

Expiration of COBRA Subsidy: Millions of Unemployed Workers and Their Dependents Are at Risk; Many Will Lose Their Subsidy as of December 1, 2009

As the unemployment rate continues to climb, Americans who lose (or have already lost) their jobs are about to be dealt another blow: the expiration of the subsidy that allowed many of them to retain health insurance despite being unemployed.¹ For many, that subsidy expires on November 30, 2009.

In February 2009, Congress enacted, and the President signed, the American Recovery and Reinvestment Act (ARRA) in response to the economic crisis. One important feature of ARRA was a health insurance subsidy for workers who lost their jobs. When this temporary subsidy expires, two groups of people will suffer damaging consequences:

1. those who have been receiving the subsidy but who will soon reach the end of the nine months of assistance provided under ARRA (for those who began receiving the subsidy in March, the assistance expires as of November 30); and
2. those who lose their jobs after December 2009, who will have no subsidy to help them afford health insurance for their families.

While an immediate extension of the COBRA subsidy is needed to help families who are already unemployed and those who will lose their jobs in the coming months, this is only a temporary fix. Health reform, once it is fully implemented, will offer a new, permanent source of help. The health reform bills now pending in Congress would enable laid-off workers to obtain health coverage through a newly created marketplace, called an “exchange,” and families with low incomes would receive tax credit subsidies to help pay the premiums.

The ARRA subsidy is available to workers laid off between September 2008 and December 2009 who are eligible for COBRA continuation coverage. COBRA allows workers (and their families) to remain enrolled in their former employer's health plan. Normally, COBRA guarantees 18 months of continued coverage (or a longer period in some cases),² but the former worker must pay the full premium—both the employee share *and* the employer share—plus a small administrative fee. Under ARRA, these COBRA-eligible workers receive help paying for coverage for part of that period: they are eligible for a federal subsidy that pays 65 percent of the cost of their monthly COBRA premiums for up to nine months.

What the End of the Subsidy Means

One group of people who will be harmed by the end of this subsidy consists of those who began receiving assistance in March 2009. The subsidy they have received to help them pay their COBRA premiums comes to an end on November 30—even though many of these people remain unemployed. On average, these unemployed families will see their premiums increase from \$389 per month to \$1,111 per month, an amount that few long-term unemployed families will be able to afford.³ Monthly premiums of \$1,111 would consume 83.4 percent of the average unemployment check,⁴ leaving little or nothing for food, housing, and other necessities. (See Tables 1 and 2 on pages 4 and 5, which also include state-by-state information.) And, *unless Congress acts to provide this subsidy for longer than nine months, each month from now on, another group of people will confront a painful choice: find a way to pay significantly higher premiums or drop their family's health coverage.*

“. . . unemployed families will see their premiums increase from \$389 to \$1,111 per month. . . .”

“Average monthly premiums of \$1,111 would consume 83.4 percent of the average unemployment check. . . .”

People who lose their jobs after December 31, 2009, will also be harmed by the expiration of the subsidy. This group of people will receive no COBRA subsidy at all, and, without a subsidy, most will not be able to afford coverage for either themselves or their families.

Although the rate of job loss is apparently slowing, the economy has not yet fully recovered, and many Americans will lose their jobs—and their health insurance—in the months ahead. *Unless Congress acts to extend the subsidy to those who lose their jobs after December 2009, many families will join the ranks of the uninsured due to job loss.*

Background

Without assistance, COBRA can be very expensive: To remain on their former employer's plan, people must pay the total premium themselves. That includes the amount they used to pay *plus* the entire share of their premiums that was formerly paid by their employers, along with a small administrative fee of up to 2 percent.

The American Recovery and Reinvestment Act has provided significant assistance to unemployed workers, enabling them to maintain their health coverage during the recession. ARRA provides a subsidy to help involuntarily unemployed workers purchase their former employer's COBRA or other continuation coverage. Under ARRA, for up to nine months, eligible unemployed workers need to pay only 35 percent of their total premiums to continue the health coverage that they had through their jobs, and the federal government reimburses employers or health plans for the remaining 65 percent of premiums. (Generally, people are eligible for COBRA for up to 18 months. Thus, when the COBRA subsidy ends, they can still receive COBRA for up to nine more months, but they must pay the full cost of COBRA premiums to keep their coverage.)

People are eligible for the subsidy if they were (or are) laid off between September 1, 2008, and December 31, 2009; have annual incomes during this tax year that do not exceed \$145,000 for individuals and \$290,000 for families; have a right to continued health coverage under COBRA (or another law); and are not eligible for coverage under another group plan (such as through a spouse's employer) or for Medicare. People with adjusted gross incomes between \$125,000 and \$145,000 (or between \$250,000 and \$290,000 for those filing joint returns) will need to repay a portion of the assistance that they have received when they file their income tax forms. People with incomes below \$125,000 for single filers and below \$250,000 for joint filers are eligible for full assistance with no repayment.

