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Health Insurance and the Unemployed

Background Information Prepared by the Staff for the
Use of the

COMMITTEE ON FINANCE

UNITED STATES SENATE

RUSSELL B. LONG, *Chairman*



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I. Problems

With the unemployment rate high, there is a probable high loss of group health insurance coverage. The exact dimensions of this situation are unknown. The majority of the labor force in the United States is covered under group health insurance coverage through their place of employment. Group health insurance is relatively inexpensive for many employees because group coverage generally costs about one-half as much as individually-purchased insurance and because the employer frequently pays most or all of the premiums. Most workers who become unemployed for a period of more than a month lose these advantages and, if they wish to retain health insurance, they must convert to a more expensive (or less adequate) nongroup policy and pay its full cost out of their remaining income or savings.

In general, those unemployed who lose their employer-sponsored health insurance protection are unable to obtain coverage under other existing public health care programs which are targeted toward specific population groups. The Medicare program is limited to the coverage of the aged and disabled. Medicaid provides protection to many—but not all—of the nation's poor, but the program's eligibility requirements (income and assets tests) would preclude most of the unemployed from obtaining program benefits. These tests are apart from what many unemployed regard as the "welfare stigma," entailed in applying for Medicaid. Specifically, many of these individuals are unable to meet the program's categorical requirements which are tied to the eligibility definitions under welfare programs, have means (varying from State to State) in excess of State limitations for Medicaid, or reside in States which exclude intact families from program benefits. Similarly, other public medical care programs, such as those sponsored by the Veterans' Administration can potentially provide services to only a limited number of this population group.

While loss of group health insurance has always been a problem for the unemployed, it has become more widespread as unemployment has increased. Hospitals and other medical providers are also concerned that increasing numbers of individuals will not be able to pay for the care they receive and that their financial stability could be undermined.

II. Outlines of Suggested Solutions

A. PROPOSALS BEFORE THE COMMITTEE

(S. 496—Bentsen)

General Approach

S. 496 establishes a hospital insurance program for most unemployed workers and their dependents by extending Part A—Medicare eligibility to such individuals. Under the provisions of this legislation, qualified persons would become entitled to hospital insurance benefits under Part A of Medicare.

People Covered

Part A—Medicare coverage would be extended to every unemployed individual who is entitled to receive weekly State or Federal unemployment compensation. The individual's dependent spouse and children would also be covered for Part A benefits.

Scope of Benefits

Benefits are identical to the existing Part A—Medicare benefits. In summary, they include: (i) inpatient hospital services for up to 150 days during any spell of illness; (ii) post-hospital skilled nursing facility services for up to 100 days during any spell of illness; and (iii) post-hospital home health services for up to 100 visits. In addition, certain maternal and child health services would be included. Benefits would be subject to the same deductible and coinsurance features applicable under Part A.

Administration/Payment to Providers

The program would be administered as a part of the existing Part A—Medicare program. Providers would be reimbursed in accordance with existing Part A payment procedures and would be subject to Medicare's quality, health and safety, and utilization controls.

Financing

The costs of this health insurance program for the unemployed would be met by Federal general revenue expenditures. S. 496 authorizes funds to be appropriated for payments to supplement the Federal Hospital Insurance Trust Funds in amounts equal to expenses incurred as a result of insuring the unemployed and their dependents.

Cost Estimate

H.E.W. estimate: \$1.25 billion (assuming an unemployment rate of 8%).

Effective Date

The program would become effective the first day of the first month following the month in which the legislation was enacted; the duration of the program would be limited to a 12-month period.

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(S. 970—Hartke)**General Approach**

S. 970 establishes a catastrophic health insurance program for the unemployed, which would provide hospital coverage after the 15th day, and medical coverage after an outlay of \$1,000.

People Covered

Coverage would be extended to every unemployed individual who is entitled to receive weekly State or Federal unemployment compensation. The individual's dependent spouse and children would also be covered.

