

How Laid-off and Furloughed Employees Can Keep Their Health Coverage



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Americans are not just losing their jobs during the coronavirus pandemic, they're losing their health care coverage, too. At a time when they might desperately need treatment for the coronavirus or other health problems, these individuals will be without critical protection. As of mid-April, twelve million people in America have lost their coverage during the coronavirus crisis, according to a Kaiser Family Foundation survey. ¹

Congress has swiftly responded to the crisis with massive aid packages addressing everything from testing to small business relief, but health care coverage has been missing from action thus far. Although the House of Representatives passed legislation to make coverage affordable for laid-off workers who want to keep their current health plan, Senate Republicans opposed it. Some Republicans have concerns about federal dollars going to abortion coverage, while others would prefer not to support employment-based coverage over individually-purchased coverage.

The GOP's ideological opposition has not stopped congressional Democrats, though. House Education and Labor Committee Chairman Bobby Scott (D-VA) has introduced legislation to help laid-off and furloughed workers keep their coverage.² Senator Dick Durbin (D-IL) and 17 Democratic Senators have called on Senator Mitch McConnell (R-KY) to make gap coverage—known as COBRA—affordable.³

This memo explains the challenge workers face getting coverage during the coronavirus crisis as well as measures that Congress can take immediately to ensure stability and security for individuals' health care. But it shouldn't stop there. These measures should be part of a larger effort to protect and bolster coverage in America, as Third Way has recently proposed in a comprehensive approach to the health crisis called CoronaCare for Everyone.

Why Laid-off and Furloughed Workers Need Assistance

Over the last six weeks, over 30 million people have filed for unemployment. If the economy were to reopen quickly and safely, many of these individuals would theoretically be able to return to their previous job. But we are staring down a deep and unprecedented economic crisis. We simply don't know how quickly jobs will come back—or if those businesses will even survive.

When workers lose their job, they not only lose a source of income, many often also lose their employer-provided health insurance. Because of that, a federal law known as COBRA was instituted to allow laid-off workers to keep their coverage. There's a catch, though: Workers have to pay the full cost of coverage while not working. Under the law, individuals at firms with at least 20 employees can continue their coverage for up to 18 months after leaving the business in most circumstances.⁴ The cost of coverage includes the employer's *and* employee's share of premiums plus an administrative fee (2% or less). The cost can be a shock and an insurmountable obstacle especially for someone who is not aware of the cost of the employer share and who was just laid off. The average total premium in 2019 was \$20,576 for family coverage and \$7,188 for individual coverage.⁵

COBRA is not the only option these individuals have, however. A less expensive option is usually the Affordable Care Act exchanges where low- and middle-income individuals can receive free or reduced coverage, or even Medicaid (except in the 14 states that have not expanded coverage to adults). The downside, however, is that their insurance will change. They will likely have to choose new doctors from a new network. In addition, they would have to start paying down a new deductible without getting credit for any money they already paid toward their deductible under their employer's plan. And once rehired, they might have to

start paying their deductible for the *initial* time in one year. Put simply, even though the exchanges are the best option for most workers, they were not designed for mass short-term unemployment.

Another problem is navigating these options. People who have had steady employment may not even know about the exchanges. Employers are required to inform laid-off workers about COBRA but not about any other options. The exchanges require special forms for enrollment outside of regular enrollment periods. Laid-off and furloughed workers often need help following all the necessary steps unless they are highly motivated and capable of dealing with it on their own.

How COBRA Assistance Can Help

During this crisis, the nation needs to help unemployed workers afford the cost of their COBRA coverage if they choose to use it. Rep. Scott's "[Worker Health Coverage Protection Act](#)" would do just that. The legislation features premium assistance that would offset 100% of the cost of coverage for up to 15 months for laid-off workers who have been affected by the coronavirus crisis. For furloughed workers whose employer is still paying for their coverage, the premium assistance will cover their share of the premium. The assistance would continue for six months following the end of the public health emergency. The health plan or employer in charge of the health benefit would be responsible for receiving and administering the premium assistance for workers and their families.

