

More than 725,000 Laid-Off Workers Have Lost Health Coverage Since the Recession Began in March

Almost Half Lost Health Coverage in September and October

Unemployment Is Rising Rapidly

The nation's economy was already showing signs of a slowdown before the tragic events of September 11. The National Bureau of Economic Research recently concluded that the slowdown is a recession that began in March 2001.¹ From March 2001 to August 2001, the unemployment rate rose from 4.3 percent to 4.9 percent, and the number of unemployed grew from 6,088,000 to 6,957,000 as an additional 869,000 people joined the ranks of the uninsured (see Table 1).

The economic deterioration accelerated in the wake of the terrorist attacks. From September to October 2001, the national unemployment rate rose from 4.9 percent to 5.4 percent—the largest one-month jump since February 1986. By October, the number of unemployed people had grown to 7,741,000—an increase of more than three-quarters of a million since August, and an increase of more than 1.65 million since March (see Table 1). The week ending September 29 saw 528,000 new unemployment claims across the country—the highest number of new weekly claims since July 1992.²

Rising Unemployment Led to Large Losses of Health Coverage

Losing a job is financially devastating to families, and the impact is often compounded by the concurrent loss of health insurance coverage. Most people get their health insurance through the workplace: 91 percent of the non-elderly who have private health insurance receive that coverage through their jobs or through the job of a family member.³ As a result, when workers are laid off, they often lose their health insurance as well. Although some have coverage through their spouses or from other sources, a U.S. Census Bureau study found that 44 percent of workers who lose a job also experience a loss of health insurance.⁴

Based on the findings from the Census Bureau's study, Families USA estimates that *approximately 345,000 workers who were laid off from their jobs in September and October joined the ranks of the uninsured* (see Table 2). *This figure underestimates the health coverage consequences of the economic downturn because it captures only the number of laid-off workers, not their dependents, who lost health coverage.* This number cannot be calculated using existing data sources. *From the beginning of the recession in March through October, the number of laid-off workers who lost health coverage exceeds 727,000* (see Table 2)—*again without counting the number of those workers' dependents who also lost health coverage.*

Table 1

Total Number of Unemployed Civilian Workers in the U.S., March-October 2001

Month	No. Unemployed
March	6,088,000
April	6,402,000
May	6,169,000
June	6,422,000
July	6,395,000
August	6,957,000
September	7,009,000
October	7,741,000

Source: Bureau of Labor Statistics, U.S. Department of Labor, Labor Force Statistics from the Current Population Survey, Seasonally Adjusted Civilian Labor Force, 16 Years and Older, Series ID: LFS22000000.

Table 2: Estimated Increase in Laid-Off Workers Who Became Uninsured, March-October 2001

Period	Unemployed and Uninsured*	Cumulative Since March 2001
March to April	138,160	138,160
May and June	8,800	146,960
July and August	235,400	382,360
September and October	344,960	727,320

* Calculated using Bureau of Labor Statistics data reporting the seasonally adjusted national monthly change in unemployment. The change in net unemployment is multiplied by 44 percent, as per the U.S. Census Bureau's findings.

COBRA Health Coverage—A Significant Potential Lifeline

The federal COBRA (Consolidated Omnibus Budget Reconciliation Act of 1985) legislation requires that many employers allow former workers—if they are willing and able to pay the full cost of coverage—to remain in the employer's group health plan for a period of time. COBRA provides 18 months of continuation coverage to workers laid off from firms with 20 or more employees. Workers may continue health coverage not merely for themselves, but for their family members as well.

In addition, 38 states have enacted COBRA-like laws that supplement the federal law. These state laws help workers laid off from firms with fewer than 20 employees by requiring varying periods of access to continuation coverage (see Table 3). As a result of the federal and supplemental state laws, in almost three-quarters of the states, laid-off workers are eligible for COBRA if they worked in firms that have two or more employees. Thus, the vast majority of laid-off workers *are eligible for* continued health coverage through their previous jobs.

COBRA Coverage Is Unaffordable for Most Laid-Off Workers

Although federal and state COBRA laws provide a potential health lifeline for laid-off workers, the costs of such coverage are usually prohibitive. Last year (2000), only one out of five unemployed workers who were eligible for COBRA coverage actually purchased it. This is because a laid-off worker must usually pay the employer's full costs for such coverage, plus a 2 percent administrative-related fee.⁵ The national average cost of employer-provided family coverage, plus a 2 percent fee, is \$7,194 a year, or \$600 a month.⁶

These costs are unaffordable for the vast majority of laid-off workers who are likely to have relatively meager unemployment compensation benefits. The national average monthly unemployment benefit is approximately \$939.⁷ The cost of continuation coverage for a family would consume almost two-thirds (64 percent) of the average unemployment benefit. Thus, to make crucial COBRA benefits truly affordable, a meaningful COBRA subsidy—such as the 75 percent proposed subsidy approved by the Senate Finance Committee—needs to be provided to laid-off workers.

