Why You Should Buy Short-Term Health Insurance If You Missed Open Enrollment

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NEW YORK (MainStreet) —Consumers who missed the open enrollment deadline and its extensions still have a number of options for limited health insurance coverage.

If you missed the deadline, your best bet is to purchase short-term health insurance. Short-term health insurance is the most basic coverage and is only meant to protect you against major medical debt in case of emergencies.

Unpaid medical bills are the leading cause of bankruptcy in the U.S., said Egon Smola, a senior vice president at GetInsured, a Palo Alto, Calif. health insurance broker. If you are between 25 and 34 years old, you have a one in 20 chance of incurring medical bills of at least $27,000 this year and a one in ten chance of medical bills of at least $13,000, he said.

Keep in mind that short-term coverage is only temporary and typically lasts less than a year, but is a good backup plan until open enrollment starts again on October 15, said Noah Lang, founder of Stride Health, the San Francisco health insurance exchange.

This type of coverage does not cover preventative care or pre-existing conditions, so it does not meet the requirements for “minimum essential coverage,” which is required under the Affordable Care Act. You are still liable for the tax penalty, because you did not have coverage for more than three months.

Other insurance options include buying accident or critical injury insurance policies, which are meant for major emergencies. These products can help limit your financial liability in case of serious illness or injury, but bear in mind that they will not meet your coverage requirements under the law either, said Carrie McLean, director of customer care at eHealth.com, an online health insurance exchange based in Mountain View, Calif.

The worst part of this type of coverage is that it still allows insurance companies to decline you or a family member based on your personal medical history.

“Even so, it beats going uninsured,” she said.

Some short-term plans are only last for six months, but it will give you some coverage until open enrollment kicks in or until you find a job. There are some caveats such as not being eligible for subsidies since these are off-exchange plans, said Michael Stahl, a senior vice president HealthMarkets, a North Richland Hills, Texas online health insurance exchange company.

The upside is that these plans are more affordable than you might think, so don't risk having no coverage at all, because they are "much cheaper than if you become gravely sick while uninsured and go into serious debt or worse, bankrupt," he said.

The good news is that outside of the open enrollment window, if you turn 27 and were insured through your parents, get a new job, move to a new city or get divorced, you qualify to buy insurance, because such scenarios are considered qualifying life events. The other exceptions include getting married, losing coverage from your employer if you quit, get fired or laid off.

If you get a new job and your employer offers coverage for you or your spouse, you may have the opportunity to enroll in a group health insurance plan. Most employer-sponsored health plans will meet your coverage requirements under the ACA. Keep in mind that you cannot use government subsidies to help reduce your premiums under employer-sponsored plans, but you have the option to opt out and buy insurance from private companies or the government yourself.

If you decide to forego buying short-term or critical illness coverage, you still have some options such as talking to your doctor or hospital about negotiating their fees. It may appear stressful or daunting daunting, but explain your situation and see if they can lower some of the costs, said Lang.

"It is not an easy task, but it can result in big savings," he said. "Medical bill advocates like CoPatient in Boston can also help do this negotiating for you. Make sure to check your medical bills for errors like duplicate charges. Finally, you could turn to crowdfunding sites like YouCaring to crowd-source money for high medical costs."

The next nationwide open enrollment period for 2016 plans is even shorter, so bear this in mind if you hesitate in October when it begins again. This year it only runs through December 7. The tax penalties for being uninsured during 2015 are dramatically higher than they were in 2014, when the penalty for not having insurance was either $95 or 1% of your annual income, whichever was greater. In 2015, that penalty skyrockets to the greater of $325 per adult and $162.50 per child or 2% of household income.

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