

COVID-19, unemployment, and healthcare coverage

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Over a five-week period this month and last, roughly 26 million people applied for unemployment benefits.¹ We have never seen an unemployment surge like this before, or even anything like it. This unemployment wave has led to millions of people losing their employer-sponsored health coverage. The U.S. healthcare system has never had to reenroll this many people this fast. In a system that ties healthcare coverage so tightly to employment, the implications of this many people losing their healthcare coverage are deadly serious in a pandemic.

Those facing changes in employment have many options for maintaining health coverage for themselves and their families. Unfortunately, navigating those options can be bewildering. They may have been laid off, or they may have been furloughed. They may still be working but have seen their hours reduced. If the hours were reduced enough, they may no longer be eligible for healthcare coverage through their employer. If they lost their job and employer health coverage outright, there is the COBRA option. Spouses may have separate coverage, or couples may be in similar boats. Children, who may be eligible for the Children's Health Insurance Program (CHIP), complicate the outlook further. Some of the newly unemployed may be eligible for an ACA plan. They may be eligible for Medicaid. It might be time to retire. Veterans enrolled in coverage through their employers may have government healthcare options available. At the other end of the spectrum, if they are between 19 and 25 years old, they may be able to find coverage through their parents.

At this point, even if COVID-19 went away tomorrow, there are still imposing issues to confront in the greater economy that have been set in motion and must play out—and we have to assume COVID-19 is unlikely to go away tomorrow. A lot of newly unemployed people may be unfamiliar with their choices because they have always been covered through an employer.

What can we expect in the next 30, 60, and 90 days, at both personal and macroeconomic levels? This article outlines a road map that the newly unemployed may find useful as they sort out their options. In turn, what happens next will impact the system at large. Thus, we also offer some perspective on potential factors to expect at a macro level. What lies ahead of us now, out of necessity, will in many ways be a giant iterative social experiment.

Eight roads

Basically, there are eight broad categories of choice people have beyond employer healthcare coverage:

1. Spouse coverage (or dependent coverage on a parent's plan for those 19 to 25 years old)
2. COBRA
3. ACA plan
4. Short-term limited-duration (STLD) and supplemental products
5. Medicaid
6. Medicare
7. VA, TRICARE, etc.
8. No coverage

For many, the above list can work sequentially. If someone can be covered under a spouse's plan that may be the simplest and most straightforward choice most of the time. Spouse loss of a job triggers a special enrollment period in most plans. Most people losing jobs outright will be offered COBRA. Unfortunately, employers will need some time to get COBRA notices out and the cost of COBRA is substantial and thus may be out of reach for most people who are newly unemployed. The Patient Protection and Affordable Care Act (ACA) marketplace is a choice for many because losing a job triggers a special election period. Coverage can seem expensive in the ACA marketplace but, depending on a person's income, there are subsidies to make it more affordable. Short-term limited duration (STLD) plans and supplemental products are an option for those who believe the lapse in coverage may be temporary and they can meet underwriting requirements. Medicaid and Medicare are potential choices beyond that, depending on qualifications such as whether you live in a Medicaid expansion state. Veterans and other special groups may have options they have not elected while under employer coverage that would be available to them. As a last resort, a person can choose to go uninsured. Needless to say, that's risky, especially in a pandemic.

Many of these choices come with time constraints. People only have a certain amount of time to make some decisions. The table in Figure 1 lays out some of the basic situations and the options and requirements within them.

These changes are taking place at a rapid pace. Figure 2 shows key time windows in the currently evolving healthcare transition process. The initial wave of unemployment claims will be followed by the expiration of special election windows for spouse or dependent coverage, COBRA, and the ACA marketplace. Another key time period is the expiration of unemployment benefits. This will take place 39 weeks after initial unemployment in most states because most states cover unemployment for up to 26 weeks with 13 additional weeks being covered under the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by Congress on March 25, 2020.²

Is it actually unemployment?

