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Health Insurance Premium Assistance for the Unemployed: The American Recovery and Reinvestment Act of 2009

Janemarie Mulvey, Coordinator
Specialist in Aging and Income Security

Hinda Chaikind
Specialist in Health Care Financing

Bernadette Fernandez
Analyst in Health Care Financing

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Summary

As the nation enters its third year of the current economic recession, the unemployment rate is currently near 10%. One consequence of unemployment is that people can lose their employer-sponsored health insurance coverage. The 111th Congress has passed legislation that begins to address this problem. The American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5) includes provisions to subsidize health insurance coverage through the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) and expand tax credits to unemployed workers through the Health Coverage Tax Credit (HCTC). ARRA includes COBRA premium subsidies of 65% to help the unemployed afford health insurance coverage from their former employer. Initially, the subsidy was available for up to 9 months to those individuals who meet the income test and who are involuntarily terminated on or after September 1, 2008, and before January 1, 2010. On December 19, 2009, the Department of Defense Appropriations Act 2010 (P.L. 111-118) extended the eligibility period for the COBRA subsidy by an additional two months (through February 28, 2010) and the maximum period for receiving the subsidy was also extended an additional six months (from 9 to 15 months). On March 2, the Temporary Extension Act of 2010 (P.L. 111-144) was enacted into law and extended eligibility for COBRA premiums subsidies to individuals who are involuntarily terminated through March 31, 2010. On April 15, the Continuing Extension Act of 2010 (P.L. 111-157) was enacted into law, extending eligibility for the COBRA premium subsidy to individuals who are involuntarily terminated through May 31, 2010.

Under current law, individuals who are involuntarily terminated on or after May 31, 2010, would not be eligible for the COBRA premium subsidy. Earlier versions of H.R. 4213, the American Jobs and Closing Tax Loopholes Act of 2010, passed by both the House and Senate included a provision to extend eligibility for the COBRA premium subsidy to individuals who lose their jobs on or before December 31, 2010. However, the most recent House-passed version of H.R. 4213 on May 28, 2010, removed this provision. This bill is now going back to the Senate for consideration.

In addition, a number of provisions in ARRA make modifications to the HCTC and the Trade Adjustment Assistance (TAA) programs. These include increasing the HCTC from 65% to 80% of the cost of qualified health insurance, and expanding the eligibility criteria for TAA assistance (which, in turn, expands HCTC eligibility) to include service sector and public agency workers.

Whether the unemployed will benefit from the premium assistance programs in ARRA depends on their individual circumstances. Those that are involuntarily terminated and lose their employer-sponsored health insurance may be eligible for the subsidy. Other individuals, although considered to be unemployed, will not meet the criteria of involuntary termination. This group includes unemployed individuals (1) who were terminated but did not have employer-sponsored coverage to begin with, (2) who voluntarily left their jobs, and (3) who are just entering or re-entering the workforce. For those unemployed without health insurance coverage, they either rely on spouses and family members, purchase insurance in the individual market, or remain uninsured. It is estimated that 55% of those who were involuntarily terminated most likely had employer-sponsored coverage prior to being laid off and may benefit from the COBRA subsidies. In addition to those who are unemployed, there are other at-risk groups who are not eligible for the premium assistance provisions in ARRA but may have lost health insurance coverage due to changes in their work status. These groups include involuntary part-time workers and discouraged workers who are no longer seeking employment.

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Introduction

As the nation enters its third year of the current economic recession, the unemployment rate was close to 10% in March 2010. Projections by the Congressional Budget Office expect the unemployment rate to continue to peak in 2010 above 10%.[1] One consequence of unemployment is that people can lose their employer-sponsored health insurance. Recent estimates indicate for each percentage point increase in the unemployment rate, the number of uninsured would increase by 1.1 million.[2] The 111th Congress has passed legislation that begins to address this problem. The American Recovery and Reinvestment Act of 2009 (ARRA; P.L. 111-5), signed into law on February 17 by President Obama, includes provisions to improve the affordability of health insurance coverage through direct premium subsidies and tax credits to eligible unemployed workers. ARRA was later amended on December 19, 2009, by the Department of Defense Appropriations Act 2010 (P.L. 111-118). However, if additional legislation is not enacted, individuals who are involuntarily terminated on or after April 1, 2010, would not be eligible for the COBRA premium subsidy.

