



For Immediate Release - May 16, 2008

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New graduates should plan for health insurance

Denver, CO – As new college graduates enter the “real world,” diplomas in hand, they may have a checklist that includes “get a job,” “find an apartment,” “pay off loans” --- and should include, “get health insurance.”

“Young people sometimes think they are immune from accident and illness, but unexpected medical costs can ruin a person’s financial future,” said Marcy Morrison, Colorado’s Commissioner of Insurance. “As graduates plan for the next phase in their lives, they need to include health insurance as a key component for financial security. Medical costs and health care without insurance can be very expensive. Having a basic health plan can prevent a financial crisis down the road.”

While still in school, most students are covered either by their parents’ insurance or by a plan offered by the college. They may not realize their coverage might end upon graduation, unless they take action. “Maintaining health insurance reduces financial risk significantly,” Morrison said. “A young person should not risk adding the burden of a huge hospital bill on top of student loans because of an accident or serious illness where there is no health insurance coverage.”

Colorado is one of a handful of states requiring health insurance carriers to offer the extension of benefits to dependents under the age of 25, regardless of whether they are attending school full-time. The 2006 Colorado law, which applies to many group and privately purchased individual health plans, requires carriers to offer a parent continuing coverage for an unmarried child who is under 25. Carriers have the option to charge an additional premium. The child must live at the same address as the parent, or be financially dependent on the parent.

Many graduates fail to understand why they need health insurance because they view themselves as generally "healthy," and think insurance plans are an unnecessary cost. Some see health insurance as a benefit that comes only with a job, and not as a critical step in personal financial planning to cover the gap between graduation and employment with benefits.

“There are options for graduates who are in between graduation and their first job,” Morrison said. “In Colorado, graduates have two primary options for acquiring health insurance: continuation of benefits from their parent's health carrier or purchasing an individual policy.”

Unmarried dependents who are under 25 have the option in Colorado of continuing coverage with their family’s policy. Graduates who are no longer eligible for the insurance coverage they had while in school, whether it was offered through the school or under their parent’s policy, may seek individual coverage on their own, or continue coverage under their parent’s policy through the federally mandated Consolidated Omnibus Budget Reconciliation Act (COBRA). Although COBRA is most often used to provide continuing health-care coverage when an employee leaves his or her job, adult children are allowed to sign up for COBRA when their eligibility ends under their family's plan. (This could be because the graduate is over 25, is married, is no longer a dependent, or if the family does not reside in Colorado. Only a handful of states, including Colorado, have laws providing that older dependents are offered the option of continuing health insurance coverage under the family’s plan.)

As with all insurance decisions, the Colorado Division of Insurance encourages consumers to shop around to find the policy that best fits their needs at a price they can afford. Information on licensed insurance providers, premium rates and complaints are available on the DOI website at www.dora.state.co.us/insurance.

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