Each employment situation has its own set of implications for healthcare coverage. To assess the situation, a newly unemployed person's first question may be: Am I actually unemployed? Some people may have been put on leave, with or without pay, or they may be furloughed. Their hours may be reduced to a point where they will no longer qualify for employer coverage. But when they retain qualification for employer coverage they may not qualify for an ACA special election period³ because they may not have lost their job or access to employer-sponsored healthcare coverage, though it is now less affordable. Any change in income could open (or close) healthcare coverage options—for example, a lower income may enable access to larger subsidies under ACA coverage. But remaining covered while on leave or furlough can mean a special election period will not open under the ACA.

Furloughs, which are ultimately designed to protect a person's job for an interim period, may pose unexpected complications. In some cases furloughed employees may have coverage options through the employer that preclude them from accessing the ACA option. If Medicaid comes into play for a furloughed person, it is based on expected income, which could be difficult to

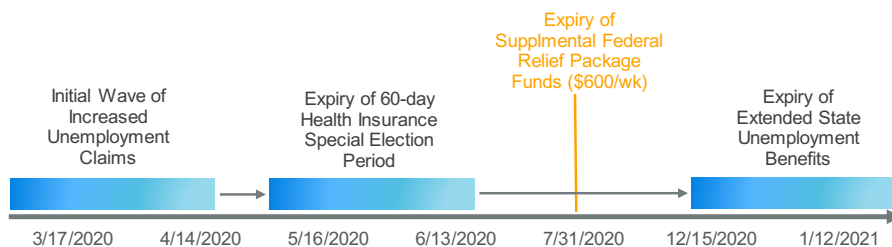
determine in an uncertain labor force environment. The furloughed person may expect to be without work for a few weeks but, in this fast-changing situation, it could turn out to be a few months or longer.

FIGURE 1: HEALTHCARE COVERAGE CHOICES

	Notes	Special Enrollment Time Period
Spouse Coverage	Could be an option for newly unemployed who have a spouse with separate coverage or an employer option in which they are not currently enrolled.	60 days
Dependent Coverage on Parents' Plan	Could be an option for newly unemployed who are 19 to 25 years old.	60 days
COBRA	Option for newly unemployed who worked for a company that employs 20 or more employees.	60 days
ACA	Option if losing employer coverage.	60 days
STLD and Supplemental Products	STLD plans will require underwriting.	Available subject to underwriting.
Medicaid	Option is available to newly unemployed who meet income thresholds.*	Available if income meets requirements.
Medicare	Option is available to newly unemployed who are at least 65 years old.	Age-dependent (delay of enrollment could result in higher premiums)
VA, TRICARE, etc.	Alternative options may be available to veterans or other special groups who qualify for these types of government-funded coverage options.	Options available to very specific populations.
Uninsured	Result of not opting for or being unable to afford other coverage options.	

* Once state unemployment benefits expire, Medicaid enrollment could see another large climb if large unemployment figures persist.

FIGURE 2: KEY DATES IN TRANSITION OF HEALTHCARE COVERAGE



Income levels are important because eligibility for certain programs and subsidies is income-dependent.⁴ For those newly unemployed, however, income can be difficult to estimate. For Medicaid, eligibility is based on current monthly income. The full logic of how it is calculated for ACA marketplace subsidies includes a person's pre-unemployment income, unemployment income, the duration of unemployment, and the average annual income combining all these factors. All four components are critically important to how your available choices will evolve.

What will the healthcare transition numbers look like?

The newly unemployed have a lot of decisions to make in the days and weeks ahead. But what will it mean as they churn through their choices? One feature of this pandemic we have seen again and again is system resources strained to the max and beyond as waves of bulges pass through. What will 26 million healthcare coverage decisions look like on a macro level, and what can we anticipate moving forward? Applying historical patterns and adjusting to project for admittedly unprecedented circumstances, we can provide some sense of the ranges of the movement in type of coverage. Figure 3 shows estimates of where the newly unemployed may be expected to seek healthcare coverage.⁵ (See Appendix A for assumptions and historical patterns used to develop assumptions.)

