



## TRANSITIONAL SUBSIDIES FOR HEALTH INSURANCE COVERAGE

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### Strategies to Expand Health Insurance for Working Americans

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## EXECUTIVE SUMMARY

Losing or leaving a job often means losing health insurance. Of all those who lose private insurance and become uninsured, one third have either left or lost a job in the recent past. Among those currently uninsured, almost 60 percent have left or lost a job in the past year. Those with long spells of unemployment are most likely to lack any form of health insurance.

Programs to help job losers and leavers get coverage are particularly important because job mobility is high in the United States. Around 20 percent of workers have held their jobs for less than one year. Workers constantly move from less- to more-satisfactory positions, raising both their welfare and the overall productivity of society. The fear of losing health insurance, however, leads many people to remain in less-productive jobs. This phenomenon, known as “job lock” probably accounts for a significant loss of productivity for the U.S. economy every year. Credible estimates suggest that job lock may reduce mobility in the U.S. labor force by as much as one-quarter. Transitional subsidies and loans that would enable job losers and leavers to buy health insurance might combat job lock in a cost-effective way, even if they only helped a small number of currently uninsured people.

Currently, two federal programs help job losers and leavers keep health insurance. Under the Consolidated Omnibus Reconciliation Act (COBRA) of 1985, employers sponsoring group health insurance plans must offer terminating employees and their families the opportunity to remain in the group for a specified period, usually 18 months.

COBRA is expensive both for the former employee, who must pay his own premiums, and for his former employer, who must pay associated administrative costs. In addition, because COBRA participants tend to be less healthy than nonparticipants, employers effectively subsidize COBRA premiums. COBRA may also discourage employers from hiring new workers, because even those who remain with a company for short periods are eligible for COBRA benefits. Finally, COBRA time limits may not be long enough to help those who move to new jobs that do not provide insurance, or who remain unemployed for long periods.

Even with these deficiencies, COBRA does seem to reduce job lock. According to one study that examined the period from 1983 to 1989, job mobility increased by 12 percent to 15 percent when continuation coverage, like that offered under COBRA, was offered for one year. If job losers and leavers do not enroll in COBRA, their only

alternative is non-group insurance, which is more expensive and less comprehensive than group insurance. Keeping job losers and leavers in their employers' health insurance groups as long as possible is therefore a priority.

I propose to expand COBRA so that it would provide longer term coverage and would be more affordable for both employees and employers. Under such a program, COBRA benefits would be available for 36 months, rather than the current maximum of 18, and workers in all firms would be eligible, not just those in firms with more than 20 employees. To protect employers and encourage hiring, a defined period of prior employment (one or two years) would be required to enroll in the new COBRA program.

A new COBRA-LOAN program would offer government loans to every COBRA enrollee to help them pay the cost of COBRA while they searched for new opportunities. Loan repayment would begin one year after the end of the loan period. The interest rate would be the government's borrowing rate, plus a small increment to cover the government's administrative costs.

Repayment would not be required of individuals with an annual income below the federal poverty line (FPL) during the 12 months following the loan period. Those with incomes between 100 percent and 300 percent of the FPL during this period would have part of their loans forgiven. In general, loan repayments would always remain below 10 percent of income. COBRA premium payments and COBRA loan repayments would be fully tax deductible.

A new government entity would be established to administer COBRA-LOAN. This body would repay employers for the premiums they pay on behalf of their former employees under COBRA-LOAN, and would set schedules for, and accept, loan repayments. Employers would send premium bills to the government entity, and would receive a tax credit equal to the administrative costs of COBRA and COBRA-LOAN.

COBRA-LOAN should increase uptake of COBRA benefits by workers undergoing job transitions. It should also be attractive to a wider range of workers than the current COBRA program, reducing both job lock and adverse selection at once. Costs for employers would fall, because administrative expenses would be subsidized, short-term employees would be ineligible for COBRA, and adverse selection would be reduced. It should also be fairer that the present COBRA program, which effectively excludes those too poor to participate.

The dramatic rise and high level of uninsurance rates in the United States, despite a nearly uninterrupted 15-year economic boom, is striking. In 1987, 14.8 percent of non-elderly Americans were without health insurance. Over the next decade, this rate grew by nearly 25 percent to 18.3 percent, so that in 1997 there were over 43 million uninsured Americans.

