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Close the Deal on Health Care for the Unemployed As Part of the Economic Recovery Package

By National Employment Law Project

The U.S. House of Representatives took a major step forward to protect unemployed workers from the loss of health care and further economic hardship when it enacted new health insurance protections as part of the economic recovery package.

The House economic recovery bill, called the American Recovery and Reinvestment Act, provides a 65% subsidy for jobless workers who qualify for COBRA continuation coverage. In addition, the bill makes Medicaid available to the large numbers of workers who did not have a COBRA option or can't afford COBRA even with the new subsidy.

The Senate's version of the stimulus bill, which passed yesterday, has also called for a COBRA subsidy, but it is limited to just 50% of the cost of the premium. Even more significant, the Senate failed to propose Medicaid coverage for those who need it. Thus, it will take strong backing from President Obama and leaders in both the House and the Senate to ensure that the Medicaid protections make their way into the final economic recovery package negotiated by Congress and the White House.

- **Millions of Unemployed Families Suffering Without Health Care**

In 2007, more than 45 million non-elderly Americans went without health insurance. According to estimates by the Kaiser Commission on Medicaid and the Uninsured,¹ when the unemployment rate exceeds 7 percent (as it did in December 2009, when it reached 7.2%, the highest rate in 15 years), another 5.9 million Americans find themselves without employer-sponsored health insurance. The number will rise by 13.2 million U.S. workers if the unemployment rate exceeds 10 percent, as it did during the 1980s recession.

According to a recent national survey of unemployed workers conducted by a leading polling firm, a large share of the workforce becomes uninsured after losing their jobs, leading to devastating consequences for their families.² Roughly one-third (32 percent) of unemployed workers lost their health insurance after becoming unemployed in this recession. The rate is much higher for Latino (45 percent) and African American (39 percent) workers. In addition, nearly half of all unemployed workers (46 percent) have already been forced to postpone medical treatment since becoming unemployed.

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- **Extended COBRA Coverage Out Of Reach During Recessions**

Up to 18 months of COBRA continuation coverage is available to workers whose companies provided health care coverage and employed at least 20 workers (40 states require firms with fewer than 20 employees to offer COBRA for periods ranging from 3 to 36 months).³ However, COBRA is out of reach for far too many families of unemployed workers, especially during periods of extreme and extended unemployment.

According to the Commonwealth Fund, only one in ten unemployed workers takes advantage of COBRA, due primarily to the high costs of health care premiums. While employers pay more than 75 percent of premiums for those who receive employer-sponsored health care when they are working, workers have to pay the entire premium under COBRA. With health care premiums now averaging \$4,704 for a single individual per year and \$12,680 for a family, the costs of maintaining coverage are out of reach for most. Meanwhile, only 66 percent of U.S. workers qualify for COBRA, even if they could afford the premiums.

Of those families with incomes below 200% of poverty, only 38 percent qualify for COBRA, while only 3 percent of low-income unemployed families actually access COBRA continuation coverage. Not surprisingly, more than half of all unemployed workers who earn less than 200% of poverty are thus uninsured.⁴ And, in most states, these workers fail to qualify for Medicaid as well because of especially strict limits on their income and assets.⁵

- **The Serious Limitations of the Senate & House COBRA Subsidy**

While President Obama and Congress have taken critical steps forward in recognizing the need to provide health care coverage to the millions of Americans out of work, far more needs to be done to make health care for the unemployed a reality for most families of unemployed workers.

With regard to COBRA continuation coverage, the Senate's final bill cut back on the 65% subsidy that passed the House of Representatives, reducing it to just 50% of the costs of the health care premium. Both the House and Senate subsidies are insufficient for the vast majority of workers surviving on limited unemployment benefits when unemployed. Even the 65 percent subsidy that passed the House still requires most workers to pay far more out of pocket for their health care than they paid when they were still working and their employer covered most of the cost of the insurance. According to a recent report by Families USA, COBRA payments for family coverage would absorb more than three-fourths of the average unemployment benefits received by workers in more than 40 states.⁶

While the final bill to be negotiated by the Congress and White House are not likely to increase the COBRA subsidy above 65% provided in the House bill, the serious limitations of the COBRA subsidy argue even more convincingly for the final bill to include an extension of Medicaid coverage for unemployed workers, as described below.

- **Extend Medicaid Coverage for those Who Can't Access Subsidized COBRA**

The House of Representatives has passed economic recovery legislation that also provides health care to the large numbers of unemployed workers laid off in this recession who cannot access subsidized COBRA, **either because they do not have a COBRA option or they cannot afford the premium.** A provision in the House package, estimated to cost \$10.5 billion, gives the states the option to provide Medicaid to these

families as well, fully paid for by the federal government until January 2011. No such provision has been proposed by the Senate.

Specifically, the House bill would provide the states the option to extend Medicaid to the following workers who are “involuntarily unemployed” as a result of the recession and do not have health insurance:

- Individuals who started receiving unemployment benefits after September 1, 2008, or exhausted their unemployment benefits after July 1, 2008;
- Individuals who were separated from their jobs after September 1, 2008, and whose gross family income does not exceed an income threshold elected by the state but not to exceed 200 percent of the official poverty level (or \$42,000 for a family of four) provided they are not already eligible for Medicaid.
- Individuals who were separated from their jobs after September 1, 2008, who receive food stamps but are not eligible for Medicaid.

Under these options available to the states, the Medicaid coverage will apply both to the individual and his or family (and includes non-disabled unemployed adults without children, who are not generally eligible for Medicaid). Individuals who cannot afford COBRA continuation coverage may choose to access Medicaid instead if they meet the state’s qualifications.

- **Act Now to Close the Deal on Health Care for Unemployed Families**

Medicaid for families of unemployed workers and the 65% COBRA subsidy are well within reach as part of the economic recovery legislation that President Obama is expected to sign within a week.

However, it will take significant public pressure, especially from unemployed families and their communities, to make the case to Congress and the President that the health care provisions of the House bill should survive the final negotiations between the House and the Senate versions of the economic recovery bills.

Now is the time to contact your elected officials, including President Obama, as well as your House and Senate representatives, to urge them to support the House bill, which provides Medicaid for unemployed families. To help make health care a reality for today’s jobless families, call 202-224-3121 for the Congressional switchboard to contact your Senators and Congressmen and for the White House call 202-456-1111 or email at <http://www.whitehouse.gov/contact/>.

¹ The Kaiser Commission on Medicaid and the Uninsured, “Rising Unemployment, Medicaid and the Uninsured” (January 2009).

² “Unemployed in America” Survey Conducted in November 2008 by Peter D. Hart Research Associates (commissioned by the National Employment Law Project).

³ For a list of the state provisions, see <http://www.statehealthfacts.org/comparetable.jsp?ind=357&cat=7>.

⁴ Families USA, “Unemployed and Uninsured in America” (February 2009).

⁵ Center on Budget and Policy Priorities, “Measure in House Recovery Package – But Not Senate Package – Would Help Unemployed Parents Receive Health Coverage” (February 9, 2009).

⁶ Families USA, “Squeezed! Caught Between Unemployment Benefits and Health Care Costs” (January 2009).