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Congress considers expanding Cobra subsidy



[Kathleen Pender](#)

Unless Congress acts soon, people who lose their jobs will also begin losing the generous federal subsidy for

Two bills in Congress would extend and expand the subsidy, but there is no guarantee either will pass.

These bills are important to two groups of people: those who are already receiving the subsidy and will begin reaching the end of their nine months in December, and people who get laid off next year. As it now stands, anyone who gets laid off after December, and some who get laid off after November, get no subsidy at all.

The subsidy was part of the federal stimulus act passed in February.

Under this provision, people who are involuntarily terminated between Sept. 30, 2008, and Dec. 31, 2009, and are eligible to stay in their former employer's group health plan under the federal law known as Cobra, can get Uncle Sam to pay 65 percent of their premium for up to nine months. The employee pays the other 35 percent. Normally, former employees pay 100 percent of their Cobra premiums.

To get the subsidy, people cannot be eligible for Medicare or another group plan, including a spouse's. Income limits and other rules apply.

The first group of people to receive the subsidy are about to lose it.

People laid off between September 2008 and February 2009 were generally able to start receiving the subsidy in March. For those people, nine months is up after November.

Many people are already getting December bills for 100 percent of the Cobra premium.

"I'm paying \$529 a month now and it will go up to \$1,512 in December," says Russ Smith of Sunnyvale, who lost his tech job in February. The premium covers himself and another person and includes health, vision and dental coverage. Smith, 44, says pre-existing conditions will prevent him from getting a cheaper individual plan.

Timing is crucial

People who started receiving the subsidy in April will run out after December. People who started getting it in May or later can still get up to nine months, even if it runs into next year. But if you get laid off after this month, you could get no subsidy at all.

To be eligible for the subsidy, the law says you must be involuntarily terminated by Dec. 31.

However, Internal Revenue Service rules say you also must begin Cobra coverage in 2009 to get the subsidy, according to Kathy Bakich, senior vice president with the Segal Co., a consulting firm.

If your job ends in December, in most cases your group health coverage will continue until the end of the month and your Cobra coverage would not start until January, making you ineligible for the subsidy, Bakich says.

Some employers planning year-end layoffs are looking into terminating health coverage for laid-off workers on Dec. 30 so they are eligible for the subsidy, Bakich says. Insurance

companies would have to go along with that plan.

The health care reform bills working their way through Congress would not extend the premium subsidy. Two other bills would.

Extension bills

HR3930, sponsored by Rep. Joe Sestak, D-Pa., would extend the maximum subsidy from nine months to 15 months and expand eligibility to people involuntarily terminated through June 30, 2010, rather than Dec. 31, 2009.

S2730, sponsored by Sens. Sherrod Brown, D-Ohio, and Robert Casey, D-Pa., would do those same two things. It also would increase the subsidy from 65 to 75 percent of the premium and expand eligibility to individuals who don't lose their jobs but lose health coverage because their hours are cut.

Under both bills, no one could receive premium subsidies after Dec. 31, 2010.

Neither bill has a price tag. The original Cobra premium subsidy was estimated to cost \$25 billion, but the IRS has not disclosed how many workers are receiving the subsidy, so it's impossible to know the real cost.

Jonathon Dworkin, a spokesman for Sestak, says he hopes the Cobra extension can be folded into a jobs or other bill.

Aaron Albright, spokesman for the House Education and Labor Committee, says there is some interest in extending the Cobra subsidy, but

"there isn't any consensus on when, how much or for how long."

Waiting, worrying

That's worrying people like Todd Scott of Cupertino, who lost his finance job with a tech company in February and began receiving the Cobra subsidy in March. Unless Congress acts soon, Scott's Cobra bill will be \$391 in December versus \$137 for the past nine months.

"I don't think the people out there really understand what we are going through," says Scott. "I'm starting to look at other options. If I had to do it tomorrow, I'd probably sign up online with another insurance company. I don't want to do it. I like the coverage I have, but when it comes down to it, I can't afford \$391.27 a month."

Scott, 45, figures he could get an individual policy for about \$200 a month, but a doctor visit would cost \$25 (instead of \$10 under his group health plan) and his prescriptions would cost \$25 or \$30 (instead of \$10). The worst part would be losing dental coverage, which is covered by the Cobra plan.

Plan of action

If you are about to lose the subsidy, do not cancel your Cobra coverage but do shop around for an individual policy with "the benefit level you want and a premium you can afford," says Chris Hakim, director of Cobra solutions with eHealthInsurance.

Check online and with a licensed agent. Be aware that you may not qualify for rates you see advertised.

With some insurance companies, you can apply online and get an instant answer and rate. With others, you will have to wait for approval. Once approved, you might have about 10 days to buy before the offer expires, Hakim says.

Some companies charge an application fee, typically \$10 to \$25, that might be nonrefundable.

If you have a pre-existing condition, continuing Cobra may be your cheapest short-term option, even if you have to pay the full premium. However, under federal law you can only continue Cobra coverage for 18 months in most cases. In California, you can generally continue Cobra for up to 36 months under a law known as Cal-Cobra.

Bakich says that if people lose their Cobra subsidy in December, "it may be appropriate" to delay paying their December bill to see what Congress does. She says that most policies give you 30 days from the payment due date before canceling you. Read the bill carefully to understand the grace period and make sure your insurance does not lapse.

Hakim advises people to "do their homework" so that if the subsidy is not extended, they are ready to move into another policy and let Cobra lapse.

If you can't afford private insurance, investigate government-sponsored options. For help, call the Foundation for Health Coverage Education at (800) 234-1317 or visit its Web site at www.coverageforall.org.

Keeping health care cheap (for some)

Two bills would extend the federal subsidy for Cobra health insurance premiums.

In the House

The Extended Cobra Continuation Protection Act of 2009 (HR3930), sponsored by Rep. Joe Sestak, D-Pa., would:

-- Extend the maximum duration of the premium subsidy to 15 months from nine months

-- Expand eligibility to people who are involuntarily terminated through June 30, 2010, rather than Dec. 31, 2009

-- End all premium subsidies after Dec. 31, 2010

In the Senate

The Cobra Subsidy Extension and Enhancement Act (S2730), sponsored by Sens. Sherrod Brown, D-Ohio, and Robert Casey, D-Pa., would:

-- Do those same three things as the House bill

-- Expand eligibility to people who don't lose their jobs but lose health coverage because their hours are cut involuntarily

-- Increase the federal subsidy to 75 percent of the premium from 65 percent.