



Squeezed!

*Caught between Unemployment
Benefits and Health Care Costs*

Families USA
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**Squeezed! Caught between Unemployment Benefits
And Health Care Costs**

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INTRODUCTION

The current recession is having a devastating impact on working American families. By November 2008, more than 2.7 million people had joined the ranks of the unemployed since the recession began in 2007, and 10.3 million people were unemployed.¹ Many of those people (and their families) lost their health coverage when they lost their jobs. Researchers estimate that, for every one percentage point increase in unemployment, the number of uninsured people increases by 1.1 million. Some workers who had insurance through their former employers may be able to continue to purchase the same coverage—but they must pay the full cost out of their own pockets. This continuation coverage, called “COBRA” (from the Consolidated Omnibus Budget Reconciliation Act of 1985), could provide a vital health care lifeline for many families. Unfortunately, for most individuals and families, the cost of this coverage is prohibitively high, especially when compared to average unemployment benefits.

This report shows that, to maintain their employer-based health coverage under COBRA, most unemployed people would have to devote an unrealistically high proportion of their incomes to health insurance. For many, it would take their entire unemployment check and more to continue coverage for themselves and their families. However, if laid-off workers do not continue their employer-based coverage by electing COBRA and instead seek coverage in the individual health insurance market, those with health problems are likely to find that no insurer will sell them a policy that will cover their pre-existing conditions at any price. Thus, many American workers find themselves in a catch-22.

FINDINGS

Average unemployment checks are not sufficient to pay COBRA premiums.

- Nationally, to maintain single coverage, the average unemployed worker would need to spend 30 percent of his or her unemployment insurance (UI) check on COBRA premiums (see Table 1).

Table 1.

Burden of COBRA for Individuals and Families Receiving Unemployment Benefits, 2008

	Average Monthly Unemployment Income	Average Monthly COBRA Premium	Premium as Share of Unemployment Income
Family	\$1,278	\$1,069	83.6%
Individual	\$1,278	\$388	30.4%

- In many states, the situation is even worse:
 - To maintain coverage for themselves, in six states (Alabama, Alaska, Arizona, Louisiana, Mississippi, and West Virginia), newly unemployed workers would need to spend, on average, more than 40 percent of their UI income on COBRA premiums (see Table 2).
 - In an additional 11 states (Delaware, Florida, Maine, Missouri, Montana, Nebraska, New Hampshire, South Carolina, South Dakota, Tennessee, and Wisconsin) plus the District of Columbia, newly unemployed workers would need to spend, on average, more than one-third of their UI income on COBRA premiums (see Table 2).
- Maintaining family coverage under COBRA is an economic impossibility for most newly unemployed workers. Nationally, unemployed workers would need to spend nearly 84 percent of their UI income, on average, to pay for premiums for family coverage (see Table 1).
 - In nine states (Alabama, Alaska, Arizona, Delaware, Florida, Louisiana, Mississippi, South Carolina, and West Virginia), the average premiums for family coverage under COBRA equal or exceed total UI income (see Table 3).
 - In an additional 32 states (Arkansas, California, Connecticut, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Michigan, Missouri, Montana, Nebraska, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Wisconsin, and Wyoming) plus the District of Columbia, premiums for family coverage under COBRA would consume, on average, more than three-fourths of the average UI income (see Table 3).

Table 2.

