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## Health Insurance Resources for Laid-Off Workers

*Presented by FourFront Advisors*

If you or someone you know has recently experienced a layoff or reduction in work hours, you may be wondering what options you have for health care coverage. Here are some alternatives, along with answers to commonly asked questions and additional information you may find helpful.

### **Continue Your Coverage with COBRA**

The Consolidated Omnibus Budget Reconciliation Act (COBRA) is a federal law that allows an employee with a qualifying event—such as a layoff or a reduction in work hours—to continue with his or her employer’s group health insurance plan for up to 36 months.

**Do employers’ group health insurance plans have to offer COBRA?** Only employers with 20 or more employees must offer COBRA; employers with fewer than 20 employees are exempt. Both full- and part-time employees are considered, where a part-time employee counts as a fraction of a full-time employee.

**Is COBRA coverage available for spouses and children?** Yes, your spouse and dependent children are qualified beneficiaries who are eligible for continued group health insurance coverage under COBRA.

**How much will I pay for the health insurance premiums under COBRA?** You can expect to pay the full premium plus an additional 2 percent to continue the group health insurance plan. This means that you will likely have to pay both your share of the premium and the portion that the employer covered, along with an additional 2 percent for administrative costs.

**When should I apply?** Generally, you have a 60-day window to apply for COBRA. That period begins either on the date you receive your COBRA notice from the group insurance plan or the date you would lose your employer-provided health insurance, whichever comes later.

**How long does COBRA coverage last?** If you lose your job for any reason other than gross misconduct or a reduction in work hours, you and your qualified beneficiaries can continue the group health insurance coverage through COBRA for up to 18 months.

**What happens to coverage for my spouse and children if I become eligible for Medicare during the 18-month period?** This will result in a second qualifying event. That means your

spouse and dependent children may be eligible for an additional 18 months of COBRA for a total coverage period of 36 months.

### **Alternatives to COBRA**

If you are not eligible for COBRA, there are some other options to consider for health insurance coverage.

**1) Health Insurance Portability and Accountability Act (HIPAA).** Under HIPAA, you can enroll in a spouse's employer-provided health insurance plan without waiting for the next open enrollment period. You have a 30-day special enrollment period that begins on the date you lose your own health insurance.

**2) Affordable Care Act (ACA).** Under the ACA, the federal government—and some state governments—established a health insurance exchange. If you lose your job, you have a 60-day special enrollment period to find health insurance through the exchange. Information about the federal Health Insurance Marketplace and the availability of income-based premium subsidies is available at [www.healthcare.gov](http://www.healthcare.gov). You can find specific information for each state by visiting [www.healthcare.gov/marketplace-in-your-state/](http://www.healthcare.gov/marketplace-in-your-state/). Eligibility for premium subsidies will depend on whether your income falls below a certain threshold.

Most states use the federal health insurance exchange. Twelve states (and the District of Columbia) have their own insurance exchanges that operate independent of the federal exchange: California, Colorado, Connecticut, Idaho, Maryland, Massachusetts, Minnesota, Nevada, New York, Rhode Island, Vermont, and Washington. With the exception of Idaho, they have all reopened their insurance exchanges for new enrollments due to the coronavirus pandemic. The federal government has not reopened its exchange.

**3) Medicaid expansion.** Individuals without any income may be eligible for Medicaid if their state of residence adopted Medicaid expansion under the ACA. Eligibility for Medicaid will vary with income and family size, and 14 states have not expanded their Medicaid program under the ACA: Alabama, Florida, Georgia, Kansas, Mississippi, Missouri, North Carolina, Oklahoma, Tennessee, Texas, South Dakota, South Carolina, Wisconsin, and Wyoming.

**4) Short-term health insurance plans.** A short-term health insurance plan may provide coverage for up to 36 months. Be aware that short-term health insurance plans are not required to cover all services or prescription drugs. In addition, because state law regulates health insurance, short-term plans are not available in every state. In 2020, short-term health insurance plans are not available in California, Colorado, Connecticut, Hawaii, Maine, Massachusetts, New Mexico, New Jersey, New York, Rhode Island, and Vermont.

### **Paying Insurance Premiums with a Health Savings Account**

You may consider using your health savings account (HSA) to pay health insurance premiums while unemployed. Your HSA is portable and remains with you after your employment ends.

According to IRS Publication 969, tax-free qualified distributions from an HSA include COBRA premiums, premiums for health coverage while receiving unemployment compensation under

federal or state law, and premiums for long-term care insurance. Also, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) expanded the definition of qualified medical expense to include over-the-counter medications.

### **Tax Breaks for Health Care Expenses**

Health insurance premiums are a deductible medical expense if you can itemize deductions on your federal income tax return. Your itemized deductions must exceed the standard deduction thresholds. In 2020, the standard deduction is \$12,400 for an individual income tax filer and \$24,800 for married couples filing jointly. Medical expenses in excess of 7.5 percent of your adjusted gross income can be taken as an itemized deduction.

### **Additional Information Is Available**

Visit the Department of Labor's website to find [general information](#) about COBRA or to download [a detailed guide](#). Or, visit [www.healthcare.gov](http://www.healthcare.gov) for information about the ACA. As always, please feel free to contact us if you have any questions.

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