This striking trend has motivated discussion of a variety of solutions, from expanding eligibility for public insurance programs, as was done for children through the CHIP program, introducing new tax subsidies for health insurance coverage, or insurance market reform. One approach that has received relatively little attention is increasing access to insurance for those losing or leaving jobs. This population is of particular interest because while unemployment is low in the United States, mobility remains high. Around 20 percent of workers in the United States have been at their jobs for less than one year (Farber, 1999). As documented below, job loss or leaving is a major reason for loss of private health insurance coverage. Finally, individuals may be afraid to move to more productive jobs because they fear losing health insurance. Such “job lock” is one of the most important economic consequences of uninsurance in the United States. Transitional subsidies targeted to job losers and leavers may be the most cost-effective way to combat job lock, even if they only address a very small proportion of the uninsured.

This paper considers several issues in the design of such transitional policies. In Part I, I provide background on insurance coverage in the United States, with a particular focus on mobility-induced changes in insurance status, and the likely enormous costs to the U.S. economy of job lock. I also review existing transition policies, including continuation-coverage mandates through the states and the federal government, and recent legislation which has increased the portability of group coverage across plans and into the non-group market.

In Part II, I discuss how we could do better by extending an existing successful program that provides insurance to job losers and leavers. This program, continuation coverage federally mandated under the 1985 Consolidated Omnibus Reconciliation Act (COBRA), could be expanded in three ways: by lengthening its duration, expanding its scope, and, most importantly, providing income-contingent government loans to finance its uptake. Such a policy would have distributional advantages, since it would extend the reach of COBRA to low-income populations unlikely to take it up now, and efficiency advantages, since extending and subsidizing COBRA would mitigate job lock and increase the productivity of job matches in the United States. I summarize these points and draw conclusions in Part III.

# TRANSITIONAL SUBSIDIES FOR HEALTH INSURANCE COVERAGE

## PART I. BACKGROUND

### Insurance Coverage in the United States

Nine of every ten privately insured individuals in the United States obtain coverage through their employers. The remainder purchases insurance in the non-group market or through some alternative grouping mechanism. The workplace provides a natural insurance pool, since it comprises large numbers of people for reasons largely independent of health status.

Large workplace insurance pools gain administrative economies of scale, and avoid the adverse selection that plagues attempts to pool individuals in the non-group market. The other advantage of employer-provided health insurance is that it is subsidized by the federal government. While wages paid by a firm to its workers are taxed, health insurance expenditures on their behalf are not. There is no clear consensus as to whether the pooling mechanism or the tax subsidy best explains why most people obtain insurance through their employers. However, there must be an important role for the former, as even very large price elasticities of demand seem unlikely to explain the overwhelming concentration of insurance in the workplace.<sup>1</sup>

The non-group insurance market does not share the advantages of workplace pooling. Non-group policies are much more expensive than group policies. They are also much more likely to be risk-rated, in that age, sex, and even health status are reflected in the premiums, although Pauly and Herring (1999) conclude that the differences in this respect between group and non-group policies may be over-estimated. Non-group policies are also much less generous than typical group policies. Gruber and Madrian (1994) note that compared to group policies, non-group policies are only half as likely to cover major medical costs, physician visits, or prescription drugs; they are only two-thirds as likely to cover ambulance, mental health, and outpatient diagnostic services. Furthermore, non-group policies generally have higher deductibles and higher copayments.

Job leaving and job losing are major causes of loss of insurance in the United States, partly because non-group policies are so unattractive compared to group policies. To document this, I use data from the 1993 panel of the Survey of Income and Program Participation (SIPP), which measures employment and insurance transitions over four-month periods.<sup>2</sup> Unfortunately the SIPP cannot distinguish job losers from job leavers, but it can measure total job separation, as well as job switching. I use a sample of all workers ages 21–62, and examine the correspondence over four-month periods between insurance changes and employment changes.

The findings from analysis of the SIPP are striking:

- 17.5 percent of those uninsured at any point in time have either left/lost jobs in the past four months and become unemployed (3.7%), left the labor force (4.1%), or moved to a new job (9.7%).
- 58 percent of those uninsured at any point in time have either left/lost jobs or switched jobs (or both) in the past year.
- 31.3 percent of those moving from private insurance to no insurance at any point in time have either lost/left jobs in the past four months and become unemployed (7.1%), left the labor force (8.2%), or moved to a new job (16%)
- 18 percent of those moving from work to unemployment lose their private health insurance and become uninsured; 11 percent of those moving from work out of the labor force lose private insurance and become unemployed.

That is, almost one-third of the transitions from private insurance to no insurance are associated with job leaving. Of those without insurance, over one-sixth have left or lost jobs in the past four months, and almost 60 percent have left or lost jobs in the past year. These enormous fractions suggest that focusing on job transitions may be an important way to deal with uninsurance.

