

Middle Class Proposal #3

Bridging Health Coverage Between Jobs

As many as one in five uninsured Americans lacks coverage simply because of changing or losing a job. For most, this loss of coverage is a short-term crisis. A temporary bridge insurance benefit can help people keep coverage by lowering the high cost of premiums for COBRA or other temporary insurance until they find permanent coverage.

THE PROBLEM

Losing or changing jobs leaves millions uninsured

Americans change jobs far more frequently than they used to. Americans no longer expect lifetime employment with a single company and in fact, getting ahead often means changing jobs or starting a business rather than staying in one place. But skyrocketing health insurance premiums and the risk of losing coverage altogether have made it far more difficult for many Americans to pursue new opportunities.

Americans need temporary, cost-effective help to pay for health insurance when they are in transition—whether it's between jobs, after a layoff, at the start of a new business, if they have just started a job and are waiting for coverage to kick in, or if they are recent college graduates or early retirees waiting for Medicare to begin.

Changing or losing a job is the second leading reason for loss of coverage.

Of the 47 million uninsured Americans, roughly 1 in 5 is uninsured because they have lost or changed jobs.¹ Losing or changing jobs is second only to cost as the principal reason for lack of coverage.

Many regain coverage quickly—about 1 in 3 who lose insurance regain it within six months.² But even short bouts without insurance can be extremely disruptive. People with pre-existing conditions, for example, face the risk of being turned down for coverage when they re-apply.³ An illness or catastrophic accident may occur. And uninsured children are at risk of injury and illness.

People change jobs far more frequently than in the past.

The reality of today's economy is that people are more likely than ever to switch jobs throughout their careers. Since 1983, median job tenure for men of all ages has

plummeted—for a man between the ages of 45 to 54, for example, the typical stay at a job today is about 8 years, compared to slightly more than 13 years in 1983.⁴ The number of workers who've been at one job for more than 20 years is a scant minority—fewer than 1 in 10.⁵ Moreover, many more workers today are women, who are far more likely to move in and out of the workforce or switch from full-time to part-time positions because of family obligations.

People need to switch jobs to chase opportunity, but the cost of moving employment is often the loss of health coverage—the most important benefit that workers possess. Surveys find that as many as one of three Americans say they are worried about “job lock”—that is, having to stay in their current job instead of taking a new one for fear of losing insurance.⁶ And even when people do find a new job, they may lack coverage at first. As many as 75% of companies impose a waiting period on new employees before they can receive health coverage, and on average, this waiting period is about two months.⁷

Current bridge insurance options are outdated and inadequate.

In the past, health coverage was affordable enough that many could bridge these short term periods on their own. But the average cost of yearly health insurance premiums for family coverage has increased 75% under George Bush—from \$7,056 in 2001 to \$12,106.⁸

While many workers have access to COBRA when they leave a job, it is an expensive, and for most—unaffordable—option. Monthly premiums for COBRA average \$250 for individuals and \$700 for families.⁹ As a consequence, 73% of those eligible for COBRA in 2006 did not enroll, leaving them without any coverage.¹⁰

Coverage through the individual or small-group market can also be extremely expensive, particularly for those who have lost a job and have little or no income. In 2006, monthly premiums in the individual and small group markets averaged \$217 for individuals and \$483 for families¹¹—or roughly one-fourth to one-half of the typical unemployment insurance benefit (\$1,048).¹²

THE SOLUTION

A temporary bridge insurance benefit

A bridge insurance benefit in the form of a \$2,000 advanceable tax credit (\$1,000 for individuals) would help Americans temporarily maintain their coverage between jobs or if they are in a waiting period before coverage begins. Because it is intended to provide short-term assistance, the benefit may be received only once every two years.

Short-term coverage would become more affordable.

The benefit would be generous enough to cover nearly the full cost of four months of family coverage purchased in the small group market and three months of family coverage under COBRA.

Americans would have access to a versatile and easy to administer benefit.

The benefit may be applied toward health insurance premiums for coverage obtained under COBRA, in the private small-group health insurance market, or from a state high-risk pool or other state-sponsored purchasing pool.

It may be received in one of two ways:

- As a tax credit on a taxpayer's year-end return; or
- As an advanceable tax credit for Americans who are unemployed and receiving unemployment benefits.¹³

Significant numbers of uninsured Americans could receive coverage without big government spending.

The proposal would cost \$9.1 billion per year¹⁴ (\$50.4 billion over five years and \$114.8 billion over 10 years) while having the potential to assist as many as 10 million American households in which someone is uninsured.

THE ROLLOUT

Ideas for launching and publicizing the bridge insurance benefit

- **Hold a press conference** featuring Americans who would benefit from the bridge insurance benefit – someone starting a small business, someone who wants to move to a better job but is locked in because of health coverage.
- **Release a short report** showing the rising cost of health insurance and increased number of uninsured since 2000. Show how this proposal would solve a major part of the health care problem.

CRITIQUES & RESPONSES

Bridge Insurance Proposal

It's too expensive.

This proposal will be fully paid for. For every \$1 in tax breaks that went to the middle-class, people making more than \$1 million a year received \$108.¹⁵ By letting President Bush's tax giveaway for millionaires expire, we could raise \$753 billion over the next ten years¹⁶—far more than enough to help more than 9 million people a year afford short-term health insurance.

This doesn't solve the uninsured problem.

