Health insurance options for unemployed beyond COBRA

When you're out of work, you experience a lot of dark days, but for thousands of unemployed people, June 1 was particularly bleak.

The economic stimulus bill signed into law in February 2009 subsidized 65% of COBRA premiums for laid-off workers for up to 15 months. But the clock ran out on June 1 for people who qualified for the subsidy when it first became available in March 2009. And for now, people who lose their jobs after June 1 aren't eligible for any subsidy. A proposal to extend eligibility through the end of the year has stalled in Congress.

COBRA allows departing workers to continue their former employers' group insurance, but ordinarily, workers have to pay the entire premium, plus an administrative cost.

A Treasury study released last month found that up to a third of eligible unemployed workers signed up for subsidized COBRA.

The easiest way to get health insurance is to find a job with group coverage, but in this economy, that's a tall order. How to stay covered:

- Maintain COBRA coverage for as long as possible. While the COBRA subsidy expires after 15 months, COBRA is available for 18 months. The difference, of course, is that your premiums will skyrocket. Families USA, an advocacy group, estimates that the average family pays $1,107 a month for unsubsidized COBRA premiums.

- Still, if you can scrape together enough money to pay the premiums for a month or two, you'll buy some time to explore other coverage options, says Phil Lebherz, executive director for the Foundation for Health Coverage Education, a non-profit supported by insurance companies.

- That's particularly important if you or someone in your family has a serious health problem. A lapse in coverage could make it much more difficult — if not impossible — to get health insurance for a family member with a pre-existing medical condition.

- If you're under 26, find out if you can get on your parents' plan. A provision in the health care reform bill allows adult children who don't have access to employer-provided insurance to remain on their parents' group plan until age 26. Adult children don't have to be full-time students or dependents to qualify.

- However, you may not qualify for coverage right away. The provision takes effect Sept. 23, but insurers aren't required to provide extended coverage until they start their new plan year. For most companies, the next plan year starts Jan. 1.

- Some major insurers have announced that they'll extend coverage ahead of the deadline. The administrator for your parents' plan should be able to tell you when coverage will be available.

- Consider buying an individual insurance plan. If you're under age 65 and healthy, you may be able to find a plan that costs even less than subsidized COBRA, although your coverage will probably be more limited.

- Individuals with pre-existing conditions have a harder time getting individual insurance, but don't assume you're ineligible, says Carrie McLean, consumer specialist for eHealthInsurance. A licensed insurance agent can help you explore your options.

- The health care reform law provides additional protections for consumers who buy individual insurance policies. The law makes it much more difficult for insurers to rescind coverage if you become ill. The law also bars insurers from rejecting applicants with pre-existing conditions, but that provision doesn't take effect until 2014.

UNAFFORDABLE PREMIUMS

Without a subsidy, COBRA premiums are unaffordable for most unemployed households:

- Average monthly unemployment benefit: $1,313
- Average monthly COBRA premium: $1,107
- Share of unemployment benefit consumed by COBRA premium: 84.3%

Source: Families USA
•If you've gone into business for yourself, find out if you're eligible for group coverage. All states require insurers to provide group coverage for businesses with two or more employees, so if your spouse works for you, you qualify, Lebherz says. Eleven states require insurers to provide group coverage to businesses with one or more employees.

With group coverage, insurers can't turn you down because you or one of your employees has a pre-existing condition. Rates will vary depending on where you live, Lebherz says.

•Make sure the kids are covered. Find out whether your children qualify for the Children's Health Insurance Program, which is available in every state, says Ron Pollack, director of Families USA. You can find details about your state's CHIP program at www.insurekidsnow.gov.

Once your children are covered, you can explore other options for the adults in the family, such as unsubsidized COBRA or an individual insurance plan.

You can find more information about public and private insurance options at www.coverageforall.org