This report discusses the following:

- employer-sponsored health insurance coverage and barriers to accessing health insurance for the unemployed;
- provisions of ARRA with respect to unemployment and health insurance;
- legislative proposals to extend eligibility to ARRA; and
- potential impact of ARRA provisions on the unemployed.

Employer-Sponsored Health Insurance Coverage and the Unemployed

Employment-based health insurance is an important source of coverage to workers and their dependents. In 2008, about 73% of full-time workers received employment-based coverage from an employer, either in their own name (37%) or as a dependent of another family member's employer (36%).[3]

A key feature of employer-sponsored insurance is that employers pay the major share of the cost of insurance. In 2008, employers paid on average 85% of the cost of premiums for single coverage and 75% for family coverage.[4] Further, employer plan premiums reflect health care risks that are pooled across a group of workers and their dependents, whereas premiums for policyholders in the individual (or non-group) market are often "underwritten" and based on an

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[1] Congressional Budget Office, *Budget and Economic Outlook: An Update*, August 2009.

[2] Holahan, J. and A. Barret, *Rising Unemployment, Medicaid, and the Uninsured*. Urban Institute January 2009.

[3] Employee Benefit Research Institute, *Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2009 Current Population Survey*, September, 2009.

[4] The Kaiser Family Foundation, *Employer Health Benefits 2008 Annual Survey, Section 6: Worker and Employer Contributions for Premiums*, December 2008.

individual's own set of health conditions.[5] Most workers will benefit from risk-pooling of premiums while some will not.

Prior to the enactment of ARRA, most laws focused on providing the unemployed with access to employer-sponsored coverage (see COBRA discussion) but they did not address the cost issue. The ARRA improved two key provisions that provide health insurance for the unemployed through direct subsidies of health insurance premiums and expansion of the health coverage tax credit.

COBRA Coverage for the Unemployed

In 1985, Congress enacted legislation to provide temporary access to employer-sponsored health insurance for individuals who lose access due to changes in their work or family status. Under Title X of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA; P.L. 99-272), a private sector employer with 20 or more employees who offers health insurance to its employees must also offer continued health insurance coverage at group rates to qualified employees and their families faced with a loss of coverage due to qualifying events.[6] State and local workers are also covered by COBRA. These qualifying events include both voluntary and involuntary termination of employment or a reduction in hours, as well as other statutorily defined events.[7]

An eligible beneficiary must elect COBRA coverage within an election period, defined as 60 days from the later of two dates: the date coverage would be lost due to the qualifying event, or the date that the beneficiary is sent notice of his right to elect COBRA coverage. Prior to ARRA, employers were permitted to charge the covered beneficiary 100% of the premium (both the portion paid by the employee and the portion paid by the employer, if any), plus an additional 2% administrative fee. In general, the continued coverage for the employee and the employee's spouse and dependent children must continue for 18 months and in certain circumstances may be extended according to statutory limits.

However, not all individuals who lose their jobs have access to COBRA. For example, firms with fewer than 20 employees are exempt from COBRA. Additionally, firms that do not provide access to health insurance to current employees (including those that previously provided access but went out of business) are not required to provide access to COBRA coverage. Among those individuals with access to COBRA, the cost of the COBRA premiums may be prohibitive. Since most employers subsidize health insurance premiums for their workers, the 102% COBRA premium may not be affordable for the unemployed, especially when compared to unemployment compensation. In 2009, an average unsubsidized COBRA premium was about $410 per month for individual coverage ($4,920 annually) and $1,137 per month for family coverage ($13,644 annually).[8] Average weekly unemployment benefits were $307 in 2009.[9] When converted to a

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[5] See CRS Report RL32237, *Health Insurance: A Primer*, by Bernadette Fernandez.

[6] See CRS Report R40142, *Health Insurance Continuation Coverage Under COBRA*, by Janet Kinzer and Meredith Peterson.

[7] Spouses and dependent children can also experience qualifying events leading to their loss of health insurance coverage due to the death of the covered employee, divorce or legal separation from the employee, the employee's becoming eligible for Medicare, and the end of a child's dependency under a parent's health insurance policy. Additionally, when an individual retires, there are also opportunities for COBRA coverage.

