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Stimulus will help laid-off workers with COBRA costs

By Sandra Block, USA TODAY

If you're out of work, someone — a relative, colleague or financial adviser — has probably emphasized the importance of continuing your health insurance.

Given the cost, though, that might only be decent advice if you own a trust fund that hasn't been torpedoed by the bear market.

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The economic stimulus package signed into law last month seeks to address the high costs by subsidizing COBRA premiums for unemployed workers. Under the federal Consolidated Omnibus Budget Reconciliation Act, or COBRA, laid-off workers can continue their former employer's health coverage for up to 18 months, but only if they pay the entire premium, plus a 2% administrative fee. Average COBRA premiums exceed \$400 a month for individuals, and more than \$1,000 a month for families.

The stimulus package will subsidize 65% of COBRA premiums for employees who were laid off between Sept. 1 and the end of this year. If you delayed signing up for COBRA coverage when you lost your job, you have 60 days to re-enroll after you receive a notice from your employer.

The subsidy takes effect March 1, but employers have until April 17 to notify eligible former employees. Laid-off employees who have already signed up for COBRA may have to pay full premiums in March and April, says Kathryn Bakich, senior vice president and head of the health care compliance practice at Segal Co. Those individuals will receive a credit or rebate for their March and April overpayments, she says. However, they won't be reimbursed for premiums paid before March.

Here are some other things you need to know about the COBRA subsidy:

• **Employees who retired or left voluntarily are ineligible for the subsidy.** If your employer determines that you're ineligible and you disagree, you can file an appeal with the Department of Labor. The department is in the process of developing an application for appeals. You can find more information at www.dol.gov/cobra.

• **You're ineligible for the subsidy if you have access to other group insurance coverage, such as a spouse's insurance plan or Medicare.**

• **If you're eligible for the subsidy, your employer may allow you to switch to a less expensive health insurance option.** Ordinarily, when you sign up for COBRA, you're required to stay with the plan you signed up with while you were working.

For example, some employers offer plans that provide lower premiums in exchange for a high deductible. Switching to such a plan could lower your premiums even more, says Tom Billet, senior benefits consultant at Watson Wyatt. A high-deductible plan may not provide the level of coverage you had when you were working, he says, but it will protect you against catastrophic medical costs.

• **Your COBRA subsidy will end once you become eligible for other group coverage, after nine months, or your eligibility for COBRA coverage expires, whichever comes first.** COBRA coverage is generally available for 18 months

after you leave your job. The subsidy will not change the amount of time you're eligible for COBRA, says Kelly Traw, principal at Mercer, a human resources consulting firm.

Some jobless workers may find that premiums for an individual insurance policy are lower than the cost of COBRA, even with the federal subsidy, says Wendy Nice Barnes, vice president of human resources for eHealthInsurance.com, a website that allows consumers to shop for individual plans. Young, healthy adults can purchase individual policies for as little as \$65 a month, vs. \$133 a month with the COBRA subsidy, according to an analysis by eHealthInsurance.com.

However, if you have a pre-existing health condition, such as diabetes, you'll probably have a hard time qualifying for an individual policy. With COBRA, you can't be denied coverage because of health problems.

Enrolling in COBRA will also protect your ability to get insurance coverage in the future, Bakich says. Under the federal Health Insurance Portability and Accountability Act, insurers can't deny you coverage after you've exhausted your eligibility for COBRA. If you don't enroll in COBRA, you give up that right, she says. Her advice: Enroll in COBRA, then start shopping for a less expensive individual policy.

"If you let your COBRA rights expire, they (insurers) don't have to guarantee coverage," Bakich says. Otherwise, she adds, "if you've had even a minor medical condition, they could refuse to cover you."

Sandra Block covers personal finance for USA TODAY. Her Your Money column appears Tuesdays. [Click here for an index of Your Money columns.](#) E-mail her at: sblock@usatoday.com.

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