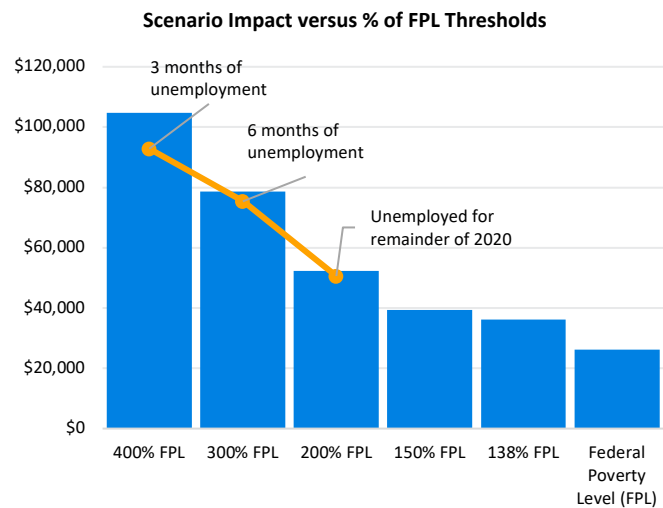
FIGURE 3: INITIAL HEALTHCARE COVERAGE FOR NEWLY UNEMPLOYED

Projected Coverage Status	Approximate range based on roughly 26M new unemployment claims as of April 23, 2020	
Portion of newly unemployed without employer coverage at time of termination	10,400,000	- 15,600,000
Portion of newly unemployed with employer coverage at termination	13,900,000	- 24,090,000
Spouse coverage	130,000	- 520,000
Dependent coverage on parents' plan	50,000	- 240,000
COBRA	860,000	- 2,040,000
ACA	700,000	- 2,450,000
STLD and supplemental products	170,000	- 520,000
Medicaid	9,560,000	- 11,240,000
Medicare	80,000	- 340,000
VA, TRICARE, etc.	110,000	- 250,000
Uninsured	2,230,000	- 6,480,000

Another high-level way to look at anticipated health coverage trends is in terms of 2020 income across three scenarios we see potentially unfolding now: (1) employed through March 15, 2020, loses job March 16, returns to labor force three months later, (2) the same as (1) but returns to labor force six months later, and (3) the same as (1) but does not return to labor force in 2020.

Figure 4 illustrates these scenarios against federal poverty level (FPL) income benchmarks that are important in determining healthcare options available to a newly unemployed person.⁶ Each scenario is based on a pre-unemployment income of 400% of FPL for a family of four, 40% state unemployment benefits, and additional unemployment benefits from the CARES Act.⁷ As can be seen, the person in scenario (1) becomes eligible for a subsidy to purchase an ACA plan with only three months of unemployment. The person in scenario (2) becomes eligible for a higher-level subsidy, and the person in scenario (3) yet a higher-level subsidy.

FIGURE 4: 2020 INCOME LEVELS, BENCHMARKS AND UNEMPLOYMENT SCENARIOS^{8,9}



Conclusion

Like nearly everything we have seen so far in the COVID-19 pandemic, events are happening in surging waves that are straining many systems to the breaking point, not just the healthcare system. Medicaid and ACA officials have said they are expecting to see 20 to 30 times the normal workflow in the coming weeks as a second-order effect of the wave of unemployment claims. For perspective, consider that there are presently 12 million people with ACA compliant coverage—and now, in a five-week period, 26 million people (and their dependents) may suddenly be looking for healthcare coverage. Many options are available that will help the newly unemployed find healthcare coverage, but it's complicated by the fact that it's needed by so many of us at once.



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APPENDIX A – ASSUMPTIONS FOR DEVELOPMENT OF FIGURE 2

The ranges shown in Figure 2 represent the newly unemployed but do not reflect their dependents.

In order to develop these figures, we assumed that the percentage of the labor force that is full-time and has coverage through employers would be in the range of 40% to 60% based on available information. See:

- <https://www.bls.gov/cps/cpsaat08.htm> (retrieved April 23, 2020).
- <https://www.bls.gov/news.release/pdf/ebs2.pdf> (retrieved April 23, 2020).

