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Estimates of the Impact of COVID-19 on Disruptions and Potential Loss of Employer-Sponsored Health Insurance (ESI)

COVID-19 Impact: Up to 18.4 million newly unemployed Americans and their dependents may face disruptions and potential loss of their health insurance coverage.

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A new University of Minnesota COVID-19 Health Insurance Model (MN-HIM) estimates that in the four weeks leading up to April 11, 2020, as many as 18.4 million individuals in the United States may be at risk of losing their employer-sponsored health insurance (ESI) coverage, including policyholders and their dependents. Based on the Bureau of Labor Statistics (BLS) estimate that an additional 4.4 million initial unemployment insurance claims were filed in the week ending on April 18, 2020, our preliminary estimates of total potential ESI losses over the five-week period rise to 22.3 million. ***In a worst-case scenario, the loss of employer-sponsored insurance (ESI) could increase the national rate of uninsured by 65%—from 8.8% to 14.5%—and the numbers of uninsured from 28.5 to 46.9 million.*** The MN-HIM model is designed to produce state-level estimates of ESI disruptions, and complements the recent analysis released by the Economic Policy Institute by including estimates of ESI coverage loss for policyholders as well as dependents. Understanding the magnitude of potential coverage disruptions, including total loss of coverage, resulting from unemployment is critical to policy makers, public program administrators, and safety net providers as they develop policy and programmatic responses to help affected populations.

Background

Most Americans rely on their place of employment to obtain private health insurance coverage. Currently, 64% of nonelderly adults (age 19-64) and their dependents get health insurance coverage through an employer.[1] ESI coverage rates differ extensively by state and by type of industry. States with the lowest ESI coverage include New Mexico (52.7%), Florida (56.0%), Louisiana (57.5%) and Arkansas (58.2%), and states with the highest coverage rates include Hawaii (76.1%), New Hampshire (72.5%), Wisconsin (71.9%), Virginia (71.6%), and Minnesota (71.6%). ESI coverage rates also vary considerably by industry. For instance, workers in Public Administration (e.g., federal, state, and local government) and Finance have coverage rates that exceed 80%, while workers in the Leisure and Hospitality industry have rates below 50%.[2]

One weakness of relying on employers as the primary source of health insurance is that individuals' health insurance coverage is closely tied to the labor market. In the four weeks ending on April 11, 2020, more than 22 million workers (seasonally-adjusted) filed for unemployment insurance as the economy shut down in response to the coronavirus (COVID-19) pandemic, wiping out more than a decade of job creation. In the following week, ending on April 18, 2020, an additional 4.4 million workers filed for unemployment insurance. This unprecedented increase in unemployment could correspondingly lead to equally unprecedented decreases and disruptions in health insurance coverage.

To estimate the potential loss of ESI coverage due to COVID-19, faculty in the Division of Health Policy and Management at the University of Minnesota's School of Public Health and staff from the State Health Access Data Assistance Center (SHADAC) have developed the University of Minnesota COVID-19 Health Insurance Model (MN-HIM). The model uses information on ESI coverage rates from the Current Population Survey Annual Social and Economic Supplement (CPS ASEC), the Bureau of Labor Statistics' employment levels by state and industry, and state agency reports of initial unemployment claims by overall and by industry through April 11, 2020.

Preliminary Results

Our estimates indicate that as many as 18.4 million Americans faced disruptions and potential loss of their ESI during the four-week period ending April 11, 2020, including newly unemployed workers along with their dependents. When looking across all 50 states, including the District of Columbia (D.C.), we found substantial state variation in potential losses, with greater disruptions in the most populous states like California, where we estimate 2.2 million individuals had potential loss of ESI, along with Michigan, Florida, and New York, where we estimate that over 1 million individuals faced potential loss of ESI.

- Of those 18.4 million individuals facing disruption and potential loss of ESI, we estimate that 52.0% (or 9.6 million) were policyholders, and the remaining 48.0% (or 8.8 million) were dependents, including spouses/partners and children.[3]
- We estimate that there were nearly 3.8 million additional disruptions to ESI coverage in the week ending on April 18, 2020, bringing our preliminary estimate of the five-week total ESI disruption to just under 22.3 million—assuming that the patterns of job loss across industries and states in the week ending on April 18, 2020, matched the patterns of the previous four weeks.
- State-level estimates of ESI disruption vary from a low of 31,000 in Wyoming to 2.2 million in California, including policyholders and their dependents.

