

Life without the COBRA subsidy

By Amanda McGrory

As of Sept. 1, Americans who were laid off between September 2008 and May 2010 are no longer eligible for the COBRA subsidy, which was passed under the American Recovery and Reinvestment Act.

The COBRA subsidy covered 65 percent of COBRA premiums for 15 months of the program's 18-month eligibility, meaning unemployed participants are now responsible for all costs during the last three months.

But some employers were surprised to learn the subsidy was coming to an end so soon. Given all of the political posturing and the poor economic environment, those employers could have been under the impression that the subsidy was available for the full 18 months.

"The government had extended the subsidy and actually made some of them retroactive if they hadn't acted in time, so that may have caused a perception that because of the high unemployment and the continued economic uncertainty that Congress would have extended the subsidies again," says Steve Wojcik, vice president of public policy for National Business Group on Health.

The effects for unemployed workers

Now that the unemployed participants are footing the entire COBRA bill, many are wondering if they can afford to keep their coverage. Unemployment already provides a tough situation for millions of



Americans, but adding those additional premium costs just makes the situation that much harder.

"I'm sure it's going to be a tough situation," Wojcik says. "The long-term unemployed are growing in numbers, and if they still have COBRA eligibility as their subsidies run out, they have to make that tough decision about whether they want to pay the full amount now, minus the subsidies, or give up their coverage, be uninsured and risk having some kind of big health claims without any insurance."

According to Wojcik, the average person spends about \$6,000 annually on COBRA premiums, amounting to approximately \$3,900 in subsidies. While much of the annual subsidy has already been paid, there is still a large cost left over, especially for someone who is still out of work.

"It's a lot of money even if you're not on unemployment, but when you're unemployed, I can imagine it's even harder to come up with that

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money, unless you want to dip into savings, and even then you may need it for other things, too, at that point,” Wojcik says.

With the COBRA subsidy going away, unemployed participants with pre-existing conditions have an especially tough decision to make, says Martin Rosen, Executive Vice President and Chief Marketing Officer at Health Advocate, Inc. If they endure the increased premiums, they are still covered, but affordability becomes an issue. The other option is to go off of COBRA for a less expensive private insurer. While pre-existing conditions may present issues, they’re not necessarily a barrier for at least partial coverage, Rosen says.

“If you have a history of a medical illness that would be considered a pre-existing condition, it doesn’t mean you can’t get coverage for other things,” Rosen says. “It means the particular item that the pre-existing condition relates to wouldn’t be covered for a period of time, not necessarily forever. People shouldn’t be totally intimidated by the notion of the pre-existing conditions clause.”

Of course, the alternative isn’t perfect, and in some cases, this type of coverage won’t cut it, but for those who have dormant pre-existing conditions, such as heart problems corrected by surgery, it may be a temporary solution to consider.

Although the COBRA subsidy may be gone for now, employers should stay on the lookout because there’s a chance for its return, Wojcik says. The economy remains sluggish, unemployment is still high, and the 2012 election season is on the horizon. Sure, another government program may alienate some voters given the U.S.’s heavy spending habits, but it might also endear those who are struggling.

“The difficulty is that if they do reinstate the subsidy, it will cost the federal government money, and they’d have to find areas to cut to make up for it,” Wojcik says. “But I can see that there could be some sympathy for it because of the economic situation, and then looking cynically toward 2012, members of Congress might be eager to talk about what they did to help the unemployed in a bad economic situation.”