Burden of COBRA for Individuals Receiving Unemployment Benefits, 2008

	Average Monthly Unemployment Benefit*	Average Monthly Individual COBRA Premium	Share of Unemployment Benefit Needed for COBRA Premium
Alabama	\$869	\$372	42.7%
Alaska	\$869	\$428	49.2%
Arizona	\$937	\$403	43.1%
Arkansas	\$1,132	\$336	29.7%
California	\$1,322	\$380	28.8%
Colorado	\$1,484	\$379	25.6%
Connecticut	\$1,383	\$415	30.0%
Delaware	\$1,131	\$444	39.3%
District of Columbia	\$1,254	\$428	34.1%
Florida	\$1,013	\$371	36.6%
Georgia	\$1,181	\$365	30.9%
Hawaii	\$1,779	\$334	18.8%
Idaho	\$1,174	\$337	28.7%
Illinois	\$1,315	\$400	30.4%
Indiana	\$1,287	\$376	29.2%
Iowa	\$1,290	\$369	28.6%
Kansas	\$1,354	\$361	26.7%
Kentucky	\$1,309	\$357	27.3%
Louisiana	\$879	\$371	42.2%
Maine	\$1,168	\$439	37.6%
Maryland	\$1,340	\$370	27.7%
Massachusetts	\$1,698	\$419	24.7%
Michigan	\$1,276	\$419	32.8%
Minnesota	\$1,530	\$375	24.5%
Mississippi	\$800	\$349	43.6%
Missouri	\$1,083	\$373	34.5%
Montana	\$1,067	\$391	36.6%
Nebraska	\$1,049	\$367	34.9%
Nevada	\$1,261	\$338	26.8%
New Hampshire	\$1,210	\$436	36.0%
New Jersey	\$1,672	\$421	25.2%
New Mexico	\$1,228	\$380	31.0%
New York	\$1,337	\$434	32.5%
North Carolina	\$1,248	\$380	30.4%
North Dakota	\$1,233	\$357	29.0%
Ohio	\$1,327	\$382	28.8%
Oklahoma	\$1,201	\$374	31.1%
Oregon	\$1,343	\$388	28.9%
Pennsylvania	\$1,468	\$403	27.5%
Rhode Island	\$1,626	\$433	26.6%
South Carolina	\$1,029	\$378	36.8%
South Dakota	\$1,030	\$371	36.0%
Tennessee	\$960	\$353	36.8%
Texas	\$1,293	\$390	30.1%
Utah	\$1,341	\$363	27.0%
Vermont	\$1,256	\$407	32.4%
Virginia	\$1,245	\$386	31.0%
Washington	\$1,583	\$382	24.1%
West Virginia	\$1,017	\$410	40.3%
Wisconsin	\$1,172	\$400	34.1%
Wyoming	\$1,370	\$434	31.7%

*Average monthly benefits are calculated by multiplying average weekly benefits for all unemployed workers by a conversion factor of 4.3. This calculation assumes that individuals receive unemployment benefits for four consecutive full weeks.

Table 3.

Burden of COBRA for Families Receiving Unemployment Benefits, 2008

	Average Monthly Unemployment Benefit*	Average Monthly Family COBRA Premium	Share of Unemployment Benefit Needed for COBRA Premium
Alabama	\$869	\$993	114.2%
Alaska	\$869	\$1,145	131.7%
Arizona	\$937	\$1,084	115.8%
Arkansas	\$1,132	\$932	82.3%
California	\$1,322	\$1,079	81.6%
Colorado	\$1,484	\$1,051	70.8%
Connecticut	\$1,383	\$1,166	84.3%
Delaware	\$1,131	\$1,183	104.6%
District of Columbia	\$1,254	\$1,151	91.8%
Florida	\$1,013	\$1,037	102.4%
Georgia	\$1,181	\$1,013	85.8%
Hawaii	\$1,779	\$885	49.7%
Idaho	\$1,174	\$1,012	86.2%
Illinois	\$1,315	\$1,106	84.1%
Indiana	\$1,287	\$1,075	83.6%
Iowa	\$1,290	\$991	76.8%
Kansas	\$1,354	\$1,037	76.6%
Kentucky	\$1,309	\$926	70.7%
Louisiana	\$879	\$1,014	115.3%
Maine	\$1,168	\$1,161	99.4%
Maryland	\$1,340	\$1,058	79.0%
Massachusetts	\$1,698	\$1,154	67.9%
Michigan	\$1,276	\$1,075	84.3%
Minnesota	\$1,530	\$1,070	69.9%
Mississippi	\$800	\$917	114.6%
Missouri	\$1,083	\$1,049	96.9%
Montana	\$1,067	\$1,039	97.4%
Nebraska	\$1,049	\$1,012	96.4%
Nevada	\$1,261	\$915	72.5%
New Hampshire	\$1,210	\$1,191	98.4%
New Jersey	\$1,672	\$1,149	68.7%
New Mexico	\$1,228	\$1,059	86.3%
New York	\$1,337	\$1,134	84.8%
North Carolina	\$1,248	\$1,028	82.4%
North Dakota	\$1,233	\$945	76.6%
Ohio	\$1,327	\$1,030	77.6%
Oklahoma	\$1,201	\$994	82.8%
Oregon	\$1,343	\$1,090	81.2%
Pennsylvania	\$1,468	\$1,107	75.4%
Rhode Island	\$1,626	\$1,120	68.9%
South Carolina	\$1,029	\$1,029	100.0%
South Dakota	\$1,030	\$927	90.0%
Tennessee	\$960	\$939	97.7%
Texas	\$1,293	\$1,098	84.9%
Utah	\$1,341	\$1,030	76.8%
Vermont	\$1,256	\$1,092	86.9%
Virginia	\$1,245	\$1,079	86.7%
Washington	\$1,583	\$1,073	67.8%
West Virginia	\$1,017	\$1,059	104.2%
Wisconsin	\$1,172	\$1,095	93.4%
Wyoming	\$1,370	\$1,135	82.8%

