

Careful Cents

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How to Find Affordable Health Insurance When You're Self-Employed

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Posted April 28, 2015



So you missed the health insurance deadline and had to pay a penalty on your tax return? Don't worry, you still have options — some of which are actually affordable.

If you're like me, you are probably procrastinating on applying for health insurance because you just don't think you can afford the \$400+ premiums per month. (Depending

on your state and whether or not you're single or married, your premium may be more or less.)

Either way, it's not usually a fun expense that you're excited about paying. However, I've done personal research lately and found a silver insurance plan, in my area, that's only **costing us \$250 per month** (for my husband and I to be on a family plan) versus the \$450 it was going to cost.

Here's how to find and apply for a health insurance plan that won't break the bank.

Avoid a Tax Penalty

I admit that since the hubs and I both became full-time self-employed last year, I waited way too long to **apply for health insurance** and had to **pay \$195 tax penalty** when we filed our 2014 taxes. Next year, this penalty will be even higher.

If you don't take action to apply for health insurance by April 30th this year, you'll have to pay a tax penalty, "which is increasing from last year (2014) to 2% of your income, or \$325 per adult and \$162.50 per child in your family — whichever is greater," warns Michael Stahl, Senior Vice President of [HealthMarkets](#).

As much as I may not like being forced into doing something just because the government tells me to, **getting health insurance is a smart investment** when you're self-employed. Why? Because if you're out of commission due to health reasons, it's likely that your self-employed business will fail. There's no need to compound that further with medical bills and outstanding debts.

"You will be financially exposed if you have a medical need and don't have health insurance — a dangerous gamble that could wreak havoc on your finances if you or a dependent falls ill," says Stahl.

Additionally, I'm not keen on having to pay an ever-increasing tax penalty just so I can "stick to the man". In the end it's only me and my family who are losing out because we won't have health insurance.

Review Qualifying Life Events

Open enrollment for health insurance takes place from November 15th to February 15th for the current year's healthcare coverage, so as I mentioned, if you miss this window you'll have to pay a tax penalty when you file during the next tax season.

If you missed the deadline and are applying for health insurance late (like I am), there are some life events that could qualify you for an extension and that will **exclude you from paying a tax penalty**.

“Ordinarily, the only options for obtaining health insurance outside of open enrollment are by experiencing a qualifying life event, such as marriage, divorce, birth of a child, or by purchasing short-term health insurance,” explains Stahl.

“However, the government is holding a special enrollment period until April 30th, geared toward folks who were uninsured and paid the 2014 tax penalty but want insurance in 2015. You only have a few more days to get full coverage for this year, so act quickly,” he says.

Qualifying life events that will exclude you from a penalty and extend the time you can get insurance coverage, include:

- Moving to a new state
- Big changes in your income
- Getting married
- Having a baby
- Getting divorced
- Death of a family member
- Change in subsidy eligibility
- Paying a 2014 tax penalty

Get Short-Term Health Insurance

If you missed the open enrollment deadline, don't worry, **you can still get insurance coverage**, but your options are much more limited.

“You can apply for short-term health insurance, which will cover you for 6 or 12 months, but you won't have access to the government-run exchange, so you'll need to either call individual insurance carriers to compare plans or work with an insurance agent,” says Stahl.

I suggest working with a licensed agent who provide you with all the available options, from all available carriers as well as offer counsel and explain the tax consequences.

“Short-term health insurance *does* have its limitations, however,” warns Stahl. “You will not be eligible for cost-lowering subsidies since you are not purchasing a plan on the government exchange; you may be subject to coverage barriers if you have a pre-existing condition; and you will still be hit with a tax penalty for 2015.”

In any case, purchasing short-term insurance is better than having no insurance; it's a much smaller price tag than a potentially bankrupting injury or illness.

Apply for a Subsidiary

In addition to short-term [health insurance when you're self-employed](#), you can receive

health insurance coverage through the smaller companies and individual brokers, while keeping your costs affordable. Doing so allows you to apply for a government subsidiary to aid in paying your monthly premiums.

What is a health insurance subsidiary?

A subsidiary is basically like a small tax credit that you get from the government to help pay your health insurance premiums depending on how much money you make each year. Beware though, that you will have to balance your account at the end of the tax year, and if you make more money than you projected, **you'll have to pay some of this credit back.**

I recommend a site like [eHealthInsurance](#), which is what I used when I applied for my premium subsidiary. Insurance subsidies, on average, cover around 70% of the premium cost, and typically offer greater choices in health plans versus other avenues.

Step 1: Start an online application to see what you qualify for.

Head over to the eHealthInsurance website and [start the application process](#). You first must choose the insurance coverage plan that best fits your situation and your budget. The process is secure and only takes a few minutes. You'll need to have important info handy like your Social Security number, date of birth, household income (for both you and your spouse), and zip code.

Step 2: Fill in the details about your income and business.

How much income did you make this year and last year? What was your employment status for both years? If you had to pay a tax penalty on your tax return for 2014, you could qualify for a subsidiary benefit from the government.

Step 3: Review and finalize the application.

Once you've filled in all the information, you will be taken to the last page where you can review all of your details. The process takes about 3-4 minutes, but make sure you double check your figures. You don't want any info to be wrong and mess up your application.

Step 4: Wait for confirmation and processing.

The final step is simple, just check your email inbox for a confirmation number and more info from eHealthInsurance. You will be contacted (either by automated phone message or by email) when an insurance representative has approved your application.

Step 5: Receive a subsidiary and insurance coverage.

I applied for insurance on April 16th and received a final approval email and phone on April 25th. So you can expect to wait about 7-10 for the finalized details. In order for

your insurance to take affect you will likely have to make payment prior to the enrollment date (which in my case is June 1, 2015).

Alternatives for Self-Employed Biz Owners

“Rather than utilizing the Small Business Health Options Program (SHOP) — the government’s program for small business owners looking to offer group insurance through the ACA — many small business owners are offering employees a one-time “raise” to buy their own health insurance on the individual market,” says Stahl.

If you work at a traditional job and they offer this, you can combine this bonus with the government subsidy (if you qualify), and pay way less for insurance. **This is a great option if you have a side hustle** and aren’t working for yourself full-time.

The open enrollment period for 2016 coverage starts on November 1st and runs through January 31st, so mark your calendars so you **don’t miss this deadline!** Then use these steps to find affordable health insurance coverage as a self-employed individual.