[8] CRS estimate based on data from Kaiser Family Foundation, *Worker and Employer Contributions for Premiums,* (continued...)

monthly basis of $1,330 a month, these premiums may consume a large share of one's monthly unemployment benefits, especially for those purchasing family coverage. These premium costs are most likely the reason for low COBRA participation. According to surveys of the unemployed eligible for COBRA, the participation rate ranges from 18% to 26% (or about 1 in 4 workers).[10]

Additionally, although federal employees are not covered under COBRA, they are entitled to temporary continuation of coverage (TCC) under the Federal Employees Health Benefits Program (FEHB). Finally, some state laws expand on COBRA protections, covering those who would otherwise not be eligible under federal law (e.g., employees of firms with fewer than 20 workers).

COBRA Premium Subsidies Provided in ARRA

ARRA helps to mitigate the financial barriers of COBRA coverage to unemployed workers through temporary subsidies of COBRA premiums. Under Title III of ARRA as amended (see **Table 1**), a 65% subsidy is available for up to 15 months to those individuals who meet the income test and whose qualifying event is based on involuntary termination occurring on or after September 1, 2008, and before May 31, 2010.[11] ARRA does not, however, modify the length of time that an individual may be covered under COBRA.

The ARRA also allows employers to permit eligible individuals the right to elect a different plan offered by their former employer, within 90 days of their notification for the subsidy. Among other restrictions, the premium for the plan cannot exceed the premium for coverage in which the individual was enrolled at the time of the qualifying event.

Individuals receiving the subsidy are required to pay no more than 35% of their COBRA premium.[12] The remaining 65% is paid by their former employer, who will be reimbursed through either (1) a credit against any tax liability for payroll taxes, or (2) if the premium subsidy exceeds their tax liability, a refund. The subsidy is not considered income or other financial resources for determining eligibility for any other public benefit and will not be counted as gross income for tax purposes.

The full subsidy is available for individuals whose modified adjusted gross income (AGI) during the tax year is no more than $125,000 for single filers (or $250,000 for joint filers). The subsidy is phased-out for higher income individuals with a reduced subsidy for individuals with modified AGI less than $145,000 for single filers (and $290,000 for joint filers). If individuals receive the

(...continued)

Employer Health Benefits 2009 Annual Survey.

9 CRS estimate based on average weekly unemployment compensation past 12 months from the Department of Labor, Employment and Training Administration, *Unemployed Insurance Data Summary for Third Quarter 2009*.

10 Spencer's Benefits Reports, 2006, COBRA Survey: More Were Eligible, More Elected, Cost Was 145% of Active Employee Cost (Chicago: CCH a Wolters Kluwer Company, 2006).

11 The statute does not define "involuntary termination of the covered employee's employment." In some cases it will be clear that an employee was involuntarily terminated, but in other cases such a determination may not be obvious, as in the case of a constructive discharge, participation in voluntary termination programs, or mutual agreement of the employer and employee to terminate employment. An employee who leaves a job because of illness or disability might have difficulty showing that he or she was "involuntarily terminated." The Department of Labor is expected to issue guidance on implementation of this provision.

12 The COBRA premium may be up to 102% of the active worker premium paid.

subsidy and their income exceeds the levels specified above, the amount of the subsidy will be recaptured when they file their income taxes. To avoid recapture they may waive their rights to the subsidy and still enroll in COBRA and pay the full premium. However, waiving their right is a permanent decision, and they would not be allowed to take the subsidy in the future.

Table 1. Timeline for Enactment and Changes to COBRA Premium Subsidy

Public Law/Bill No.	Eligibility Dates	Length of Coverage for Subsidy	PAYGO Status
American Recovery and Reinvestment Act of 2009 (P.L. 111-5) enacted February 17, 2009	Individuals who are involuntarily terminated from September 1, 2008 through December 31, 2010 are eligible for a 65% subsidy for COBRA premiums	COBRA premium subsidy available for 9 months from eligibility date	Designated as emergency funding
Department of Defense Appropriations Act 2010 (P.L. 111-118) enacted December 19, 2009	Extended eligibility through February 28, 2010	Extended subsidy from 9 months to 15 months	Part of annual appropriations process
Temporary Extension Act of 2010 (P.L. 111-144) enacted March 2, 2010	Extended eligibility through March 31, 2010	No change to length of coverage for subsidy	Designated as emergency funding
Continuing Extension Act of 2010 (P.L. 111-157) enacted April 15, 2010	Extended eligibility through May 31, 2010	No change to length of coverage for subsidy	Designated as emergency funding

Source: CRS Legislative Information System.