*Average monthly benefits are calculated by multiplying average weekly benefits for all unemployed workers by a conversion factor of 4.3. This calculation assumes that individuals receive unemployment benefits for four consecutive full weeks.

DISCUSSION

Unemployment Is Rising Rapidly

The nation's economy is more than one year into a recession that has left many families both unemployed and uninsured. The National Bureau of Economic Research recently concluded that the recession officially began in December 2007.² From December 2007 through November 2008, the unemployment rate rose from 5.0 percent to 6.7 percent, the highest monthly unemployment rate in the last 15 years.³ The number of unemployed grew from 7,655,000 in December 2007 to 10,331,000 in November 2008 as an additional 2,676,000 people joined the ranks of the unemployed.⁴

The rates of unemployment have risen even more dramatically for some racial and ethnic minority groups. The Bureau of Labor Statistics reports that, among Hispanics or Latinos, unemployment rates rose from 6.3 percent in December 2007 to 8.5 percent in November 2008; and among African Americans or blacks, unemployment rates rose from 9.0 percent in December 2007 to 11.2 percent in November 2008.⁵

Rising Unemployment Leads to Large Losses of Health Coverage

Losing a job can be financially catastrophic. The impact of such a loss is often compounded by the concurrent loss of health coverage. Most people get their health coverage through the workplace: 61 percent of those under the age of 65 receive coverage through their jobs or through the job of a family member.⁶ As a result, when workers are laid off, they (and their families) often lose their health coverage as well. A recent study of multiple years of data from the U.S. Census Bureau regarding unemployment and insurance concluded that, for each one percentage point rise in the unemployment rate, the number of uninsured Americans rises by about 1.1 million.⁷

For unemployed workers and their families, lack of insurance can cause major problems. Many uninsured Americans delay or forgo needed medical care.⁸ As a result, uninsured adults are more likely than those with insurance to be diagnosed with diseases, such as breast cancer, when the diseases have reached an advanced stage.⁹ When uninsured Americans do get care, many end up with medical debt or have problems with medical bills. These problems include difficulty paying bills, being contacted by collection agencies, or having to change their way of life to pay medical bills. In fact, 61 percent of adults who were uninsured at some point in 2007 had medical debt or problems with medical bills.¹⁰

COBRA Health Coverage—A Significant Potential Lifeline

The federal COBRA law requires that many employers allow former workers to remain in the employer's group health plan for a period of time if those workers are willing and able to pay the full cost of coverage plus a 2 percent administrative fee. COBRA provides 18 months of continuation coverage¹¹ to workers who have been laid off from firms with 20 or more employees. Workers may continue this health coverage for themselves and for their family members.

