

Financially Speaking

With Trisha Arndt, CFP®

COBRA is not the only option for Health Insurance

The realities of the recession are all around us, probably most visibly represented by those who have lost their job in the seemingly continuous onslaught of lay offs. Even though Verona is arguably insulated to some degree I think most of us know someone who has lost their job in the last year.

I personally know several, some of whom are clients and many of whom have never experienced being jobless before. It was during a conversation with one such person recently that I developed the idea for this article.

We were discussing her recent lay off and the topic of health insurance arose.

I think by now most people understand the importance and value of having health insurance. Without it you risk financial devastation in the event of a major accident or illness and, even worse, you risk not having access to the care that you may need. There is no question that health insurance should be a priority but what I've come to realize recently is that many people don't realize the options they have when it comes to getting the coverage.

State and federal laws known as COBRA provide for former employees to have the ability to continue their group health insurance for a period of time as long as they assume the full cost of the premiums (including the portion the employer had been paying). Unfortunately many people have sticker shock when they realize that the true cost of the health insurance they have is often as much or more than their mortgage payment.

But the choice doesn't have to be COBRA or nothing.

In fact, if you are in reasonably good health it may be possible to buy insurance on your own directly from a health insurance company for substantially less money. It may not have the same bells and whistles and it may include more co-pays and a higher deductible but the trade off in features may seem like quite a bargain when you look at the bottom line.

Let me give you a real life, and very personal, example.

When my husband left the employer he had worked with to concentrate on his own construction business a couple of years ago we had to decide how to handle health insurance for our family of four. We had been very happy with the group policy we had and I wasn't the least bit surprised when we got the COBRA paperwork and it said that it would cost us \$1231 a month to keep it.

Working with an independent insurance agent I got quotes from several major firms that I could compare. Ultimately we bought coverage through Dean Care for \$498 a month. We gave up a few benefits and added a couple of co-pays but ultimately the cost savings was well worth it and we've been very happy with the coverage.

If we had expected the coverage need to be temporary, such as if my husband had been laid off from one company and was looking for work with another, I would have seriously considered buying temporary coverage.

Temporary insurance, sometimes know as instant protection, is designed specifically for people with a temporary need. The coverage starts instantly but will only stay in force for a set period of time – generally up to six months with one option to renew (so 12 months total). It is fairly comprehensive coverage but it does not cover any pre-existing conditions so it is definitely not for everyone. The cost however is hard to beat – for my family of four an instant protection policy with a \$500 deductible through WPS would run \$169 a month.

When comparing different policies be sure to look at all of the aspects of the policies including what is covered (especially if you do have a pre-existing condition), what the co-pays and deductible are and which doctors you can use. Bear in mind that some things that the state requires group policies to cover are not always covered on individual policies. Some of the biggest areas to be aware of are maternity coverage and mental health benefits as those are often not treated the same with individual policies.

Ultimately, you may find that COBRA is the best option for you but take the time to review some options before deciding. In the end it is most important that you have something in place - if you ever have a major need for the coverage it will be the best investment you ever made.

Trisha Arndt, CFP[®], is president of Wealth Strategies of Wisconsin Ltd, 535 Half Mile Road, Ste 5B, Verona, 848-2400. Securities and Investment Advisory Services offered through Commonwealth Financial Network, member FINRA/SIPC, a registered investment adviser. Wealth Strategies of Wisconsin Ltd and Commonwealth Financial Network are separate and unrelated entities.