Employers and plan administrators will face a number of administrative issues in complying with the subsidy provisions under the amendment to ARRA through the Department of Defense Appropriations Act 2010. These include identifying individuals who were in the transition period and are now eligible for a retroactive payment of the subsidy. The Department of Labor has issued a model notice for employers to use.[13] Individuals, not in a transition period and who were eligible for the subsidy as of October 31, 2009 must be provided notice of the changes made to the recent premium reduction provisions of the amended ARRA by February 17, 2010.

Individuals in the transition period must be provided notice from their prior employer of the extension within 60 days of the first day of their transition period. The notice must include information on the extension from 9 to 15 months and the ability to make retroactive payments for certain unpaid reduced premiums. The retroactive payment(s) for the period(s) of coverage must be made by the later of February 17, 2010, 30 days from when the notice was provided, or the end of the otherwise applicable grace period.

Repayment of the subsidy to employers will take the form of a refundable tax credit and will offset the employer's payroll tax liability. If their payroll tax liability is less than their subsidy payments they will be reimbursed the difference. To ensure timely repayment from the federal government, employers must both document and report their subsidy payments accurately. The

[13] See http://www.dol.gov/ebsa/COBRAmodelnotice.html for more information on employer requirements.

Treasury Department has issued guidance on documentation and reporting requirements as soon as possible.

Specific provisions for COBRA subsidies are detailed in **Table 2.** Additionally, these subsidies are also available to employees of the federal and state governments, and employees in states who provide comparable COBRA coverage for otherwise excluded workers.

Table 2. Specific Provisions For COBRA Subsidies in ARRA 2009 (P.L. 111-5) as Amended by 2010 Defense Appropriations Act (P.L. 111-118) and H.R. 4691

Category	Specific Provisions
Eligibility for Subsidy – "assistance eligible individuals"	Eligible individuals are involuntarily unemployed from September 1, 2008, through May 31, 2010, with household modified adjusted gross income less than or equal to $125,000 for singles and $250,000 for joint filers. Households with income up to $145,000 for singles and $290,000 for joint filers will receive some share of the subsidy. Eligible individuals include those eligible for COBRA, as well as Federal, state, and local workers. State mini-COBRA programs for small businesses are also eligible for the subsidy.
Effective Date of Subsidy	Subsidy was effective on February 17, 2009.
Transition Period and Retroactive Payment of Subsidy	The transition period allows individuals whose subsidy expired in November 2009 to retroactively pay the 35% toward the COBRA premium and receive the subsidy for an additional 6 months. An individual's transition period is the period that begins immediately after the end of the maximum number of months (generally 9) of premium reduction available under ARRA prior to its amendment.
Length and Amount of Subsidy	The subsidy equals 65% of the COBRA premium for 15 months from date of first receiving subsidy or end of COBRA coverage, whichever is earlier.
Interaction with Other Federal and State Programs	Premium subsidies are not to be considered additional income or resources in determining eligibility for other programs (such as Medicaid, SSI).
Dependent Coverage	Dependents covered under the worker's plan on the day before the qualifying event would also be qualified beneficiaries for COBRA and would be eligible for the subsidy.
Tax Treatment of Subsidy to Eligible Individuals	The subsidy is not included in gross income.
Subsidy Repayment to Employers or Plan Administrators	A refundable tax credit against payroll taxes is available to employers or plan administrators. The Treasury department had developed documentation and reporting requirements.

Category	Specific Provisions
Appeal Process	An individual who is denied a COBRA subsidy by a group health plan may request an expedited review of such denial by the Department of Labor. Employers may also be required to provide an attestation of involuntary termination of employment for each covered employee for whom the subsidy is claimed.

Source: Congressional Research Service.

Legislative Proposals to Extend COBRA Premium Subsidies

Under current law, eligibility for COBRA subsidies will end May 31, 2010. Thus, individuals who are involuntarily terminated on or after June 1, 2010, would not be eligible for the COBRA premium subsidy. To address this issue, earlier versions of H.R. 4213, the American Jobs and Closing Tax Loopholes Act of 2010, passed by both the House and Senate included a provision to extend eligibility for the COBRA premium subsidy to individuals who lose their jobs on or before December 31, 2010. However, the most recent House-passed version of H.R. 4213 on May 28, 2010, removed this provision. This bill is now going back to the Senate for consideration.