In addition to COBRA, 39 states and the District of Columbia have enacted COBRA-like laws that supplement the federal law.¹² These state laws help workers who have been laid off from firms with fewer than 20 employees by requiring varying periods of access to continuation coverage. These supplemental state laws, combined with COBRA, mean that, in most states, workers who have been laid off are eligible for continued coverage if they worked in firms that have two or more employees. As a result, the vast majority of workers who have been laid off who had employer-based coverage are eligible for some amount of continuation health coverage through their previous jobs.

COBRA Coverage Is Unaffordable for Most Laid-Off Workers

Although federal and state laws provide a potential health lifeline for laid-off workers, the costs of the coverage they provide are usually prohibitively high. Most employers pay a substantial percentage of their employees' health insurance premiums. In 2008, workers paid 16 percent of the premiums, on average, for individual coverage through the workplace, and they paid 27 percent of the premiums, on average, for family coverage. However, when people are laid off from their jobs, if they want to continue coverage under COBRA, they must pay the entire cost of the premium plus a 2 percent administrative fee. The national average cost of employer-provided coverage for an individual, plus a 2 percent fee, amounts to \$4,656 a year, or \$388 a month (see Table 2). For family coverage, the cost jumps to \$12,823, or \$1,069 a month (see Table 3). It is also important to keep in mind that laid-off workers have other expenses to cover in addition to health insurance: Housing and food together cost at least \$800 monthly for a typical individual. And for a typical family of four living in a two bedroom house, housing and food together cost at least \$1,200 monthly.¹³

Most people cannot afford to pay even more than they had been paying for health coverage when they've lost their paychecks, and average UI benefits are hardly a panacea. Workers who lose their jobs through "no fault of their own" may be eligible for UI benefits, depending on how long they've worked at a firm and their income.¹⁴ And while the amount of UI benefits varies by state, it is unlikely to be high enough to make COBRA affordable.

(See “Unemployment Insurance Benefits: Who Gets What?” below for more details on unemployment insurance benefits.) Employers say that the cost of COBRA premiums is the number one reason that workers do not elect to continue coverage under COBRA.¹⁵ And surveys show that, in any given year, the number of eligible people who actually use COBRA ranges from 18 to 26 percent.¹⁶

Unemployment Insurance Benefits: Who Gets What?

Unemployment insurance (UI) benefits provide temporary financial assistance to workers who are unemployed through “no fault of their own.” Each state administers its own unemployment program within federal guidelines, so eligibility levels and benefit amounts differ from state to state. In general, to qualify for unemployment benefits, workers must:

1. Show that they lost employment through no fault of their own;
2. Show that they are available to work and are actively seeking work; and
3. Show that they earned more than a minimum amount and/ or that they worked more than a minimum number of hours during a “base period” and worked for an employer that is covered by UI. State requirements for minimum earnings and minimum work hours vary greatly.

States pay differing amounts of UI benefits. Generally, a worker’s benefits are based on a percentage of the individual’s earnings over a recent 52-week period, up to a maximum set by the state. Some states provide a small additional allowance for a worker’s dependents.

The findings in this report are based on the *average* total amounts of UI benefits that are provided to unemployed workers in each state. However, even in the best-case scenario, when workers have earned enough to receive the *maximum* UI income possible in their state, they generally cannot afford COBRA premiums. For example, in Nebraska, the 2008 maximum UI benefit for a family was \$1,281 a month. On average, COBRA coverage for a Nebraska family costs \$1,012 a month—79 percent of the family’s UI income. In fact, maintaining family coverage would consume more than three-fourths of the maximum UI income in 10 states (Alabama, Alaska, Arizona, Delaware, Florida, Louisiana, Mississippi, Missouri, Nebraska, and Tennessee).

For more information on unemployment insurance benefits and links to unemployment agency Web sites in the states, see the Department of Labor Web site at <http://workforcesecurity.doleta.gov/unemploy/index.asp> and click on “State Law Info.”

Many Obstacles to HIPAA Coverage

Although COBRA coverage is unaffordable for many laid-off workers, in most cases, it is not even an option for workers whose employers go out of business. An alternative federal law, the Health Insurance Portability and Accountability Act (HIPAA), provides some protections for those and other laid-off workers, but not nearly enough. First, there's a special 30-day window that allows some workers to join their spouse's job-based health plan. Second, some workers who had at least 18 months of coverage must be guaranteed the right to purchase a designated plan in the individual health insurance market that does not exclude pre-existing conditions. Unfortunately, even when workers qualify for this individual coverage, there is no federal law that governs how much they can be charged for it.