Those who are unemployed for long periods suffer most, according to the analysis of Gruber and Madrian (1997). This arises because people who have the longest spells of unemployment are also most likely to lose private coverage when leaving their jobs. In addition, the longer individuals are out of work, the more likely they are to lose private coverage, either because continuation coverage expires or because families become unable to finance coverage. For example, Gruber and Madrian report that those who are out of work for more than a year, have a 24 percent chance of becoming uninsured in the first month of unemployment, and a 35 percent chance after the first year.

### The Importance of Job Lock

From the perspective of economic efficiency, perhaps the most important reason to be concerned about loss of insurance is health insurance-induced immobility, or “job lock.” According to Gruber (1999) the economic theory of job lock argues that individuals will hesitate to move from a job with insurance to one without it if they value their insurance more than the average cost to their employer, and if this is not reflected in their wages.

Gruber (1999) reviews a number of studies suggesting that job lock is an empirically important phenomenon. The best-known estimate of its effect is Madrian's (1994) finding that job lock may reduce mobility between jobs in the United States by as much as one-quarter.

Mobility is the hallmark of the U.S. labor market, with 20 percent of workers currently in jobs they have held for less than one year (Farber, 1999). Workers constantly move from less to more satisfactory positions, raising both their welfare and the overall productivity of society. Restricting their mobility can have significant negative implications for economic efficiency.

It is very difficult to quantify how much productivity is lost by restricting mobility. This is a function of how much workers value their health insurance, what their next best alternative costs, and the extent to which their productivity gains in their new position will accrue to them, as opposed to their new employers. Gruber and Madrian (1997) found evidence that when continuation coverage is available to workers who separate from their jobs, they find new jobs with much higher wages than when it is not available. This suggests that policies tightly targeted to job losers and leavers, while not covering large numbers of uninsured people, may provide substantial gains in terms of productivity.

#### Current U.S. Policy—Structure and Impact

The U.S. federal government has two policies designed to improve health insurance coverage during job transitions. The first is mandated continuation coverage under the 1985 Consolidated Omnibus Reconciliation Act (COBRA). This legislation built on a decade of state laws mandating that employers sponsoring group health insurance plans offer terminating employees and their families the right to continue their health insurance coverage through the employer's plan for a specified period of time. Although individuals must pay the full average cost of their group insurance, the price may be well below that of a policy purchased in the individual market, especially for individuals with high medical expenditures.<sup>3</sup> Moreover, as documented above, group insurance is typically much more generous than policies purchased in the non-group market, especially because pre-existing conditions exclusions and underwriting are much more severe in the individual market. Thus, continuation-coverage benefits provide a valuable temporary source of portability for job leavers and losers.

Continuation-coverage laws generally apply to all job separations, except those due to an employee's gross misconduct, although in some states benefits are restricted to those who leave their jobs involuntarily. Continuation-coverage plans also provide benefits to



divorced or widowed spouses and their families. The first such law was implemented in Minnesota in 1974. More than 20 states passed similar laws over the next decade before COBRA mandated such coverage at the national level. The state laws generally provided continuation coverage for 6–12 months, while the federal statute mandated such coverage for 18 months. Currently, federal law typically applies to workers in firms with more than 20 employees, but for smaller firms (who are subject to state regulation under the ERISA law, and therefore exempt from state regulation) state laws, with shorter time periods of coverage, apply.

The availability of continuation coverage should mitigate job lock, by providing a temporary bridge to those who will be unemployed during their search, who will move to a job without coverage, or who will be temporarily uncovered on their new jobs. Gruber and Madrian (1994) found that over the 1983–1989 period, one year of continuation coverage raised mobility rates by 12 percent to 15 percent. Given that the portability of health insurance under this plan was relatively limited, this is a sizeable effect, suggesting that health insurance plays an important role in job lock. Gruber and Madrian (1997) follow up this analysis by considering the impact of continuation-coverage mandates on transitions out of employment, as opposed to job-job movements. They find that a) almost all of the effect of continuation-coverage mandates is on movements out of employment; b) there appears to be relatively little relationship between availability of continuation coverage and duration of not working, conditional on leaving a job; and c) continuation-coverage mandates are important in maintaining the insurance coverage of job leavers, particularly those who are subsequently unemployed for a year or more, when continuation coverage raises the odds of insurance coverage by 19 percent.

COBRA has some important disadvantages, however. First, COBRA plans are very expensive, even though costs are subsidized relative to non-group plans. Second, the time limits substantially lower the value of COBRA plans to those considering moving permanently, or for long periods, to jobs without health insurance. This is also an important consideration from an equity perspective, since, as noted above, it is those with the longest spells of unemployment who are most likely to lose insurance.

