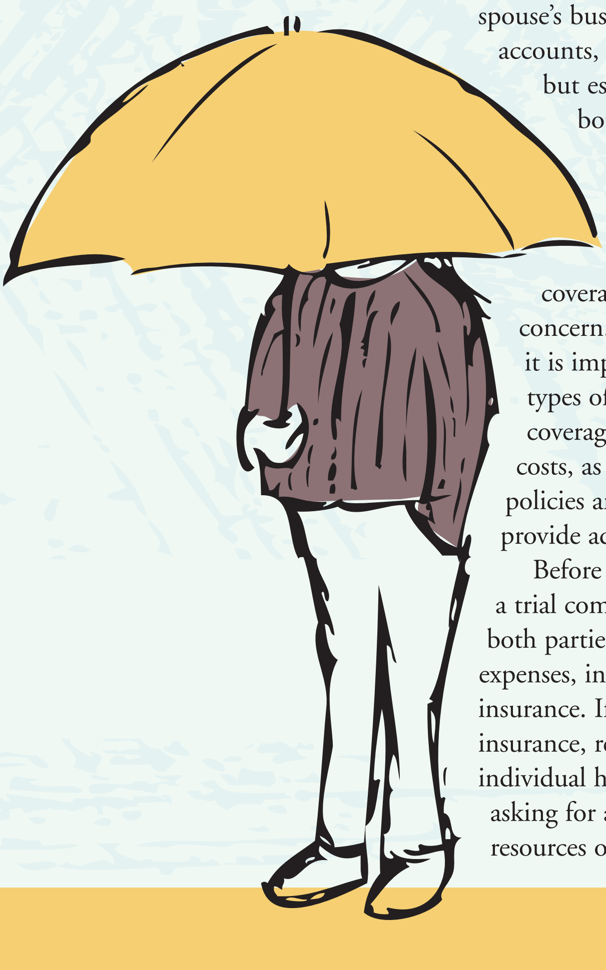
Are You Covered?

Your health-insurance options

BY **TIFFANY M. ALEXANDER**

Navigating a divorce can be, and usually is, overwhelming and frightening. There are multiple things to think about, many of which are in an area you know little or nothing about. During the divorce process, you are confronted with issues of estate planning, taxes, the inner workings of a spouse's business financials, retirement accounts, and child custody. A small, but essential, area important to both parties is health insurance.



Often a party has health-insurance coverage through a spouse's employer. Upon divorce, finding separate coverage becomes an urgent concern. Long before that happens, it is important to understand the types of policies available, terms of coverage, deductibles, and premium costs, as well as state health-care policies and statutes, which may provide additional options.

Before a settlement is finalized or a trial completed, it is essential that both parties evaluate their future living expenses, including the cost of health insurance. If you find yourself without insurance, research costs by contacting individual health-care companies and asking for a quote, calling the human resources or benefits department of your soon-to-be-former-spouse's employer to ask about COBRA, or contacting your own employer to find out about its employee plan. Be proactive about getting the information you need. Your attorney is also an excellent resource to help evaluate your health-insurance options.

Elect COBRA

Divorce attorneys often use the word COBRA when discussing health insurance, which, in fact, is a series of initials standing for Consolidated Omnibus Budget Reconciliation Act. Congress enacted this statute to provide continuation of group health coverage that would otherwise be terminated. Some states have their own version of this statute (e.g., the State of Illinois has SHIRA).

When a party has health coverage through a former spouse's employer health plan, he or she has the option of electing COBRA once the divorce is final. Electing COBRA simply means that the nonemployee former spouse will continue to have the same health-care coverage he or she had during the marriage.

The employer or health-care company (plan administrator) must notify the nonemployee former spouse of the option to elect COBRA within 14 days after the plan administrator receives notice of the divorce. Thereafter, the nonemployee former spouse has 60 days to elect COBRA. Note that if, within those 60 days, a nonemployee former spouse waives his or her right to elect COBRA, he or she may revoke that waiver before the end of the 60-day period and elect COBRA. Thereafter, unless otherwise negotiated in the divorce process, the nonemployee former spouse must pay the initial premium cost within 45 days because he or she must bear the full cost of COBRA.

Two disadvantages

COBRA can be a good option for those who have complicated health issues and may have trouble obtaining coverage through a private policy. COBRA allows a nonemployee former spouse to continue the same coverage and deductible, which is often a very good health plan. However, two COBRA disadvantages are (1) it tends to be much more expensive than a private policy because it often offers better coverage, and (2) it is only a temporary solution. There is a limit to the number of months you can receive coverage through COBRA, after which you must obtain separate health insurance through other means.

If a nonemployee former spouse elects COBRA during the election period, he or she can be covered for up to 36 months. Each employer has its own policy. Thus, when inquiring about your options, be sure to ask the company how long the COBRA coverage will last. Be aware that in some instances, the employer or plan administrator will send notice of the right to elect COBRA to the employee, rather than the nonemployee former spouse. Therefore, it is essential that the divorce decree require the employee former spouse to provide that information and/or documentation to the nonemployee former spouse immediately upon receipt.

