, **California**, own

a locksmith business specializing in bank security. The couple has three kids between the ages of 13 and 20. The Bests had had their own health insurance for a long time, but premiums kept creeping up. When they reached \$929 per month, Laura, 47, started looking for alternatives and found a policy through Anthem Blue Cross for \$305 per month.

"I wasn't surprised that I could find less-expensive insurance, although I was not expecting to save as much as we are," she says.

One reason the Bests' health insurance was so expensive was that Shaun, 52, has **high blood pressure**. But each insurer looks at health conditions differently. "One insurer may charge a lot for a particular condition, while another might offer the same person the lowest possible rate," says Scott Leavitt, a health-insurance agent in Boise, **Idaho**, who generally gathers medical records and gets prices from at least three insurers for clients with medical conditions (find a local agent at www.nahu.org).

The Bests also saved money by making some trade-offs. They wanted insurance their doctor accepted, but they didn't mind a \$2,500 deductible because they plan to use HealthyCheck centers, which charge just \$25 for basic visits and screenings. They opted not to pay for prescription coverage because Shaun's medications are currently available at many pharmacies for \$3 and \$5. And they gave the insurer extra medical records showing that Shaun's high blood pressure has been well controlled for 30 years with a very low dosage of medication. The search paid off, saving them more than \$7,000 per year in health-insurance premiums.

Several insurers recently introduced new policies targeted specifically at people in their 50s and early 60s. **Aetna's** AARP policies are easy to shop for online and lessen restrictions for medical conditions common to that age group, such as hypertension, high cholesterol and weight gain.

If private insurers reject you, 33 states offer coverage through high-risk pools. Other states may have at least one insurer that accepts anyone, or they may require insurers to provide continuation policies for people with health conditions after they exhaust COBRA. Contact your state insurance department or visit www.coverageforall.org to find out your options.

YOU'RE A RECENT GRAD

At the other end of the spectrum are new college graduates having a tough time finding a job with benefits. In the past, children were generally dropped from their parents' health insurance when they turned 18 or 19, or when they graduated from college. But more than 20 states now require insurers to cover dependent children on their parents' policies until the kids are in their mid-20s or 30s, even after graduation.

To qualify for the extended coverage, adult children generally must be unmarried and live in the same state as their parents. But they usually don't have to live with their parents or even be considered dependents for tax purposes. (Contact your state insurance department for specifics; you'll find links on the insurance page of Kiplinger.com.)

You may not need to pay extra to keep an adult child on your policy if you're maintaining a family policy anyway to insure younger siblings. But if the insurer bases premiums on the number of children, or if you're insuring only one child and could otherwise switch from family coverage to rates for a single person or couple, it's important to compare that extra cost against the price of buying an individual policy.

Healthy people in their 20s can find particularly good deals on their own. Trevor Cushman, 22, had an emergency appendectomy during

his senior year at the University of Southern California. Because of complications, the bill totaled \$40,000 -- "which is the cost of a full year at my alma mater!" says Cushman. Most of the bill was covered by his parents' policy. So when the coverage they provided expired as of his graduation last year, he knew how important it was to find insurance of his own.

At first he signed up for a policy with a \$5,000 deductible and a monthly premium of \$107. But a few months later, he went to eHealthInsurance.com and found a Blue Shield policy for \$51 a month with a \$2,900 deductible plus coverage for a few doctor visits a year. Says Cushman, "Since I don't really have any medical conditions and am fairly healthy overall, I really am most concerned with covering the big-ticket 'surprise' items -- like an emergency appendectomy."

SAVE EVEN MORE WITH AN HSA

Anyone can lower health-insurance premiums by raising the deductible. If you choose a deductible of at least \$1,150 for single coverage or \$2,300 for family coverage, you can make a tax-deductible contribution of up to \$3,000 (or \$5,950 for family coverage) to a health savings account in 2009, which you can use tax-free for medical expenses in any year.

An HSA can be particularly beneficial for early retirees, who can cut their premiums substantially by raising the deductible (you can also contribute an extra \$1,000 if you're 55 or older). For instance, a healthy 55-year-old man in **Illinois** can get a **Humana** HSA-eligible policy with a \$5,200 deductible for \$207 per month, or \$179 with no drug benefit.

You can't contribute to an HSA after you sign up for Medicare, but you can use the money tax-free for medical expenses at any time, and you can use it penalty-free for anything after age 65. You can even use HSA money to cover premiums for Medicare parts A, B and D, and for Medicare Advantage plans (but not to pay medigap premiums). An HSA can also help pay qualified long-term-care premiums.