The COBRA mandate is also costly for employers, since it is predominantly those individuals with high expected medical costs who take up the continuation offer. Indeed, the health care cost of a COBRA enrollee is typically more than 1.5 times that of an average enrolled worker (Huth, 1998). The administrative costs of COBRA for employers are also considerable. On the other hand, since COBRA reduces job lock, it is misleading to state that these higher costs are COBRA-induced; without COBRA, some of these workers would have remained on the job and continued to cost more than average.

A final and related point is that COBRA imposes a separation cost that may discourage the hiring of new workers. Federal COBRA legislation mandates no minimum period of health insurance coverage before eligibility for COBRA benefits, so firms may be forced to contribute to 18 additional months of insurance for former workers who may have been employed for short periods. Firms may be reluctant to hire workers, especially older ones, with potentially high medical costs, because they know that COBRA uptake by those workers later will be a net average cost.

The second major federal intervention in this area is the 1996 Health Insurance Portability and Accountability Act (HIPAA), which mandated that private insurers permit the conversion of group policies to individual coverage, so that high-cost individuals leaving jobs could continue to access insurance. HIPAA also set limits on preexisting conditions exclusions, although insurers can refuse to cover illnesses that existed when an individual's insurance coverage began. Finally, HIPAA guaranteed that small groups applying for insurance would be offered coverage.

In principle, these reforms are a means of expanding coverage with little public cost. However, while the evidence thus far is limited, these reforms seem to have had little effect on uninsurance primarily because insurers can easily circumvent these restrictions by raising prices, which are not federally regulated. Thus, conversion to non-group policies does not "level the playing field" for those losing group coverage when they leave their jobs.

At the same time, a number of states have been passing similar and often more expansive private insurance market regulations. In addition to the features noted above, they are experimenting with price regulation designed to deal with the deficiencies of HIPAA for small firms and, to a lesser extent, for individuals. Some states have mandated that prices stay within certain bands, so that the highest-cost firm or individual cannot be charged more than a fixed multiple of the premium paid by the lowest-cost firm or individual. Some states have even gone so far as to mandate community rating, whereby all firms or individuals in certain categories must be charged the same premium.

Evidence concerning the impact of these state regulations is once again limited. One recent study suggests that since these policies were introduced, insurance coverage has risen for older and higher-cost workers, but has fallen even more for younger and lower-cost workers, with a net reduction in insurance coverage overall (Simon, 1999). This suggests that insurers have reacted to these regulations by raising all premiums, while making them uniform.

## Summary

Several important conclusions can be drawn from the above discussion. First, job loss and job leaving are major causes of loss of private health insurance coverage. Second, the prospect of losing employer-provided coverage when switching jobs is a major deterrent for workers who might be able to move to more productive positions. Third, continuation-coverage mandates appear to provide an effective, but limited, means of mitigating job lock and maintaining insurance coverage among job losers and leavers, but they are unpopular with employers. Finally, other insurance market regulations do not appear to hold much promise for providing a net increase in insurance coverage.

This suggests that we need to consider options that build on the success of COBRA in providing transition coverage to job leavers and losers, while recognizing its economic and political limitations.

## PART II. COBRA EXTENSION AND COBRA-LOAN

The core proposal described here would build on the strengths of COBRA, but would expand it in three ways. It would be made more affordable, particularly for low-income job leavers; the time span of coverage would be extended, making it more valuable; and a loan program would address the liquidity problems that lead to limited uptake of the benefit. In addition, the increased cost to employers from COBRA extensions would be limited by new restrictions on eligibility and reduced adverse selection among those taking up benefits. Administration would be easier because employers would need to deal with only a single government entity, rather than many former employees, and a tax credit would be provided for the costs of administering COBRA programs.

This proposal has four key features. First, COBRA entitlements would be increased from 18 to 36 months for separating workers; for widows of Medicare beneficiaries and other special groups currently entitled to 36 months of coverage, the maximum entitlement would remain 36 months. COBRA entitlements would also be extended to all firms, not just those with more than 20 employees.

Second, a period of prior employment would be required to qualify for COBRA. Workers could now only take up COBRA benefits if they had been covered by health insurance on the job for at least one year, and they could only take up more than 18 months of coverage if they had been covered by health insurance on the job for at least two years.

Third, government-provided loans would be made available to every person taking up COBRA coverage. Upon notifying employees of their COBRA rights, employers would also notify them of their eligibility for the federal COBRA-LOAN

program. If an employee enrolls in the plan, the federal government would pay her COBRA costs for the entire period of continued coverage.