¹ Business Cycle Dating Committee, "The Business-Cycle Peak of March 2001" (Washington: National Bureau of Economic Research, November 26, 2001).

² Department of Labor, *Unemployment Insurance Weekly Claims Reports*. These reports provide seasonally adjusted initial claims. Downloaded from the Worldwide Web on October 12, 2001 (<http://workforsecurity.doleta.gov/unemploy/datastats.asp>).

³ Paul Fronstin, *Sources of Health Insurance and Characteristics of the Uninsured* (Washington: Employee Benefit Research Institute, December 2000).

⁴ Robert L. Bennefield, *Who Loses Coverage and for How Long? Dynamics of Economic Well-Being: Health Insurance, 1993-1995* (Suitland, Maryland: U.S. Census Bureau, Economics and Statistics Administration, August 1998).

⁵ Charles D. Spencer and Associates, *2000 COBRA Survey: One in Five Elect Coverage, Cost Is 154% of Active Employees' Cost* (Chicago: Spencer's Benefit Reports, 2000).

⁶ The Henry J. Kaiser Family Foundation and Health Research and Educational Trust, *Employer Health Benefits, 2001 Annual Survey* (Menlo Park, California: Henry J. Kaiser Family Foundation, 2001). Average premiums vary from state to state; for example, in Connecticut and New Jersey, a family would pay more than \$8,000 annually.

⁷ U.S. Department of Labor, *Unemployment Insurance Summary Data – 2nd Quarter 2001* (most recent available). Downloaded from the Worldwide Web on November 29, 2001 (<http://workforsecurity.doleta.gov/unemploy/content/data.asp>).

Table 3: Eligibility for COBRA and COBRA-Like Coverage by State

State	Size of Firm Covered	Length of Time Eligible
Alabama	20+	18 Months
Alaska	20+	18 Months
Arizona	20+	18 Months
Arkansas	2-19	4 Months
	20+	18 Months
California	2+	18 Months
Colorado	2+	18 Months
Connecticut	2+	18/24 Months*
Delaware	20+	18 Months
District of Columbia	20+	18 Months
Florida	2+	18 Months
Georgia	2-19	3 Months
	20+	18 Months
Hawaii	20+	18 Months
Idaho	20+	18 Months
Illinois	2-19	9 Months
	20+	18 Months
Indiana	20+	18 Months
Iowa	2-19	9 Months
	20+	18 Months
Kansas	2-19	6 Months
	20+	18 Months
Kentucky	2+	18 Months
Louisiana	2-19	12 Months
	20+	18 Months
Maine	2-19	12 Months
	20+	18 Months
Maryland	2+	18 Months
Massachusetts	2+	18 Months
Michigan	20+	18 Months
Minnesota	2+	18 Months
Mississippi	2-19	12 Months
	20+	18 Months
Missouri	2-19	9 Months
	20+	18 Months
Montana	20+	18 Months
Nebraska	2-19	6 Months
	20+	18 Months
Nevada	2+	18 Months
New Hampshire	2+	18 Months
New Jersey	2-19	12 Months
	20+	18 Months

* Connecticut law provides 24 months of continuation coverage to those in fully insured employer-based plans. Self-insured plans are not subject to Connecticut state law but fall under the federal COBRA law.

Table 3 (continued): Eligibility for COBRA and COBRA-Like Coverage by State

State	Size of Firm Covered	Length of Time Eligible
New Mexico	2-19	6 Months
	20+	18 Months
New York	2+	18 Months
North Carolina	2+	18 Months
North Dakota	2-19	39 Weeks
	20+	18 Months
Ohio	10-19	6 Months
	20+	18 Months
Oklahoma	2-19	1 Month
	20+	18 Months
Oregon	2-19	6 Months
	20+	18 Months
Pennsylvania	20+	18 Months
Rhode Island	2+	18 Months
South Carolina	2-19	6 Months
	20+	18 Months
South Dakota	2+	18 Months
Tennessee	2-19	3 Months
	20+	18 Months
Texas	2-19	6 Months
	20+	18 Months
Utah	2-19	6 Months
	20+	18 Months
Vermont	2-19	6 Months
	20+	18 Months
Virginia	20+	18 Months
Washington	20+	18 Months
West Virginia	2+	18 Months
Wisconsin	2+	18 Months
Wyoming	2-19	12 Months
	20+	18 Months

Source: Federal COBRA requirements are based on the provisions of PL 99-272. State data are reported on the Web site, Kaiser Family Foundation State Health Facts Online, available at (www.statehealthfacts.kff.org).

* Federal law only applies to employees in firms with 20 or more workers. This table combines the requirements of the federal COBRA and state COBRA-like health insurance continuation coverage laws. The 38 states with COBRA-like laws extend coverage to employees in firms with fewer than 20 employees who are not covered by the federal COBRA law. State laws apply to firms that offer fully insured health benefits; self-insured plans are not covered by state law.

