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COBRA subsidy is ending for many

Health-care help for jobless cuts rates for just 9 months

By Tony Pugh

Just before Don Hall and his family left town for Thanksgiving, the laid-off manufacturing supervisor from Castalia, Ohio, wrote a \$763.81 check to his health-insurance company for his December payment.

He had paid \$237 in November, but the big increase wasn't due to rising health costs or a catastrophic illness — and it wasn't an isolated incident.

Hall, 56, is among an estimated 7 million unemployed Americans who get a federal subsidy to help them buy health insurance under legislation known as the Consolidated Omnibus Budget Reconciliation Act of 1985, more often called COBRA.

For workers who are laid off or downsized between Sept. 1, 2008, and Dec. 31, 2009, the COBRA subsidy pays 65 percent of their job-based health insurance premiums for nine months.

That subsidy, however, expires Monday for Hall and untold thousands of others who began receiving it in March, when it first became available as part of the American Recovery and Reinvestment Act.

Unless Congress moves swiftly to extend the benefit, millions of other jobless Americans will experience the same sticker shock when they exhaust their subsidies and must pay full health-insurance premiums instead of just 35 percent.

For many, the cost of coverage will triple, forcing cash-strapped unemployed workers to scramble for cheaper private coverage, go uninsured or suck it up like Hall and pay the higher rates.

With the subsidy, job-based coverage averages \$398 per month for families and \$144 for individuals, according to the Kaiser Family Foundation. Without it, premiums average \$1,137 for a family and \$410 for an individual.

Hall and his wife are lucky. Their monthly premiums increased only \$526 without the subsidy. "But that's still a \$500 hit on my monthly budget," he said.

He's hoping to offset the higher rate with lower mortgage payments through a loan modification, but it's unclear whether he'll get the adjustment.

"We've gone over our expenses, and we don't know what else to cut back on," Hall said. "Thank God we've got a little money in the bank, but we really have to be diligent in our spending."

Hall has been unable to find work since he was laid off from an auto-parts manufacturer in October 2008, even though he has a master's degree in business. He's getting \$422 a week in unemployment benefits, and cutting health insurance to save money isn't an option.

WHAT YOU SHOULD DO

Because of the uncertainty about whether Congress will extend the COBRA subsidy, Phil Leberz, the executive director of the Foundation for Health Coverage Education, urges jobless workers not to drop their COBRA coverage until they have been approved for another plan.

"That's the worst thing you can do," Leberz said.

Even if you have to pay the higher premiums for a few months, it's better to do so, he said, because once you miss a COBRA payment for a month, you're dropped from the plan and can't rejoin it.

Because unemployment benefits can disqualify many jobless workers from Medicaid coverage, those who can't pay the full COBRA premium should consider short-term private plans and high-deductible plans, which often have lower premiums. The foundation offers a national uninsured help line at 1-800-234-1317.

In addition, see if your children are eligible for SCHIP, the State Children's Health Insurance Program. These income-based programs are designed for families that earn too much to qualify for Medicaid but not enough to pay for private coverage.

For laid-off workers who have pre-existing conditions that make them unable to find private coverage, most states offer high-risk pools that supplement workers' insurance premiums.

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Don Hall, laid-off manufacturing supervisor from Castalia, Ohio

Hall has high blood pressure, and he and his wife have knee and weight problems, "which always adds to continual concerns about our health," he said.

In general, COBRA allows certain workers who lose their jobs — unless they were fired for gross misconduct — to continue their health insurance with their former employers for up to 18 months. Before the subsidy was offered, only about 9 percent of people who were eligible for coverage under COBRA took advantage of it because it was so expensive.

An August analysis by Hewitt Associates found that COBRA enrollment had doubled since the subsidy became available for more than 14 million eligible workers. The study, involving 200 large companies, found that enrollment rates jumped from 19 percent between September 2008 and February 2009, to 38 percent between March and June 2009.

Industries with large job losses showed the greatest increases. Enrollment among industrial manufacturing workers went from 7 percent to 59 percent, while enrollment tripled among construction, leisure and retail workers.

It remains unclear when or whether Congress will address the subsidy expiration with specific legislation or as part of a major jobs bill.