

Exit Strategy

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Exiting employees have more health insurance options than COBRA...Offering them these options makes good business sense.

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With over 60% of American workers covered under employer health plans, leaving – or losing – a job often means losing medical insurance. Of course, COBRA and other state laws guarantee continuity of coverage, but most people find the cost of these options shocking.

Few people know there are affordable alternatives to COBRA. By taking a few minutes to tell exiting employees about these options, you will help many of them save money and avoid the risk of going without coverage. You will also be introducing a valuable strategy for enhancing your recruiting efforts, bolstering community and employee relations, even trimming costs.

The sting of COBRA

Most workers covered under an employer plan know little about the true cost of health insurance. As a result, the COBRA "bill" leaves them floored. The expense varies from plan to plan, but for a family of four, COBRA payments can easily exceed \$700 per month.

That leaves a lot of people in a difficult position. Faced with the cost, some choose to go without insurance. As one woman who declined COBRA coverage put it, "It was that or make the house payment."

Of course, COBRA is the best choice for some people, particularly those who need continuing coverage due to a pre-existing condition. Too few, however, know anything about the alternatives – temporary health insurance and permanent individual major medical insurance.

Viable alternatives

Temporary health insurance typically provides coverage for one to six months. "When people investigate the option of short-term health insurance," says Kathy Clark, market development director at Fortis Health, a provider of temporary health insurance. "They're usually intrigued by how affordable it is."

For example, a healthy 25-year-old single man living in Indiana could buy coverage for just \$34 a month. It is within the financial reach of families as well. A 42-year-old Arizona wife and mother of two could insure herself, her husband and both children, assuming all are in good health, for \$185 a month.

Actual premiums vary by location. People can also choose more or less expensive coverage by selecting a lower or higher deductible and a different rate of payment.

It is important to keep in mind that temporary insurance does not cover pre-existing conditions. However, it can be perfect for generally healthy people who just want protection from unexpected problems. This coverage can be a good choice for exiting employees who:

- Need something to "tide them over" until they find a new job
- Face a benefits "waiting period" at the jobs they are going to.

A second seldom-considered option for exiting employees is permanent individual coverage. "People are often surprised to learn individual major medical plans may provide options that are a lot less expensive than COBRA," says Scott Krienke, a product vice president at Fortis Health.

It depends on the richness of the benefits an exiting employee chooses. According to Krienke, if you go with a higher co-pay and/or deductible – essentially choosing to self-fund the costs you can manage – you can often pay less for an individual plan and get the same catastrophic coverage.

This option can make sense for exiting employees who face a permanent coverage need or at least a longer span between traditional employer-sponsored coverage. Consider this option for departing employees who plan to freelance, go into consulting or take up another form of self-employment. In addition, permanent individual coverage is an option for the worker going to an organization that does not traditionally offer health coverage, such as a small employer or non-profit group.

Information about these two COBRA alternatives can be extremely valuable to exiting employees. Using this "exit strategy" can also add value to the human resources department as well.

Aid recruiting and retention

Often, the employees you let go one year are the ones you're trying to hire back in the next. This is especially true of workers in the IT industry.

Rehired workers are already "up to speed" on the job. That makes them invaluable to the company. For this reason, it is a good idea to make their exit as positive as possible. One way to do this is to give them information on affordable alternatives to expensive COBRA coverage.

Offering the exiting employee affordable temporary health insurance or individual major medical insurance options helps maintain the good will the company has worked hard to establish. Keeping up that good relationship at exit time is vital if the company ever hopes to reacquire his or her talents.

Also, adopting an "easy exit" strategy can help establish a reputation in the industry as an employer of choice. That will help in recruiting efforts, especially when searching for knowledge workers – the kind of people with many employment options who look not just at the benefits package, but the whole experience of working at a company.

Maintain community relations

Many companies spend a large amount of money on public relations. By minimizing negative "word of mouth" publicity through a positive exit strategy, employers can maximize the return on their PR investment.

A laid-off employee who feels "abandoned" will talk a great deal about the bad experience with the company. On the other hand, exiting employees who feel the company did its best to ease their transition will not feel as negative and may even tell others about the concern showed to them "on the way out." Personal tales, whether positive or negative, carry an air of legitimacy that can be stronger than PR efforts.

Cushioning the blow of job loss by showing the exiting employee other, more affordable, health insurance options can help control community relations damage and maximize the company's public relations dollars.

Bolster employee morale

Employee exits can have a negative impact on the morale of current employees. When it's a mass layoff, the effect is extreme. A big part of "change management" is handling these situations with genuine concern for those affected.

If employees perceive a company to be simply "cutting people loose" – part of which is being stuck with expensive COBRA coverage – they can lose their trust in it.

Again, one way to soften the blow of layoffs is to help ease exiting employees into affordable insurance options. When employees hear through the grapevine that the company helped terminated employees get health coverage they can afford, it will help *them* maintain their trust in the company and keep focused on business.

Save money and work

Here's one aspect of the COBRA alternatives that surprises many human resources administrators. Some assume offering exiting employees more options will add to the workload of HR specialists and increase costs for the department. The opposite is true.

COBRA adds to your work through costly administration, which includes billing time. (Yes, you *can* bill administrative costs to the former employee, but this simply adds more expense to already expensive coverage.) Temporary insurance and permanent major medical insurance ease the HR department's workload because the insurance agent takes care of everything.

In addition, unlike COBRA – which maintains ex-employees on a company's health plan – health insurance alternatives actually take risk *off* the company's plan.

Offering alternative insurance products to exiting employees is simple. All the HR specialist has to do is let the employee know they're available. Agents can provide pre-written letters, brochures, application forms and more to make sharing these options easy. Your number is all the employee needs to investigate and buy this kind of coverage. You can provide complete service, answer all questions and handle policy issue.

Just remember that offering health coverage alternatives does not substitute for a company's responsibility to offer COBRA.

Deliver on the business

The human resources department is often seen – even by people who work in it – as "overhead." According to this view, a company cannot do without HR, but the department does not support the business objectives of the corporation.

Increasingly, HR professionals are looking for ways to turn that around and establish HR as an important part of the business. Offering alternatives to COBRA for exiting employees is one way to do that. This strategy aids recruiting and retention efforts, backs up PR, works to keep the business on track in difficult times by shoring up employee morale, and helps keep expenses down.

Of course, it won't do all these things by itself – the relationship between employee exits, the business and the community is complicated. But alternatives to COBRA – temporary health insurance and individual major medical insurance – can be an effective element in a big "tool box" of strategies.

Steve Dodder is Fortis Health's regional sales director for Colorado, Montana, Idaho, Wyoming and Washington. He has been with the company for 20 years – five of them as an agent – and has received many company sales recognition awards. He is a past president of the Colorado State AHU. He and his wife, Nancy, reside in Palmer Lake, just north of Colorado Springs. Steve is available to answer questions and provide more information on COBRA alternatives; just call him at (800) 462-8463 or write to him at P.O. Box 2069, Monument, CO 80132.

For more information on Fortis Health, visit www.fortishealth.com.