Health Coverage Tax Credit for the Unemployed

Prior to the passage of ARRA, the health coverage tax credit (HCTC) covered 65% of the cost of qualified health insurance coverage for eligible taxpayers and their family members.[14] To claim the HCTC, taxpayers must have been in one of three eligibility categories and not enrolled in (or sometimes even eligible for) certain types of health insurance. The two groups of unemployed eligible to claim the HCTC were[15]

- individuals who received income support in the form of trade readjustment allowances under the Trade Adjustment Assistance (TAA) program, including persons eligible for, but not yet receiving, the allowance because they have not yet exhausted their state unemployment benefits;[16] and
- individuals who received wage subsidies in the form of alternative trade adjustment assistance allowances.

These are individuals who lost manufacturing jobs due to international trade or shifts in production outside the United States and were part of a group of workers that received TAA certification from the Department of Labor. Eligible taxpayers were allowed to apply the HCTC only to qualified health insurance options specified in the authorizing statute. The HCTC was refundable, so taxpayers could claim the full credit amount even if they had little or no federal

[14] See CRS Report RL32620, *Health Coverage Tax Credit*, by Bernadette Fernandez.

[15] Individuals between the ages of 55 and 64 who received payments from the Pension Benefit Guaranty Corporation (PBGC) are also eligible for the HCTC.

[16] See CRS Report RS22718, *Trade Adjustment Assistance for Workers (TAA) and Reemployment Trade Adjustment Assistance (RTAA)*, by John J. Topoleski.

income tax liability. Taxpayers could receive the HCTC in the form of advance payments, so they did not need to wait until they filed their tax returns in order to benefit from the credit. Despite these features, the HCTC has not been widely used. According to a number of surveys, between 12% and 15% of those eligible used the credit.[17] Possible reasons to explain the relatively low participation rate include barriers to finding qualified insurance and difficulties paying the 35% of the premium not covered by the tax credit.

Health Coverage Tax Credit Provisions for Unemployed in ARRA

ARRA includes a number of provisions that modify the HCTC program for the unemployed under TAA. These changes affect the HCTC subsidy rate, availability of payments, eligibility, and qualified insurance. ARRA enacted the following changes to apply to the HCTC program through December 31, 2010:

- Increases the subsidy rate from 65% to 80% of the cost of qualified health insurance;
- Allows one or more retroactive payments to be made to eligible taxpayers to cover costs incurred during the time the U.S. Treasury takes to certify HCTC eligibility and make the first advance payment;
- Modifies the definition of an "eligible TAA recipient" to include persons who receive unemployment compensation but are not enrolled in training, and individuals who would be eligible for a trade readjustment allowance except that they are in a break in training that exceeds a specified time period;
- Amends the provisions relating to HCTC eligibility of family members by allowing such members to continue to receive the HCTC for up to two years after any of the following events occur: the qualified individual becomes eligible for Medicare, the taxpayer and spouse are divorced, or the taxpayer dies; and
- Expands the types of qualified health insurance to include health plans funded by voluntary employees' beneficiary associations.

ARRA also broadens eligibility criteria for TAA assistance (which, in turn, expands HCTC eligibility) to include service sector and public agency workers who lost their jobs for trade-related reasons.

Potential Impact of ARRA Provisions on the Unemployed

Whether the unemployed will benefit from the premium assistance provisions in ARRA depends on their individual circumstances. Although some are involuntarily terminated and lose their employer-sponsored health insurance when they lose their jobs, others were terminated but did not have employer-sponsored coverage to begin with. Some may have voluntarily left their jobs to explore other opportunities or to care for family members or may be just entering the

[17] Stan Dorn, *Health Coverage Tax Credits: A Small Program Offering Large Policy Lessons*, Urban Institute, February 2008.

workforce and have not yet found a job. For those unemployed without health insurance coverage they either rely on spouses and family members, purchased insurance in the individual market, or are uninsured. Nearly half of the unemployed (42%) reported being uninsured in 2007.[18]

Prior to the extension of the subsidy in December, approximately 7 million workers and their dependents were expected to use the COBRA subsidy under ARRA in 2009, at a three-year cost of $25 billion.[19] However, recent data on the actual use of the subsidy is limited. A Hewitt Survey found that between March 2009 to June 2009, monthly COBRA enrollment rates for Americans eligible for the subsidy averaged 38%, up from 19% experienced during the period of September 2008 through February 2009.[20] Also, according to the Department of Treasury, over $313 million in COBRA credits have been claimed by employers through FY2009, but there is no data available on the demographics of those who claim the subsidy.