Scope of Benefits

Benefits are identical to those provided under parts A and B of medicare, including inpatient hospital care, 100 days of posthospital skilled nursing facility services, home health services, physician services, and other medical and health care services subject to the conditions specified in title 18. The individual would be responsible for payment of the first 15 days of hospital care and the first \$1,000 of medical costs. Additional copayment requirements would parallel those of title 18 except that they would be limited to a maximum of \$500.

Administration/Payment to Providers

States would enter into agreements with private carriers to establish insurance policies for the unemployed which provide the required benefits. Providers would be reimbursed in accordance with existing medicare payment procedures.

Financing

Funding is from general tax revenues. States would be reimbursed for 100 percent of the insurance and administrative costs.

Cost Estimate

Not available.

Effective Date

The bill would become effective upon enactment. The program would expire 3 years after the date of enactment.

B. OTHER APPROACHES

A number of other ways of dealing with the problem of providing health insurance coverage to the unemployed have been suggested. These include payment by the Government of the amount of the premium for employer-sponsored group health coverage; revising the Medicaid program to include special coverage of the unemployed; providing catastrophic health care coverage for persons who are unemployed; increasing the unemployment program tax to enable addition of health care coverage to the unemployment benefit; and simply mandating that all group coverage insurance includes a clause that coverage be continued during periods of unemployment. Only one of these proposals has been introduced as a bill in the Senate to date. That is S. 625, sponsored by Senator Kennedy and others and referred to the Labor and Public Welfare Committee, which provides for

Federal payment of the group insurance premium during the period unemployment benefits are received. A summary of this bill follows:

(S. 625—Kennedy)

General Approach

S. 625 amends the Emergency Jobs and Unemployment Assistance Act of 1974 to establish a program of health insurance benefits for unemployed persons entitled to receive compensation under any Federal or State unemployment program. The program would provide coverage to those persons, now unemployed, who would have been covered under an employer-sponsored health insurance plan had their employment not been discontinued. The Secretary of Labor would be authorized to make payments to health insurance carriers, or employers or health and welfare trusts, which agree to continue employment-based health insurance for unemployed individuals.

People Covered

Eligibility would be extended to unemployed persons who (1) are entitled to receive weekly compensation under a Federal or State unemployment compensation law, including the special emergency unemployment assistance program, and (2) would have been covered under an employer-sponsored health insurance plan if employment had not been discontinued. Coverage would extend to the spouse and dependents of the unemployed individual if they had been covered originally under his policy. Benefits would not be provided to any person covered, or eligible for coverage, under an employer-sponsored health insurance plan of another family member.

Scope of Benefits

Eligible persons and their families would receive insurance coverage for the same type and scope of benefits they would have received had the worker continued to be employed. Benefits would be provided through the particular health insurance plan under which the person was covered during his last employment.

Administration/Payment to Providers

The Secretary of Labor would make arrangements to pay insurance carriers—and when appropriate, employers or health and welfare trusts—premiums or other charges to continue the unemployed worker's health insurance coverage, plus a reasonable additional amount for administrative costs. State unemployment compensation agencies would certify individuals as eligible for the health insurance benefits program and would be reimbursed for their costs by the Federal government. State agencies would inform carriers, employers, or health and welfare trusts as to the initial eligibility and termination of eligibility of the unemployed worker. State agencies would also be utilized for the payment of premiums to either the carrier, employer, or health and welfare trust, as the case may be.

There are no special provisions in the bill with regard to provider reimbursement. Insurance carriers would continue to reimburse providers of health services under whatever arrangements currently exist.

Financing

Costs of the program would be met through Federal general revenues.

Cost Estimates

HEW estimate: \$1.54 billion, (assuming an unemployment rate of 8 percent).

Effective Date

The bill would become effective upon enactment. The health benefits program would expire on the same date—June 30, 1976—that the emergency unemployment program itself expires.

III. Some Issues for Committee Consideration

In its hearings on proposals to provide health insurance coverage to unemployed persons, the Committee may wish to deal with these issues:

1. To what extent are unemployed persons currently covered under private health insurance or Medicaid?

2. Should a Federal program be linked to any particular minimum national unemployment rate? Should it be temporary or permanent?