For people who are eligible for protection under HIPAA ("HIPAA-eligibles"), some states require all insurers to offer a coverage option for HIPAA-eligibles. Other states designate particular insurance plans that people can buy, such as those offered by a high-risk pool. However, in some state high-risk pools, people may be charged premiums that are twice as high as the average premiums charged in the individual health insurance market. (For more information on high-risk pools, see our publication *High-Risk Health Insurance Pools*, available online at <http://www.familiesusa.org/assets/pdfs/High-Risk-Pools-May-2006.pdf>.) In plans that other insurers offer to HIPAA-eligibles, some states do not limit premiums at all. For example, premiums for plans offered to HIPAA-eligibles may be as high as three times the premiums that are charged to other people, or even higher.

State Laws to Protect the Unemployed-Uninsured Are Inadequate

Besides the state COBRA-like laws that were discussed earlier, there is another kind of state law that allows some newly unemployed workers to "convert" their employer-based coverage into a policy in the individual health insurance market when they lose their jobs and/or when their companies go out of business. In such cases, the same insurer must sell them an individual policy and cannot exclude coverage of any pre-existing conditions. Thirty-seven states and the District of Columbia have "conversion" laws that apply to some people whose job-based coverage ends. But these state conversion laws, along with the state COBRA-like laws, provide less protection than the federal law in the following ways:

- In many states, these laws allow unemployed workers to continue coverage only for a few months (as opposed to the 18 months allowed under COBRA);
- In some states, workers receive coverage for fewer health care services than they previously had through their employer-based coverage; and
- In some states, the costs of these state continuation or conversion policies are even higher than the costs of continuing coverage under COBRA.

(For more information, see "State Conversion Coverage" and "Expanded COBRA Continuation Coverage" at www.statehealthfacts.org.)

Medicaid Does Not Cover Many of the Unemployed

Medicaid, the health care safety net for low-income people, is not available for many newly unemployed workers, for a couple of reasons. First, unemployed workers are generally not eligible unless they have dependent children. In most states, childless adults are not eligible for Medicaid, no matter how low their income. Second, the current recession is causing a decline in state revenues, which in turn has created budget deficits in nearly every state across the country. As of December 2008, at least 44 states have faced or are facing budget deficits for the current 2009 fiscal year and/or the coming 2010 fiscal year, and in 2010, states' budget shortfalls are expected to total \$145 billion.¹⁷

In response, states are cutting their Medicaid budgets rather than expanding these programs to help serve the newly unemployed

Without COBRA or Medicaid, Workers Have Few Options for Health Coverage

If unemployed workers do not have COBRA, state COBRA-like policies, or Medicaid coverage, their only other option may be to try to purchase coverage in the individual (non-group) private health insurance market. However, coverage in this market can be difficult to obtain if the applicant has anything short of perfect health, and when such coverage is available, it is usually very expensive. Unemployed workers who are in less than perfect health can be denied individual policies in most states. In all but five states, insurers in the individual market can turn down applicants who were eligible for but did not participate in COBRA. For those lucky enough to be offered a policy, in 21 states and the District of Columbia,

Gaps in Health Coverage Can Be Dangerous

If unemployed workers go without coverage for a period of more than 63 days, they face serious risks both while they are uninsured and when they regain insurance through another job. One key to how comprehensive their future coverage will be is whether that gap has lasted longer than 63 days. Federal law allows employer-based plans to exclude coverage of pre-existing conditions for up to 12 months,¹⁸ but for workers who've had health coverage within the last 63 days, this exclusion period is shortened by the amount of time that they had continuous coverage. For example, if a person with a heart condition had health coverage for seven months immediately before enrolling in a new employer's health plan, the job-based plan would have to cover treatment for the heart condition after the worker had been enrolled for five months (12 months minus seven months of previous coverage). However, workers who've been without coverage for more than 63 days may have to wait a full year before their new employer-based health plan covers treatment for their pre-existing conditions. Also, in many states, when such workers try to buy coverage in the individual health insurance market, insurers can turn them down or refuse to cover their pre-existing conditions forever.