One year after ending COBRA-LOAN participation, the employee would begin to repay her government loan. Loan repayment would take place over a period equal to the duration of the COBRA-LOAN, so that if the loan ran for 36 months, the loan would have to be repaid over 36 months in quarterly installments. The interest rate would be the government's borrowing rate, plus a small increment to cover the administrative costs to the government of running COBRA-LOAN.

Individuals would also be eligible for income-related forgiveness of their loans, based on income during the 12 months previous to the repayment period. For individuals with annual income up to 100 percent of the federal poverty line during this period, there would be full loan forgiveness. For individuals with annual income between 100 percent and 300 percent of the federal poverty line during this period, forgiveness would fall with income, so that at 300 percent of the poverty line individuals would repay the entire loan. If a typical group premium for a family is roughly \$5,500, premium repayments would be \$1,815 at 150 percent of the poverty line, or about 7 percent of income for a family of four. Families earning 300 percent of the poverty line, would have to repay \$5,500, or about 10 percent of income. The broad range over which repayment is phased out reflects a desire to keep costs at or below 10 percent of income, and to minimize excessive taxes on additional work, in a range where the EITC already imposes high implicit tax rates. This phaseout would impose an additional tax rate of 16 percent on average for these job losers and leavers. In addition, all COBRA premium payments and COBRA-LOAN repayments would be made fully deductible from income taxes.

The program would be administered through a government entity, working in conjunction with employers. For workers who choose not to take COBRA-LOAN, the employer's role would remain the same as today, and the government would have no role. For workers who choose to take COBRA-LOAN, the employer would no longer deal with the employee, but rather would only send its premium bills to the government entity. When a worker on COBRA-LOAN wished to terminate his continuation coverage, he would notify his employer, who would in turn notify the government entity and cease sending it bills for premiums.

The government entity would then tally the total cost of COBRA premiums for the employee, and would use the total as the basis for repayment one year later. The repayment would compensate the government for the loan at its borrowing cost, subject to the income-related forgiveness provisions above.

The final feature of the proposal is a tax credit to employers for the cost of administering the COBRA program. One of the major complaints about COBRA is that the administrative costs substantially exceed the 2 percent load on employee premiums paid by COBRA enrollees. Under this plan, employers would receive a credit on their corporate taxes for their costs of administering COBRA in excess of this 2 percent load. In many cases these costs will be fairly easy to measure, since COBRA administration is often contracted out to third parties.

### Advantages of COBRA-LOAN

One of the many advantages of COBRA-LOAN is that it could substantially increase uptake of COBRA benefits by workers who separate from their jobs. Low-income workers would now be able to take advantage of COBRA, given the income-related forgiveness of COBRA-LOAN. Even higher-income workers with temporarily limited finances during periods of unemployment, or who are moving to new jobs with initially low wages, would benefit from these government loans. The key advantage is that COBRA-LOANS would help workers maintain coverage at a time when their incomes temporarily may be quite low.

The availability of COBRA-LOANS, the extension of the program to up to 36 months, and the inclusion of smaller firms should all significantly reduce job lock. Workers hesitant about moving to new positions without health insurance may be more willing to do so knowing that they are covered for three full years, rather than only 18 months. Indeed, Gruber and Madrian have found that longer durations of COBRA entitlement are associated with more insurance coverage for separating workers, and more job mobility, so further extensions should be even more beneficial. Moreover, premiums and repayments are tax deductible, and this will reduce job lock that arises because workers are reluctant to give up a tax-preferred benefit for higher wages from a firm that doesn't offer insurance. These foregone federal tax revenues will be more than offset by the beneficial impact of reduced job lock on the economy, with federal and state revenues rising in the long run from higher wage matches and/or higher corporate profits.

Third, these extensions will make COBRA more fairly distributed. One criticism of COBRA is that only higher-income workers can afford to take up the benefits. The income-related forgiveness of COBRA-LOAN mutes this criticism. Moreover, as noted above, the group of workers most in need of insurance coverage after separation comprises those with long separations, and the extension and COBRA-LOAN features would most benefit that group as well.

The nature of the income contingency of COBRA-LOAN repayments provides some insurance to workers who move to lower paying jobs when they separate, echoing recent proposals for “wage insurance” for separating workers (e.g., Burtless et al., 1998). A key feature of layoffs is that subsequent wages are, on average, roughly 25 percent lower (Jacobson, LaLonde, and Sullivan, 1993). Thus, a further distributional advantage of this proposal is that it will help cushion the blow for those taking new, lower-paying jobs by reducing the amount of COBRA costs they must repay. At the same time, this proposal addresses a typical criticism of wage-insurance proposals, that they lower incentives for workers to find higher-paying new positions, because the implicit tax rate on earnings in the new job is quite low.