Figure 1. Estimated Employer-Sponsored Health Insurance (ESI) Disruptions, by State

State	Policyholders	Dependents	Total	State	Policyholders	Dependents	Total
Alabama	127,000	109,000	236,000	Montana	30,000	27,000	57,000
Alaska	18,000	16,000	34,000	Nebraska	42,000	42,000	84,000
Arizona	190,000	173,000	363,000	Nevada	140,000	121,000	261,000
Arkansas	79,000	68,000	147,000	New Hampshire	44,000	41,000	85,000
California	1,132,000	1,031,000	2,163,000	New Jersey	257,000	238,000	495,000
Colorado	177,000	160,000	337,000	New Mexico	51,000	46,000	97,000
Connecticut	104,000	97,000	201,000	New York	572,000	526,000	1,098,000
Delaware	27,000	23,000	50,000	North Carolina	282,000	241,000	523,000
Dist. of Columbia	39,000	34,000	73,000	North Dakota	21,000	20,000	41,000
Florida	572,000	480,000	1,052,000	Ohio	377,000	371,000	748,000
Georgia	286,000	244,000	530,000	Oklahoma	99,000	85,000	184,000
Hawaii	43,000	38,000	81,000	Oregon	94,000	86,000	180,000
Idaho	49,000	44,000	93,000	Pennsylvania	391,000	365,000	756,000
Illinois	403,000	396,000	799,000	Rhode Island	32,000	29,000	61,000
Indiana	222,000	219,000	441,000	South Carolina	137,000	117,000	254,000
Iowa	106,000	105,000	211,000	South Dakota	28,000	28,000	56,000
Kansas	83,000	82,000	165,000	Tennessee	199,000	170,000	369,000
Kentucky	121,000	104,000	225,000	Texas	479,000	408,000	887,000
Louisiana	123,000	104,000	227,000	Utah	101,000	92,000	193,000
Maine	38,000	36,000	74,000	Vermont	20,000	18,000	38,000
Maryland	160,000	137,000	297,000	Virginia	286,000	247,000	533,000
Massachusetts	276,000	256,000	532,000	Washington	308,000	286,000	594,000
Michigan	555,000	555,000	1,110,000	West Virginia	40,000	35,000	75,000
Minnesota	194,000	193,000	387,000	Wisconsin	206,000	204,000	410,000
Mississippi	71,000	60,000	131,000	Wyoming	16,000	15,000	31,000
Missouri	191,000	189,000	380,000	Total	9,638,000	8,811,000	18,449,000

Implications

Maintaining the link between employment and health insurance coverage for nonelderly Americans is challenging during economic downturns when employers are forced to cut costs, tighten their belts, and, in the case of COVID-19, shut their doors. Safety net programs such as Medicaid, CHIP, and subsidized individual coverage through the ACA Marketplaces can alternately provide coverage during these downturns; however, a downturn coupled with an unprecedented public health emergency has created new challenges for our complex, multi-payer system of financing medical services that already saw an estimated 28.5 million uninsured.

The COVID-19 recession is likely to induce significant disruptions and potential losses of ESI at a time when the financial protection provided by health insurance is critical for covering expenses associated with testing, treatment, and potential hospitalization. The extent of coverage losses and states' responses to those losses are expected to vary considerably, given historical state-level ESI coverage rates (a function of the composition of industries and firm sizes), rates of uninsurance, and the availability and accessibility of public insurance and other safety net programs.

Previous U.S. recessions have also caused sizable ESI losses. During the Great Recession in 2007-2009, unemployment rose from 5.0% to 9.5%, and an estimated 9.3 million adults and children lost their employer-sponsored health insurance coverage.[4] Enrollment in Medicaid/CHIP offset some of this loss, particularly for children. But, on net, uninsurance increased as a direct result of ESI losses.

The COVID-19 recession is still in progress, and is characterized by both an economic crisis and a health care crisis. Some key considerations that provide context during these unique circumstances:

1. Overall, the COVID-19 recession is expected to have a greater impact on job loss and to last much longer than previous recessions. As reported by the Bureau of Labor Statistics on April 3, 2020, the number of unemployed rose by 1.4 million to 7.1 million in the month of March—a 25% increase—and the unemployment rate increased to 4.4 percent.[5] Economists anticipate that the April unemployment rate could be in the range of 15-20% and could even be as high as 30% by the end of the second quarter.[6,7,8] The economic recovery depends in large part on the public health response, and there is still much uncertainty about how the coronavirus can be contained before the availability of a successful vaccine.

2. Health insurance is critical during a pandemic, as those who contract the novel coronavirus may have higher demand for emergency department care and hospitalizations relative to the status quo. About one-third of all confirmed COVID-19-associated hospitalizations reported between March 1, 2020, and April 11, 2020, were working age adults, age 50-64 years (32.8 per 100,000).[9]

3. When compared with the Great Recession, the health care safety net in place during the current COVID-19 recession has been made substantially broader due to provisions of the Affordable Care Act (ACA). The expanded safety net for low-income populations includes the Medicaid expansion passed in 37 states for those with incomes up to 138% of the federal poverty guidelines (FPG) ($29,974 for a family of three in 2020); the availability of premium subsidies provided to purchase federal and state-based Marketplace plans for those with incomes between 138-400% FPG in Medicaid expansion states and 100-400% of FPG for non-expansion states;[10] the ability for inclusion of young adults as dependents on a parent's policy; and other provisions.

   Importantly, individuals who lose ESI due to job loss will qualify for a special enrollment period in the ACA Marketplaces. However, prior to the arrival and spread of COVID-19, there were an already existing 28.5 million uninsured individuals, including many for whom Marketplace coverage may still not be affordable. In addition, workers who were uninsured before COVID-19 will not qualify for a special enrollment period (SEP) unless they live in a state with a State-based Marketplace that is offering a COVID-19 SEP. Finally, the ACA is scheduled to be reviewed by the Supreme Court this fall, putting the entire law and all of these aforementioned coverage protections in jeopardy.

