



Coping with the end of the discount for COBRA health insurance

Richard J. Koreto | August 2011

COBRA is about to take a bite out of the budgets of some health insurance policyholders.

Since 2009, millions of Americans have been eligible for a 65 percent discount on their COBRA health insurance. Under COBRA (the Consolidated Omnibus Budget Reconciliation Act of 1985), eligible workers who've been laid off or fired can maintain their employer's group health coverage for up to 18 months. However, the coverage comes at a much higher price than they had been paying, but often at a lower price than private insurance.

The COBRA discount, enacted under the federal economic stimulus plan, applies to Americans who lost their jobs during a period that ended May 31, 2010. The last eligible workers will see their discounts disappear Aug. 31, 2011, as the price break lasts only 15 months.

A federally subsidized 65 percent discount on COBRA health insurance is coming to an end Aug. 31, 2011.

If you're facing the loss of your COBRA discount or the expiration of your COBRA coverage, what can you do?

Should you stay with COBRA?

First and foremost, Ellen Laden, a spokeswoman for UnitedHealthcare's Golden Rule Insurance, recommends that you should not consider going without health insurance. It's just too risky, she says.

For those who can do so, Laden recommends staying with COBRA as long as possible. That's usually your best option as long as it's available. For the folks whose discounts are evaporating in August 2011, you've still got three months of COBRA eligibility left.

In 2010, the Kaiser Family Foundation reported that the average cost of maintaining employer-sponsored coverage through COBRA was \$1,137 a month for a family and \$410 a month for an individual. With the federally subsidized discount, the cost of maintaining the average policy was \$398 a month for a family and \$144 for an individual.

If you're planning an exit from COBRA, don't forget to take advantage of what you've already got, says Mark Cesarano, managing consultant at The Savitz Organization, an employee benefits consulting company. When you're still covered, be sure to make the visits to the doctor that you may have been putting off.

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Shopping for coverage

If you're no longer eligible for COBRA or really can't afford it, your next move is to shop for new coverage.

Short-term solution. For your immediate needs, Laden suggests a short-term health plan as a bridge between the end of COBRA and the start of a long-term plan or your next employer-based plan. Short-term plans are available for as little as one month but no more than 11 months. The application is simple, the cost is low compared with a longer-term plan, and you're asked only a few medical questions. You'll get an answer in a day or two, and if you want to drop it at any time, you get a refund of any unused portion.

For a longer-term solution, "determine what your needs really are," Laden says. "Do you go to the doctor often? Or just for the occasional problem?"

High-deductible plan. If you fall into the latter category, consider a high-deductible plan, as that will lower your premiums and enable you to pay for standard office visits out of pocket. And be frugal, Laden says.

"Yes, everyone would like benefit-rich plan. But employers generally pay 75 percent of the group-plan costs, so keep that in mind," Laden says. "Good coverage doesn't mean paying for something you don't need."

Don't pay a deductible below \$500, she says, and consider an even higher one. Golden Rule offers "Plan 100," which comes with a \$5,000 deductible, but then pays 100 percent above that. It prevents you from being wiped out entirely, while the high deductible keeps premiums at a reasonable level.

Buying power. Laden advises signing up with an insurer that has large national network, even if you're not planning to move from, say, Michigan to Missouri. "Big companies have a lot of buying power to negotiate rates," Laden says.

Do you have a pre-existing condition?

Of course, one of the big issues is what to do if you have a pre-existing condition. Will your new insurer cover it? Maybe. The rules are complex, but basically, you can't be denied coverage as long as you don't have a coverage gap of 63 days or more.

Cesarano says that if you have a pre-existing condition, you may want to look into coverage from Blue Cross and Blue Shield. "It doesn't deny coverage — it's part of its mandate," he says. Be prepared to pay extra for it, however.

Martin Rosen, co-founder of Health Advocate Inc. and co-author of *The Healthcare Survival Guide*, points out that if you have a pre-existing condition, some states offer a high-risk insurance pool for people with serious illnesses. A last-resort option is the government-run Medicaid program, Rosen says.

Cost-saving tips

Rosen offers some tips that can help you ease the burden of health care costs:

- **If money is tight, skip the local drug store and go directly to the company that makes your medication. Many pharmaceutical companies provide discounts if you approach them directly, Rosen says.**
- **Negotiate with doctors and other health care providers. Nearly two-thirds of the time, consumers can snag a discount just by asking, Rosen says.**