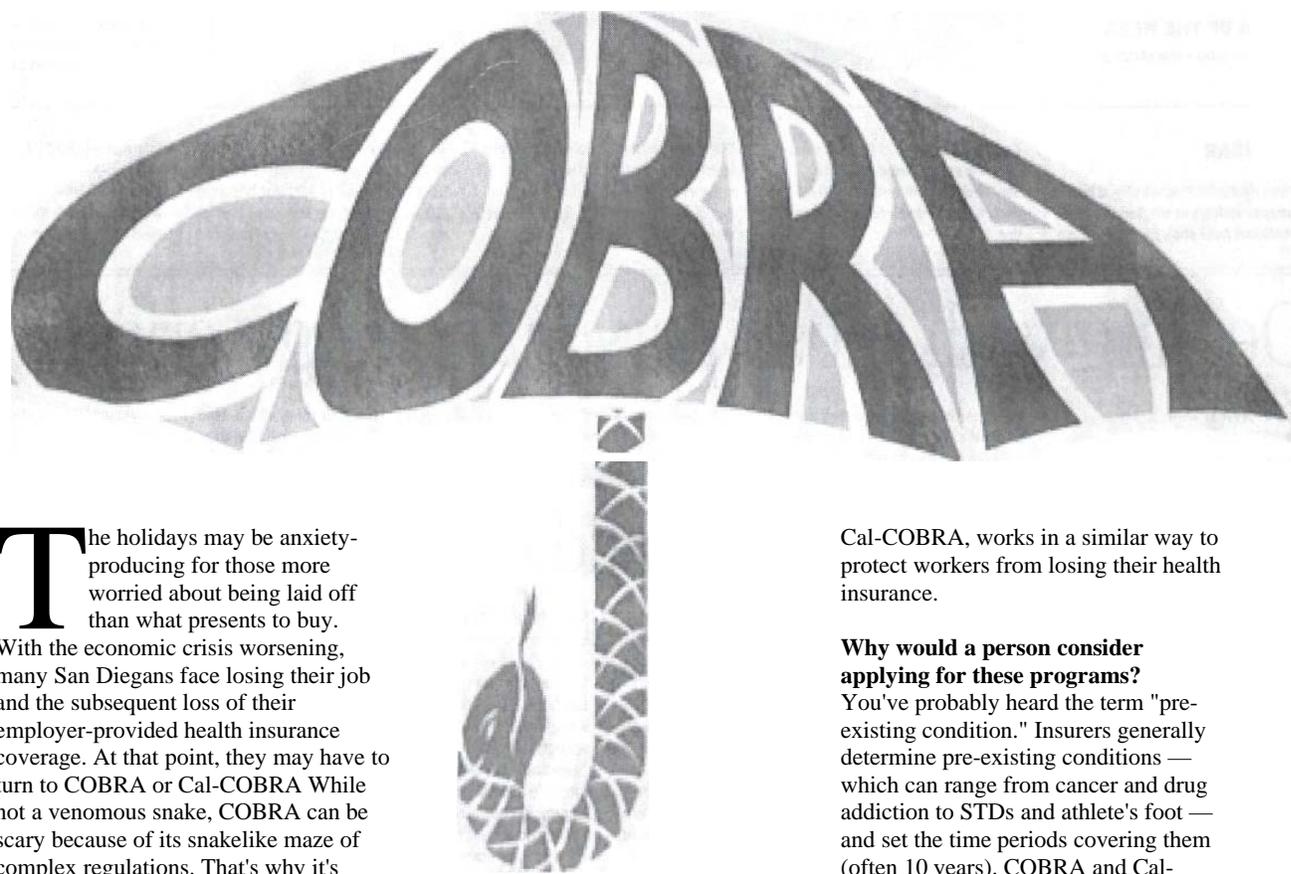


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IN THIS ECONOMIC STORM, IT'S BEST TO KNOW HOW YOU CAN
KEEP YOUR **MEDICAL INSURANCE** IF YOU LOSE YOUR JOB

RAINY DAY PLAN

By Beth Wood



The holidays may be anxiety-producing for those more worried about being laid off than what presents to buy. With the economic crisis worsening, many San Diegans face losing their job and the subsequent loss of their employer-provided health insurance coverage. At that point, they may have to turn to COBRA or Cal-COBRA. While not a venomous snake, COBRA can be scary because of its snakelike maze of complex regulations. That's why it's important to learn more about these complicated programs. Here's a primer:

What are COBRA and Cal-COBRA?
A federal law, COBRA stands for Consolidated Omnibus Budget Reconciliation Act, which is why it's better

known by its acronym. COBRA amends three other U.S. laws in order to continue group health coverage for people who face losing it. COBRA covers private and public-sector group health plans with 20 or more workers. For businesses with two to 19 employees, the state's program,

Cal-COBRA, works in a similar way to protect workers from losing their health insurance.