3. Which kinds of unemployed persons would be covered and which would not be covered? Which kinds of low-income persons (employed as well as not employed) would be covered and which would not be covered?

4. To what extent are employed persons now covered by health insurance which continues if they become unemployed? How broad is this coverage for those who have it?

5. What benefits should be included in health insurance for the unemployed? What health care or insurance can they be expected to obtain with their own funds?

6. How should a Federal program of health insurance for the unemployed be administered? Is the administrative structure of the unemployment insurance program able to absorb the task of determining health insurance eligibility? How much lead time would be necessary for implementation?

7. Does the program contain adequate cost and utilization controls?

IV. Background Material

A. THE UNEMPLOYMENT PROBLEM

Unemployment rate

In preparing its fiscal year 1976 budget, the Administration estimated that 8.1% of the labor force—about 7.5 million workers—would be unemployed during an average week in calendar year 1975. High rates of unemployment were also assumed to continue for the balance of this decade. Some observers believe the Administration's estimates may be low.

The current unemployment rate, 8.2% in January 1975, stands in sharp contrast to the picture just 15 months ago, when unemployment had fallen to a rate of 4.6 percent. Although a small part of the subsequent increase took place during the "energy crisis" during the winter of 1973-74, the unemployment rate rose most sharply from last August to January, when it increased from 5.4 percent to 8.2 percent.

Length of unemployment

The mean duration of unemployment, which usually lags behind movements in rates of unemployment, posted its first substantial increase since the start of the current cyclical downturn in January 1975. After holding close to 10 weeks during most of 1973 and 1974 (Table 1), it increased to 10.7 weeks in January. Of the people unemployed in January, 20.4% had been out of work for 15 weeks or more as compared to 15.8% a year earlier.

TABLE 1.—Unemployment by duration, 1974¹

	Number
Total unemployment ²	5,076
Duration of unemployment:	
Less than 5 weeks	2,567
5 to 14 weeks	1,572
15 to 26 weeks	563
27 weeks and over	373
Average (mean) duration in weeks	9.7

¹ Department of Labor, Bureau of Labor Statistics.

² Thousands of persons 16 years of age and over.

Demographic Variations

Data for 1974 illustrate the wide variations in the unemployment rates for various demographic groups (Table 2). The unemployment rates are higher for teenagers age 16 through 19 (16.0%) and adult women (5.5%) than adult men (3.8%). Nonwhites had a higher unemployment rate (9.9%) than whites (5.0%). These differentials have existed for many years.

TABLE 2.—Selected unemployment rates, 1974 ¹

	Percent
All workers.....	5.6
By sex and age:	
Both sexes, 16 to 19 years.....	16.0
Men 20 years and over.....	3.8
Women 20 years and over.....	5.5
By color:	
White.....	5.0
Negro and other races.....	9.9
By selected groups:	
Experienced wage and salary workers.....	4.9
Household heads.....	3.3
Married men ²	2.7
Full-time workers.....	5.1
Blue-collar workers ³	6.7

¹ Department of Labor, Bureau of Labor Statistics.

² Married men living with their wives.

³ Includes craft and kindred workers, operatives, and nonfarm laborers.

Industry Variations

Unemployment rates vary from industry to industry. These variations are illustrated by unemployment rates reported by the Bureau of Labor Statistics for the following industries:

TABLE 3.—Unemployment rates, by industry, 1974-75

[In percent]

Type of Industry	January 1975	January 1974
Total.....	8.2	5.6
Construction.....	15.0	10.6
Manufacturing.....	10.5	5.7
Durable goods.....	10.5	5.4
Auto workers.....	24.0	9.3
Nondurable goods.....	10.3	6.2
Transportation and public utilities....	5.9	3.2
Wholesale and retail trade.....	8.5	6.4
Government workers.....	3.4	2.7
Agricultural workers.....	10.2	7.4

Area Variations

Unemployment rates also vary considerably among States and major labor market areas. The rates for December appear in Tables 4 and 5.

