

What to Do?

Unemployed Without Health Insurance

by Michael Vech

Early retirement? Forced layoff? Unexpected illness? For whatever reason you find yourself unemployed before reaching eligibility age for Medicare health benefits, a major concern will be continuation of your healthcare coverage.

Following an unexpected layoff or forced early retirement, securing adequate healthcare insurance may become an urgent need. Finding affordable medical coverage can be difficult and, without the safety net of Medicare, the risk of being uninsured can become a very real prospect.

I just lost my “old” insurance

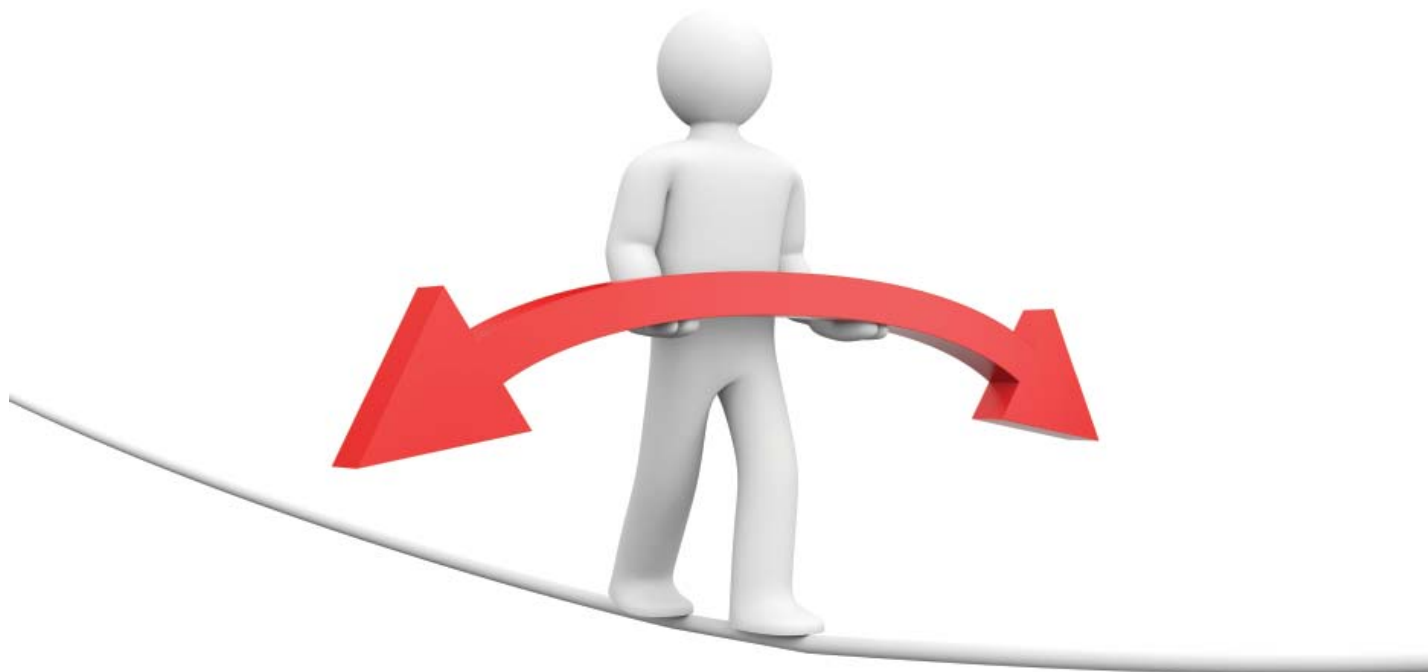
Most workers do not have the option to receive postemployment health insurance from a former employer. According to the Kaiser Family Foundation, only 31 percent of firms with 200 or more workers offered retiree health benefits in 2008, compared with 66 percent in 1988.¹ If post-employment coverage is not available, there are some steps that can be taken to secure insurance prior to Medicare eligibility.

