



Health Insurance Options for the Unemployed and Uninsured

By Dona DeZube, Monster Finance Careers Expert

Being laid off or having your hours reduced doesn't have to mean an end to health insurance, but for many workers it does because the cost of continuing coverage is too high, especially for those over 30. We spoke with industry experts about what your options are once that coverage runs out.

When you leave a job, you may be able to keep your health insurance using a program called [COBRA](#) (because it was created by the Consolidated Omnibus Budget Reconciliation Act of 1986). The catch is that you have to pay for your own insurance plus a 2 percent administrative fee.

With so many Americans unemployed and unable to afford COBRA, Congress included a COBRA premium discount in the [stimulus bill](#). The discount provides a 65 percent subsidy for nine months of coverage to those who lost their jobs on or after September 1, 2008.

Even if you can afford the premiums, COBRA plans can end suddenly. If your former employer goes out of business or stops offering group health insurance, or you fail to make your monthly premium payment, the insurance company can cancel your plan.

"I was on COBRA and was a few days late with a payment, so I got cut off," says Janet Haney, a freelance writer in San Francisco. "My only option was to get high-risk insurance at over \$550 a month."

In most cases, COBRA coverage ends after 18 months, at which point the insurance company must offer you an individual health insurance policy. "The benefits are usually watered down and the price is about two to three times that of COBRA rates here in New York," says Susan Combs, president of Combs & Company, a New York City insurance firm.

Start Early

Shopping for individual insurance is complicated, so start at least two months before your COBRA plan expires. "There are lots of options out there," says Oklahoma Insurance Commissioner Kim Holland. "Particularly when we're financially strapped, it's easy to get persuaded to get the cheapest deal."

Ask for a benefits summary or a copy of the policy so you know what you're getting and don't buy if you feel pressured. "There are products referred to as limited benefits that don't have large lifetime maximums and [discount medical plans](#) that aren't insurance at all, but offer a discount on services," she says.

Your [state insurance department](#) can tell you which companies offer health plans locally and may also help you choose the right plan. It's a great starting point to shop for any of the insurance options featured in this story. Ask your accountant, lawyer or doctor which companies they like, too.

Lower-Cost Options

If cost is an issue, consider purchasing a plan with a high deductible and lower premiums that will cover you for a major illness or accident, says Laura Mutsko, owner of Mutsko Insurance Services LLC in Willoughby, Ohio.

Temporary health insurance can be another low-cost way to get stopgap coverage when you're between jobs. "It's generally limited to a year or less, and it doesn't cover preexisting conditions of any kind," Holland says. Firms such as [Assurant](#), [Blue Cross Blue Shield](#) and your school's alumni association may offer temporary insurance in your state.

Individual Plans

If you can afford \$1,000 or more a month to cover your family and you don't have a lot of health issues, consider an individual health insurance plan. Keep in mind that any chronic medical condition, such as diabetes or cancer, could be a problem unless you live in one of the five states where premiums are set by regulators and where you cannot be turned down for health insurance due to health status: Maine, Massachusetts, New Jersey, New York and Vermont, says Kevin Sullivan, owner of RuckingInsurance.com, a health insurance brokerage for rugby players.

"Outside those states, [the policy you're offered] depends on the state and the preexisting condition," he adds. "Sometimes they'll cover everything except the preexisting condition and anything related to it."

Your trade association or local members-only warehouse club, such as Costco, may also offer health insurance. "Some associations apply medical screens and some do not," says Michael Goodheim, owner of Farsighted Strategies, a Seattle strategic planning consulting company. "Some of the insurance offered through associations is comprehensive and some is limited, so be cautious in assessing these options."

If unemployment has reduced your household income or you have a preexisting condition that prevents you from getting health insurance, you may be able to get insurance from a special state high-risk pool or help from your state to pay for insurance. "Some states have premium subsidy programs for people who are uninsured and make too much money to qualify for Medicaid," Goodheim says.

If you're thinking about buying into a state health insurance pool, be sure it covers your preexisting condition, because not all plans do, says Timothy Tracy Jr., vice president of Gerard B. Tracy Associates, an employee benefits consultancy in Westport, Connecticut.

Reform on the Horizon?

In the current market, sometimes no matter what you try, you won't be able to obtain health insurance at any price. However, with Congress taking up health reform, it's possible that new health insurance options will be available later in the year.

While that doesn't solve the problem for those who can't afford or can't find health insurance coverage now, at least there's hope that solutions are on the way.