TABLE 4.—Unemployment rates, by State

[In thousands]

States	December 1974 ^a	December 1973
Alabama.....	5.7	3.5
Alaska.....	9.7	11.9
Arizona.....	7.1	4.0
Arkansas.....	7.0	4.3
California.....	8.6	7.2
Colorado.....	4.5	3.4
Connecticut.....	7.1	6.8
Delaware.....	7.3	5.0
District of Columbia ^b	4.5	4.0
Florida.....	7.4	4.3
Georgia.....	7.4	3.8
Hawaii.....	6.9	7.1
Idaho.....	6.6	6.3
Illinois.....	5.0	3.6
Indiana.....	7.5	4.2
Iowa.....	3.6	3.0
Kansas.....	4.2	3.5
Kentucky.....	6.1	4.5
Louisiana.....	6.1	5.2
Maine.....	8.7	5.7
Maryland.....	4.7	3.2
Massachusetts.....	9.4	7.0
Michigan.....	11.1	5.4
Minnesota.....	6.4	4.8
Mississippi.....	5.3	3.2
Missouri.....	5.8	3.5
Montana.....	7.3	6.5
Nebraska.....	4.7	3.6
Nevada.....	9.3	6.6
New Hampshire.....	5.8	3.9
New Jersey.....	8.3	5.3
New Mexico.....	6.9	5.2
New York.....	7.6	5.5
North Carolina.....	8.1	3.2
North Dakota.....	4.8	5.6

See footnotes at end of table.

TABLE 4.—Unemployment rates, by State—Continued

(In thousands)

States	December 1974 ¹	December 1973
Ohio.....	6.7	4.5
Oklahoma.....	4.6	3.8
Oregon.....	7.9	6.0
Pennsylvania.....	7.1	4.7
Puerto Rico.....	14.0	10.8
Rhode Island.....	9.1	6.7
South Carolina.....	7.1	3.1
South Dakota.....	4.1	3.2
Tennessee.....	6.0	2.9
Texas.....	5.1	3.6
Utah.....	6.3	6.4
Vermont.....	8.7	6.2
Virginia.....	4.6	3.3
Washington.....	8.0	7.8
West Virginia.....	7.5	5.5
Wisconsin.....	6.3	4.1
Wyoming.....	4.2	3.4

¹ Unemployment rate—Unemployment as a percent of labor force. Not seasonally adjusted.

² Preliminary.

³ SMSA data.

Source: Department of Labor.

TABLE 5.—Unemployment rates in 150 major labor areas ¹

State and area	December 1974 ²	December 1973
Total—150 Areas:		
Alabama:		
Birmingham.....	4.8	3.1
Mobile.....	4.9	3.6
Arizona: Phoenix.....	7.7	3.8
Arkansas: Little Rock-North Little Rock.....	5.4	3.1
California:		
Anaheim-Santa Ana-Garden Grove	7.2	5.6
Fresno.....	8.2	6.5
Los Angeles-Long Beach.....	7.9	6.2
Riverside-San Bernardino-Ontario.	8.5	7.0
Sacramento.....	7.6	6.3
San Diego.....	9.8	8.5
San Francisco-Oakland.....	8.3	7.6
San Jose.....	6.6	5.3
Stockton.....	9.6	7.8
Colorado: Denver-Boulder.....	4.4	3.2
Connecticut:		
Bridgeport.....	9.1	5.9
Hartford.....	5.9	4.5
New Britain.....	8.0	6.0
New Haven-West Haven.....	7.0	5.3
Stamford.....	5.4	5.5
Waterbury.....	7.6	5.2
Delaware: Wilmington.....	8.2	5.0
District of Columbia: Washington.....	4.5	4.0
Florida:		
Jacksonville.....	5.8	3.8
Miami.....	7.0	3.6
Tampa-St. Petersburg.....	7.0	3.7
Georgia:		
Atlanta.....	6.2	3.5
Augusta.....	7.7	4.0
Columbus.....	9.2	4.1
Macon.....	6.8	3.9
Savannah.....	4.9	3.6
Hawaii: Honolulu.....	6.5	6.7
Illinois:		
Chicago.....	5.1	4.0
Davenport-Rock Island-Moline....	4.0	3.0
Peoria.....	3.8	3.3
Rockford.....	10.1	3.1

See footnotes at end of table.

