The New York Times
PATIENT MONEY
February 27, 2009

Advice to the Jobless on Getting Health Coverage

Ángel Franco/The New York TimesJennifer C. Graham, shown with twin daughters Judith, left and Loraine, signed up for Cobra after she was laid off. But the monthly payments are more than half her unemployment benefit.

By LESLEY ALDERMAN

It's the dreaded one-two punch. You lose your job. Then you have to pay thousands of dollars out-of-pocket for the health insurance an employer no longer provides. Besides the financial pain, even finding affordable insurance can be agonizing. Which is why today's "Patient Money" column is here to help.

We'll talk about steps to take if you have recently lost your job and need health coverage. Next week, in a companion column, my colleague Walecia Konrad will provide health benefits guidance if you still have a job but worry that you, too, could soon find yourself out of work. And who among us doesn't harbor such fears these days? Because the soaring unemployment rate has thrust so many people into the ranks of the suddenly uninsured, the government is scrambling to help. The economic stimulus package that President Obama just signed into law provides at least some temporary relief. For one thing, it will be easier and relatively less expensive for the newly unemployed to obtain health coverage under the 1986 law known by its acronym, Cobra.

And earlier this month, Congress passed legislation adding millions of children to those eligible for the Children's Health Insurance Program — known as CHIP — which covers children in families that earn too much to qualify for Medicaid, but too little to afford private health insurance.

Read on, to see if Cobra and CHIP might be options for you and your family. If not, you'll probably have to line up private insurance — a process you could start by comparison shopping at a Web site like eHealthInsurance.com.

As you weigh all your insurance options, while considering your or your family's specific health needs, here are some things to keep in mind. And for further information see the list of resources that accompanies this column.

If you have access to Cobra... Take advantage of it. Under Cobra, most workers laid off from a company that has more than 20 employees and provides health benefits are allowed to keep those benefits for up to 18 months. But until recently, doing so was forbiddingly expensive. The out-of-work employee had to pay 102 percent of the premiums — or more than $12,900 a year on average for families and nearly $4,800 for individuals, according to the Kaiser Family Foundation, a health research organization. The new stimulus package at least temporarily changes the rules. If you lost your job after last Sept. 1 and your family income is less than $250,000 a year ($125,000 for individuals), you will have to pay only 35 percent of the premium for the first nine months. The government picks up the rest.

That is a boon for people like Jennifer C. Graham, a single mother who was laid off in December with just five weeks of severance pay. Ms. Graham, who was a senior associate at a Manhattan interior design firm, immediately signed up for Cobra to make sure that she and her twin girls were covered. But the $966 monthly payments ate up more than half of her $1,600-a-month unemployment benefit.

“It’s completely ridiculous,” she said. “How can people get back on their feet?”

With the stimulus relief, her payments will soon fall to a more affordable level: $338 a month. Ms. Graham, who has an M.B.A., says she hopes to have a new job before the nine-month subsidy ends. Another change under the stimulus package is that if you qualify for the subsidized Cobra benefit, you can also switch into a lower-cost health plan, like an health maintenance organization, if your former employer offers one, even if you were signed up for a more expensive plan while you were working.

If you, or someone in your family, has a pre-existing condition ...You can use Cobra to your advantage, even if you don’t qualify for the new subsidy.

Let’s say you have diabetes, but the rest of your family is healthy. Insurers will charge your family more than the average rate, because you are considered a high risk. In this case, you could stay on Cobra at an individual rate, and buy private insurance for the rest of the family. Look for policies at a large insurance broker site like eHealthInsurance.com, which offers more than 10,000 plans. Put in your sex, ZIP code and date of birth and the site will tell you which plans are available in your area. Many of them have been reviewed by customers, and you can apply online.

If you have children ... Explore keeping yourself and your spouse on Cobra, or buying private insurance, and enrolling your children in the federally financed CHIP program, suggests Ron Pollack, executive director of Families USA, a nonprofit consumer advocacy organization.

Government plans typically have higher income allowances for children than for adults. For instance, if you live in New York State and your yearly household income is $88,200 or less (for a family of four), your children would qualify for the Child Health Plus plan, which costs no more than $40 a month for each child, depending on your income. For you and your spouse to qualify for low-cost coverage, too, your household income could be no more than $33,075.

Worried about the quality of care your children will receive? According to a recent Kaiser Family Foundation survey, families with children in Medicaid or CHIP programs found the care comparable to what they received under private insurance.

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Rules and income limits vary by state. A Web site operated by the nonprofit Foundation for Health Coverage Education has information about the rules in your area

If Cobra is not an option, and you’re young and healthy ... Consider getting a high-deductible health plan that can be linked to a health savings account.

This is a viable option if you expect to have few medical expenses or you hope to have a job within the year — or both. Such plans have low premiums but high annual deductibles — the amount of care you have to pay for before the insurance kicks in. For instance, a family of four in Chicago could find a plan that costs just $398 a month — $4,776 a year — but comes with a $5,000 deductible.

To pay for the out-of-pocket costs, you are allowed, by law, to set aside up to $5,950 ($3,000 if you are single) in a health savings account. This account is not taxed and — unlike a flexible spending account — the money can be rolled over from year to year. But make sure you have the money to cover the deductible, Mr. Pollack of Families USA cautions.

“If you have an unexpected event, say you break your leg, you may be unpleasantly surprised,” he said. “You will have to spend every dollar of your care until you meet your deductible.”

If your income is low ... You may qualify for government-sponsored health insurance, or services, if your total household income is coming from unemployment insurance, if you are a single parent, or if you lost your job because your company moved out of the country.

“A lot of people don’t know these programs exist,” said Phil Lebherz, executive director of the Foundation for Health Coverage Education. Go to the foundation’s site, www.coverageforall.org, and answer the five-question quiz displayed on the home page to find out what services you may be eligible for. Or call the help line (1-800-234-1317), which is staffed 24 hours a day.