



UNDERSTANDING HEALTH INSURANCE

BY IRENE C. CARD and BETSY D. CHANDLER

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WHAT HAPPENS WHEN YOUR EMPLOYER GOES OUT OF BUSINESS?

What happens to your health insurance when your employer goes out of business? This is a question we are hearing too frequently of late.

When the employer ceases to do business, the "group" no longer exists and therefore neither does the health insurance.

Can you pay the premium and continue benefits under the COBRA law or the NJ Continuation law (also known as mini-COBRA) No. Like I stated above, there can be no group health insurance when there is no business. NJ Continuation is for businesses with less than 20 employees and it mimics COBRA which is a federal law for businesses with 20 or more employees. Both of these laws allow you to continue your health insurance for a specified period of time when you lose your job.

When your employer goes out of business it is really bad news. Aside from losing your job and hoping that you can collect unemployment to tide you over, all too often the employer is in the stages of declaring bankruptcy and the employee doesn't find out about the bankruptcy until it is too late. Health insurance is a major expense for any business and when money is tight, sadly, many employers just don't pay the premium. ("I'll pay it when that big check comes in" but it never comes in). You find out about it when your claims are denied saying the health insurance plan was terminated.

Now when you go to buy individual coverage, you may have had a gap in coverage of more than 31 days which means you will have a waiting period for preexisting conditions. A gentleman stopped in my office a few months ago; he had just learned that the claims for his wife's chemotherapy were denied because the insurance had been terminated several months ago. Chemotherapy can be very, very expensive. That poor man was beside himself.

What can you do? As soon as you hear that your employer may be going out of business (even if it is just a rumor), call your insurance carrier to determine if your coverage is still in force. Find out what the "paid-to" date is. You might wish to do this on a regular basis, depending on what you are hearing at work. It is much better to find out promptly when the premium was last paid, especially if you have preexisting conditions. If you learn that the premium wasn't paid, check with the employer to find out how soon it will be paid. If the answer doesn't sound too promising, immediately shop for individual coverage. Call your insurance agent or look in the yellow pages or call us. Individual health insurance cannot compare to group insurance. It will be more expensive and have higher deductibles than your group health insurance. But it is still much, much better than not having any health insurance at all. These policies all have unlimited lifetime benefits but some of the individual products have limited benefits for some services. If you have a preexisting condition, make sure you check to make sure you will be covered with unlimited benefits for whatever your diagnosis happens to be. Your other option, as stated above, is to find a job with a good size company.



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Insurance companies selling individual health insurance must insure you regardless of your health. Individual coverage means you buy the product yourself, whether it is just for you or you and a spouse, or you and the children or you and your family. However, when you go from group coverage to individual coverage, you can only have a gap of 31 days without coverage. If you go beyond that, there will be a one-year waiting period for preexisting conditions. Once the policy is effective, if you develop a new medical problem or illness, it will be covered immediately.

Irene Card & Betsy Chandler are licensed insurance professionals working at MIC Insurance Services, a health insurance services company. If you have questions relative to this column or other related topics, we invite you to call (973) 492-2828, or visit our web site at www.micinsurance.com.