an insurer can exclude coverage of pre-existing conditions for more than one year. (For more information on the individual health insurance market, see *Empty Promise: Searching for Health Insurance in an Unfair Market*, available online at <http://www.familiesusa.org/assets/pdfs/play-fair-empty-promise-1>, and *Failing Grades: State Consumer Protections in the Individual Market*, available online at <http://www.familiesusa.org/resources/publications/reports/failing-grades.html>.)

CONCLUSION

As our nation faces a severe recession, growing numbers of unemployed workers and their families are coping with the loss of health insurance. The short- and long-term physical and financial consequences of such a loss can be devastating. COBRA continuation coverage can be a crucial health lifeline for newly unemployed workers. But while many workers have the right to purchase such coverage, the cost is often prohibitively high. To make COBRA coverage truly affordable, a meaningful subsidy should be provided to recently unemployed workers. For those who do not have a COBRA coverage option, Congress should provide a temporary Medicaid benefit to recently unemployed, low-wage workers.

Together, these measures can provide meaningful help to America's workers and families who are being hit the hardest in the current recession—those who are losing both their jobs and their health insurance. During these hard times, workers would at least have the peace of mind that comes with knowing that they can get the medical care they need, for themselves and their families.

ENDNOTES

- ¹ U.S. Bureau of Labor Statistics, *The Employment Situation: November 2008* (Washington: U.S. Bureau of Labor Statistics, December 2008), available online at <http://www.bls.gov/ces/>.
- ² Business Cycle Dating Committee, National Bureau of Economic Research, *Determination of the December 2007 Peak in Economic Activity* (Cambridge, MA: National Bureau of Economic Research, November 28, 2008), available online at <http://www.dev.nber.org/dec2008.html>.
- ³ U.S. Bureau of Labor Statistics, *Labor Force Statistics from the Current Population Survey: Historical Data* (Washington: U.S. Bureau of Labor Statistics, data extracted on December 8, 2008), available online at http://data.bls.gov/PDQ/servlet/SurveyOutputServlet?data_tool=latest_numbers&series_id=LNS14000000.
- ⁴ Ibid.
- ⁵ U.S. Bureau of Labor Statistics, *The Employment Situation: November 2008*, op. cit., Tables A2 and A3, and *The Employment Situation: December 2007*. In these tables, the Bureau of Labor Statistics refers to the “Hispanic or Latino” population and the “Black or African American” population, so we have echoed their language.
- ⁶ Computed from U.S. Census Bureau, “Table HI05. Health Insurance Coverage Status and Type of Coverage by State and Age for All People: 2007,” *Current Population Survey, Annual Social and Economic Supplements* (Washington: U.S. Census Bureau, August 2008), available online at http://pubdb3.census.gov/macro/032008/health/h05_000.htm.
- ⁷ Stan Dorn, et al., *Medicaid, SCHIP, and Economic Downturn: Policy Challenges and Policy Responses* (Washington: Kaiser Family Foundation, April 2008).
- ⁸ Catherine Hoffman and Karyn Schwartz, *Trends in Access to Care among Working-Age Adults, 1997-2006* (Washington: Kaiser Commission on Medicaid and the Uninsured, October 2008).
- ⁹ Michael Halpern, John Bian, Elizabeth Ward, Nicole Schrag, and Amy Chen, “Insurance Status and Stage of Cancer at Diagnosis among Women with Breast Cancer,” *Cancer* 110, no. 2 (June 11, 2007): 403-411.
- ¹⁰ Michelle M. Doty, Sara R. Collins, Sheila D. Rustgi, and Jennifer L. Kriss, *Seeing Red: The Growing Burden of Medical Bills and Debt Faced by U.S. Families* (New York: The Commonwealth Fund, August 2005).
- ¹¹ 29 U.S. Code Section 1161 et sec. Some people are eligible to receive more than 18 months of coverage. For example, if a worker becomes eligible for Medicare before leaving a job, his or her family members may be able to continue receiving coverage through the employer’s plan for up to 36 months. If a person qualifies for Social Security disability benefits before or shortly after leaving a job, he or she can keep COBRA for an extended period while waiting for Medicare benefits. Unfortunately, for people with disabilities who are waiting for Medicare, COBRA premiums can increase to 150 percent of their previous premiums during this extension period.
- ¹² States with such laws are listed on the Kaiser Family Foundation Web site in the table titled “Expanded COBRA Continuation Coverage, 2007,” available online at <http://www.statehealthfacts.org/comparetable.jsp?ind=357&cat=7>. States that do not provide this protection are Alabama, Alaska, Arizona, Delaware, Idaho, Indiana, Michigan, Montana, Pennsylvania, Virginia, and Washington. (See notes in that table regarding some lesser protections that are available in Arizona, Virginia, and Washington.)
- ¹³ U.S. Department of Housing and Urban Development and U.S. Census Bureau, *American Housing Survey for the United States: 2007* (Washington: HUD and U.S. Census Bureau, September 2008); U. S. Department of Agriculture, *Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, October 2008* (Washington: USDA, October 2008). To calculate family food spending, we used the Thrifty Plan budget for a family composed of two adults ages 19-50 and two children, one ages 2-3 and one ages 4-5. Note that actual housing and food expenditures are likely to be higher: Since the most recent housing data available are from 2006, current spending on housing is likely to be higher. And since food cost estimates are based on the lowest-cost nutritional food composition possible according to the USDA (the “Thrifty Plan,” which is the basis for food stamp allotments), spending on food is likely to be higher than this amount. Furthermore, budgets would also need to include the costs of transportation, clothing, and other necessities.
- ¹⁴ Each state sets its own definition of “no fault” for people who lose their jobs, and each state uses this definition to determine who is eligible for unemployment insurance.
- ¹⁵ 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).
- ¹⁶ Ibid.
- ¹⁷ Elizabeth McNichol and Iris Lav, *State Budget Troubles Worsen* (Washington: Center on Budget and Policy Priorities, December 2008).
- ¹⁸ Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 (29 U.S. Code, Section 1181).

