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# news release

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## **COBRA, or an individual health insurance policy?**

DES MOINES, IA (December 28, 2009) – Thousands of unemployed Iowans and South Dakotans will be faced with a difficult choice in 2010: continue paying for health benefits through their former employer (COBRA or state continuation), or purchase an individual health insurance policy for themselves or their family.

“COBRA,” which refers to the Consolidated Budget Reconciliation Act of 1986, was designed to temporarily help people who have lost a job, or who are between jobs, from experiencing a lapse in health coverage. The law applies to all employers with 20 or more employees. Employees and qualified dependents that were covered under a company’s health plan and lose that coverage due to a job loss generally have the right to continue their identical coverage (at the employee’s expense) for up to 18 months under COBRA.

Most states have similar laws that permit continuation of coverage related to loss of coverage, subject to certain limitations, for small employers or employers not subject to COBRA. However, shorter coverage periods may apply.

In **Iowa**, small business employees and qualified dependents may continue their coverage (at the employee’s expense) for nine months.

In **South Dakota**, small business employees and qualified dependents may continue their coverage (at the employee’s expense) for 18, 29 or 36 months under the State Continuation program.

A second type of coverage, known as “Special Continuation,” is limited to 12 months, and is triggered when an employer goes out of business, stops paying its group health insurance premiums, or voluntarily terminates its health coverage without telling employees.

Eligibility for temporary federal subsidies that paid for 65 percent of COBRA and/or continuation coverage has been extended. The eligibility period for those who are involuntarily terminated, and who are eligible to receive COBRA, has been extended to February 28, 2010. The maximum length of

eligibility has also been extended, from nine to 15 months. (NOTE: individuals who had previously exhausted their eligibility may now receive six additional months of subsidy.) Also note that while the eligibility period for Iowans eligible for state continuation has been extended until February 28, 2010, state continuation and the associated subsidy may only last up to nine months.

Once the program expires, individuals will be responsible for the entire cost. For many, obtaining an individual health insurance policy may be a better deal. According to Lyndon Peterson, Wellmark Blue Cross and Blue Shield vice president of sales, the most appropriate option depends on your circumstances:

***COBRA or state continuation may be a better choice*** if you expect to be unemployed for a short time (1-2 months), or if the monthly COBRA premium is cheaper than the cost of individual health insurance coverage.

**An individual policy may be a better choice** if you expect to be unemployed for a longer period of time, or if an individual health insurance policy is cheaper than the cost of COBRA coverage.

“The most important thing, whenever possible, is to avoid a lapse in coverage,” says Peterson. “That way, you’ll be protected in case of an accident or sudden illness, and avoid the huge bills that could lead to medical bankruptcy.”

Peterson says that most commercial health insurers offer a range of products for individuals and families. Compared to COBRA, these policies require answering certain health questions – otherwise known as medical underwriting – and acceptance is based on approval by the health insurer. Underwritten policies are often cheaper for healthier individuals than continuation coverage under COBRA or similar state laws.

Peterson also recommends that people using COBRA or state continuation apply for individual coverage long before their COBRA eligibility expires. This allows time to search for the appropriate coverage, as well as the time required for the underwriting process.

“Applying for an individual policy is free, and you don’t have to accept any coverage that’s offered to you. And if an individual policy is cheaper, you can start saving money right away.”

**Additional information for Iowans:**

The State of Iowa sponsors insurance plans and assistance with health insurance premiums for people with limited income or who are eligible for Medicaid. More information on these programs is available by calling the Iowa Department of Human Services at 1-888-346-9562, or visiting [www.dhs.state.ia.us/Consumers/Health/Medical\\_Insurance/HIPP.html](http://www.dhs.state.ia.us/Consumers/Health/Medical_Insurance/HIPP.html).

**Additional information for South Dakotans:**

Some individuals may qualify for a state-sponsored insurance plan that does not require medical underwriting called the South Dakota Risk Pool. Information on the Risk Pool is available by calling 605-773-3148, or visiting [www.state.sd.us/bop/RiskPool.htm](http://www.state.sd.us/bop/RiskPool.htm).

Visit [www.wellmark.com](http://www.wellmark.com) for more information on Wellmark Blue Cross and Blue Shield products and services. Individuals over age 65 can also call 1-877-277-5161 to discuss Medicare-approved health insurance plans.

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