

Risky Business: Recognizing the Flaws of Employer-Based Health Insurance during COVID-19

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As of April 23th, 2020, over 26 million Americans had filed for unemployment due to COVID-19 related business closures.¹ The U.S. government has been slow to respond to the direct impacts of unemployment, including the loss of employer-based health insurance for millions of Americans in the middle of a pandemic. According to projections, 7.5 million workers and several million of their dependents will lack health insurance by June 2020.²

COVID-19 Has Exposed the Flaws of Employer-Based Health Insurance

The Affordable Care Act, which President Barak Obama signed into law in 2010, represented an attempt to address flaws in the American healthcare system through several mechanisms, including expanding health insurance coverage to more individuals. Under the ACA, uninsured rates have declined in the U.S., but most insured Americans (56%) still receive their insurance benefits through their employers.³ The recent emergence of COVID-19 and subsequent surge in unemployment has revealed weaknesses in the U.S.'s employer-based health insurance model.

The roots of employer-based health insurance extend as far back as World War II, when companies used benefit packages to compete for workers during wage freezes.⁴ Because employers can write off employee insurance premiums as a business expense, purchasing health insurance coverage through employers is far cheaper than most private insurance options available on the open market.

National crises have a way of forcing voters and politicians to face painful truths. The COVID-19 disaster has highlighted the need for guaranteed and affordable health insurance in the United States.

COVID-related layoffs in the U.S. create a challenge for families who rely on employment for insurance. To maintain coverage, individuals who experience job loss can purchase insurance through Consolidated Omnibus Budget Reconciliation Act (COBRA) or by applying for a special "life event" if there is not open enrollment in the marketplace. The ability to retain employer-based health insurance under COBRA is dependent on the type of work, the nature of the separation, and the nature of the unemployment.⁵ Continuation of coverage through COBRA is not available to all recently unemployed

workers. Employers must have employed at least 20 people for more than half of their operating days during the previous year in order for their employees to qualify.⁶ Even for those who qualify, COBRA coverage is usually cost prohibitive, with the individual having to cover the full cost of their insurance premiums that were fully or partially covered by their employer. For the recently unemployed, hundreds and even thousands of dollars a month to retain coverage is not feasible.

Americans will face many challenges during the post-coronavirus economic reconstruction. Access to healthcare should not be one of them. The current crisis has exposed many of the failures of the U.S.'s

for-profit health care system. The current health insurance infrastructure in America has created a dangerous situation that demands federal and state authorities and private businesses to enact rapid changes. These changes must be adopted before the secondary effects of the crisis set in, namely, the increased incidence and exacerbation of existing chronic health issues related to poverty and unemployment. Reductions in healthcare access due to the loss of health insurance will only decrease the capacity for Americans to be proactive about their health, will negatively impact the ability to manage existing chronic health issues, and will prohibit the ability of Americans to fully participate in and contribute to U.S. society.

There are Roadmaps to Alternative Health Insurance Systems

The federal government must change the U.S. health insurance system. It is clear that business as usual is not working. National crises have a way of forcing voters and politicians to face painful truths. The COVID-19 disaster has highlighted the need for guaranteed and affordable health insurance in the United States. Many other countries have had such guarantees in place for decades. There are several models to choose from that would guarantee healthcare access to all citizens. The U.S. is one of the

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only industrialized countries in the world where a significant share of the population does not have guaranteed health insurance coverage.⁷ There are several public systems, public/private hybrids, and single-payer models in multiple countries throughout the world.⁸ If the U.S. fails to guarantee healthcare access during this crisis, it will not be due to a lack of a roadmap or lack of options. Instead, failure to do so would merely represent a failure of policymakers to value the safety and health of citizens and a dereliction of official responsibility to protect citizens, which is the chief function of government.

There are some proposals on the table, including a House proposal to ensure employer-health insurance packages continue while workers are furloughed or laid off. There have also been proposals to expand Medicaid. The Worker Health Coverage Protection Act would cover the full costs of COBRA premiums for individuals who lost their jobs or whose hours have been reduced due to COVID-19.⁹ This legislation has the potential to alleviate displaced workers' financial burdens and provide continued coverage.

Restructuring health insurance and the subsequent delivery of care will require a cultural shift toward the view that health is a public good. Policymakers must reconsider the dangerous standard of binding health insurance to employment. This pandemic is evidence that our current system fails millions of Americans. It is critical that individuals can access affordable health insurance, regardless of employment status.

No American should have to choose between expensive COBRA insurance plans and feeding their children. It should certainly not be the case that, in one of the richest nations on the planet, people have crippling medical debt. People losing their health insurance after losing their job is not new or isolated to the current crisis. Leadership must look forward during this time to ensure that all individuals are insured and can access quality health care so that the burden of unemployment is never heavier because of loss of health insurance.

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