

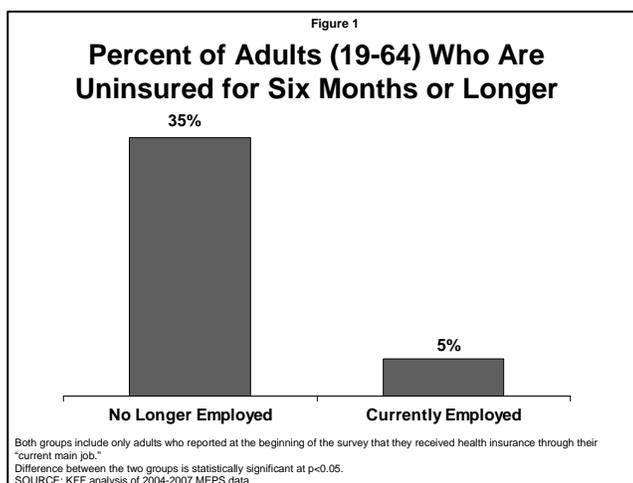
March 2010

Assessing the Risk of Becoming Uninsured After Leaving a Job: A Look at the Data

The deep recession in the United States continues to impact workers as they strive to hold on to their jobs and their health insurance. With the unemployment rate at 9.7% and 15 million people looking for work in the United States, millions of Americans risk losing their health coverage.ⁱ Exact data on how many newly unemployed workers are losing coverage during this recession is difficult to obtain because it takes time to collect and analyze data on health insurance. This brief provides insight into the impact of unemployment on health coverage by using data from before the current recession (2004-2007) to assess the increased risk of becoming uninsured among those who are no longer employed.ⁱⁱ

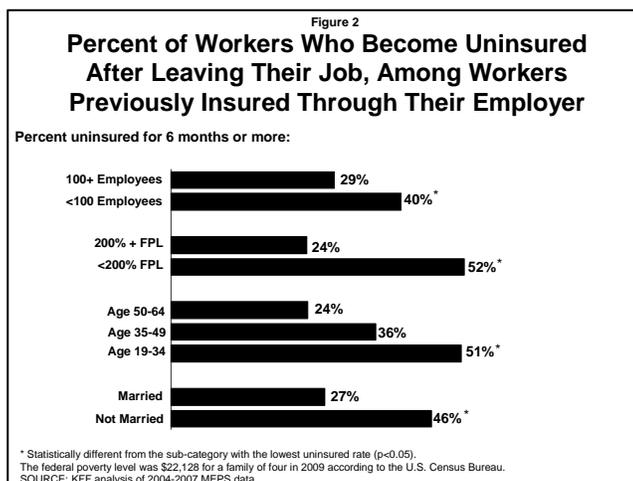
Key Findings

More than one-third (35%) of individuals who stopped working and left a job that previously provided them with employer-sponsored insurance became uninsured for six consecutive months or more after leaving their job (Figure 1). By comparison, just 5% of those who were still working at the end of the two-year survey had been uninsured for 6 months or more.ⁱⁱⁱ



The data used for this analysis is from 2004-2007, when the labor market was relatively strong and unemployment ranged from 4.4% to 5.8%, compared to the current unemployment rate of 9.7%.^{iv} The likelihood of being uninsured for six months or more may now be higher, due to an increase in the risk of being unemployed for a long period of time. In February 2010, 6.1 million individuals had been unemployed for six months or longer.^v

The risk of being uninsured for six months or longer after leaving a job varies by several key characteristics (Figure 2). Individuals who previously worked for smaller firms are significantly more likely to be uninsured. This may be partially due to ineligibility for COBRA among workers in firms with fewer than 20 employees. About half of workers with family incomes below 200% of the federal poverty line (FPL) were uninsured after leaving their job—



twice the risk of workers at or above 200% FPL.^{vi} Younger workers are also more likely to be uninsured after leaving a job than older workers, which may be partially due to the fact that younger adults have accumulated less savings than those who are older.^{vii}

Younger workers are also relatively healthy compared to older workers, which may make younger workers less likely to seek insurance on their own. Workers who are not married cannot enroll in their spouse's health insurance plan after leaving a job and therefore are at an increased risk of remaining uninsured for six months or longer. When the workers in this survey left their jobs, few were able to turn to Medicaid or other public coverage to remain insured due to limits on Medicaid coverage of childless adults as well as low income eligibility levels for parents. Just 16% of the individuals in our analysis who had left a job reported any public coverage in the two years that they were in this study.

Challenges Finding Private Coverage for the Unemployed

Individuals who had employer-sponsored health insurance and lose their job during this recession have a limited set of options as they seek to maintain health insurance. One option designed for these workers is the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), which allows qualifying individuals to temporarily maintain their previous employer-sponsored coverage. The original legislation required that all individuals pay the full premium to maintain their coverage, at an average annual cost of \$13,643 for a family and \$4,920 for an individual.^{viii} In an effort to help people maintain coverage during this recession, Congress has extended and expanded a temporary 65% COBRA subsidy for qualifying individuals who are laid-off. However, not all individuals qualify for COBRA or the subsidy, which excludes those whose employers go out of business or have the equivalent of fewer than 20 employees.^{ix} The subsidized COBRA premiums may still be unaffordable for lower-income workers who are at the highest risk of becoming uninsured after leaving a job.