TABLE 5.—Unemployment rates in 150 major labor areas ¹—Con.

State and area	December 1974 ²	December 1973
Indiana:		
Evansville.....	5.3	3.3
Fort Wayne.....	5.8	2.0
Gary-Hammond-East Chicago.....	5.3	3.4
Indianapolis.....	6.6	4.0
South Bend.....	6.2	3.1
Terre Haute.....	5.7	3.2
Iowa:		
Cedar Rapids.....	2.7	2.1
Des Moines.....	3.6	3.1
Kansas: Wichita.....	3.4	3.7
Kentucky: Louisville.....	5.7	3.6
Louisiana:		
Baton Rouge.....	5.0	4.7
New Orleans.....	6.7	5.5
Shreveport.....	6.5	4.2
Maine: Portland.....	7.0	4.4
Maryland: Baltimore.....	4.8	2.7
Massachusetts:		
Boston.....	7.8	6.5
Brockton.....	8.8	6.6
Fall River.....	10.6	7.0
Lawrence-Haverhill.....	8.6	7.7
Lowell.....	11.4	6.8
New Bedford.....	12.3	7.2
Springfield-Chicopee-Holyoke.....	8.8	6.8
Worcester.....	8.1	5.7
Michigan:		
Battle Creek.....	9.1	5.2
Detroit.....	12.2	5.7
Flint.....	10.5	6.2
Grand Rapids.....	9.0	5.4
Kalamazoo-Portage.....	7.5	4.5
Lansing-East Lansing.....	8.6	4.7
Muskegon-Muskegon Heights.....	10.8	5.7
Saginaw.....	8.0	5.3
Minnesota:		
Duluth-Superior.....	7.7	6.9
Minneapolis-St. Paul.....	5.3	4.5
Mississippi: Jackson.....	4.2	2.5
Missouri:		
Kansas City.....	5.6	4.0
St. Louis.....	6.9	4.5

See footnotes at end of table.

TABLE 5.—Unemployment rate in 150 major labor areas¹—Con.

State and area	December 1974 ²	December 1973
Nebraska: Omaha.....	5.8	4.2
New Hampshire: Manchester.....	5.9	3.8
New Jersey:		
Atlantic City.....	12.5	8.8
Jersey City.....	10.3	7.4
Newark.....	7.1	4.4
New Brunswick-Perth Amboy- Sayreville.....	7.8	4.8
Paterson-Clifton-Passaic.....	9.8	7.4
Trenton.....	6.6	4.3
New Mexico: Albuquerque.....	7.0	5.1
New York:		
Albany.....	5.6	4.3
Binghamton.....	5.5	4.4
Buffalo.....	10.3	7.1
New York City, plus Putnam, Rock- land and Westchester Counties.....	8.0	5.8
Nassau-Suffolk.....	5.2	4.1
Rochester.....	4.6	2.9
Syracuse.....	6.2	4.3
Utica-Rome.....	7.8	5.8
North Carolina:		
Asheville.....	7.1	1.5
Charlotte-Gastonia.....	7.1	1.7
Greensboro-Winston-Salem-High Point.....	6.0	1.9
Raleigh-Durham.....	3.9	1.4
Ohio:		
Akron.....	5.9	4.4
Canton.....	5.6	4.2
Cincinnati.....	6.7	5.5
Cleveland.....	6.4	5.2
Columbus.....	4.6	2.9
Dayton.....	5.3	3.3
Hamilton-Middletown.....	8.0	5.0
Lorain-Elyria.....	7.9	5.8
Steubenville-Weirton.....	3.6	3.3
Toledo.....	7.7	4.4
Youngstown-Warren.....	7.7	4.0
Oklahoma:		
Oklahoma City.....	4.3	4.1
Tulsa.....	4.0	3.5
Oregon: Portland.....	6.3	4.9

See footnotes at end of table.