Making coverage affordable and easy to access is a challenge because most people would prefer not to deal with it if they don't have to. In fact, a previous effort to provide COBRA assistance during the Great Recession did not have much impact.⁶ Chairman Scott's Worker Health Coverage Protection Act has two key advantages over the previous effort:

1. ***The premium assistance is 100% instead of 65%.*** Under the American Recovery and Reinvestment Act (ARRA), the previous COBRA assistance required workers to pay 35% of the premium, an amount meant to continue their typical share of the premium when they were employed. For unemployed workers trying to afford essentials like food and shelter, it's often difficult to afford anything more.
2. ***Stronger employer incentives to distribute premium assistance.*** Employers have an incentive to help laid-off or furloughed workers so they can hire them back without the costs of retraining a new employee. During the Great Recession, many employers shut down without any real sense of whether or not they would ever open again. That's different today. While the Trump Administration has failed to give the nation a safe path to recovery, many employers can still see the prospects for a restart at some point in the future. In addition, the Payroll Protection Program and other efforts to keep businesses afloat during the crisis have provided more of a backstop to hopefully keep more

businesses afloat until they can reopen.

As Congress considers this essential legislation, they can go even further—specifically by strengthening outreach to workers. While employers have an incentive to help workers keep coverage intact, employees themselves need help navigating their options. Much of the infrastructure for outreach to uninsured Americans has been undermined by the Trump Administration. It's time to reinvest in that infrastructure, as Stan Dorn at Families USA and others have recommended, based on successful outreach models. For example, West Virginia in 2004 doubled the local use of a federal health coverage tax credit with union workers doing extensive outreach and support for laid-off and retired steel workers to complete all the steps needed to get coverage.⁷

Congress should also consider additional support for the employers' share of premiums for furloughed workers. While the bill provides support for the employee's share of the premium for furloughed workers, the cost burden can be too high for the employers as well. In order to encourage employers in distressed sectors to furlough workers instead of laying them off, the premium assistance should extend to the employer as well. For example, Congress could use the criteria for assistance under the Payroll Protection Program to help vulnerable businesses afford to continue paying coverage for furloughed employees.

Conclusion

As Congress continues to deal with the vast consequences of the coronavirus crisis, it must not forget to deal with health care coverage. Premium assistance through COBRA is a key measure, but not the only one. Congress still needs to address gaps in coverage for employees laid off from firms with under 20 employees who don't get COBRA or those who didn't have coverage to begin with. Many people on the ACA exchanges who are self-employed are also struggling to afford their coverage. It is time for a robust effort to protect coverage in America.

ENDNOTES

1. Author's calculation based on Ashley Kirzinger, Ashely et al. KFF Health Tracking Poll - Late April 2020: Coronavirus, Social Distancing, and Contact Tracing. *Kaiser Family Foundation*, 24 Apr. 2020, www.kff.org/report-section/kff-health-tracking-poll-late-april-2020-economic-and-mental-health-impacts-of-coronavirus/. Accessed 4 May 2020.
2. United States, Congress, House of Representatives, Committee on Education and Labor. "House Democrats Introduce Bill to Help Workers Keep Job-Based Health Coverage During COVID-19 Crisis." Press release, 14 April 2020, [https://edlabor.house.gov/media/press-releases/house-democrats-introduce-bill-to-help-workers-keep-job-based-health-](https://edlabor.house.gov/media/press-releases/house-democrats-introduce-bill-to-help-workers-keep-job-based-health-coverage-during-covid-19-crisis/)

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- 3.** United States, Congress, Senate. "Durbin, Senators Press For Robust Federal COBRA Subsidies In The Next COVID-19 Legislation." Press release, *The Office of Dick Durbin*, 17 Apr. 2020, www.durbin.senate.gov/newsroom/press-releases/durbin-senators-press-for-robust-federal-cobra-subsidies-in-the-next-covid-19-legislation. Accessed 4 May 2020.
- 4.** COBRA coverage is for up to 29 months if the worker or a dependent is on federal disability and 36 months for a worker's dependents. See "COBRA: Duration of Coverage: How long does COBRA continuation coverage last?" *SHRM*, 28 Jun. 2020, www.shrm.org/resourcesandtools/tools-and-samples/hr-qa/pages/howlongdoescobralast.aspx. Accessed 4 May 2020.
- 5.** Claxton, Gary et al. "2019 Employer Health Benefits Survey." *Kaiser Family Foundation*, 25 Sep. 2019, www.kff.org/health-costs/report/2019-employer-health-benefits-survey/. Accessed 4 May 2020.
- 6.** Berk, Jillian and Anu Rangarajan. "Evaluation of the ARRA COBRA Subsidy: Final Report." *Mathematica*, 18 Feb. 2015, www.mathematica.org/our-publications-and-findings/publications/evaluation-of-the-arra-cobra-subsidy-final-report. Accessed 4 May 2020.
- 7.** Dorn, Stan. "Take-Up of Health Coverage Tax Credits." *Urban Institute*, 10 Dec. 2006, www.urban.org/research/publication/take-health-coverage-tax-credits. Accessed 4 May 2020.