CBO has estimated that proposed extension of the COBRA premium subsidy until December 31, 2010 (as passed by the Senate in H.R. 4213) will cost an additional $29 billion through 2011.[21]

Estimates from the Joint Committee on Taxation project that spending for the HCTC expansion is expected to be $457 million, which is about 2% of COBRA subsidy costs.[22]

Potential Impact of COBRA Subsidy on the Unemployed

As noted earlier, to be eligible for the COBRA subsidy, the unemployed must be involuntarily terminated and have had employer health insurance from their prior employers.[23] These include government workers. Further, they must have modified AGI of no more than $145,000 for single filers and $290,000 for joint filers in the year they receive the subsidy.

Involuntary Terminations

Based on December 2009 data from Bureau of Labor Statistics (BLS), about 64% of the unemployed are involuntarily terminated, but not all of them had employer-sponsored health insurance coverage prior to losing their jobs. Data on the insurance status of current unemployed is not available. However, one way to estimate this percent is to first identify the likelihood of those employed by industry having coverage in their own names. Using the most recent data[24] on

[18] CRS analysis of the March 2008 Supplement of the Current Population Survey, U.S. Census Bureau.

[19] Congressional Budget Office, Letter to Nancy Pelosi dated February 9, 2009. Cost estimates from Joint Committee on Taxation.

[20] Hewitt Associates, *COBRA Enrollment Spiked in Most Industries Experiencing Mass Layoffs*, press release, August 18, 2009.

[21] Congressional Budget Office, Estimate of the Statutory Pay-As-You-Go Effects for the American Workers, State and Business Relief Act of 2010, H.R. 4213, as passed by the Senate on March 10, 2010.

[22] Joint Committee on Taxation, *Estimated Budget Effects of the Revenue Provisions Contained in the Conference Agreement for H.R. 1, The American Recovery and Reinvestment Tax Act of 2009*, February 12, 2009.

[23] See CRS Report R40165, *Unemployment and Health Insurance: Current Legislation and Issues*, by Janemarie Mulvey, for more information on share of workers with employer-sponsored coverage by industry.

[24] The March 2008 Current Population Survey was used. Although this is a widely-used data source for health insurance coverage there could be some under-reporting of health insurance coverage.

provision of employer-sponsored insurance status by industry for 2007, **Table 3** shows the likelihood of the current unemployed having health insurance status when they were employed.

- The majority (68%) had previously worked in manufacturing, retail, construction, professional and business services, leisure and hospitality as of December 2009.
- Workers in the manufacturing and information sectors have the highest likelihood of having health insurance from their previous employer.
- Workers in the leisure and hospitality, construction, and wholesale and retail trade sectors were less likely to have health insurance from their previous employer prior to being laid off.

Table 3. Industry Characteristics of Unemployed and the Likelihood of Having Employer-Sponsored Coverage, By Industry

Industry	Share of Unemployed by Industry, December 2009	Likelihood of Having Employer-Sponsored Insurance Coverage in Their Own Names, 2007
Government	6.2%	82%
Manufacturing	13.7%	69%
Mining	0.7%	71%
Information	2.0%	67%
Transportation /Utilities	4.2%	63%
Financial Activities	5.2%	61%
Education and Health Services	9.2%	60%
Professional and Business Services	11.6%	49%
Wholesale/ Retail Trade	14.5%	47%
Construction	16.0%	40%
Leisure and Hospitality	12.7%	28%
Other Services	4.0%	32%
Total	100%[a]	55%[b]

Source: Unemployment data derived from BLS, Employment Situation, December 2009, *Table A-11: Unemployed Persons by Industry.* Likelihood of having employer-sponsored coverage and percent uninsured estimated by CRS using March 2008 Supplement to Current Population Survey.

a. Total may slightly exceed 100% due to rounding.

b. This represents a weighted-average of unemployment by industry (as of February 2009) weighted by the likelihood of having employer-sponsored coverage from the March 2009 Current Population Survey.

