



A C L O S E R L O O K

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Staying insured in an uncertain job market

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The Health Insurance Portability and Accountability Act (HIPAA), passed in 1996, left many people with the impression that if they lose or leave their job, their right to get another policy is guaranteed. But keeping coverage is a two-step process, and only one in five people who leaves their job takes the crucial first step. The reason? The first step is very expensive, and it's difficult for many people to pay a high premium for health insurance right after becoming unemployed. Because COBRA is so expensive, many people don't take it. That could be a mistake, because only *after* you have exhausted all of your COBRA benefits do you become eligible to take advantage of HIPAA.

STEP 1: COBRA

Benefits: The Consolidated Omnibus Budget Reconciliation Act (COBRA), passed in the mid-1980s, allows many workers who leave their job to stay on their employer's health-insurance policy for 18 months as long as they pay the premiums themselves. They are entitled to exactly the same benefits they would have if they were working, including the right to select new coverage during open-enrollment periods. Their family can continue with the same coverage as well. The law also mandates the following:

- ▶ If you die or divorce, your spouse is eligible for COBRA benefits for 36 months. Children who become too old for the family policy can also receive benefits for 36 months.
- ▶ If you are eligible for Medicare after leaving your job but your spouse is too young to qualify for the program, which is the case with many couples, he or she can also continue on your employer's policy for 36 months.
- ▶ If you are disabled and going on Social Security disability, you have coverage for 29 months.

Are you eligible? Employees who quit, become part-time employees not covered under their employer's policy, or are laid off or fired for reasons other than gross misconduct are eligible, provided they worked for a large employer. COBRA benefits are not available under the federal law to those who work in firms with fewer than 20 employees; 38 states,

STEP 2: HIPAA

Benefits: The Health Insurance Portability and Accountability Act does two things. First, it allows people to move to group coverage offered by a new employer without having to satisfy any waiting periods imposed by the policy for pre-existing conditions. And second, it gives people who are leaving an employer group policy the right to buy a guaranteed-issue individual insurance policy—guaranteed because, if they follow the rules, they can't be turned down no matter how old or sick they are. This insurance cannot exclude coverage for pre-existing health conditions.

Each state sets up its own arrangements for providing guaranteed-issue policies. In most states, it's a high-risk pool that guarantees coverage to people eligible for the policies. A few require insurers to offer guaranteed-issue basic and standard plans, and a few states have what's known as a carrier of last resort, usually a Blue Cross Blue Shield organization, that offers the policies.

Are you eligible? To be eligible for a guaranteed-issue policy, you must first use up all your COBRA benefits. That means if you decline the benefits, or take them only for a short period of time and then try to buy an individual policy on your own, you may be turned down if you have health problems, even minor ones. And the insurance company has the right to exclude coverage for pre-existing conditions or to impose a waiting period before it will cover you for them. So by not taking COBRA, you may be jeopardizing your ability to buy health insurance later on.

however, have mini-COBRA laws that give those employees similar rights.

Timing: Your employer must tell you about your COBRA rights within two weeks of leaving your job. After that, you have 60 days to elect the benefits.

Costs: "Prepare yourself for sticker shock," says Karen Pollitz, a project director at Georgetown University's Institute for Health Care Research and Policy in Washington, D.C. "Your first payment may be a doozy." Instead of sharing the cost of coverage with your employer, you will be on your own for the whole amount, plus an extra 2 percent for administrative costs. For example, if you were paying \$1,800 a year for family coverage while employed, you'll probably have to pay more than \$6,000.

Timing: After you've exhausted your COBRA benefits, you must obtain new coverage within 63 days or you lose your right to a guaranteed-issue policy.

Costs: Just because you can get a policy doesn't mean you won't pay dearly for it. Annual premiums for a family can cost as much as \$12,000. A single male, age 42, would pay around \$2,000.

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