

Health insurance subsidy for jobless to phase out

By Philip Walzer

A federal subsidy that has saved unemployed people hundreds of dollars a month in health-insurance costs will begin phasing out next week.

The COBRA program allows many people out of work to continue health coverage for at least 18 months through the plans they had with their employers.

They normally have to pay the full cost of the premiums, but a COBRA subsidy in the federal stimulus package signed in February by President Barack Obama slashed their costs by nearly two-thirds.

Under the subsidy program, the government picks up 65 percent of the costs of COBRA premiums for nine months, leaving the remaining 35 percent for the consumer. It kicked in on March 1. That means that people who began receiving the discount that day will lose it after Tuesday.

"When that lifeline is no longer available, a lot of people will drown and they will become uninsured," said Ron Pollack, executive director of Families USA, a private, nonprofit group in Washington focused on health care.

In Virginia, the average cost of a COBRA premium is \$386 a month for individual coverage and \$1,079 for family coverage, said Ankeny Minoux, president of the Foundation for Health Coverage Education, based in San Jose, Calif.

With the subsidy, recipients can shave \$251 a month off the price of individual coverage and \$701 from family coverage.

It's unclear how many people are using the COBRA subsidy or how much it's costing the federal government. The U.S. unemployment rate hit 10.2 percent in October. Families USA plans to release a report Tuesday on the effect on Virginians of the COBRA subsidy's phaseout.

The nine-month subsidy was made available to those eligible for COBRA who lost their jobs on or after Sept. 1, 2008. Those who had individual incomes of \$125,000 or \$250,000 for a family before the job loss were excluded.

Although people who began receiving the subsidy in March will start losing it in December, the program will continue to enroll new recipients. The subsidy is open to anyone who loses a job through Dec. 31, 2009.

Pollack and University of Virginia Provost Arthur Garson Jr., who also studies health care, support an extension of the benefit.

"Anything that makes health insurance more affordable to people while not increasing costs substantively to the rest of us is a great idea," Garson said.

Bills have been introduced in the House and Senate to extend the program and expand the subsidy period or the percentage of costs covered by the government. However, none is expected to be acted on immediately.

Rather, Pollack said, an extension will probably be embedded in a jobs-creation bill being drafted by congressional Democrats and Obama's aides.

Minoux's top suggestion for those whose subsidies are about to expire: Don't drop out of COBRA - short for the Consolidated Omnibus Budget Reconciliation Act - without thinking it through.

"If you miss a month, that's it - you're cut off from COBRA," she said. "So it's really, really important to know your options. If you do find something else, wait till it's completely enacted before you cancel your COBRA."

Without the COBRA subsidy, many unemployed workers "will either purchase private health insurance at steep rates or go without coverage," said Travis Taylor, an associate professor of economics at Christopher Newport University.

"Many," he said in an e-mail, "will take their chances and hope that they don't fall ill or become injured. The nation's emergency rooms serve as the de facto health provider of last resort."

Minoux said, however, that alternatives exist, such as public programs for low-income families.

Also, "you can leave one member of the family on COBRA and find other options for other family members," she said. "You can split it up if you need to." The Foundation for Health Coverage Education provides more information on the COBRA subsidy and alternatives to COBRA on its Web site, www.coverageforall.org.