Why would a person consider applying for these programs?

You've probably heard the term "pre-existing condition." Insurers generally determine pre-existing conditions — which can range from cancer and drug addiction to STDs and athlete's foot — and set the time periods covering them (often 10 years). COBRA and Cal-COBRA enable eligible beneficiaries to get the same coverage they had immediately before applying for the program(s) to avoid the risk of being refused coverage because of pre-existing conditions.

How much does COBRA cost?

This is the bad news part about COBRA. The employees pay the share that they always have, plus the employers' contribution. They must then pay 2 percent over that for COBRA or 10 percent for Cal-COBRA. So they go from paying a small percentage to 102 percent or 110 percent of the cost "People often say that COBRA is expensive," says Jean Strouf, registered health underwriter and president of La Mesa-based Teague Financial Insurance Services. "But COBRA is no more than two percent higher than what the employer had been paying. This is the cost of health insurance."

While that's true, Jerry Flanagan, health-care policy director for the Santa Monica-based nonprofit Consumer Watchdog, notes that many people are shocked by the price tag.

"That's the big problem with COBRA," says Flanagan. "And that's why we need health reform so badly. COBRA is good, in that it helps people from being uninsured. But it is so expensive many people can't afford it"

Who does COBRA cover?

COBRA expert Strouf explains that it designates two categories of qualified beneficiaries. One includes people who have lost coverage due to layoffs, retirement, reduction of hours or termination (for reasons other than gross misconduct).

The other category includes people who have been covered by their spouses' policies, which are ending because of death, divorce or transition to Medicare. It also includes young people who are no longer considered dependents by their parents' or guardians' insurance policies. The age limit varies from 19 to 24 and some companies require full-time student status. Strouf points out that sometimes the employer helps determine how long health insurance lasts for children.

How do people find out if they qualify for COBRA?

The responsibility of notification falls to the employer (of 20 or more employees). Employers must notify employees of their right to COBRA at two times: Once within 30 days of being first enrolled in the group health plan; and when the employee becomes eligible for COBRA because of what is called a "qualifying event" which has resulted in a loss of

coverage. At that time, the employers inform the employees of their premium cost

How long does coverage last?

COBRA coverage continues employer-sponsored health coverage for 18 months in most situations. Spouses and dependent children of workers who have died or been divorced or legally separated can be covered for 36 months. After 18 months, COBRA beneficiaries may be eligible for 18 more months under Cal-COBRA, the state program. Strouf says that the employer is required to notify within thirty days that coverage through COBRA is being terminated and that Cal-COBRA is available. Workers in companies of 2-19 employees are covered under Cal-COBRA, which usually lasts 36 months.

Is there a grace period for COBRA and Cal-COBRA payments?

COBRA allows 45-days for the initial premium to be paid. Regular COBRA and Cal-COBRA payments must be paid within 30 days. Some insurance companies, however, will cancel coverage for a payment that is only a few days late, but must reinstate if it's within the 30-day period.

"Many insurance firms don't like COBRA folks and some companies have been involved in varying levels of fraud," says Flanagan. "Bottom line allows a 45-day grace period for the first payment. These kinds of issues are usually quickly resolved if you challenge them."

If COBRA and Cal-COBRA are so expensive and complicated, why do we need them?

Californians must rely on COBRA and Cal-COBRA because there is no state law requiring guarantee issue, which means you can get insurance no matter your health problems.

"In 17 states, insurance companies can't refuse applications because of preexisting conditions," says Consumer Watchdog's Flanagan. "The laws vary from state to state; some, for example, ban extra charges for preexisting conditions."

"This is one of the national reforms we have been calling for," he says, "and the Obama administration seems positive about it."