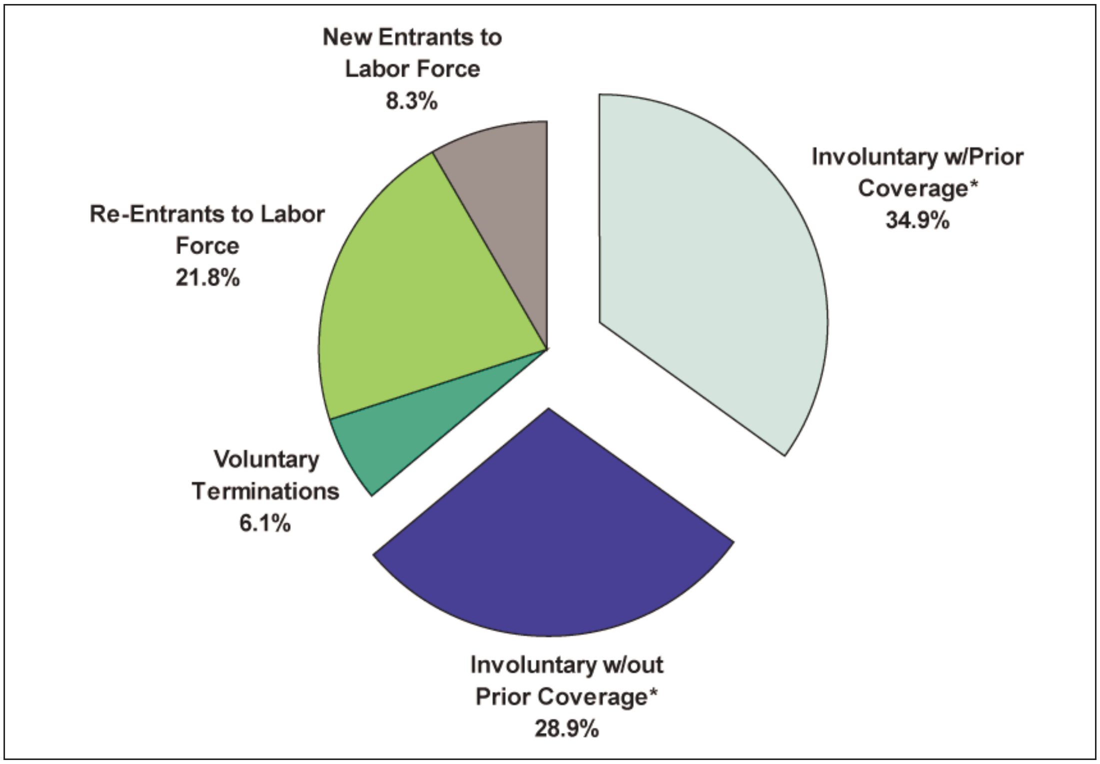
Applying these probabilities to the current unemployed by industry results in an estimate of 51% of those involuntarily terminated most likely having employer-sponsored coverage prior to termination and, thus, most likely eligible for the COBRA subsidy.[25] Given these caveats, as of December 2009, about 35% of the total unemployed are potentially eligible for the COBRA

[25] Based on unemployment data from Bureau of Labor Statistics as of February 2009.

subsidy (see **Figure 1**). Within this group, a small share may not qualify because their income exceeds $145,000 for single and $290,000 for joint filers. Although it is difficult to predict how many of those eligible will be disqualified due to income thresholds, it is most likely to be a small share given the current income distribution of the population. The Internal Revenue Service (IRS) data does not provide the share of tax units above these specific income thresholds. However, it does show that 2.9% of single filers, regardless of employment status, had adjusted gross income over $100,000 in 2006. For joint filers, 6.4% had adjusted gross income over $200,000 regardless of employment status. Given that the income limits for the COBRA subsidy are in the mid- to upper-range of these income categories and households with an unemployed member may have lower incomes than those without, the share of households disqualified due to the $145,000 single and $290,000 joint filers is likely to be much smaller than the 2.6% or 6.4% reported above.

Figure 1. Characteristics of Unemployed

(as of December 2009)



Source: CRS estimates based on data from Bureau of Labor Statistics on Employment Situation, December 2009.