Our estimates were developed to inform the public and policymakers about the possible extent of ESI disruptions, including loss of coverage, in order to help inform policy decisions. For instance, our analysis found that certain industries like Manufacturing and Leisure and hospitality have been hardest hit with potential losses of coverage, but for different reasons. Prior to the COVID-19 recession, Manufacturing had high rates of ESI per worker with a moderate number of dependents per policyholder that have now been coupled with a significant number of job losses, whereas Leisure and hospitality previously had low rates of ESI coverage per worker and smaller numbers of dependents per insured worker, but has now experienced a staggering rate of job losses.

We also note that our estimates represent a likely worst-case scenario for ESI disruption and loss of coverage. Some companies may maintain ESI for workers who are furloughed, and some laid-off employees may choose to purchase COBRA in order to remain covered. It is also possible that an individual who loses their ESI could be added as a dependent to another household member's ESI who did not lose their job. However, extended coverage may not last through the duration of the coronavirus crisis, and while COBRA may be an option, for many it may not be affordable.

In any of these scenarios, however, it is clear that the economic impact of COVID-19 will result in significant loss of ESI and an increased reliance on publicly financed insurance (Medicaid and Marketplace plans), as well as charity care provided by community hospitals and safety net providers. Targeted solutions to address access to affordable health insurance will be key to providing a safety net for those in need during this difficult time.

Finally, Congress and states are working to fill the gaps in coverage posed by the economic and public health crisis. For states that have expanded Medicaid, they may increase outreach and enrollment to eligible families. The Centers for Medicare and Medicaid Services (CMS) has also provided mechanisms and waivers to facilitate enrollment and continuity of coverage. Additionally, the federal administration stated that the recently passed CARES Act includes funding for hospitals and other providers to cover the costs of testing and treatment of COVID-19 for the uninsured, though details are still forthcoming. Information and outreach to educate the public about the availability of testing, treatment, and hospitalization with no to low costs will be critical in the time to come as specifics are released.

Model Background

The University of Minnesota COVID-19 Health Insurance Model (MN-HIM) was developed by faculty from the Division of Health Policy and Management (HPM) and staff at the State Health Access Data Assistance Center (SHADAC) at the University of Minnesota School of Public Health. Our approach involved using the number of initial Unemployment Insurance (UI) claims at the industry level as a proxy for number of job losses by industry. We link that information with state-specific information on the total number of employees as of February 2020 and the share of those employees in each industry. That is combined with Census region- and industry-specific estimates of the likelihood that an employee had ESI coverage along with the estimated number of dependents covered by each ESI policyholder.

To produce both sets of estimates and the accompanying breakdowns, we took the following steps:

1. Estimate the number of people who lost their jobs in the four weeks ending on April 11, 2020, by state and by industry.
2. Estimate the Census region- and industry-specific likelihood that an employee was an ESI policyholder.
3. Estimate the Census region- and industry-specific average number of dependents covered by a policyholder's ESI.
4. Combine the information from steps 1-3 to compute national and state-level estimates of ESI losses.

Our estimates represent an upper bound of potential ESI disruptions and losses, as a certain percentage of individuals filing UI claims may be furloughed by employers that are maintaining their health benefits, may be self-employed, or may be an independent contractor and might already be purchasing coverage via the individual market.[11] A full description of assumptions and methods employed in producing the estimates can be found in our technical documentation at: https://www.shadac.org/publications/COVID-19-MNHealth-Insurance-Model

The model uses data from three primary sources:

1. Data on the total number of employed people per state as of February 2020, as well as the breakdown by industry, come from the BLS March 2020 State Employment and Unemployment report (Table 4).

2. To estimate the national proportion of initial UI claims by industry, we collected data on UI claims by industry in the four weeks ending on April 11, 2020, that were publicly reported by 11 states, including: Iowa, Kansas, Massachusetts, Michigan, Nebraska, Nevada, New York, North Dakota, Oregon, Texas, and Washington.

3. To obtain estimates of industry-specific and Census region-specific ESI coverage, we used the 2019 Current Population Survey Annual Social and Economic Supplement (CPS ASEC).

Our model is similar to the model developed by the Economic Policy Institute, but differs in important ways. We include estimates of the potential impact of job loss on dependent coverage including children (age 0-18) and young adults (19-25) who, through provisions of the Affordable Care Act (ACA), are allowed to stay on their parent's plan. We use a broader industry categorization than the Economic Policy Institute model, but incorporate richer information on regional differences in ESI rates by industry and we benchmark to more recent estimates of the number of people employed in each state and industry.

This model will continue to be updated. The next step in our efforts to understand the effects of the COVID-19 recession with regard to health insurance will be to assess the impact on changes in coverage afforded by various provisions put in place to address the increase in the uninsured. These include the Medicaid expansion in the 37 states that have elected to expand Medicaid, new COVID-19 Open Enrollment periods for states with State-Based Marketplaces, emergency Medicaid provisions, and other provisions being discussed by the Congress.

Endnotes

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