TABLE 5.—Unemployment rates in 150 major labor areas¹—Con.

State and area	December 1974*	December 1973
Pennsylvania:		
Allentown-Bethlehem-Easton.....	6.4	3.4
Altoona.....	8.4	5.4
Erie.....	6.2	4.0
Harrisburg.....	4.6	2.1
Johnstown.....	7.6	5.2
Lancaster.....	5.1	2.3
Northeast-Pennsylvania.....	10.2	5.7
Philadelphia.....	7.3	5.2
Pittsburgh.....	6.3	5.2
Reading.....	4.0	1.8
York.....	5.8	2.3
Puerto Rico:		
Mayaguez.....	14.8	14.0
Ponce.....	19.1	19.0
San Juan.....	10.6	8.9
Rhode Island:		
Providence-Warwick-Pawtucket...	8.9	6.4
South Carolina:		
Charleston.....	5.1	3.5
Greenville-Spartanburg.....	5.2	1.9
Tennessee:		
Chattanooga.....	6.8	2.6
Knoxville.....	4.6	2.5
Memphis.....	5.0	2.9
Nashville-Davidson.....	5.1	2.4
Texas:		
Austin.....	3.3	2.7
Beaumont-Port Arthur-Orange...	4.5	4.6
Corpus Christi.....	5.1	5.4
Dallas.....	3.5	2.1
El Paso.....	6.8	5.9
Fort Worth.....	3.9	3.0
Houston.....	4.0	3.5
San Antonio.....	4.7	3.8
Utah: Salt Lake City-Ogden.....	6.2	6.2
Virginia:		
Newport News-Hampton.....	3.2	2.3
Norfolk-Virginia Beach-Ports- mouth.....	3.9	2.8
Richmond.....	2.0	1.3
Roanoke.....	3.2	2.2

See footnotes at end of table.

TABLE 5.—Unemployment rates in 150 major labor areas¹—Con.

State and area	December 1974 ²	December 1973
Washington:		
Seattle.....	6.6	6.9
Spokane.....	7.9	8.0
Tacoma.....	8.8	9.5
West Virginia:		
Charleston.....	5.6	4.2
Huntington-Ashland.....	8.9	5.5
Wheeling.....	6.7	4.8
Wisconsin:		
Kenosha.....	9.4	3.2
Madison.....	4.8	3.6
Milwaukee.....	4.8	3.4
Racine.....	6.3	3.4

Source: Department of Labor.

¹ Unemployment rate—Unemployment as a percent of labor force. Not seasonally adjusted.

² Data for December 1974 preliminary.

B. UNEMPLOYMENT INSURANCE PROGRAM

General

The unemployment insurance system is government's principal program to assist temporarily unemployed wage and salary workers. An income maintenance program established by the Social Security Act of 1935, it is administered by the States within broad Federal guidelines. As a result of Federal tax law, private nonfarm wage and salary workers (except domestics and employees of very small non-profit organizations) and certain State employees are covered by the unemployment compensation system. In some States, agricultural, domestic, local government, and additional State workers are also covered. Separate Federal programs exist for unemployed Federal employees and unemployed persons recently discharged from the Armed Forces. A temporary, wholly Federally-financed program for employees not covered by the State or other Federal programs was enacted in December 1974 and is scheduled to expire in December 1975.

Coverage

While unemployment benefits are now temporarily available for all kinds of employment, some unemployed workers do not qualify for payments for one reason or another and the eligibility of others terminates before they find new work. Administration estimates indicate that about four-fifths of the 7.5 million unemployed wage and salary workers will qualify for unemployment benefits during an average week in 1975, or about 6 million people.¹

¹ Based on estimates included in the administration's fiscal year 1976 budget.

