



FINANCIAL SERVICES
FOR THE GREATER GOOD®

Keeping Your Health Care Coverage When Leaving Your Job

Many working people have medical insurance through their employers. But if you're losing yours because you are changing jobs, becoming self-employed or planning to retire before age 65, try as best you can to secure adequate coverage before making your transition.

While health insurance is a complex topic that requires careful review of all available options, acquainting yourself with the basics will provide some helpful background as you evaluate your choices.

If you're changing jobs: You probably can continue coverage under your employer's group health plan, thanks to the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Under COBRA, employers with 20 or more workers must make their group health coverage available to employees and their dependents for up to 18 months after leaving their jobs. With COBRA, you will still pay for coverage, but you do so at group rates, which are usually less expensive than individual policies. But be diligent. You must sign up for COBRA benefits within 60 days of leaving your job, or your former employer may deny you coverage.

You should also learn about the Health Insurance Portability and Accountability Act of 1996 (HIPAA), which can help protect your right to group coverage if you change employers. To learn more, go to www.hipaa.org.

Another option is a short-term policy that provides coverage for between one and six months. These plans generally cover hospitalization, emergency services and diagnostic care, but usually don't cover preventive care or maternity care.

If you're self-employed: Self-employed individuals generally can't get coverage under a group insurance plan and so may turn to more expensive individual policies, or choose to forgo insurance entirely. But things needn't be so extreme.

- If you belong to (or can join) a professional or alumni association, you may be eligible for group insurance through one of these organizations.
- Additionally, some states offer "group-of-one" policies that are similar to those offered by small employers.
- Yet another option is a health savings account (HSA) — a tax-exempt account you can use for eligible medical expenses. You can set up an HSA in conjunction with a high-deductible health plan, which will cost less than a regular individual policy. This will allow you to use the high-deductible plan for catastrophic expenses and your HSA for most routine medical expenses.

If you retire “early” (before age 65): Since Medicare coverage does not kick in until age 65, you’ll need other coverage until then. Find out if your employer offers retiree health benefits. If not, but you’re married and your spouse works, see if you can be added to your spouse’s group plan. Otherwise, if you’re retiring within 18 months of turning 65, consider COBRA coverage (described above). And, again, coverage through a professional association is another possibility.

If none of these options seem feasible, you may have to start looking into individual policies, but be prepared. Not only are these policies expensive, they also require you to disclose your health status (which is not necessary with group coverage). If you do have health problems, it could make buying an individual policy cost prohibitive. If this is the case, prepare for using the phone and doing sleuth work, since some states offer high-risk insurance pools for people who can’t get coverage elsewhere. And, if all else fails, if you’re able to, consider working at least part-time for a company that offers medical benefits.

© 2007 Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), 730 Third Avenue, New York, NY 10017

C38569