

Business Basics

Insurance: Healthy Alternatives

By Tara Weiss, Electronically reprinted from July 25, 2006

Sarah Billick may be an adventurous 22-year-old, but she's not willing to take risks when it comes to her health—or her bank account. Last June, she was dropped from her parent's insurance plan after graduating from Oregon State University. Come August, she'll be covered again when she starts a beer brewing apprenticeship in Germany.

Rather than go uninsured for the month of July, she bought into an increasingly popular plan: short-term health insurance. Through [eHealthInsurance.com](#), Billick paid **Health Net** (nyse: HNT - news - people) a \$12 application fee and \$30 for one month's coverage. Says Billick: "It's \$1 a day. I can handle that."

Billick wasn't able to qualify for Cobra, a federally mandated extension of health-insurance coverage, because she hasn't been in the workforce. But many people who are without health insurance temporarily are hesitant to opt for Cobra, since it can cost a single person about \$500 a month until they find a new job or until coverage starts at their new one. That can set a new hire back about \$1,500.

Compared to that, short-term coverage

seems like an easy and inexpensive solution. But be careful: You may be buying much less than you bargained for.

Short-term plans are able to keep their monthly costs low because the deductibles are often so high. For someone like Billick, that means she must pay \$2,500 out of pocket before her short-term health plan kicks in. And as with most-short term plans, prescriptions aren't covered under Billick's policy. That means a simple strep test and antibiotics could cost hundreds of dollars instead of the minimal co-pay for the doctor's visit and medicine under Cobra.

That's a chance Billick's willing to take, since she's only using the coverage for one month. "I'm healthy, so if something happens, it'll probably be really bad anyway." If you're thinking of signing up for more than a few months, you might want to think about another option.

Another consideration is geography. Billick's monthly cost is minimal because she lives in rural Oregon. Different ZIP codes incur different costs. Age and gender also affect cost. Different cities and states have different pricing, because the costs for doc-

tors and hospital stays are different across the country, says Peter Duckler, a spokesman for Assurant Health. "It's the cost of doing business, and every market is different."

A few major carriers now offer short-term insurance, including some independent agents of **Blue Cross Blue Shield**. But for now, the best way to search for a plan is online. Your first stop should be [eHealthInsurance.com](#). It's a plan and price comparison site that does for health insurance what **Travelocity** or **Expedia** (nasdaq: EXPE - news - people) do for travel. After you plug in your age, gender and ZIP code, the site spits out all the plans available to you. For instance, a 30-year-old female non-smoker from Coral Springs, Fla., has 13 pages of options.

One of the best is a six-month package from **Standard Security** that costs \$164.24 per month and has a low deductible: \$250. For about \$20 less per month, the Standard Security deductible increases to \$1,000. However, that plan offers some more benefits, such as drug and chiropractic coverage.

Another benefit of [eHealthInsurance](#) is that it provides not only monthly

payments and deductibles but also the doctors who are covered under each plan. There are also icons that indicate whether a plan is a best-seller.

Another site worth checking is AssurantHealth.com. You can easily get a free quote by entering your ZIP code and answering a handful of basic questions, such as gender and the coverage start date. But for the same criteria as in our [eHealthInsurance](#) search, Assurant only offered one option, and it's significantly more expensive: \$334.86 per month.

Then there's GradMed.com, an insur-

ance company that represents the 300 college alumni associations that offer short-term insurance. Visitors first select their university, then enter basic questions like age, gender and ZIP code. The plan allows users to select between three deductibles: \$250, \$500 and \$1,000—the higher the deductible, the lower the monthly payment. Users can request coverage for up to six months. The selected alumni association receives a small percentage of the profit. If your university isn't on the list, you can go through ReadyMed, [www.ReadyMedOnline.com](#). It's owned

and operated by the same company as GradMed and functions the same way.

Ultimately, short-term plans versus Cobra seem like six of one, half a dozen of the other: You might save money monthly, but if you get sick, you may have to cough up thousands of dollars.

According to Duckler of Assurant Health, short-term plans are “really a security blanket.” While they don't make sense for everyone, for a very healthy person, the price of a short-term plan might be worth the piece of mind.