Fourth, this proposal has a number of advantages for employers that offset the cost of extending COBRA duration and scope. First, the universe of eligible workers would be limited through the new tenure requirements, reducing fears of long-run costs from short-run employees. Second, the COBRA-LOAN subsidies would likely *mitigate* adverse selection into the program, since it will not just be the sickest individuals who will take up coverage. The current high cost of COBRA to employers arises from the fact that it often only provides a sensible alternative for relatively unhealthy individuals. Under this subsidy program, healthier individuals would find COBRA more attractive, improving the overall health of the COBRA pool. The additional cost to employers from higher uptake under an income subsidy plan would be mitigated. Indeed, it is possible that such a plan could *lower* net costs to employers, if the average individual who takes up subsidized coverage has lower than average costs; this is conceivable since the most mobile workers are often the youngest and healthiest. Third, the employer would be able to deal with a single government entity, rather than multiple former employees participating in COBRA, and this would lower administrative costs. Finally, there would be a tax credit to defer the extra costs that still arise from administering this program.

### PART III. CONCLUSIONS

Politicians of all stripes have recognized that incremental approaches to the problem of the uninsured are likely to be the most successful in our current political climate. Yet, the debate over incremental options is focused almost exclusively on income-based programs, with proposals either to extend public programs to low-income populations or to provide new tax subsidies that would benefit middle-income taxpayers. In this paper I have laid out an argument for moving the debate away from a focus on income per se, and towards job lock, which may be the most important productivity cost of uninsurance in the United States. Tightly targeted new programs focused on job lock are likely to cost relatively little, and could provide enormous benefits through more efficient functioning of the labor market.

I have discussed a proposal that would both extend the reach of COBRA and increase its availability through income-contingent loans. This proposal would make COBRA a much more attractive option for many job leavers and losers. It would mitigate job lock, and improve the distributional consequences of COBRA. Moreover, the increased costs to employers would be significantly reduced by restrictions on worker eligibility, the improved composition of the risk pool that takes up COBRA benefits, and reduced administrative costs. Thus, this provides a sensible addition to our health care system, which would improve both income distribution and labor-market efficiency.

## NOTES

<sup>1</sup> See Gruber (1999) for a review of the literature on taxes and health insurance demand, and Gruber and Lettau (2000) for some new evidence on the elasticity of demand for insurance by firms.

<sup>2</sup> I am indebted to Lara Shore-Sheppard for doing the SIPP calculations underlying these figures.

<sup>3</sup> Gruber and Madrian (1994) estimate that the price of a family policy purchased in the non-group insurance market for a 40-year-old man with a wife and two children was 40% higher than the price of continuing group coverage; Gruber and Madrian (1995) estimate this differential to be 70% for a married couple with a 58-year-old head.



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*#415 Challenges and Options for Increasing the Number of Americans with Health Insurance* (January 2001). Sherry A. Glied, Joseph A. Mailman School of Public Health, Columbia University. This overview paper summarizes the 10 option papers written as part of the series *Strategies to Expand Health Insurance for Working Americans*.

*#442 Incremental Coverage Expansion Options: Detailed Table Summaries to Accompany Option Papers Commissioned by The Commonwealth Fund Task Force on the Future of Health Insurance* (January 2001). Sherry A. Glied and Danielle H. Ferry, Joseph L. Mailman School of Public Health, Columbia University. This paper, a companion to publication #415, presents a detailed side-by-side look at all the option papers in the series *Strategies to Expand Health Insurance for Working Americans*.

*#423 A Health Insurance Tax Credit for Uninsured Workers* (December 2000). Larry Zelenak, University of North Carolina at Chapel Hill School of Law. A key issue for uninsured adult workers is the cost of insurance. This paper, part of the series *Strategies to Expand Health Insurance for Working Americans*, proposes using a tax credit to help workers afford the cost of coverage. It assumes age-/sex-adjusted credits averaging \$2,000 per adult or \$4,000 per family, with a full refundable "credit" for those with incomes at or below 200% percent of poverty. The paper analyzes administrative and other issues related to the use of such tax credits.

*#422 Buying into Public Coverage: Expanding Access by Permitting Families to Use Tax Credits to Buy into Medicaid or CHIP Programs* (December 2000). Alan Weil, The Urban Institute. Medicaid and CHIP offer administrative structures and plan arrangements with the capacity to enroll individuals and families. This paper, part of the series *Strategies to Expand Health Insurance for Working Americans*, proposes permitting, but not requiring, tax-credit recipients to use their credits to buy into Medicaid or CHIP.