Estimated Medicaid enrollment is based on the percentage of working households whose initial unemployment earnings are low enough to qualify for Medicaid (this number could increase if unemployment persists, once unemployment benefits are exhausted). We estimated 48% of households would be eligible for Medicaid. We estimated 85% to 100% would elect such coverage. See:

- <https://howmuch.net/articles/how-much-americans-make-in-wages> (retrieved April 23, 2020).
- <https://www.payingforseniorcare.com/federal-poverty-level#48-Contiguous-States-and-D.C.> (retrieved April 23, 2020).

We then considered the number of veterans in the civilian workforce who would have access to VA or TRICARE benefits. See:

- <https://www.bls.gov/news.release/pdf/vet.pdf> (retrieved April 23, 2020).

We assumed 50% of these participants were not currently enrolled in TRICARE or VA benefits but would have these options available to them, and that 70% to 100% of the population would elect VA or TRICARE benefits.

We then segmented the market by age categories: 19- to 25-year-olds, 26- to 64-year-olds, and those 65 and over.

The 19- to 25-year-old enrollment is based on the percentage of the labor force that is age 19 to 25 and have coverage in their own names. See:

- <https://flowingdata.com/2017/11/01/who-is-married-by-now/> (retrieved April 23, 2020).

We assumed that 25% to 35% of the 19- to 25-year-old population who had coverage in their own names would have the option of coverage under a spouse's plan. Of those who had the option of spouse coverage we assumed 75% to 100% would elect such coverage. We assumed 50% to 75% of the remaining 19- to 25-year-old newly unemployed population would select coverage under a parent's plan if it was available.

The underlying data and our assumptions are based on data sets that include:

- <https://ifstudies.org/blog/the-state-of-our-unions-marriage-up-among-older-americans-down-among-the-younger> (retrieved April 23, 2020).

Similarly, Medicare enrollment is based on the percentage of the labor force that is 65 or older and not currently on Medicare.

We assumed that 15% to 35% of the those 65 and over would have the option of coverage under a spouse's plan. Of those who had the option of spouse coverage we assumed 75% to 100% would elect such coverage. We assumed 60% to 90% of the remaining newly unemployed who are 65 and over would elect to enroll in Medicare. The underlying data and our assumptions are based on data sets that include:

- <https://www.aarp.org/work/employers/info-2019/americans-working-past-65.html> (retrieved April 23, 2020).
- <https://www.statista.com/statistics/457822/share-of-old-age-population-in-the-total-us-population/> (retrieved April 23, 2020).
- <https://ifstudies.org/blog/the-state-of-our-unions-marriage-up-among-older-americans-down-among-the-younger> (retrieved April 23, 2020).

For the 26- to 64-year-old population, we assumed 15% to 20% would have a spouse coverage option available to them. Of those, we assumed 75% to 100% would elect such coverage.

COBRA take-up rates were assumed to range from 19% to 27% and are based on values from various studies, including the following:

- https://www.epi.org/publication/decline_in_employer-sponsored_health_coverage_accelerated/ (retrieved April 23, 2020).
- <https://wolterskluwer.com/company/newsroom/news/2006/12/spencer%E2%80%99s-cobra-survey-finds-more-eligible-employees-elect-cobra-coverage-companies-paying-significantly-higher-claim-costs.html> (retrieved April 23, 2020).

ACA plan enrollment is based on historical enrollment adjusted for additional unemployment benefits. We assumed 25% to 35% of the remaining newly unemployed population would elect coverage under an ACA plan. See:

- <https://www.cms.gov/newsroom/fact-sheets/2020-federal-health-insurance-exchange-enrollment-period-final-weekly-enrollment-snapshot> (retrieved April 23, 2020).

As a final category we assumed that 5% to 10% of those not electing some form of coverage above would opt for a STLD or supplemental product.