The COBRA subsidy has allowed millions of unemployed Americans and their families to maintain access to health care and the peace of mind that health insurance brings. In February, the Congressional Budget Office and the Joint Committee on Taxation estimated that 7 million adults and dependent children would receive the subsidy.⁵ The U.S. Department of the Treasury is currently compiling data from employers' tax returns about how many unemployed workers have actually received the subsidy, but those data are not yet available.

When the subsidy ends, COBRA coverage will consume an unaffordable share of unemployment benefits, and the number of unemployed workers and their families who are able to take advantage of COBRA coverage will drop dramatically. *Continuing COBRA assistance would allow hundreds of thousands of unemployed workers to maintain health security for themselves and their families during these uncertain economic times.*⁶

Table 1. Family COBRA Costs, with and without Subsidy, 2009

State	Average Monthly COBRA Premium		Amount Lost If Subsidy Ends
	With Subsidy	Without Subsidy	
Alabama	\$352	\$1,005	\$653
Alaska	\$423	\$1,209	\$786
Arizona	\$389	\$1,111	\$722
Arkansas	\$355	\$1,014	\$659
California	\$388	\$1,107	\$720
Colorado	\$378	\$1,080	\$702
Connecticut	\$425	\$1,214	\$789
Delaware	\$423	\$1,209	\$786
District of Columbia	\$425	\$1,213	\$789
Florida	\$402	\$1,147	\$746
Georgia	\$369	\$1,053	\$685
Hawaii	\$349	\$998	\$649
Idaho	\$343	\$979	\$636
Illinois	\$399	\$1,139	\$740
Indiana	\$427	\$1,220	\$793
Iowa	\$346	\$989	\$643
Kansas	\$369	\$1,054	\$685
Kentucky	\$364	\$1,040	\$676
Louisiana	\$354	\$1,013	\$658
Maine	\$414	\$1,184	\$769
Maryland	\$397	\$1,133	\$737
Massachusetts*	\$436	\$1,246	\$810
Michigan	\$358	\$1,023	\$665
Minnesota	\$431	\$1,232	\$801
Mississippi	\$359	\$1,027	\$667
Missouri	\$365	\$1,044	\$679
Montana	\$362	\$1,033	\$672
Nebraska	\$368	\$1,052	\$684
Nevada	\$363	\$1,038	\$675
New Hampshire	\$430	\$1,228	\$798
New Jersey	\$404	\$1,156	\$751
New Mexico	\$382	\$1,091	\$709
New York	\$406	\$1,159	\$753
North Carolina	\$389	\$1,112	\$723
North Dakota	\$353	\$1,010	\$656
Ohio	\$361	\$1,032	\$671
Oklahoma	\$350	\$999	\$649
Oregon	\$398	\$1,137	\$739
Pennsylvania	\$390	\$1,115	\$725
Rhode Island	\$423	\$1,207	\$785
South Carolina	\$382	\$1,090	\$709
South Dakota	\$360	\$1,028	\$668
Tennessee	\$389	\$1,112	\$723
Texas	\$378	\$1,081	\$703
Utah	\$373	\$1,065	\$692
Vermont	\$414	\$1,183	\$769
Virginia	\$377	\$1,078	\$701
Washington	\$412	\$1,178	\$766
West Virginia	\$408	\$1,164	\$757
Wisconsin	\$410	\$1,171	\$761
Wyoming	\$403	\$1,151	\$748
U.S. Overall	\$389	\$1,111	\$722

* A Massachusetts program augments the federal COBRA subsidy, paying a larger share of premiums for unemployed workers in the state with incomes below 400 percent of poverty. Expiration of the federal subsidy will affect Massachusetts' ability to continue its premium assistance at current levels.