*#421 Markets for Individual Health Insurance: Can We Make Them Work with Incentives to Purchase Insurance?* (December 2000). Katherine Swartz, Harvard School of Public Health. Efforts to improve the functioning of individual insurance markets require policy makers to trade off access for the highest-risk groups against keeping access for the lowest risk-groups. This paper, part of the series *Strategies to Expand Health Insurance for Working Americans*, discusses how individual insurance markets might best be designed in view of this trade-off.

*#420 A Workable Solution for the Pre-Medicare Population* (December 2000). Pamela Farley Short, Dennis G. Shea, and M. Paige Powell, Pennsylvania State University. Adults nearing but not yet eligible for Medicare are at high risk of being uninsured, especially if they are in poor health. This paper, part of the series *Strategies to Expand Health Insurance for Working Americans*, proposes new options to enable those 62 and older early buy-in to Medicare (or to subsidize other coverage) through premium assistance for those with low lifetime incomes and new health IRA or tax-deduction accounts for those with higher incomes.

*#419 Allowing Small Businesses and the Self-Employed to Buy Health Care Coverage Through Public Programs* (December 2000). Sara Rosenbaum, Phyllis C. Borzi, and Vernon Smith. Public programs such as CHIP and Medicaid offer the possibility of economies of scale for group coverage for small employers as well as individuals. This paper, part of the series *Strategies to Expand Health Insurance for Working Americans*, proposes allowing the self-employed and those in small businesses to buy coverage through these public plans, and providing premium assistance to make it easier for them to do so.

*#418 A Federal Tax Credit to Encourage Employers to Offer Health Coverage* (December 2000). Jack A. Meyer and Elliot K. Wicks, Economic and Social Research Institute. Employers who do not currently offer health benefits to their employees cite costs as the primary concern. This paper, part of the series *Strategies to Expand Health Insurance for Working Americans*, examines the potential of offering tax credits (or other financial incentives) to employers of low-wage workers to induce them to offer coverage.

*#417 Public Subsidies for Required Employee Contributions Toward Employer-Sponsored Insurance* (December 2000). Mark Merlis, Institute for Health Policy Solutions. Some uninsured workers have access to employer group coverage but find the cost of their premium shares unaffordable. This paper, part of the series *Strategies to Expand Health Insurance for Working Americans*, examines the potential for using a tax credit or other incentive to help employees pay their share of premium costs in employer-sponsored plans. The paper analyzes how such premium assistance might work as an accompaniment to a tax credit for those without access to employer plans.

*#414 Increasing Health Insurance Coverage Through an Extended Federal Employees Health Benefits Program* (December 2000). Beth C. Fuchs, Health Policy Alternatives, Inc. The FEHBP has often been proposed as a possible base to build on for group coverage. This paper, part of the series *Strategies to Expand Health Insurance for Working Americans*, proposes an extension of FEHBP (E-FEHBP) that would operate in parallel with the existing program. The proposal would require anyone qualifying for a tax credit to obtain it through E-FEHBP and would also permit employees of small firms (<10 workers) to purchase health insurance through the program. The proposal would also provide public reinsurance for E-FEHBP, further lowering the premium costs faced by those eligible for the program.

*#413 Private Purchasing Pools to Harness Individual Tax Credits for Consumers* (December 2000). Richard E. Curtis, Edward Neuschler, and Rafe Forland, Institute for Health Policy Solutions. Combining small employers into groups offers the potential of improved benefits, plan choice, and/or reduced premium costs. This paper, part of the series *Strategies to Expand Health Insurance for Working Americans*, proposes the establishment of private purchasing pools that would be open to workers (and their families) without an offer of employer-sponsored insurance or in firms with up to 50 employees. All tax-credit recipients would be required to use their premium credits in these pools.

*#425 Barriers to Health Coverage for Hispanic Workers: Focus Group Findings* (December 2000). Michael Perry, Susan Kannel, and Enrique Castillo. This report, based on eight focus groups with 81 Hispanic workers of low to moderate income, finds that lack of opportunity and affordability are the chief obstacles to enrollment in employer-based health plans, the dominant source of health insurance for those under age 65.

*#424 State and Local Initiatives to Enhance Health Coverage for the Working Uninsured* (November 2000). Sharon Silow-Carroll, Stephanie E. Anthony, and Jack A. Meyer, Economic and Social Research Institute. This report describes the various ways states and local communities are making coverage more affordable and accessible to the working uninsured, with a primary focus on

programs that target employers and employees directly, but also on a sample of programs targeting a broader population.