The first step? Don't panic

Often, the best option may be to continue some form of group coverage. If a spouse is eligible for coverage at work, he or she can apply for coverage even if the enrollment season has passed. Because loss of benefits is a qualifying event, you have 30 days to enroll after benefits are lost. Another way to continue group coverage is by returning to work. At some companies, working 30 hours a week will qualify an employee for group health benefits.

Consider COBRA

Another option is to apply for benefits under the Consolidated Omnibus Budget Reconciliation Act of 1986, COBRA. Employers with at least 20 employees are required to offer COBRA continuation health coverage for up to 18



months after a worker becomes unemployed. The former employee will pay up to the entire cost of the insurance plus a 2 percent administrative fee. For employers who do not have to offer COBRA, terminated employees may be eligible to continue group coverage under state continuation programs.

Those who have recently become involuntary early retirees may find some help in the American Recovery and Reinvestment Tax Act of 2009, which was signed into law on February 17, 2009. The Act provides a subsidy of 65 percent of the COBRA premium effective March 1, 2009 for up to nine months for certain terminated employees.

Going it on your own

Depending on the medical condition of those seeking health coverage, purchasing an individual insurance policy may be the least expensive option. Because an individual policy is not part of a group plan, you may apply for a policy at any time. Healthy retirees may want to consider a high-deductible plan to lower premium costs. Although out-of-pocket costs have the potential to be higher, there would still be protection against sudden illnesses or accidents.

Pre-existing health conditions could make finding this kind of coverage problematic, with issues including higher rates, denial of coverage related to the pre-existing condition, or being turned down altogether.

If you believe an individual policy may be your best option, remember *caveat emptor* (let the buyer beware). Be certain that you choose a reputable company and thoroughly research the policy design. There is more to know than the cost of premium. Exactly what types of medical services are covered? Are there limitations to coverage? In what circumstances can coverage be denied? You do not want to join the legions whose individual health coverage horror stories dot media websites.

HIPAA steps in

If COBRA coverage is maintained until it expires, there is another option for coverage. Under the 1996 Health Insurance Portability and Accountability Act (HIPAA), people who have reached the maximum time limit for COBRA coverage are guaranteed coverage regardless of pre-existing conditions. However, HIPAA requirements can vary between states. In some states, HIPAA rules apply to all private insurance companies that sell individual health insurance. Other states have made

alternative arrangements for HIPAA coverage to be guaranteed only from the state high-risk pool, called a Comprehensive Health Insurance Pool (CHIP). CHIP allows private insurers to medically underwrite without HIPAA intervention.

Be aware that HIPAA does not address the amount that people can be charged for coverage. It should be noted that HIPAA-eligible plans are often more expensive than COBRA coverage and can become quite restrictive. To be HIPAA-eligible, the following criteria must be met:

- You must have had 18 months of continuous creditable coverage, at least the last day of which was under a group health plan (including those offered by public employers and churches).
- You must have exhausted any COBRA or state continuation coverage for which you were eligible.
- You must not be eligible for Medicare, Medicaid or a group health plan.
- You must not have health insurance. (Note: if you know your group coverage is about to end, you can apply for coverage for which you will be federally eligible.)
- You must apply for health insurance for which you are federally eligible within 63 days of losing your prior coverage.

CHIP

Comprehensive Health Insurance Plan (CHIP) programs were created by state legislatures to form a high-risk pool. These programs exist to provide an option for the medically uninsurable population—those who have been denied coverage because of a pre-existing health condition or who can only access coverage with restrictions or very high rates. These programs vary by state and are not available in every state. More information can be found at the website of the National Association of State Comprehensive Insurance Programs (www.naschip.org).

The search for health insurance can consume a great deal of time and diminish an early retiree's financial resources. As stressful as a time of unemployment may be (even for those who voluntarily choose early retirement), one of the best ways to keep from incurring astronomical healthcare premiums is by maintaining a healthy, active lifestyle and practicing preventive care. Staying healthy can have a positive impact on healthcare costs before and after one is eligible for Medicare benefits.

¹ From page 63 of the "Employer Health Benefits 2008 Annual Survey" by the Kaiser Family Foundation and Health Research and Educational Trust, accessed at <http://ehbs.kff.org/pdf/7790.pdf>