METHODOLOGY

We obtained data on the average unemployment insurance (UI) benefits that are provided by states from the Department of Labor. Data are available in weekly increments, and we multiplied these by the standard 4.3 conversion factor to arrive at monthly payments. We used data on October 2008 payments from *DOL Monthly Program and Financial Data* (the most recent data available at the time we were writing this report), available online at <http://workforcesecurity.doleta.gov/unemploy/claimssum.asp>, for our computations. Average payments increased slightly from month to month in 2008. To estimate current COBRA premium costs, we used state-by-state data on employer-sponsored health insurance premiums from the Medical Expenditure Panel Survey (MEPS). The most recent MEPS data are from 2006. We updated these by trending the data forward from 2006 to 2008 using the growth pattern for individual and family premiums presented in data from the Kaiser Family Foundation and the Health Research and Educational Trust's *Employer Health Benefits Annual Survey* from 2006 through 2008. The inflation factors were as follows:

- **For individual coverage:**
 - 2006-2007: 5.6 percent
 - 2007-2008: 5.0 percent
- **For family coverage:**
 - 2006-2007: 5.5 percent
 - 2007-2008: 4.7 percent

We multiplied the resulting numbers by 1.02, since COBRA beneficiaries may be charged the full cost of employer-sponsored coverage plus a 2 percent administrative fee. Then we computed the monthly premiums rates.

We divided the resulting 2008 monthly COBRA premiums by the average monthly UI benefits to obtain the share of UI benefits needed to purchase COBRA for both individuals and families.

Data on average UI benefits are based on the amount of the benefit received, regardless of family size. There are 14 states that provide minor additional allowances for dependants. Therefore, the burden of COBRA coverage for individuals who receive UI benefits is understated in this report, and the burden for families may be slightly overstated.

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