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## Casting for Those Stimulus Benefits

Consumers Hoping for a Big Haul Might Find the Details Slippery

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Patrick Dempsey, an executive at a San Jose brokerage that administers health insurance for high-tech firms, said he is preparing for what he thinks will be an onslaught of calls from hundreds of recently laid-off Silicon Valley workers seeking information about a provision in President Obama's \$787 billion economic stimulus plan that will make it easier for them to continue their medical coverage.

Last week, Dempsey began sending letters on behalf of the companies that laid off the workers notifying them that a new federal subsidy will allow them to pay 35 percent of the cost of maintaining their health insurance -- down from the 100 percent requirement. The prospect of spending hundreds more dollars a month for insurance on a vastly diminished income has forced many unemployed people to go without coverage.

"If you're a laid-off employee and you get a letter [about this] it's going to get your attention," said Dempsey, vice president for business development at Advanced Professionals Insurance and Benefit Solutions.

The stimulus plan provides billions of dollars to not only state and local governments, highway departments, national parks, police departments and schools, but to consumers. And the question becomes: What's in it for me?

The law, which Obama signed Tuesday to revive the moribund economy, offers a range of financial benefits: People paying college tuition can get tax credits, more grant money and clearance to use 529 college savings plans for computer purchases. Homeowners can get a tax credit for buying energy efficient appliances and windows. Public aid recipients will get more food stamps. And the unemployed will be able to not only receive assistance to pay for their health care, but get more aid for a longer period and better access to job training.

Whether the ambitious array of programs will speed the recovery is an open question, experts say.

Still, the immediate concern for consumers is how they can get access to the funds to stimulate their personal economies. Financial planners, tax advisers and other experts are only beginning to wrap their minds around the changes. Most provisions are straightforward, but some -- such as the health insurance program for the unemployed -- are controversial and require advisers to provide careful explanation.

Seeking to offset the steady escalation in college tuition, the stimulus plan offers assistance to students in all income groups.

Under the plan, Pell grants for needy students will be increased from \$4,731 to \$5,350 in July. The grants will rise to \$5,550 during the 2010-11 school year.

"It's good news," said Phillistia Carpenter, 38, a medical radiology student at UDC, where trustees last week approved a proposal to nearly double tuition in 2010. Carpenter, who pays her tuition with the grant, added, "It will help me because I don't work much. . . . And books already are high as a kite."

The plan also will add \$200 million to the \$1.1 billion work-study budget, allowing tens of thousands more students to earn an average of \$1,479 to help pay their tuition.

"What this means is that more students will be able to participate in work-study," said Justin S. Draeger, vice president for planning at the National Association of Student Financial Aid Administrators. "Students who participate in work-study are more likely to graduate."

Funds from 529 college-savings plans, whose participants mainly include middle- and upper-income students, for the first time can be used to pay for computers, education software and Internet service. Previously, the money could only be withdrawn to cover tuition, room and board, and books.

Using the money for computers "was something most parents were surprised you couldn't do before," said Jorie Johnson, a financial planner specializing in 529 programs at Financial Futures in Manasquan, N.J. "This is like correcting an oversight."

The government is providing more than \$7 billion for programs targeting the unemployed. States will get funds allowing them to increase aid by \$25 a week, extend by nine months the time unemployed people can receive the checks, revise the eligibility requirements so more people can receive payments and offer more job-training programs.

Advocates say the help is needed given projections by some economists that the unemployment rate this year could rise from 7.6 percent to as much as 8.8 percent.

Boosting funding for the unemployed is "a bold and necessary step," said Andrew Stettner, deputy director of the National Employment Law Project. Still, more help "may be needed."

But the most dramatic change involves the medical insurance program for the unemployed, called COBRA. The Consolidated Omnibus Budget Reconciliation Act of 1986 requires employers to extend workers who quit or were laid off an opportunity to continue their health-care coverage by paying 100 percent of the premium. (People in the program must pay another 2 percent to cover administrative costs incurred by their former employers in extending the coverage.) Unemployed workers with families can pay \$1,000 or more a month for insurance.

Under the stimulus plan, the federal government will subsidize 65 percent of the cost for nine months. The government will do that by requiring employers to pay the 65 percent portion upfront then allow them to deduct those costs from their Social Security and Medicare taxes.

The plan has a retroactive feature. It allows workers who became jobless as early as Sept. 1 and rejected coverage to reconsider.

Some small-business advocates, however, argue that the law puts a hefty burden on them to cover the health costs at a time when they are suffering from cash-flow problems resulting from the credit crunch and declining revenues.

Companies "are already stressed," said Keith Ashmus, chairman of the National Small Business Association and principal in a Cleveland law firm. The new COBRA plan, he added, might force small businesses to "drop group health plans entirely and all the people who are supposed to be helped by this won't be."

Timothy Williams, 51, said he opted not to sign up for COBRA when he was laid off from his job as a chef late last year because he couldn't afford the premium. He said he doesn't plan to take the coverage now.

"Even if they subsidize 65 percent," said Williams, a single father who lives in the Minneapolis area, "35 percent is totally unaffordable."

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