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Health insurance options limited after job loss

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Paul Chinn / The Chronicle

John Mathson had been paying about $550 a month to continue his health insurance coverage after the 63-year-old Eureka man got laid off in October after 39 years at the Evergreen Pulp mill.

For Mathson, who is undergoing chemotherapy for non-Hodgkin lymphoma and had knee surgery in September, the news got worse last week. The mill, which shut down, informed him it could no longer afford to offer health or welfare programs to any employees or retirees as of Jan. 1.

Two years short of Medicare eligibility and beset by health problems, Mathson's options for health care are limited and expensive.

"There is insurance out there, but they're like $1,000 a month and they don't pay anything to speak of," said Mathson, whose wife receives coverage through Medicare due to a disability. "You still have to come up with all this money out of your pocket. You're basically left out there, high and dry."

With the recession and the expectation that job losses will get worse next year, a growing number of American workers will find themselves not only out of a job, but without access to affordable health coverage. Already, about 46 million Americans have no health insurance.

Last month, U.S. employers slashed 533,000 jobs - the most in 34 years - as unemployment rose to a 15-year high of 6.7 percent. In California, the jobless rate rose to 8.4 percent in November, the third-highest in the country, with cuts in nonfarm payroll positions of 41,700, according to the state Employment Development Department.

Employers' plans

About 60 percent of American workers are covered by health plans offered by their employers, according to the Kaiser Family Foundation. It's difficult to determine how many people who lose their jobs will lose health insurance.

Those who are lucky enough to be married to someone who has job-based insurance probably can be added to their spouse's group policy. Some people may be able to find another job quickly enough to avoid a gap in coverage. But for many, especially older workers or those with pre-existing medical conditions, the options are few.

"Even during good times, employers trimmed and scaled back their coverage. In these tough economic times, we have to be prepared for a dramatic drop in coverage when people are losing their jobs and thus their health insurance," said Anthony Wright, executive director of Health Access California, a coalition of grassroots health care consumer groups.

To make matters worse, traditional safety-net options - public health programs, clinics and other sources of care that receive government funding - are being cut back or threatened by state and national budget crises. Health services face major cuts under proposals made to bridge California's estimated $41.8 billion budget deficit in the next 18 months.

LiveLong Medical Center, a group of nine Bay Area health centers that offer care to the uninsured, saw a 25 percent increase in the numbers of patients from July until the end of October compared with the same period last year.

The nonprofit group's development director, Lillian Samuel, said she can't determine how much of the increase is due to the jump in unemployment, but she has heard about patients who started coming to the clinics after they lost their jobs.

"The number of uninsured patients knocking on our door is growing. That's not something we budgeted for," she said.

People who lose their jobs and have a medical condition that makes it difficult for them to find coverage may be able to continue their insurance through the Consolidated Omnibus Budget Reconciliation Act, a 1986 federal law known as COBRA that allows workers to pay to remain on their employer's health policy.

Workers often experience sticker-shock when they see their COBRA premiums because they're buying their employer's benefits (up to 102 percent of the premium). Employers pay on average $4,704 a year for individual coverage and $12,680 for families, according to the latest survey by the Kaiser Family Foundation and Health Research & Educational Trust.

"The reason COBRA is so expensive is because group insurance is a completely different market than individual insurance," said Phil Lebherz, founder and executive director of the nonprofit Foundation for Health Coverage Education in San Jose. "Group insurance really is something where they

want to keep you as an employee. ... They (employers) want to compete for employees and buy the best benefits they can afford."

People often can buy cheaper health insurance as an individual. But unlike group policies, individuals are medically underwritten, so they can be denied coverage or charged more if they have pre-existing health conditions.

At 31, Jessica Palmer is young enough that she would seem to be a prime candidate for an individual health policy that's cheaper than her former employer's $400 monthly COBRA payment.

But the Emeryville resident, who was laid off Oct. 30 from her position as marketing coordinator for online art retailer Art.com Inc., has allergies. Her allergies, which are not life threatening but are controlled by injections and medications, mean Palmer will pay more or be rejected entirely.

People who are eligible for COBRA have 60 days from the time they are informed to make up their minds whether to take it, and Palmer is still trying to make up her mind. Until then, she is forgoing her shots and hoarding her drugs.

"I'm holding on to my last little inhaler, making sure I get every last puff," Palmer said.

High deductibles

Individual policies often come with high deductibles, which can make the plan all but unusable for someone who can't afford to pay $1,000 to $5,000 before coverage kicks in. Under those circumstances, such coverage acts to protect the policyholder from bankruptcy in the event of a catastrophic medical event.

That's the problem for Karen Nichols, a user-interface designer who was also laid off from Art.com.

Nichols, 51, would like to be able to use her coverage if she needs to. She does not have access to insurance through her husband, who is self-employed and struggling in the mortgage business and has pre-existing medical conditions.

She's not sure if she can afford the $860 COBRA payments on $1,800 in unemployment that is consumed mostly by rent. But she's not sure she can afford to go without.

"It's absolutely a crapshoot," said Nichols, who lives in an unincorporated area near Hayward. "You're betting whether you'll stay healthy. But accidents come up that can throw you in the hospital and there you go. It can be a completely bankrupting event."

People who have exhausted COBRA can buy insurance through another federal law called the Health Insurance Portability and Accountability Act. The law requires insurers to cover people who have used up their COBRA benefits, regardless of their health condition. Such policies are expensive and any lapse in coverage must be less than 62 days.

Also pricey is another last resort, the state high-risk pool known in California as the Major Risk Medical Insurance Program. Policies are generally 125 percent of average individual rates, and there is often a waiting list that can cause delays.

For Mathson and his wife, Joy, it's a blow to their pride to realize they're actually hoping they qualify for Medi-Cal, the state-federal program for the poor.

With the loss of John Mathson's annual salary of nearly $70,000, the couple's income has plummeted. The Mathsons, who have lived in their home since 1975, said they can no longer count on much from their 401(k) plan due to investment losses.

"With the market, we can't even sell our house and start over," said Joy Mathson, 61. "It doesn't seem fair, but I guess Americans are having to get used to things not being fair."

Bailout: Canada said Saturday it will provide $3.29 billion in loans to ailing Big Three in U.S. **A6**

Detroit: Joblessness, crime and poverty plague Motor City, but hope remains. **A35**

What to do if you lose your insurance

-- Consider all your options. Group coverage might be relatively easy to get if you're married and your spouse has coverage. An individual policy might be an option, especially if you're young and healthy.

-- If you have pre-existing conditions, your options become fewer and more expensive. You could get coverage under COBRA, the federal law that requires employers with a minimum of 20 workers to extend coverage for at least 18 months, or as long as 36 months for dependents under special circumstances. While you can't be turned down, it tends to be very expensive. And COBRA is not an option if your company went bust.

-- Be creative. If you decide to work for yourself, consider joining forces with a partner or hiring an employee. It takes just two people to be eligible for group coverage.

-- Don't overlook public programs. Going from a double-income to single-income family may qualify you - or at least your kids - for certain programs. Look into such options as Healthy Families and California Healthy Kids. If you're a veteran, you may be covered through the Veterans Administration. Workers who can prove their jobs went overseas also might qualify for a federal program.

-- As a last resort, consider government-sponsored high-risk pools such as California's Major Risk Medical Insurance Program. This is expensive and can involve a waiting period. For more information, go to *www.mrmib.ca.gov*.

-- Other resources: *coverageforall.org* for general information; *ehealthinsurance.com* for insurance policies and prices; the U.S. Department of Labor at *dol.gov* and the Employee Benefit Research Institute (*www.erbri.org*) for information on COBRA.