When it comes to COBRA and Cal-COBRA, most experts agree you need an expert to figure it out. "There are pages

and pages to go through," says Jean Strouf of Teague Financial Insurance Services. "It's very complicated." Consumer Watchdog's Jerry Flanagan puts it this way: "COBRA and Cal-COBRA are important, but they give everybody who deals with them headaches." Here are sources that may help sort through the complications and reduce the headache level:

The Foundation for Health Coverage

Education has a hotline, and its Web site offers solid health-insurance information, including several California-specific sections, an eligibility quiz and a PDF booklet about COBRA and HIPAA. coverageforall.org; (800) 234-1317

The California Department of

Insurance can answer questions about Cal-COBRA through its help line and its Web site (put Cal-COBRA in the search box). insurance.ca.gov; (800) 927-4357

This Department of Labor site has two helpful sections on COBRA. For the Employee Benefits Security Administration, click on "DDL Agencies" in the left-hand box. Click on EBSA under "Quick Links" and on the bottom of the page, you'll see COBRA links. Or call (866) 444-3272 toll-free for EBSA brochures, such as "An Employee's Guide to Health Benefits Under COBRA"; and "Retirement and Health Care Coverage... Questions and Answers for Dislocated Workers." Also on the DOL site is a straightforward description of COBRA, plus several helpful links. To access them, go to A-Z Index in the top, right corner of the main page and click on "C." On the next page, scroll down to COBRA. dol.gov

The National Association of Health

Underwriters offers a "Consumer Guide to High-Risk Health Insurance Pools." nahu.org/consumer/hrpguide.cfm California's Department of Managed Health Care's page on COBRA can be found by clicking on "Group Health Insurance" on the main page and clicking on "Federal COBRA and Cal-COBRA" on the left side. The page offers answers to many COBRA-related questions and links to resources. hmohelp.ca.gov; (888) 466-2219

OTHER OPTIONS

For people who are facing unemployment or that possibility, health insurance alternatives aren't plentiful, but they are out there. If you have decided

against or used up COBRA and Cal-COBRA, look at these sites. Some of these options aren't cheap or particularly easy, so investigate them before the program you're on runs out.

hmohelp.ca.gov Type "HIPAA" in the search box at the top of the page on the right side for information about the Health Insurance Portability and Accountability Act. Type "individual health insurance" in the same search box to see if that's the best route for you. mrmbl.ca.gov/MRMIB/MRMIP.html This site will provide information about California's major- or high-risk health insurance pool. dhcs.ca.gov

On the left side of the main page of California's Department of Health Care Services, click on Medi-Cal under "Most Popular Links." Medi-Cal has several programs that help the uninsured, including children and families.

To help you plan for insurance in the case of a layoff, here are the health care options — beyond COBRA — you'll want to consider:

INDIVIDUAL PLANS: What you can expect to pay for an individual policy varies sharply based on your age, health and where you live.

Older individuals not only face higher prices, but may find it difficult finding coverage at all. Only 71 percent of applicants age 60 to 64 were offered coverage in 2006-07, according to a study by America's Health Insurance Plans, an industry group.

Individual plans may also be more limited than the group plans offered through employers. For instance, maternity care or prescription drugs may not be covered, so it's important to review the plan carefully before signing on.

GOVERNMENT PLANS: Even if you're not eligible for government programs, you may be able to get coverage for your children.

In most states, the Medicaid eligibility threshold for children is set at twice the poverty level, or about \$42,000 a year for a family of four.

The requirement is usually stricter for parents, however. Unemployment benefits are sometimes enough to disqualify adults, according to the Kaiser foundation. If your income is low enough, however, you may qualify for more limited government help.

Senior citizens and the disabled may be eligible for Medicare. There's at least one bit of positive news: The monthly premium for the Medicare program that covers physician and outpatient services is expected to hold steady at \$96.40 next year.

If you find yourself in the market for an insurance plan, there are several factors to consider:

- **YOUR NEEDS:** Check if the plan covers what you need, such as prescription drugs, out-of-network care or treatment for chronic conditions. Opting for a full suite of services can be significantly more expensive, so consider

a more basic option if you're relatively young and healthy.

OUT-OF-POCKET COSTS: Picking a plan with a higher out-of-pocket cost—the amount you need to pay before your insurer starts reimbursing you—will keep your monthly premium down.

Consider which cost structure works best for your needs.

CO-PAYMENTS: These are flat payments you have to pay for specific services. For instance, your co-payment for a doctor's visit might be \$25, with the insurer picking up the rest of the cost.

This fee can vary significantly, depending on the plan you pick.

OUT-OF-NETWORK CARE: If you have a regular doctor you want to continue using, check if she's in your plan's network. Costs for going to an out-of-network care provider can be significantly more expensive.

QUALITY OF CARE: Check with family, friends or former co-workers enrolled with the same insurer. Ask whether they have difficulty getting reimbursements. You may even want to ask your doctor about her experience with the insurer.

ALTERNATIVES: If you need to get your whole family covered, compare the cost between a family plan versus individual plans for you and your spouse, and seeking coverage for your children through your state's health insurance plan for children