

# Unemployment extension 101: how health care is affected

Congress excluded a subsidy for 'COBRA' from the unemployment-benefits extension. As of June 1, thousands of unemployed face higher insurance costs.



Unemployment extension: People wait in line to enter the City University of New York (CUNY) Big Apple job fair in New York, in this April 23 file photo. As of June 1, thousands of unemployed workers face higher insurance costs.

(Shannon Stapleton/Reuters/File)

By Ron Scherer, Staff writer

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New York —

When President Obama signed the six month federal extension of unemployment insurance, one item not included was an extension of the subsidy for health insurance for newly laid-off workers.

That means that as of June 1, thousands of workers are either paying out most of their unemployment checks for health coverage under "COBRA," or just not getting covered.

COBRA, which is administered by the Department of Labor, allows for unemployed individuals to continue to get group health insurance from their former employer who had been subsidizing their coverage. But, they must pay the whole cost of the insurance, plus a 2 percent administrative fee, making the insurance expensive.

Advocates for the unemployed say Congress' decision not to help out those who have lost their employer-subsidized health care is forcing families to put off getting health care if they need it, and is putting even greater pressure on emergency room facilities. Opponents say the benefits extension is expensive if not paid for, and it doesn't fix the underlying problem – getting people a stable source of health-care insurance.

"The best thing for the unemployed and the sick is for Congress to spend as little of the people's money as possible and not create the uncertainty it's causing right now by passing costly new regulations that discourage people from hiring," says Michael Cannon, director of health policy at the Cato Institute, a Libertarian think tank, in Washington. "These subsidies are like unemployment insurance – they are a band-aid that helps a lot of people but does not fix the problem."

The program was particularly popular, however, among the unemployed, because it worked, says Cheryl Fish-Parcham, the

deputy director for health policy for Families USA. “It gave unemployed people the opportunity to use the same health insurance, see the same providers, use the same services – and it was a premium they could afford for a short time,” says Ms. Fish-Parcham.

She says one indication that it worked: it doubled the normal intake of people using COBRA. Now, she says, people have limited options for affordable insurance.

One of those is Jaime Wild, who was laid-off a month ago as the director of social services for the township of Montville, New Jersey. Ms. Wild, with one nine-month-old and a 2-1/2 year-old, lost her health care coverage, which also covered her husband, an electrician with multiple sclerosis (in remission).

Since she knew in January she would be laid-off, she started researching alternative health insurance since COBRA coverage would cost over \$1,400 a month for her family. “We can’t let our health insurance lapse,” says Wild.

She ultimately found a private insurer that is less expensive than COBRA but not as comprehensive.

“It has a \$500 a year cap on prescription drugs,” she says, an amount that she anticipates they will reach quickly.

At this point it’s hard to say how many other people are in the same situation as Wild, but it could be a significant number.

In May, a Treasury Department report [PDF] said a survey of 6,000 unemployed residents of New Jersey found 25 percent to 33 percent used the COBRA subsidies. According to the Treasury, for a typical family, the subsidy, which was originally part of the Obama stimulus package passed in 2009, reduced the cost of COBRA from about \$13,500 per year to \$4,725.

The survey found it was used by families who had been making between \$30,000 and \$134,000 per year.

For many individuals, COBRA coverage without the subsidy is too expensive if an unemployment check is their only source of income. According to Families USA [PDF], there are eleven states where the cost of COBRA coverage exceeds people’s unemployment checks. For the US as a whole, COBRA costs an average of 84 percent of an individual’s unemployment check.

“The middle income need this subsidy,” says Judy Conti of the National Employment Law Project (NELP) in Washington. “Hopefully, people with high incomes have some nest egg.”

There are many companies that advertise themselves as less expensive alternatives to COBRA. However, Ms. Conti says, “You get what you pay for – hopefully it covers someone if the kids get sick or someone has a chronic disease.”

Since 2009, Congress has renewed the COBRA subsidy four times. Almost immediately after the latest subsidy expired, a group of Democratic legislators introduced legislation to renew it through the end of November.

One of those seeking to do so is Sen. Bob Casey (D) of Pennsylvania. He tried to attach it as an amendment to a tax extender bill as well as as a free-standing piece of legislation. It was blocked by Republicans both times, he says.

He says he would have raised enough revenue to pay for the COBRA subsidy by changing the rules on a trust used by the wealthy to pass on large gifts to their heirs without paying significant taxes. Now, no action on the legislation is expected until after the August recess, if even then.

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