Table 2. Family COBRA Cost as Share of Unemployment Benefits, 2009

State	Average Monthly Unemployment Benefit*	Average Monthly COBRA Premium, Without Subsidy	Share of Unemployment Benefit Consumed by COBRA Premium
Alabama	\$903	\$1,005	111.3%
Alaska	\$1,032	\$1,209	117.2%
Arizona	\$941	\$1,111	118.1%
Arkansas	\$1,220	\$1,014	83.1%
California	\$1,349	\$1,107	82.1%
Colorado	\$1,569	\$1,080	68.8%
Connecticut	\$1,457	\$1,214	83.3%
Delaware	\$1,125	\$1,209	107.5%
District of Columbia	\$1,298	\$1,213	93.4%
Florida	\$1,010	\$1,147	113.6%
Georgia	\$1,217	\$1,053	86.6%
Hawaii	\$1,808	\$998	55.2%
Idaho	\$1,164	\$979	84.2%
Illinois	\$1,385	\$1,139	82.2%
Indiana	\$1,310	\$1,220	93.1%
Iowa	\$1,383	\$989	71.5%
Kansas	\$1,465	\$1,054	71.9%
Kentucky	\$1,314	\$1,040	79.1%
Louisiana	\$968	\$1,013	104.6%
Maine	\$1,327	\$1,184	89.2%
Maryland	\$1,339	\$1,133	84.7%
Massachusetts	\$1,764	\$1,246	70.6%
Michigan	\$1,319	\$1,023	77.5%
Minnesota	\$1,693	\$1,232	72.8%
Mississippi	\$839	\$1,027	122.4%
Missouri	\$1,113	\$1,044	93.8%
Montana	\$1,203	\$1,033	85.9%
Nebraska	\$1,072	\$1,052	98.2%
Nevada	\$1,378	\$1,038	75.3%
New Hampshire	\$1,283	\$1,228	95.7%
New Jersey	\$1,727	\$1,156	66.9%
New Mexico	\$1,343	\$1,091	81.2%
New York	\$1,356	\$1,159	85.4%
North Carolina	\$1,328	\$1,112	83.7%
North Dakota	\$1,342	\$1,010	75.3%
Ohio	\$1,444	\$1,032	71.5%
Oklahoma	\$1,242	\$999	80.4%
Oregon	\$1,349	\$1,137	84.3%
Pennsylvania	\$1,531	\$1,115	72.8%
Rhode Island	\$1,685	\$1,207	71.6%
South Carolina	\$1,061	\$1,090	102.8%
South Dakota	\$1,097	\$1,028	93.8%
Tennessee	\$975	\$1,112	114.0%
Texas	\$1,385	\$1,081	78.1%
Utah	\$1,378	\$1,065	77.3%
Vermont	\$1,299	\$1,183	91.1%
Virginia	\$1,283	\$1,078	84.1%
Washington	\$1,826	\$1,178	64.5%
West Virginia	\$1,184	\$1,164	98.3%
Wisconsin	\$1,236	\$1,171	94.7%
Wyoming	\$1,521	\$1,151	75.6%
U.S. Overall	\$1,333	\$1,111	83.4%

*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.

Methodology

To estimate current COBRA premiums, we used the most recent (2008) state-by-state data on employer-sponsored health insurance premiums from the Medical Expenditure Panel Survey (MEPS). Premiums were trended forward from 2008 to 2009 using data on projected per-capita increases in private health insurance premiums from the Centers for Medicare and Medicaid Services (CMS) Office of the Actuary, published in *Health Affairs* on February 24, 2009. 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 divided by 12 to determine the monthly premiums. To determine the amount of the monthly premiums with the subsidy, we multiplied the premiums by 0.35, reflecting the amount that consumers must pay for COBRA after they receive the 65 percent subsidy. The amount of assistance that will be lost when the subsidy ends is the value of the 65 percent subsidy (0.65 times the monthly premiums).

¹ The American Recovery and Reinvestment Act of 2009, Public Law 111-5.

² For more information, see Families USA, *Getting Covered: Finding Health Insurance When You Lose Your Job* (Washington: Families USA, March 2009), available online at www.familiesusa.org/assets/pdfs/getting-covered.pdf.

³ These numbers, which are based on the Medical Expenditure Panel Survey (see the Methodology), may actually underestimate the costs of family COBRA premiums in 2009. Another study used data from the Kaiser Family Foundation and Health Research and Educational Trust on 2009 family premiums for employer-sponsored coverage and found the resulting COBRA premiums to be higher, at \$1,137 per month, making the subsidized COBRA premiums \$398 a month, on average. Karyn Schwartz, *The COBRA Subsidy and Health Insurance for the Unemployed* (Washington: Kaiser Family Foundation, October 2009).

⁴ Based on U.S. Department of Labor, *DOL Monthly Program and Financial Data* (Washington: Department of Labor, November 2009), available online at <http://workforcesecurity.doleta.gov/unemploy/claimssum.asp>.

⁵ Letter from Douglas Elmendorf, Director, Congressional Budget Office, to Speaker of the House Nancy Pelosi, February 10, 2009.

⁶ Two bills that would extend the COBRA premium subsidy created by ARRA have been introduced in Congress: H.R. 3930, which was introduced by Rep. Joe Sestak (D-PA), would extend the subsidy by six months (so that it lasts for a total of 15 months) for people who are laid off through June 30, 2010; and S. 2730, which was introduced by Senators Sherrod Brown (D-OH) and Bob Casey (D-PA), would also extend the subsidy to 15 months for people who are laid off through June 30, 2010. It would also increase the amount of assistance from covering 65 percent of COBRA premiums to 75 percent.

Acknowledgments

This report was written by:

*Cheryl Fish-Parcham,
Deputy Director of Health Policy, Families USA*

and

*Claire McAndrew,
Health Policy Analyst, Families USA*

**The following Families USA staff contributed to the
preparation of this report:**

Ron Pollack, Executive Director

*Kathleen Stoll, Deputy Executive Director and
Director of Health Policy*

Kim Bailey, Senior Health Policy Analyst

Peggy Denker, Director of Publications

Ingrid VanTuinen, Senior Editor

Tara Bostock, Publications Associate

Nancy Magill, Senior Graphic Designer



**SPECIAL
REPORT**

Families USA

© 2009 Families USA

*This publication is available online at
www.familiesusa.org.*

Families USA

1201 New York Avenue NW, Suite 1100 ■ Washington, DC 20005

Phone: 202-628-3030 ■ E-mail: info@familiesusa.org

www.familiesusa.org

December 2009