Hanging on to health coverage, if the job goes away
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Chester Higgins Jr./The New York Times
Denise Young Farrell of Brooklyn, shown with her children, Cameron, 4, and Charlotte, 19 months, lost her job early this year and was given a severance package that included two months of paid health care.

If you're fortunate to still have your job, but aren't sure how much longer that will be the case, lost income may not be your only worry. Your medical insurance is at risk, too.

"When you're still on the job, even if it's just for a little while longer, you're in a slightly better position to make the most of the benefits you have now and to figure out your options," said the Oklahoma insurance commissioner, Kim Holland, a longtime promoter of affordable health insurance.

She and other experts offer the following advice about girding for the worst case.

Use it before you lose it. "My clients wouldn't want to hear me say this," said Tom Billet, a senior executive with the corporate benefits consulting firm Watson Wyatt. "But if you feel a layoff is pending, now is the time for you and your family to get physicals, dental check-ups, eye exams and prescriptions filled."

That's what Denise Young Farrell is doing. Ms. Farrell, the mother of two children in Park Slope, Brooklyn, lost her job early this year when her department at the Lifetime Networks cable channel moved to California. Her husband lost his job at Bear Stearns last year. Ms. Farrell's severance package included two months of paid health care.

Check your benefits handbook to see how long your health care coverage will last if you do lose your job. Often, employers will continue coverage until the last day of the month in which the employee worked. So if your last day at work was March 5, for example, you may have coverage until March 31, giving you a few extra days for those doctor visits.

Sign onto your spouse's plan. If your spouse has employer-sponsored family health insurance benefits, he or she can add you and your dependents anytime during the year. But do be aware of the deadlines. Most companies require any changes to be filed within 30 or 60 days of

the “qualifying event.” Depending on your spouse’s company, that could mean the day you were laid off or your last day of coverage.

In addition, some companies require written proof from your former employer that you were laid off. To avoid snags, try to arrange this before your last day of work. And be sure to check when the new coverage takes effect. If your spouse’s plan has a three-month waiting period, for example, you’ll need to find temporary coverage elsewhere.

Get to know Cobra. If you have health benefits in your current job, odds are you’ll be eligible to continue purchasing that coverage temporarily under the 1986 law known by its acronym, Cobra.

Cobra requires employers with 20 or more workers to make health insurance available to a former employee for up to 18 months after leaving the job — regardless of whether you quit or were laid off. But because the former worker must pay the full cost of that insurance, the premiums can easily exceed $1,000 a month for family coverage.

The new federal stimulus plan that President Obama recently signed into law does provide some temporary relief for laid-off workers. But even if you qualify for the subsidy, you’ll still pay 35 percent of the total health premium, compared to the 10 or 15 percent you paid as an employee. So you might be paying $300 to $400 or more a month. And that is for only the first 9 months of the 18-month Cobra coverage. For the second nine months you’ll be paying full fare.

For fuller details on the new Cobra provisions, see this Congressional Web page.If you do choose Cobra, pace yourself. Time it right, and you can essentially get two months of free Cobra coverage.

After your last day of coverage under your employer’s plan, you have 63 days to sign up to extend that coverage under Cobra. If you think you’re on the verge of getting a new job, or if you’re trying to find a more affordable insurance option, you can put off paying two months of Cobra premiums until you approach the deadline. If the new job or alternate insurance works out, you will have avoided those hundreds of dollars in Cobra premiums. But if you do fall ill or get in an accident in the interim, you will be covered — as long as you pay those back premiums.

Do be vigilant, though, about that 63-day deadline. Miss it, and you lose your Cobra eligibility.

Try to negotiate health care as part of your severance. If you are eligible for any type of severance, consider asking for an extension of health insurance in exchange for a smaller cash payout. That will give you more time to research your health insurance options and help you avoid a gap in coverage.

There is one caveat, said Kathryn Bakich, national health care compliance director for the Segal Company, a benefits consulting firm: Avoid having your company pay part or all of your Cobra premiums as part of a severance agreement. Employers are still waiting for guidance on this point from the Department of Labor and other government agencies, but if your former employer pays your Cobra premiums directly, you may be ineligible for the new Cobra subsidy, according to Ms. Bakich and other benefits experts. You’d be better off trying get a lump sum payment that you could use to pay Cobra premiums, if extending your current coverage isn’t an option.

When Cobra is not an option ... If you work for a small company (fewer than 20 employees) that doesn’t offer Cobra, 40 states offer what’s called mini-Cobra continuation coverage that allows you to stay in your group plan. Some states may offer the new Cobra subsidy in these

plans. (Check with your state's insurance department.) If you do not have access to Cobra or a state continuation plan, or if those benefits are close to running out, it's important to find insurance of some kind, whether it is group or individual.

Federal law mandates that at least one nongroup insurer in your state must provide coverage to everyone, regardless of health issues. In many cases this is your state's high-risk insurance pool, but there are no limits on how much insurers can charge for this coverage, so premiums can be extremely expensive. For more information on what your state offers, go to the National Association of Insurance Commissioners' Web site, naic.org, to link to your state's insurance department.

If you have a flexible spending account — use it. Here's a little known bonus in the employee's favor:

Let's say you signed up to contribute $1,000 this year through payroll deductions to your health care flexible spending account. So far you've only put in about $200. No matter. "Companies must still reimburse you for the full amount you've elected even if you haven't contributed the total to the account yet," Mr. Billet said.

In this example, if you file claims for $1,000 of eligible health care expenses before your last day on the job, you will get the full reimbursement — not just the $200 you've paid in.

New York Times, New York, 6 mar. 2009, Money & Policy, online. Disponível em <www.nytimes.com>. Acesso em: 9 mar. 2009.