But it would make a significant impact. The uninsured are not a monolithic population—people lose coverage for different reasons, and this in turn calls for an array of solutions. The bridge insurance proposal would help the nearly 1 in 5 of the uninsured who have lost coverage because they have lost or are changing jobs.

This will be abused and lead to people choosing not to work.

It won't be abused because it's temporary and is available for use only once every two years. This would, in essence, cover health insurance costs for a typical family for a maximum of 4 months over a 24-month span. That is hardly an incentive for people to leave their jobs, but does give families a cushion when a wage-earner chooses to start a business, change jobs, or loses a job.

This is more big government.

Even staunch conservatives like John McCain say we have a health care crisis in America. This solution actually follows some conservative principles – it does not limit any health insurance choices, does not replace private insurance with government insurance, and it uses vouchers and tax credits which conservatives say they favor. Saying no to this type of solution means conservatives aren't serious about any health care reform.

Endnotes

¹ An Urban Institute study of the uninsured found that 26.7% of uninsured adults stated that they lacked health insurance because of losing or changing jobs. Of the 46,995,000 million Americans who were uninsured in 2006, 8,661,000 are children under 18 years old and 38,334,000 are adults. Urban Institute, "Why Do People Lack Health Insurance?" May 2006, available at <http://www.urban.org/publications/411317.html>.

² Department of Health and Human Services, "Overview of the Uninsured in the United States: An Analysis of the 2005 Current Population Survey," September 2005, available at <http://aspe.hhs.gov/health/reports/05/uninsured-cps/index.htm>.

³ Under the Health Insurance Portability and Accountability Act (HIPAA), people with pre-existing conditions cannot be denied or limited coverage for their pre-existing condition unless they have had a break in coverage of 63 days or more. If they have been uninsured for more than 63 days, the new insurer can limit or deny coverage for the pre-existing condition for up to one year. CRS, "The Health Insurance Portability and Accountability Act (HIPAA) of 1996: Overview and Guidance on Frequently Asked Questions," January 24, 2005.

⁴ U.S. Department of Labor, Bureau of Labor Statistics, "Median Tenure Declines Among Older Men, 1983-2000," Monthly Labor Review, September 2000; U.S. Department of Labor, Bureau of Labor Statistics, News Release, "Employee Tenure in 2006," September 2006, available at <http://www.bls.gov/news.release/tenure.nr0.htm>

⁵ U.S. Department of Labor, Bureau of Labor Statistics, News Release, "Employee Tenure in 2006," September 2006, available at <http://www.bls.gov/news.release/tenure.nr0.htm>

⁶ Kaiser Family Foundation Poll, national survey of 1,202 adults, October 14-17, 2004.

⁷ Kaiser Family Foundation, "2007 Employer Health Benefits Survey," September 2007, available at <http://www.kff.org/insurance/7672/upload/76723.pdf>

⁸ Kaiser Family Foundation, "2001 Employer Health Benefits Survey," August 2001, available at <http://www.kff.org/insurance/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=13836>; Kaiser Family Foundation, "2007 Employer Health Benefits Survey," September 2007, available at <http://www.kff.org/insurance/7672/upload/76723.pdf>.

⁹ National Coalition on Health Care, "Facts on Health Insurance Coverage," 2007, available at <http://www.nchc.org/facts/coverage.shtml>.

¹⁰ Press Release, "Spencer's COBRA Survey Finds More Eligible Employees Elect Coverage, Companies Paying Significantly Higher Claim Costs," Wolters Kluwer Law & Business, December 2006, available at <http://www.cch.com/press/news/2006/20061206h.asp>.

¹¹ America's Health Insurance Plans, "Individual Health Insurance 2006-2007: A Comprehensive Survey of Premiums, Availability, and Benefits," December 2007, available at http://www.ahipresearch.org/pdfs/Individual_Market_Survey_December_2007.pdf.

¹² Economic Policy Institute, "Unemployment Insurance: Facts at a Glance," last revised August 2004, available at http://www.epi.org/content.cfm/issueguides_unemployment_facts.

¹³ Administration of the voucher could be modeled after the Health Coverage Tax Credit available under Trade Adjustment Assistance (TAA). This credit is available on an advance basis for workers who qualify for TAA. Because of programmatic flaws, the advance benefit reached only 9600 individuals in fiscal 2006. Government Accountability Office, "Trade Adjustment Assistance: Changes to Funding Allocation and Eligibility Requirements Could Enhance States' Ability to Provide Benefits and Services," GAO Report GAO-07-702, May 2007. Our proposal would simplify and expand the HCTC.

¹⁴ Third Way calculation based on potential number of eligible households and their estimated tax liability.

¹⁵ Greg Leiserson and Jeffrey Rohaly, "The Distribution of the 2001-2006 Tax Cuts: Updated

Projections, November 2006,"Tax Policy Center, Urban Institute and Brookings Institution. See Table 3 in the Appendix. According to this table, the average millionaire will receive a tax cut of \$130,423 in 2008, while the average person making \$50,000-\$75,000 will receive just \$1,203 in tax relief. This translates into a ratio of 108 to 1.

¹⁶ Third Way calculation based on Tables 3, 4, 5, and 6 of Greg Leiserson and Jeffrey Rohaly, "The Distribution of the 2001-2006 Tax Cuts: Updated Projections, November 2006,"Tax Policy Center, Urban Institute and Brookings Institution, available at <http://www.taxpolicycenter.org/publications/url.cfm?ID=411378>.