*#411 ERISA and State Health Care Access Initiatives: Opportunities and Obstacles* (October 2000). Patricia A. Butler. This study examines the potential of states to expand health coverage incrementally should the federal government decide to reform the Employee Retirement Income Security Act (ERISA) of 1974, which regulates employee benefit programs such as job-based health plans and contains a broad preemption clause that supercedes state laws that relate to private-sector, employer-sponsored plans.

*#392 Disparities in Health Insurance and Access to Care for Residents Across U.S. Cities* (August 2000). E. Richard Brown, Roberta Wyn, and Stephanie Teleki. A new study of health insurance coverage in 85 U.S. metropolitan areas reveals that uninsured rates vary widely, from a low of 7 percent in Akron, Ohio, and Harrisburg, Pennsylvania, to a high of 37 percent in El Paso, Texas. High proportions of immigrants and low rates of employer-based health coverage correlate strongly with high uninsured rates in urban populations.

*#405 Counting on Medicare: Perspectives and Concerns of Americans Ages 50 to 70* (July 2000). Cathy Schoen, Elisabeth Simantov, Lisa Duchon, and Karen Davis. This summary report, based on *The Commonwealth Fund 1999 Health Care Survey of Adults Ages 50 to 70*, reveals that those nearing the age of Medicare eligibility and those who recently enrolled in the program place high value on Medicare. At the same time, many people in this age group are struggling to pay for prescription drugs, which Medicare doesn't cover.

*#391 On Their Own: Young Adults Living Without Health Insurance* (May 2000). Kevin Quinn, Cathy Schoen, and Louisa Buatti. Based on The Commonwealth Fund 1999 National Survey of Workers' Health Insurance and Task Force analysis of the March 1999 Current Population Survey, this report shows that young adults ages 19–29 are twice as likely to be uninsured as children or older adults.

*#370 Working Without Benefits: The Health Insurance Crisis Confronting Hispanic Americans* (March 2000). Kevin Quinn, Abt Associates, Inc. Using data from the March 1999 Current Population Survey and The Commonwealth Fund 1999 National Survey of Workers' Health Insurance, this report examines reasons why nine of the country's 11 million uninsured Hispanics are in working families, and the effect that lack has on the Hispanic community.

*#364 Risks for Midlife Americans: Getting Sick, Becoming Disabled, or Losing a Job and Health Coverage* (January 2000). John Budetti, Cathy Schoen, Elisabeth Simantov, and Janet Shikles. This short report derived from The Commonwealth Fund 1999 National Survey of Workers' Health Insurance highlights the vulnerability of millions of midlife Americans to losing their job-based coverage in the face of heightened risk for chronic disease, disability, or loss of employment.

*#363 A Vote of Confidence: Attitudes Toward Employer-Sponsored Health Insurance* (January 2000). Cathy Schoen, Erin Strumpf, and Karen Davis. This issue brief based on findings from The Commonwealth Fund 1999 National Survey of Workers' Health Insurance reports that most Americans believe employers are the best source of health coverage and that they should continue to serve as the primary source in the future. Almost all of those surveyed also favored the government providing assistance to low-income workers and their families to help them pay for insurance.

*#362 Listening to Workers: Findings from The Commonwealth Fund 1999 National Survey of Workers' Health Insurance* (January 2000). Lisa Duchon, Cathy Schoen, Elisabeth Simantov, Karen Davis, and Christina An. This full-length analysis of the Fund's survey of more than 5,000 working-age Americans finds that half of all respondents would like employers to continue serving as the main

source of coverage for the working population. However, sharp disparities exist in the availability of employer-based coverage: one-third of middle- and low-income adults who work full time are uninsured.

#361 *Listening to Workers: Challenges for Employer-Sponsored Coverage in the 21st Century* (January 2000). Lisa Duchon, Cathy Schoen, Elisabeth Simantov, Karen Davis, and Christina An. Based on The Commonwealth Fund 1999 National Survey of Workers' Health Insurance, this short report shows that although most working Americans with employer-sponsored health insurance are satisfied with their plans, too many middle- and low-income workers cannot afford health coverage or are not offered it.

#262 *Working Families at Risk: Coverage, Access, Costs, and Worries—The Kaiser/Commonwealth 1997 National Survey of Health Insurance* (April 1998). This survey of more than 4,000 adults age 18 and older, conducted by Louis Harris and Associates, Inc., found that affordability was the most frequent reason given for not having health insurance, and that lack of insurance undermined access to health care and exposed families to financial burdens.