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The American Recovery And Reinvestment Act: House Bill Health Coverage Provisions for the Unemployed Are Essential

The House and Senate versions of the American Recovery and Reinvestment Act differ in ways that would significantly affect unemployed Americans and their families' ability to retain health coverage. Congress should keep the applicable House provisions in the final conference bill:

- **Temporary Medicaid coverage for unemployed workers:** Only the House bill offers new, temporary Medicaid coverage for laid-off workers who earned less than 200 percent of poverty—a group that otherwise has little access to health coverage: most are not now eligible for Medicaid, and COBRA coverage is likely to be unavailable or unaffordable for them (even with a subsidy). By failing to include temporary Medicaid eligibility, the Senate bill would leave the most vulnerable laid-off workers without meaningful access to health coverage.
- **Size of COBRA subsidy:** The House bill provides a COBRA subsidy of 65 percent, but the Senate bill provides only a 50 percent subsidy. With the Senate's 50 percent subsidy, unemployed workers would still have to come up with an average of \$534 a month if they wanted to maintain family COBRA coverage. This amounts to 41 percent of the average monthly unemployment check, leaving just \$766 for a family's food, rent, and other basic necessities.

Background

- **2009 began with the largest monthly job loss in decades.**
 - 598,000 jobs were lost in January. This, the largest monthly job loss since 1974, brings the national number of unemployed workers to 11.6 million, or 7.6 percent of Americans in the workforce.
 - More than half of these unemployed workers earned less than 200 percent of the federal poverty level—just \$44,100 for a family of four.
- **Losing a job often means losing health insurance coverage, especially for low- and moderate-income workers.**
 - For everyone one percentage point increase in unemployment, the number of uninsured people increases by 1.1 million.

■ COBRA Is Unaffordable or Unavailable

- Only 38 percent of workers who earn less than 200 percent of poverty would have the option to buy COBRA coverage if they lost their jobs.
 - Almost half of workers who earn this income work in small firms: In about half of the states, continued employer coverage is either unavailable or limited for workers in small businesses.
 - People who work for firms that go out of business completely do not have a COBRA option at all.
- For unemployed workers who *do* receive an offer of continued coverage under the federal COBRA law, the cost of such coverage is unaffordable. Unemployed workers must pay the full cost of COBRA coverage—the share they paid when working, the share their employer paid, and a small administrative fee—out of their own pockets, resulting in an average family COBRA premium of \$1,069 a month in 2008.
- Nationally, on average, premiums for family COBRA coverage would consume a whopping 84 percent of average monthly unemployment benefits (see the Families USA report, *Squeezed! Caught between Unemployment Benefits and Health Care Costs*, available online at <http://www.familiesusa.org/assets/pdfs/cobra-2009.pdf>).

■ Most Unemployed Adults Are Ineligible for Medicaid

- Although Medicaid is a good source of health coverage for children, most adults who lose their jobs are ineligible for public safety net coverage, no matter how low their incomes.
- In 29 states, unemployed parents are eligible for Medicaid only if they earn less than 50 percent of the federal poverty level, or about \$900 a month for a family of four.
- Since average unemployment benefits were \$1,300 a month in December 2008, parents who receive unemployment benefits earn “too much” for Medicaid in most states.
- In 43 states, Medicaid coverage is simply unavailable for adults without dependent children—even if they are penniless—unless they are permanently disabled.

Vital Health Insurance Provisions in The American Recovery and Reinvestment Act

Both the Senate and the House have included important health insurance provisions in their versions of the American Recovery and Reinvestment Act (H.R. 1, S.1), but the House bill provides more meaningful assistance to American families.

- Both bills provide \$87 billion in increased federal matching funds to help states continue to serve low-income families through their Medicaid programs. As states are struggling to meet a growing need for Medicaid in a time of desperate budget shortfalls, this provision is essential and must be maintained (see the Families USA report, *Critical Care: The Economic Recovery Package and Medicaid*, available online at <http://www.familiesusa.org/assets/pdfs/critical-care.pdf>).
- The House bill provides new, temporary Medicaid coverage for the unemployed; the Senate bill does not. Both bills provide subsidies to make COBRA coverage more affordable: The House subsidy is 65 percent; the Senate subsidy is 50 percent. The House provisions are necessary for American families and should be retained in the final bill.

For more information, see the Families USA report, *Unemployed and Uninsured in America*, available online at <http://www.familiesusa.org/assets/pdfs/unemployed-and-uninsured.pdf>.