Other data sources informing our assumptions include:

- <https://www.bls.gov/opub/ted/2016/husband-and-wife-employed-in-48-percent-of-married-couple-families-in-2015.htm> (retrieved April 23, 2020).
- <https://www.cbsnews.com/news/what-to-do-if-you-lose-your-health-insurance-covid-19-coronavirus/> (retrieved April 23, 2020).
- <https://www.npr.org/sections/health-shots/2020/04/03/826316458/coronavirus-reset-how-to-get-health-insurance-now> (retrieved April 23, 2020).
- <https://www.bls.gov/spotlight/2016/self-employment-in-the-united-states/home.htm> (retrieved April 23, 2020).
- <https://fas.org/sgp/crs/misc/R43579.pdf> (retrieved April 23, 2020).
- <https://www.brookings.edu/blog/up-front/2020/04/15/the-unemployment-impacts-of-covid-19-lessons-from-the-great-recession/> (retrieved April 23, 2020).

ENDNOTES

¹ U.S. Department of Labor (April 23, 2020). Unemployment Insurance Weekly Claims. Retrieved April 29, 2020, from <https://www.dol.gov/ui/data.pdf>.

Franck, T. (April 23, 2020). The US economy has wiped out all the job gains since the Great Recession. CNBC. Retrieved April 29, 2020, from <https://www.cnbc.com/2020/04/23/the-us-economy-has-now-erased-all-job-gains-since-the-great-recession.html>.

² Gigante, E. et al. (April 5, 2020). CARES Act Expands Unemployment Insurance Benefits. Proskauer. Retrieved April 29, 2020, from <https://www.lawandtheworkplace.com/2020/04/cares-act-expands-unemployment-insurance-benefits/>.

³ There are 12 states with state-based exchanges that have created special open enrollment periods due to COVID-19. See Man, Annie & Dewey, Barbara. (April 2020). Health Insurance Enrollment Changes Due to COVID-19 and the Potential Impact on the Affordable Care Act Individual Market

⁴ For more information regarding subsidies in the ACA marketplace please see: <https://www.kff.org/health-reform/issue-brief/explaining-health-care-reform-questions-about-health/>.

⁵ For a detailed study on health insurance options available to the newly unemployed, and how the healthcare market transitions may impact the size of the ACA individual market, please see: Man, Annie & Dewey, Barbara. (April 2020). Health Insurance Enrollment Changes Due to COVID-19 and the Potential Impact on the Affordable Care Act Individual Market

⁶ The federal standard under Medicaid expansion established by the ACA for determining Medicaid eligibility is 138% FPL. The 150%, 200%, 300%, and 400% FPL levels are standards for various subsidy levels on the federal Health Insurance Marketplace (Healthcare Exchange) established under the ACA.

⁷ The CARES Act passed by Congress includes a \$600 per week unemployment benefit on top of state unemployment benefits through July 31, 2020. In addition, it extended state unemployment benefits up to a maximum of 39 weeks. The \$600 per week benefit under the CARES Act will not count as income when determining Medicaid eligibility.

⁸ Federal poverty level amounts obtained from <https://www.payingforseniorcare.com/federal-poverty-level#48-Contiguous-States-and-D.C.> (retrieved April 23, 2020).

⁹ Scenario values assume 2020 employed income is 400% FPL for a household of four, unemployed income levels are up to 39 weeks of 40% of pre-unemployment income (based on the median state unemployment benefits and 13-week extension of state unemployment benefits under the CARES Act), and inclusion of an additional \$600 weekly benefit under the CARES Act beginning April 3, 2020, up to the earlier of return to employment or expiration of benefits on July 31, 2020. State unemployment benefits are from <https://fileunemployment.org/unemployment-benefits/unemployment-benefits-comparison-by-state/> (retrieved on April 23, 2020). CARES Act benefits are from <https://www.cnn.com/2020/03/25/politics/senate-stimulus-unemployment-benefits-coronavirus/index.html> (retrieved on April 23, 2020).