Duration

The duration of "regular" unemployment insurance (u/i) benefits increases with the length of the worker's past employment up to a maximum in most States of 26 weeks for workers with a substantial work record. These benefits are financed by State payroll taxes. In addition, however, Federal legislation (P.L. 91-373 and P.L. 93-572) provides for an additional 26 weeks of benefits during periods of high unemployment. Cost of the final 13 weeks of benefits is financed out of Federal general revenues. Because of the likelihood that high unemployment will continue at least on a near-term basis it is reasonable to expect the 52-week maximum to remain in effect throughout 1975.

Benefit Level

In 1974 the average weekly unemployment insurance benefit was \$64. Benefits are related to earnings and range among the States from one-half to two-thirds of the worker's recent average weekly wage up to a State maximum. The maximum benefit varies from about \$60 to \$117 per week. (Benefit information for the various State plans appears in Table 6.)

TABLE 6.—Unemployment insurance under regular State plans, Jan. 1, 1975¹

Jurisdiction	Average weekly benefit paid for total unemployment June 1974 ²	Maximum weekly benefits ³	Average weekly wages in covered employment 1973 ⁴	Basic maximum weekly benefit as a percentage of average weekly wages
United States.....	\$62	\$164
Alabama.....	50	\$75	140	54
Alaska.....	67	90-120	233	39
Arizona.....	54	78	160	49
Arkansas.....	53	84	126	66½
California.....	64	90	176	51
Colorado.....	71	102	157	60
Connecticut.....	72	104-156	177	60
Delaware.....	71	85	175	49
District of Columbia.....	83	127	185	66½
Florida.....	52	74	152	49
Georgia.....	54	70	148	47
Hawaii.....	73	104	151	66½
Idaho.....	57	83	139	60
Illinois.....	67	67-118	183	33
Indiana.....	49	60-100	169	36
Iowa.....	62	80	147	55
Kansas.....	61	79	143	55
Kentucky.....	58	74	149	50
Louisiana.....	55	80	150	53
Maine.....	53	68	131	52
Maryland.....	62	89	161	55
Massachusetts.....	69	95-143	161	57½
Michigan.....	65	67-106	203	33
Minnesota.....	62	85	158	54
Mississippi.....	41	60	124	48
Missouri.....	57	67	160	54
Montana.....	53	68	138	20
Nebraska.....	56	74	138	54

See footnotes at end of table.

TABLE 6.—Unemployment insurance under regular State plans, Jan. 1, 1975¹—Continued

Jurisdiction	Average weekly benefit paid for total unemployment June 1974 ²	Maximum weekly benefits ³	Average weekly wages in covered employment 1973 ³	Basic maximum weekly benefit as a percentage of average weekly wages
Nevada.....	67	85	168	450
New Hampshire.....	58	80	139	58
New Jersey.....	73	90	179	50
New Mexico.....	50	71	135	50
New York.....	62	95	189	50
North Carolina.....	43	90	134	66 $\frac{2}{3}$
North Dakota.....	53	74	133	55
Ohio.....	73	82-121	178	46
Oklahoma.....	46	78	143	55
Oregon.....	53	88	160	55
Pennsylvania.....	72	111-119	164	64 $\frac{2}{3}$
Puerto Rico.....	37	50	99	60
Rhode Island.....	66	87-107	144	60
South Carolina.....	53	88	131	66 $\frac{2}{3}$
South Dakota.....	49	67	122	56
Tennessee.....	49	70	138	51
Texas.....	52	63	148	43
Utah.....	59	93	142	65
Vermont.....	60	86	141	60
Virginia.....	55	87	143	61
Washington.....	63	86	173	50
West Virginia.....	43	107	161	66 $\frac{2}{3}$
Wisconsin.....	66	108	161	66 $\frac{2}{3}$
Wyoming.....	55	73	142	50

¹ Includes benefit legislation enacted in 1974 with an effective date in 1975.

² Latest data available.