Individuals who choose to not retain their previous coverage through COBRA can attempt to buy coverage in the individual market, but this option is often not available to those with a history of health problems. Insurers in most states can choose to not offer coverage or charge higher premiums based on an individual's health status.

Availability of Medicaid Coverage for the Unemployed

Medicaid is a vital program that is helping millions of Americans remain insured during the current recession. However, limits on Medicaid eligibility in many states prevent some laid-off workers from qualifying for this program. Under current law, states are required to provide Medicaid to children, pregnant women, elderly and disabled individuals, and parents who meet income eligibility thresholds. While parents in all states are covered as a mandatory eligibility group, states have a great deal of flexibility when setting income eligibility levels and 35 states have set their Medicaid eligibility cutoffs below the poverty line for jobless parents.^x In more than half of states, non-disabled adults who are not parents cannot qualify for Medicaid or other public coverage regardless of income.^{xi} Despite these limits, Medicaid enrollment is increasing in all 50 states as more individuals are becoming eligible as the recession causes declines in income.^{xii} This increase in Medicaid enrollment has likely prevented a larger rise in the uninsured rate. During this recession, the Medicaid program has been bolstered by

increased federal funding through the American Recovery and Reinvestment Act of 2009, which has helped states cope with rising enrollment.

Policy Implications

Individuals who are laid-off or leave a job are at an increased risk of being uninsured. While some may find work and insurance relatively quickly, more than one-third (35%) of those in this study were uninsured for six months or more. These individuals are more likely to delay or forgo necessary care compared to those with coverage. Going without care could impact both their health and, in some cases, make it more difficult for them to return to the workforce. The data presented here suggest that the current health insurance system, which depends on a base of employer-sponsored coverage, does not provide sufficient protection for those who lose their job. Purchasing private insurance may be unaffordable for those who are unemployed and limits on eligibility for Medicaid prevent that program from reaching all low-income individuals. In the absence of comprehensive health reform, individuals facing a layoff will continue to be in danger of losing their health insurance.

Methods:

This analysis used data from the 2004-2007 Medical Expenditure Panel Survey. Questions about work status and whether a person held health insurance through his or her current main job were asked five times during the two years that each individual participated in the survey. Only individuals who became uninsured either in the month they no longer reported working or after that date were included among those uninsured for six months or more for the purpose of this analysis. This study included 363 individuals who were no longer working after leaving a job during the two-year survey and had originally reported that they received health insurance through their current main job. Individuals who lost their jobs in the last five months that they participated in the survey were excluded from the analysis because they could not have been uninsured for six months or longer for the purposes of our analysis.

While the analysis presented in this brief helps quantify the risks of being uninsured among those who lose their jobs during the recession, the data does not precisely mirror the situation faced by the newly unemployed today. Due to the questions asked in the survey that was used for our analysis, we cannot determine if workers were laid-off or left their jobs voluntarily. Those who chose to leave a job may be at a lower risk of being uninsured since they may have factored whether they had the resources to maintain health coverage into their decision to leave their job. Additionally, the data used in this study predates the COBRA subsidy and therefore may underestimate the number of individuals who may now be able to afford COBRA. Some of the individuals who reported being uninsured for six months or longer in the survey may have been able to afford COBRA had the subsidy been in place.

This Kaiser Commission on Medicaid and the Uninsured policy brief was prepared by Karyn Schwartz and Anthony Damico of the Kaiser Family Foundation.

ⁱ Bureau of Labor Statistics, Employment Situation Summary, March 5, 2010.

ⁱⁱ Additional information about the methods is available at the end of the paper.

ⁱⁱⁱ We did not determine whether these individuals had changed jobs during the two-year survey.

^{iv} Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey.

^v Bureau of Labor Statistics, Employment Situation Summary, March 5, 2010.

^{vi} Income was analyzed from the first year of the two-year period when individuals participated in the MEPS.

^{vii} The Federal Reserve Board, 2007 Survey of Consumer Finances, Tables Based on the Public Data, tables last updated February 18, 2010.

^{viii} These premiums are 102% of the average premiums for employer-sponsored insurance using premium data from the 2009 Kaiser/HRET Employer Health Benefits Survey.

^{ix} Some states have state COBRA expansion programs for employees of firms with fewer than 20 employees.

^x D. Ross, M. Jarlenski, S. Artiga and C. Marks, "A Foundation for Health Reform: Findings of a 50 State Survey of Eligibility Rules, Enrollment and Renewal Procedures, and Cost-Sharing Practices in Medicaid and CHIP for Children and Parents During 2009." Kaiser Commission on Medicaid and the Uninsured, December 2009 (#8028).

^{xi} S. Artiga, "Where Are States Today? Medicaid and State-Funded Coverage Eligibility Levels for Low-Income Adults." Kaiser Commission on Medicaid and the Uninsured, December 2009 (#7993).

^{xii} Kaiser Commission on Medicaid and the Uninsured, "Medicaid Enrollment: June 2009 Data Snapshot." February 2010 (#8050).

This publication (#8056) is available on the Kaiser Family Foundation's website at www.kff.org.

The Kaiser Commission on Medicaid and the Uninsured provides information and analysis on health care coverage and access for the low-income population, with a special focus on Medicaid's role and coverage of the uninsured. Begun in 1991 and based in the Kaiser Family Foundation's Washington, DC office, the Commission is the largest operating program of the Foundation. The Commission's work is conducted by Foundation staff under the guidance of a bipartisan group of national leaders and experts in health care and public policy.