Another option is to inquire about your own employer's health-care plan. If you choose to enroll in your employer's program, you will pay part of the premium and your employer will pay the other part. Contact your benefits department to determine the cost, as well as learn more about plan coverage, deductibles, and network options. Your share will be deducted directly from your paycheck and is considered a deduction before your taxes are calculated. Thus, you will be paying taxes on the income you receive per pay period *minus* the cost you pay for health insurance per pay period. Your overall taxable income will be reduced by the amount of health insurance you pay through your employer, thus lowering the overall taxes you pay at the end of the year.

If you are considering your employer's plan, you need not wait for open enrollment, because a divorce is considered a "qualifying event" that allows you to make changes to your benefits at any time. To take advantage of this special enrollment provision, pursuant to the federal Health Insurance Portability and Accountability Act (HIPAA), you must notify the benefits department of your employer within 30 days from the date of a divorce. Likewise, if you must remove your former spouse or a child from your employer plan, do so within those same 30 days, otherwise, you run the risk of paying for coverage that no one will use.

Obtain your own policy

The second, more obvious, option is to simply purchase your own private policy through any number of health-care providers. There are many policies out there, and it is impossible to choose a provider based on name or reputation alone. Thus fully research and contact these companies directly. Ask them for quotes based on your age, health, and preexisting conditions. Typically, premium costs vary based on deductibles. Take detailed notes and compare quotes. Do not be reluctant to ask providers why their premiums are more than those of another provider.

Generally, the higher the deductible, the lower the premium. Accordingly, if you have relatively few health concerns, few to no medications, and need health-insurance coverage only for major catastrophes or regular checkups, a higher deductible with a lower premium and smaller coverage may be better for you cost-wise. The opposite is true for someone who has a lot of medications or frequent health issues, requiring more regular doctor's visits and tests. Although you may have a higher premium in that instance, you will likely pay lower copays and have more coverage of your visits and medications. In most instances, a health-care provider will offer to mail you a brochure or booklet describing health-insurance options, which can be helpful but still difficult to navigate. Do not be afraid to contact health-care providers once you have received their brochure to ask for elaboration and clarification.

Find a state plan

If you are concerned about your ability to afford health insurance, investigate your state's coverage plans and public aid, which sometimes provide coverage specifically for individuals below a certain income level. For example, in Illinois, a separate plan called "AllKids" provides affordable health-care coverage for children of certain income households. The State of Illinois also provides several different plans, one of which insures individuals who cannot obtain private insurance due to the severity of their illness or disease, have exhausted COBRA benefits, and are not eligible for Medicare or Medicaid.

If you are unsure of where to begin searching for this information, start at www.statehealthfacts.org. Besides providing analysis of each individual state's health insurance, this site provides links to relevant state websites to further aid you in your investigation. Many states have several different plans in their attempts to provide coverage to as many of their citizens as is feasible, with the general belief that no one should have to go without health insurance.

Remain uncovered

The final option is to simply forgo health insurance, which is not generally recommended. However, if that is your only option or the best option for you, given your financial situation, then there are still steps you can take to get proper health care without spending your entire savings for basic services. Certain low-income or public health clinics provide care to those without insurance and will work with you in coordinating some sort of payment schedule based on your income and ability to pay. These clinics are not necessarily a lower quality of care, but they are much more crowded, meaning that the doctor-to-patient ratio is greater and, of course, your wait will be longer. If you have an emergency health problem, emergency rooms must treat you, regardless of whether you have insurance. However, with or without insurance, you will be charged for that emergency room care, and like every debt, if you fail to pay, it may negatively impact your credit.

Maintain or secure health insurance while you weigh your options. Once you are uninsured, it becomes more difficult and more costly to secure coverage

Other considerations

Other familiar and related health-care terms are HMO or PPO, two different kinds of plans from which you can choose. Briefly, an HMO tends to be cheaper, but more restrictive about the doctors and/or hospitals you can visit. With an HMO, you elect a primary-care physician. From there, if you need another kind of doctor or specialist, your primary-care physician must refer you to that specialist before you schedule an appointment. For some, this restriction is burdensome, for others, it is well worth the reduced cost; but that is a personal judgment. A PPO does not require you to choose a primary-care physician and provides a "network" of practitioners and hospitals in your coverage area. Generally, a PPO plan allows more flexibility, but again, at higher cost. When contacting individual health-care providers, ask about the distinctions between their HMO and PPO and get detailed information about the cost of each and the available network.

Conclusion

Delving into the world of insurance can be overwhelming, especially when it is about your health. Despite that, it is important to maintain or secure health insurance while you weigh your options. Once you are uninsured, it becomes more difficult and more costly to secure coverage in the future.

If you are unsure about what to do, talk with your attorney before your divorce judgment is entered. Ask your lawyer questions, contact individual companies, but *do not* worry silently about what you are going to do. In some instances, it is better to simply get an interim policy, whether it be private or through COBRA, while you make your final decision. **FA**

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