* Estimates of whether those who were involuntarily terminated had prior health insurance coverage based on the likelihood of having employer-sponsored coverage in 2007 (latest year data is available).

Other Unemployed

The remaining 38% of the unemployed are not likely to be eligible for the COBRA subsidy for the following reasons:

- About 6.6% voluntarily left their employers. Although they are eligible for COBRA they would have to pay the full 102% of the premium.

- Nearly one-third of the unemployed are just entering the labor force either for the first time (8.1%) or re-entering after being out for some time (22.9%).[26] They most likely include family caregivers returning to work, retirees returning to work to supplement their income in the "down" economy, or those returning after an extended illness.

Potential Impact of Health Coverage Tax Credit

As noted earlier, eligibility for the HCTC was expanded to service-sector and public-agency workers who lost their jobs due to trade-related reasons. The amount of the credit was increased to 80% for all HCTC-eligible recipients. Estimating how this will impact the unemployed is difficult given limited data on trade-affected workers, especially in the context of the current economic recession.

A few studies have estimated the impact of expanding the HCTC to service-sector workers at potentially about 250,000 workers potentially per year.[27] However, these estimates do not reflect the current economic recession, which is characterized by significant declines in consumer demand for goods and services worldwide, not just in the United States. The downturn, by itself, would not increase TAA eligible workers, who lose their job for trade-related reasons. As a result, earlier estimates are not reliable given the changing economic environment.[28]

Further complicating estimates of HCTC under ARRA are historically low participation rates. Studies have shown that despite a tax credit of 65% prior to the enactment of ARRA, the share of individuals who are eligible and actually participate is about 15%. Although an increase in the credit to 80% can help to improve affordability, other issues such as complex enrollment, payment of full premium in advance, and limited coverage of state health plans have led to low participation rates.[29] These may not change under ARRA.

Other At-Risk Groups Not Covered by ARRA

In addition to those who are considered officially unemployed, other at-risk groups are not eligible for the premium assistance provisions in ARRA. These groups include involuntary part-time workers and discouraged workers. Both groups may have lost health insurance coverage due to changes in work status.

[26] If an individual were involuntarily unemployed on or after September 1, 2008, and stopped looking for work for a while, they potentially could still be eligible for the COBRA subsidy if their prior employer provided health insurance coverage.

[27] For more information about these studies see CRS Report RL32292, *Offshoring (a.k.a. Offshore Outsourcing) and Job Insecurity Among U.S. Workers*, by Linda Levine.

[28] An economic downturn could also potentially increase pension plan terminations and thus increase the number of PBGC pensioners eligible for the HCTC.

[29] Stan Dorn, *Health Coverage Tax Credits: A Small Program Offering Large Policy Lessons*, Urban Institute, February 2008.

Involuntary Part-Time Workers

Involuntary part-time workers are individuals who wanted to work full-time but instead had to work part-time.

- The number of involuntary part-time workers has nearly doubled over the past year to 8.6 million.
- Part-time workers are about twice as likely to be uninsured (26%) as compared with full-time workers (13%).[30] Although a small share of part-time workers may be eligible for the HCTC if they are receiving unemployment compensation, this varies widely by state.

Involuntary part-time workers report two primary reasons for not working full-time:[31]

- Slack work (a reduction in hours in response to unfavorable business conditions). This is the reported reason for 75% of involuntary part-time workers.
- Economic reasons are preventing 20% of involuntary part-time workers from finding full-time employment.

Discouraged Workers

Another group that raises concerns with respect to health insurance coverage are discouraged workers—persons not currently looking for work because they believe jobs are not available for them. As of February 2009, there were 731,000 discouraged workers. This number has more than doubled over the past year.[32]

Author Contact Information

Janemarie Mulvey, Coordinator
Specialist in Aging and Income Security
jmulvey@crs.loc.gov, 7-6928

Bernadette Fernandez
Analyst in Health Care Financing
bfernandez@crs.loc.gov, 7-0322

Hinda Chaikind
Specialist in Health Care Financing
hchaikind@crs.loc.gov, 7-7569

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[30] EBRI. *Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2008 Current Population Survey,* September 2008.

[31] BLS, Employment Situation, February 2009, Table A-1: Employed Persons by Class of Worker and Part-Time Status.

[32] BLS, Employment Situation, February 2009, Table A-13: Persons Not in the Labor Force.