

COBRA Assistance: A Lifeline for America's Unemployed

In February 2009, during an historic period of economic hardship for American families, Congress enacted, and the President signed, the American Recovery and Reinvestment Act (ARRA). Since that time, ARRA has delivered essential assistance to families struggling to stay afloat despite reduced work hours, reduced salaries, and unemployment. In particular, ARRA has made it possible for families to maintain peace of mind in one of the most important areas of their life—their health. ARRA created a subsidy that has allowed millions of laid-off American workers and their families to maintain their employer-based health coverage (through the Consolidated Budget Reconciliation Act of 1985, or COBRA) during their difficult periods of unemployment.

The U.S. Treasury Department examined the effects of this COBRA subsidy, which pays 65 percent of the monthly premium for individual or family coverage, in a recent report using New Jersey as a case study.¹ The Treasury Department determined that the economic situation in New Jersey is representative of the situation in the U.S. overall. The report found that:

- Unemployed workers made considerable use of the COBRA subsidy. Conservative estimates indicate that between one-quarter and one-third of workers eligible for help obtained COBRA coverage.
- 15 percent of the unemployed were insured through COBRA, while 40 percent were uninsured (the rest received help from other sources). Therefore, without the COBRA subsidy, the uninsured rate among these unemployed workers could rise to 55 percent.
- Middle-class workers were those likeliest to receive critical assistance through the COBRA subsidy. Workers who earned between \$30,000 and \$134,000 before losing their jobs were likeliest to benefit, constituting 80 percent of the individuals who used the subsidy.

Earlier studies also confirm that the ARRA subsidies for COBRA coverage have been essential in providing health insurance security to unemployed workers throughout the

recession. One study from August 2009 found that enrollment in COBRA among eligible workers doubled once the subsidy became available to unemployed families.²

Without the subsidy, health insurance would be unaffordable for unemployed workers. A 2009 study found that:³

- With the 65 percent subsidy, COBRA coverage cost, on average, an estimated \$389 a month for a family in 2009. Without the subsidy, the cost to an unemployed family would skyrocket to \$1,111 a month—far beyond the reach of most unemployed families.
- Without the subsidy, COBRA coverage would consume 83.4 percent of an American family's monthly unemployment check, on average. Most unemployed families couldn't afford this cost and still pay for shelter, food, and clothing.

The COBRA assistance provided through ARRA and extended in December 2009 has been an essential lifeline for unemployed American families. If unemployed workers lose this subsidy, they will not be able to afford to insure their families. In this challenging economy, extending the 65 percent COBRA subsidy is critical for protecting the health and well-being of American families fighting to stay afloat.

¹ U.S. Treasury Department Office of Economic Policy, *COBRA Insurance Coverage since the Recovery Act: Results from the New Survey Data* (Washington: U.S. Treasury, May 2010).

² Hewitt, *Hewitt Analysis Shows Average COBRA Enrollments Doubled Since Subsidy Became Available in February 2009* (Lincolnshire, IL: Hewitt, August 18, 2009), available online at:

www.hewittassociates.com/Intl/NA/en-US/AboutHewitt/Newsroom/PressReleaseDetail.aspx?cid=7133.

³ Cheryl Fish-Parcham and Claire McAndrew, *Special Report: Expiration of COBRA Subsidy* (Washington: Families USA, December 2009).



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