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Navigating Job Loss and Health Insurance Coverage

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Jae Oh explains what you need to know about your health insurance coverage options if you've recently lost your job or anticipate losing your job.

Robert Powell: You recently lost your job or do you anticipate losing your job?

Well, here to talk with me about that is Jae Oh, author of “Maximize Your Medicare.” Jae, welcome.

Jae Oh: Thanks for having me, Bob.

Powell: So lots of things to consider if someone has lost their job or anticipates losing their job.

Addressing Health Insurance Concerns

Oh: Very unsettling times, certainly that’s completely understandable, irrespective of the source, whether that be a government job or something in the private sector. The number one concern that we usually get faced with, I mean, in other words, our clients come to us and ask us, “Well, what do I do?”

Our first question is about health insurance. That makes totally reasonable sense because at large employers, the employer usually supplies and pays for a large portion of health insurance. The question is, what do you do about it?

COBRA and Affordable Care Act Options

Oh: So I generally tell people that they should prepare very quickly, but then wait. COBRA is a term that describes the fact that you can have continuing health insurance coverage just as if you were employed. That said, you would be responsible for the cost. And from there the work begins, Bob, which is that the Affordable Care Act is there. It will allow you to switch to an Affordable Care Act plan with possible tax credits to lower premium, deductible, out-of-pocket maximum – topics that you and I have spoken about every year.

That is entirely possible. Then the question goes back to the consumer: whether or not that combination fits them, what they qualify for. It’s not a question of if they can access the Affordable Care Act or other health insurance. It’s a question of whether or not that’s efficient for the household. And so when you think about it, it’s a matter of looking at the cost, but also what are the insurance benefits that you’ll get and whether those are appropriate for you ultimately.

Evaluating Options and Costs

Oh: It’s why I leave it somewhat open-ended, which is that I just want to help people understand what their options are. That said, the “best” selection for them is, as you rightly put, different for different households. They will have different needs, they will have different price points where the health insurance available under the Affordable Care Act makes sense, and sometimes it will not. I’m never the person who says don’t eat as a result of trying to be insured. That said, finding the appropriate sweet spot is possible as long as you understand the rules.

Powell: Yeah, so for some, where the decision-making might be a little bit complicated, you recommend that they go on COBRA at least in the short term while they evaluate their options because you can’t go off, go into an ACA program and then back on COBRA when you leave your employer. Is that correct?

Understanding COBRA and Its Costs

Oh: Well, first of all, you’re technically correct. Some people default and just say, “Well, I don’t understand this,” they throw up their hands and then they go on COBRA. The question is cost, of course. As you may or may not know, this can be well over $1000 a month per person. Because what wasn’t necessarily revealed to you in the past is that while you’re employed, the employer is paying such a large portion, and so the full sticker price, the full actual price is not known to you. It becomes revealed when the employer stops paying for the coverage.

Transitioning Between COBRA and ACA

Oh: That said, you can cancel your COBRA at some point in the future, and then revert or transition to an Affordable Care Act plan. That is entirely possible.

Powell: Yes, but not the other way around.

Oh: That is correct. So there are very sensitive dates. Your employer is required to notify you in writing about your COBRA coverage, its cost and date deadlines. The issue here is that there's actually plenty of time to consider the Affordable Care Act, the advanced premium tax credit, and what is best for the household, because the reality is by waiting for COBRA, you can actually retroactively be covered.

Leveraging Consumer Options

Oh: And this is the key option that people do not necessarily understand or take advantage of, but you can understand that when you have this look-back option, you have time to consider what alternatives exist and their price points.

Therefore, allowing you to either choose COBRA retroactively or to have the Affordable Care Act in a seamless way. These are consumer options, and I know this sounds complicated, but they are ultimately in the consumer's favor.

Powell: And for those who might be confused about their options or having trouble deciding which is their best choice, working with a competent financial professional might be a worthwhile exercise.

Financial Planning Considerations

Oh: A lot of our time here when we provide our financial planning, or comprehensive financial planning for people who are, for example, in a different walk of life or with a different set of responsibilities that are set here may be about a person thinking about early retirement. Well, when you become unemployed, you're kind of running out of this, you're having to deal with the other costs of conducting your daily life. There's no question that these nuances here that we've discussed are so important because the price points are so high, meaning that if I told you your household monthly costs were up or down by $2000 a month, you can see this would have a notable effect on your entire financial plan.

Challenges in Accessing ACA Guidance

Oh: So the answer is yes, and unfortunately, what has happened is the level of funding for navigators under the ACA has recently, by executive order, been slashed by 90% from $100 million a year to $10 million a year. So it cuts deeply into the volunteer forces that are available to provide guidance regarding your ACA rights.

Powell: We've covered a lot of ground. I'm sure there's more we could cover, but did we miss anything important or just anything that bears reemphasizing?

Concluding Thoughts

Oh: Well, it’s obviously an unsettling time, any time that you’re transitioning jobs or losing your job, for example, whether it be even if it’s voluntary, it can be unsettling and stressful.

That said, the rules are still ultimately in the consumer’s favor. And it can result in notable savings if you understand how to navigate the maze. And in this case, I tell people Medicare is easy. Affordable Care Act, now that’s complicated.