

October 30, 2001

## Health Insurance for Newly Unemployed Workers in Montana

### Montana's Economy at Risk for High Unemployment

The national economic decline could be particularly devastating as it affects an already slow Montana economy.

- Montana's unemployment rate in September was already 4.6% of the labor force—21,700 unemployed workers.
- The median family income in Montana—\$25,682—is 23% lower than the national median (\$33,154).
- 41% of Montana families (370,000) have incomes below 200% of the federal poverty level (less than \$29,260 annual income for a family of three).
- While TANF cash assistance rolls declined in many other states during the past year, Montana's welfare rolls increased significantly. From August 2000 to August 2001, the rolls grew from 4,493 families to 5,246 families—a 17% increase.

Many Montana workers are in jobs that are likely to be affected sooner by an economic downturn.

- 30% of nonagricultural workers are in service industry jobs (122,700)
- 22% of nonagricultural workers are in retail trade jobs (88,000)
- From August to September 2001, the number of workers in these sectors fell by 4,000.

### Many Montana Workers Are Not Eligible for COBRA Health Insurance

The federal COBRA law requires that some 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 up to 18 months.

Many recently unemployed workers are not eligible for COBRA, and this is especially true in Montana. Those who did not have employer-provided health insurance coverage at their former jobs or who worked for employers with fewer than 20 workers are not eligible for COBRA.

- 36% of Montana workers are in firms with nine or fewer workers (compared to the national average of 20%); and
- 11% of workers are in firms with 10-24 workers (compared to the national average of 9%).

### Even When Eligible, Many Montana Workers Cannot Afford COBRA Benefits

For many of Montana's newly unemployed workers, the cost of COBRA premiums will be prohibitive. The unemployed worker must pay the full premium, including the portion that the employer previously paid, plus a 2 percent administrative fee.

- In 2002, average annual premiums for employer-based coverage in Montana are projected to be \$7,800 for families and \$3,300 for individuals.
- Montana's average weekly unemployment benefit is \$198.57 (the minimum benefit is \$68.00 and the maximum benefit is \$286 weekly).
- The COBRA premium would consume more than 75% of the income of a Montana family living on the average weekly unemployment benefit.
- Even if the family of a recently unemployed worker has another source of income, COBRA premiums are not affordable in Montana:
  - A family living at Montana's median family income of \$25,682 would spend more than 30% of its income to pay the COBRA premium.

## The Federal Government Pays a Large Share of Montana's Medicaid and SCHIP Costs

The cost of Medicaid and SCHIP is shared by the federal and state governments. The federal payment rate for these programs is inversely related to each state's average per capita income. Because Montana has a low average per capita income, Montana has the third highest federal payment rate among the states.

- *Medicaid Federal Payment Rate for Montana:* 72.8%
- *SCHIP Federal Payment Rate for Montana:* 81.1%
- Only Mississippi, New Mexico, and West Virginia have higher rates

## Montana's Medicaid and SCHIP Coverage Is Limited

In spite of the high federal payment rate, the current reach of Medicaid and SCHIP in Montana is very limited because the state has set low income eligibility levels. Thus, many of the newly unemployed Montana workers and their families who are ineligible for, or cannot afford, COBRA cannot be helped by Montana Medicaid and SCHIP.

- *Income Limit for Parents:* 69% of poverty or \$10,032 annual income for a family of three (26 states and DC have higher levels)
- *Income Limit for Adults Without Children:* not eligible regardless of income
- *Income Limit for Children:* 150% of poverty or \$21,945 annual income (41 states and DC have higher levels)

## Montana SCHIP Funds Are Not Available to Help Newly Unemployed Workers

Although President Bush has suggested that states can turn to excess SCHIP dollars to fund health care coverage for newly unemployed workers, Montana will need these funds to continue to provide coverage to children.

- Montana has a fast-growing SCHIP program. From December 1999 to December 2000, enrollment increased by 295% (2,458 to 9,700).

- The demand for the Montana SCHIP program is greater than its current capacity: There is now a waiting list of 860 children.
- Even if Montana does not raise its low SCHIP income eligibility level for children, 2002 SCHIP expenditures are projected to be 106% of the state's allotment.

## A Montana Medicaid Expansion to Newly Unemployed Workers Would Be a Good Economic Investment

With tougher economic times on the horizon, Montana's unemployed workers and the state economy will benefit if the federal government (1) creates a new state Medicaid option to cover recently unemployed workers and (2) provides financing at the same favorable rate as in the SCHIP program. With Montana's high SCHIP federal payment rate, every \$1 invested in keeping Montana's workforce healthy would inject \$4 new federal dollars into the state's economy. These dollars stimulate the Montana economy in several ways.

- Unemployed workers who maintain good health are more likely to be reemployed.
- Unemployed workers and their families who know they have Medicaid coverage are able to immediately spend any available income on necessities rather than struggling to save for health insurance coverage or possible medical emergencies.
- The state and federal dollars spent on health services create jobs. The list of the top 50 private employers in the state includes seven hospitals and two health clinics, as well as several other health care related businesses.