

The Salt Lake Tribune

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COBRA subsidies starting to expire

NetCare may be a good alternative for some unemployed Utahns.

By Lisa Rosetta
The Salt Lake Tribune

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Jobless Utahns relying on a federal subsidy to keep their employer-sponsored health coverage are about to be dealt a blow.

The subsidy, offered through the American Recovery and investment Act, covers 65 percent of the cost of COBRA, the insurance option that companies extend to departing employees. But the subsidy -- about \$692 a month for Utah families -- expires at nine months, which means those who signed up for it in March will lose it starting this week.

People who get laid off after Dec. 31, the last day to sign up for the subsidy, won't get relief at all.

COBRA's cost is steep: Out-of-work Utahns pays 100 percent of their health premium, plus a 2 percent administrative fee. Absent the subsidy, families must pay an average \$1,065 a month, or 77.3 percent of their average unemployment benefit, according to a Tuesday report by Families USA.

In nine states, COBRA premiums are actually higher than people's unemployment checks.

"The bottom line here is that for many people, the COBRA subsidy is coming to an end. It has been a lifeline that has allowed people to retain their health coverage, and that lifeline is being withdrawn," said Ron Pollock, the consumer health organization's executive director.

Janice Houston, who got laid off from her job at the University of Utah in March, had COBRA -- and help paying for it with the subsidy -- though she found even that wasn't enough to make insurance affordable for her whole family.

The coverage initiatives director for the Utah Health Policy Project, Houston and her husband kept their U. insurance under COBRA, but her twins had to go on the Children's Health Insurance Plan, or CHIP.

"Even with the subsidy it was something like \$500 a month," or about 28 percent of her unemployment check, said Houston, who didn't have the option of getting an individual health policy because of pre-existing health conditions.

The Congressional Budget Office and Joint Tax Committee estimate 7 million Americans will have taken advantage of the subsidy by year's end. The Treasury Department is compiling data on how many people actually signed up for it, but that count is not yet available.

In October alone, 4,500 Utahns lost their jobs, increasing the state's unemployment rate to 6.5 percent -- as high as the rate has been since April 1987, the Department of Workforce Services reported. There are 41,400 fewer jobs in Utah than in October 2008, the first month of the sharp downturn.

As these families' subsidies disappear, Pollock said, the ranks of the uninsured will undoubtedly swell.

"You simply can't pay something like 83 percent of your unemployment check for the COBRA [premium] and have any meaningful income available" for living expenses, he said.

Both the U.S. House and Senate have introduced bills that would extend the subsidy another six months -- and increase it to 75 percent, Pollock said. Long term, however, workers need portable health coverage they can take with them job to job and tax credits to help them pay for it.

A more immediate option for Utah families might be NetCare, a new, basic kind of policy designed to help keep people covered between jobs. The plan, which will be available to laid-off Utahns starting Jan. 1, will cost

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Janice Houston, coverage initiatives director at the... (Jim Urquhart / The Salt Lake Tribune)

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Jobless Utahns losing insurance subsidies

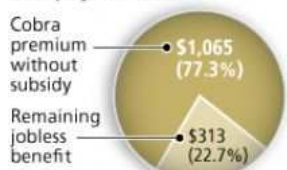
The federal government is offering laid-off workers a 65 percent COBRA subsidy for nine months. That means for people who lost their jobs in March, their subsidy expired Tuesday. The steep cost of COBRA -- which is the whole premium, plus a 2 percent administrative fee -- means many people won't be able to continue their coverage.

Cost of average monthly COBRA premium



Percent of jobless benefit

Of the average \$1,378 monthly unemployment benefit:



Source: Families USA report/Utah data
The Salt Lake Tribune

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one-third to half as much as the average large-group premium, making it a cheaper alternative to COBRA. As of Sept. 1, the state's insurers had filed 50 NetCare plans, all of them different, said Tanji Northrup, director of the Utah Insurance Department's Health Insurance Division.

Utahns who already have COBRA will have to wait until they exhaust all 18 months of their coverage, or until their former employer has its next open enrollment period for the group, to switch over to a plan option called "alternative coverage," she said.

Like COBRA, it's offered through their former employer's insurance company but features the same benefits as NetCare.

After exhausting their alternative coverage, Utahns can then get a NetCare conversion policy -- an individual health policy offered by the same insurance company through which they got their employer-sponsored coverage, and later, their COBRA or alternative coverage.

It's an option Dan Draney and his wife wish had been available sooner. They got their health coverage through COBRA for the full 18 months allowed, and without the help of a subsidy. Their premium was more than \$1,000 a month. And they burned through a significant portion of their savings paying for it.

A cancer survivor and diabetic, Draney now gets his insurance through the Health Insurance Pool of Utah (HIP), which costs about \$479 a month; he pays for it with the settlement money he received after a surgeon clipped his pancreas during a surgery to remove a kidney.

"It's just gobbling that up," he said. "That's supposed to help me get to retirement, but I don't know if I'll make it the way it's going."

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What is COBRA?

Under the federal Consolidated Omnibus Budget Reconciliation Act, or COBRA, former employees can temporarily keep their workplace insurance, under certain circumstances. However, it can be an expensive option, since they usually must pay the portion of the premium that had been covered by their employer.

How much does the federal subsidy cover and how long does it last?

The subsidy, offered through the American Recovery and Reinvestment Act, covers 65 percent of laid-off workers' COBRA premium. But it expires after nine months; millions of Americans, who signed up for help in March, will lose it starting this week.

What now?

Both the U.S. House and Senate are considering extending the subsidy for another six months. In the meantime, Utahns have another option: NetCare, a new, basic policy designed to be a cheaper alternative to COBRA. It's available starting Jan. 1.

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