

# Newly Out of a Job? Here's How To Replace the Health Benefits

By ANNA WILDE MATHEWS

The U.S. economy has shed some 1.2 million jobs so far this year, forcing many people to cope with one of the toughest aspects of getting laid off: losing the health benefits that go along with being employed.

That shrinkage of the American workplace represents the biggest loss of jobs since the most recent recession, in 2001. Since then, there have been big changes in health coverage for the newly unemployed. The cost of keeping the same health plan you had at work, under the federal Cobra law, is way up. Today, the average family will have to pay 80% more than it did in 2001 to hold on to this coverage.

Buying your own policy in the so-called individual insurance market can be cheaper than Cobra, and there are many more types of health plans being sold. But these policies sometimes have coverage limits and exclusions that can be hard to decipher, and applicants with pre-existing conditions, such as diabetes or heart disease, may simply be turned down.

That's what happened to Bonnie Nelson, 56 years old, of Andover, Minn., who lost her job at a life-insurance company at the end of last year. She and her husband, who works part time and is covered by Medicare, couldn't afford the \$450 a month it would have cost to keep her employer plan after she was laid off. But Ms. Nelson was turned down for individual-insurance coverage by four different insurers, who cited the cost of her medications among other factors in rejecting her applications.

Ms. Nelson says she takes medication for asthma and cholesterol and an antidepressant, and used to take a pricey biotech drug for rheumatoid arthritis. For the moment, she has decided to go without health insurance. The lack "is always there, like a little voice in the back of my head," she says. "I try not to worry about it too much."

Here are your main options for staying insured if you are laid off:

**Keeping employer coverage.** The best choice, if it is available, is to seek coverage from a family member's employer, says Kathleen Murray, of consultant Mercer, a unit of Marsh & McLennan Cos. Even if it isn't open-enrollment season, when employees make their coverage selections for the following year, you may have the right to join a spouse's plan if you act within 30 days after you

lose your workplace coverage.

You can also stick with your own employer-sponsored plan under Cobra, the 1986 Consolidated Omnibus Budget Reconciliation Act. The protection generally lasts up to 18 months, and you must opt for Cobra within 60 days of losing your job or of receiving formal notification that you are eligible for the program, whichever is later. The statute includes only companies with 20 or more employees that are continuing to offer a health plan. But some states have their own versions of Cobra that may include employees of smaller companies or cover a different time span.

If you choose to take Cobra coverage, you must keep the health plan you had before you lost your job. After you are in Cobra, you can switch plans -- if you should want lower-cost coverage, for instance -- when the company's active employees go through open enrollment. If you think you may be at risk of losing your job, it may be worth selecting a lower-premium plan while you're still working for the company.

Some people go to great lengths to keep their coverage through Cobra, especially if they think they won't be able to buy another policy. Andrea Marinelli, 49, of Holbrook, N.Y., lost her job as an underwriter at a mortgage-insurance company at the end of January. That was around the time when her husband, who was covered under her insurance, needed a kidney transplant because of advanced diabetes. Ms. Marinelli, who donated the kidney herself, says the couple cashed out her 401(k) retirement plan in order to afford the \$1,200-a-month Cobra premium and keep paying their home mortgage. "We said, 'We'll do whatever it takes'" to keep the insurance, she says.

Indeed, Cobra's biggest downside is the cost. Active employees generally pay roughly 25% of their total health-insurance premiums, with the employer picking up the rest. But laid-off employees who get Cobra coverage are responsible for 100% of the cost, plus an additional 2% for administrative expenses. For an employer plan this year, the average annual family premium was \$12,680, and for individuals it was \$4,704, according to a survey by the Kaiser Family Foundation and the Health Research & Educational Trust. That's up 80% for a family and 75% for an individual from 2001 levels.

About 27% of employees who are eligible for Cobra benefits choose to take them, according to a limited 2006 survey conducted by Spencer's Benefits Reports, a Wolters Kluwer NV publication. You may save some money by choosing to cover only certain family members under Cobra, but the rules are complicated, so check with your employer benefits manager. Another key thing to know: Once Cobra coverage runs out, insurers may be required under federal law to sell you another policy, though there's no guarantee on the price. But different states implement this rule in different ways.

**Buying coverage on your own.** Big insurers including [Aetna Inc.](#), [WellPoint Inc.](#), [Cigna Corp.](#) and [UnitedHealth Group Inc.](#) have been rolling out a greater variety of plans, letting consumers select among an expanding menu of benefits

and prices. Aetna this year introduced seven new plans aimed at early retirees that it offered with AARP, the lobbying group for older people, and has a new product, currently available only in Illinois, aimed at young people with premiums as low as \$40 a month.

UnitedHealth on Thursday is unveiling several new plans that the company says will offer lower premiums but could require consumers to pay higher out-of-pocket costs. For instance, in certain plans people can choose deductibles as high as \$10,000, double the current top figure of \$5,000. The insurer will also announce a health-savings-account plan that charges members a percentage of the cost of certain care, such as hospital services, up to a set maximum. That's instead of completely covering such costs after a deductible is met.

Health insurers approve about 89% of individual-coverage applications from people who have gone through the full review process, according to a 2007 survey by an industry group. For people between the ages of 60 and 64, the approval rate drops to about 71%.

Premiums for policies people buy on their own vary widely by state and by the age of the applicant. The average annual premium was \$2,613 for an individual, and \$5,799 for a family, according to the industry survey. Average costs are lower than those for employer-sponsored group plans partly because benefits in individual-insurance policies are often more limited and the plans may have higher charges such as co-payments.

Price was the main reason Kathy Taylor, 55, of Burlington, Conn., decided to buy a policy on her own after she was laid off last month from her job as a property manager. Working with an insurance agent, she settled on a plan that she believes offers benefits comparable to her old insurance. And the premium, at \$450 a month, was \$300 less than keeping her workplace coverage. The downside: Her old coverage had no deductible, whereas the new plan requires her to pay a \$1,500 deductible. Ms. Taylor says she is opening a tax-advantaged health-savings account to help defray the additional costs.

Consumers need to check the fine print when purchasing coverage on their own to make sure they understand what the plan does and doesn't include. For instance, there might be riders blocking coverage for preexisting conditions. "People think, 'I bought a health policy that covers everything.' If that were true, it would be one sentence long," says Joel Ario, Pennsylvania's insurance commissioner. "They're long because they have lists of exclusions and limits."

Insurers have come in for criticism for aggressive marketing. AARP and UnitedHealth, for example, recently said they would suspend selling limited-benefit plans that had caps on coverage for care including surgery. They are facing an investigation by Iowa Republican Sen. Charles Grassley into whether their marketing fully disclosed the coverage limits.

**Government safety net.** Consumers with modest incomes should check whether they or family members might be eligible for government coverage. The requirements to qualify for Medicaid and the State Children's Health Insurance

Program vary by state. In most states, SCHIP can be available for kids in families with incomes twice the federal poverty level, which was \$21,200 in 2008 for a household of four in the mainland U.S.

Doing without health insurance should be a last-ditch choice. Beyond the obvious risk of sickness or accident, there is a hidden cost. If you spend more than 63 days without coverage you lose certain legal protections. For instance, a new employer can impose a waiting period before it covers your preexisting conditions.

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