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Health • Money

COBRA health insurance subsidy details surfacing



by Mark Miller

Details are surfacing on the federal subsidy of COBRA health insurance contained in the [Economic Recovery and Reinvestment Act](#). The law aims to help laid-off workers by paying for 65 percent of COBRA premiums for up to nine months.

[COBRA](#) is the federal program that allows workers to hold on to their health insurance benefits after a job loss. Coverage typically is available for 18 months but at a steep price: the former employee usually pays 100 percent of the premium plus a 2 percent administrative fee. The coverage is expensive but can be an especially important option for individuals who may not be able to obtain new coverage due to preexisting conditions. The coverage gap issues are especially acute for older workers who may have been forced into premature retirement due to the economic turmoil but are too young to obtain Medicare coverage (age 65).

The new federal subsidy will cover 65 percent of premiums for nine months. Other details also are surfacing on the subsidy; here are some of the key things you need to know:

– **Eligibility.** Oddly, the subsidy applies only to workers who lose their jobs between Sept. 1, 2008, and Dec. 31, 2009. This provision has generated quite a bit of frustration and angry comment from readers (scroll to the bottom of [this page](#) to view)—and I can’t blame them. This limitation appears to be a concession to business groups, which generally dislike expansion of COBRA. The argument seems to be that keeping older workers for longer periods raises the cost of insurance for the entire group. It also caps the overall cost of the program to the government, of course.

– **Filing deadlines.** Generally, you need to file for COBRA coverage within 60 days of leaving your job. But under the economic stimulus provision, if you lost your job in that time frame but didn’t elect COBRA, you will have 60 days to make an election and get the subsidy after you receive

notification from your old employer that you are again eligible.

– **How it works.** If you’re eligible, you’ll pay premiums equal to 35 percent of the total to your former employer’s plan; the plan will receive the difference through reduced payroll taxes that they would have paid to the federal government, or through a refund under certain circumstances.

– **Income caps.** The subsidy is only available to individuals with adjusted gross income of \$125,000, and \$250,000 for married couples filing jointly.

– **Small business and other exemptions.** COBRA generally is not available to people laid off from very small companies, since the federal law exempts businesses with fewer than 20 employees from participating. It’s also not available if your former employer never offered health insurance, terminates its plan or is liquidated.

– **Portability.** One of the most important reasons to seek COBRA coverage is if you have a preexisting condition. But an article in today’s [The Wall Street Journal](#) points to the importance of filing for your COBRA benefits within the time limits specified under federal law:

... an often-overlooked federal law — the Health Insurance Portability and Accountability Act of 1996 — generally limits the ability of group health plans to exclude someone because of a pre-existing medical condition. But it only applies if you have been continuously covered by a health insurer with a break of no more than 63 days.

That’s where Cobra comes in. “People often unknowingly invalidate their federal portability rights by not taking Cobra or inadvertently exceeding the 63 days,” says Janet Trautwein, chief executive of the National Association of

Health Underwriters, a trade group of health-insurance brokers and agents in Arlington, Va.

The legislation also contains a provision that allows laid-off workers to opt for less expensive health-care plans under COBRA, if the former employer offers it. The bill specifies that this can be done without waiting for an open enrollment period. However, such options typically are offered only by larger employers, according to Cheryl Fish-Parcham, deputy director of health policy for [Families USA](#), a non-profit consumer advocacy group.

What if you're not eligible for the COBRA subsidy?

If you lost your job due to trade policy, such as competition from exports or overseas outsourcing, you can get help paying up to 80 percent of COBRA premiums through the Trade Adjustment Assistance Reform Act. Under this law, you can receive monthly payments or a year-end tax credit to offset COBRA premiums for up to three years (the COBRA law mandates that certain employers offer coverage for 18 months, but they are not prohibited from offering coverage for longer periods of time). The economic stimulus bill boosted the reimbursement rate from 65 percent to 80 percent.

Families USA offers the following information on how to file for the subsidy:

The first step to getting help is to file for Trade Adjustment Assistance or Alternative Trade Adjustment Assistance. Information is available through the U.S. Department of Labor online at <http://www.doleta.gov/tradeact/> and through your state or local employment department or one-stop career center.

After you are certified, you should receive a kit in the mail to register for the Health Coverage Tax Credit (HCTC). You have a choice of either registering to receive monthly help paying your premiums or receiving a tax credit at the end of the year. For more information, visit www.irs.gov (use the search box to look for "HCTC") or call the HCTC Customer Contact Center tollfree at 1-866-628-4282.

If you're not eligible for any COBRA subsidies, look into other coverage alternatives. Can you get on a spouse's employer-based health plan? Can your insurance department or health department tell you about any state or local programs to provide affordable health coverage? Veteran's benefits may also be an option for you.

If none of these avenues work and you cannot afford COBRA, shop for an individual policy. If you are in good health and live in a state where the insurance marketplace has strong competition, you may be able to find lower

premiums than you would under COBRA. These policies tend to be more for older people, since individual policies are age-priced. And, the coverage may be less extensive than under your former employer's plan. One way to keep premiums down is to consider a plan with a higher deductible—but be sure you have enough money saved to pay health expenses until you meet the deductible.

It's also important to pay close attention to the specific insurance offered to you, notes Fish-Parcham. "The advertised price may not be the price for you depending on your age or pre-existing conditions. You could be offered an insurance contract that says explicitly that the insurer isn't going to cover a certain preexisting condition, or it may have general language on preexisting conditions. She urges consumers to contact their state insurance departments for details and guidance.

Finally, be aware that your options vary tremendously from state to state. Several reputable online resources are available to help you compare plans and learn about the options available where you live:

[Foundation for Health Coverage Education](#) offers a Health Options Matrix that lets you review a list of insurance options in each state, and use an online health insurance eligibility quiz to guide your shopping. The Foundation is a non-profit group funded by health insurance companies and foundations.

[eHealthinsurance.com](#) is a commercial service that lets you shop for plans online.

[National Association of State Comprehensive Insurance Programs](#). Some states offer insurance to high-risk individuals who are unemployed and don't have access to coverage under COBRA. Premiums are lower than COBRA rates, but the programs have limited funding and there may be a long waiting list. You can find a list of states that offer insurance programs at the NASCIP website.