³ Where 2 figures are shown, the larger includes maximum dependents' allowances.

⁴ Maximum weekly benefit is determined as a specified percent of average weekly covered wages and is computed annually, or in a few States, semi-annually. The base year used for setting the maximum is not necessarily calendar 1973.

Source: American Federation of Labor and Congress of Industrial Organizations.

Supplemental Programs

Some union contracts have provisions for private supplements to State unemployment compensation. For example, United Auto Workers' contracts have established Supplemental Unemployment Benefit Funds (SUB Funds) to which the employer contributes.¹ A worker with at least 3 years' experience can receive a stipend from the fund for up to 52 weeks, which would make his total State plus SUB Fund compensation approximately 95 percent of his regular take-home earnings. In January 1975 the average weekly SUB Fund benefit was approximately \$100 for a worker receiving State unemployment insurance benefits and \$185 for a worker who had exhausted the State benefits.

¹ Economic Report of the President, February 1975.

C. PROFILE OF CURRENT GROUP HEALTH INSURANCE PROTECTION OF THE WORK FORCE¹

General

Group health insurance coverage through employer-employee plans is the primary source of protection for full-time wage and salary employees and their dependents. A study conducted in 1972 by the Social Security Administration indicates that in that year about 54 million workers were covered under a group health insurance plan.² The covered group represented 70% of the 77 million workers then employed as full-time or part-time civilian employees. (The study did not include some 5 million unemployed people and some 7 million self-employed.) This study showed that the 54 million workers with one or more forms of group health insurance had the following coverage:

Hospital benefits: 54 million workers.

In-Hospital medical: 49.2 million workers.

Major medical: 26.3 million workers.

The above data represent a refinement of an earlier report on the 1972 study. While less refined, the earlier analysis is valid and was much more detailed. Therefore, the findings presented in the earlier report are presented below. It should be noted that in the earlier report, a universe of 66 million workers was used: in addition to wage and salary workers in private and public employment, the data base includes self-employed people; it excludes part-time workers.

The April 1972 survey showed that while approximately 70% of the full-time labor force over age 16 were covered under a group insurance plan, the proportion of men with health insurance coverage (74%) was considerably greater than that of women (61%). This difference is attributable in part to the fact that a married working woman either elects not to obtain coverage or is precluded from participation in an employer-sponsored plan if the husband has family coverage through his employer.

Type of Employment

According to the survey, group coverage rates varied widely according to a number of factors including type of industry, occupation, age, salary, and marital status. Approximately 80% of the wage and salary workers in government were covered under a group plan compared with 74% in private industry and only 23% for the self-employed. (Table 7) Coverage patterns varied significantly by major industry group. For those workers in durable goods manufacturing, communications and public utilities, and mining industries the rates approached 90%. Lower coverage rates (ranging between 75% and 84%) were found in nondurable goods manufacturing, transportation, wholesale trade, and finance industries. The largest percentage of uncovered workers were in construction, retail trade, and service industries; only 20% of those in the agricultural industry were covered. (Table 8)

¹ Unless otherwise indicated, data are from Social Security Bulletin, April 1974.

² Social Security Bulletin, May 1974.

TABLE 7.—Percentage distribution of all full-time workers, by group health insurance status and type of employment, April 1972

Type of employment	Total number (thousands)	Percent distribution			
		Total	Cov-ered	Not cov-ered	No re-sponse
Grand total.....	65,527	100	70	29	1
Private industry.....	48,178	100	74	26	1
Government.....	11,431	100	80	19	(^c)
Self-employment ¹	5,919	100	23	76	1
Men:					
Total.....	44,206	100	74	25	1
Private industry.....	32,708	100	79	20	1
Government.....	6,717	100	88	12	(^c)
Self-employment ¹	4,782	100	25	73	1
Women:					
Total.....	21,321	100	61	38	1
Private industry.....	15,470	100	62	37	1
Government.....	4,714	100	70	30	1
Self-employment ¹	1,137	100	15	84	1

¹ Includes a small number of unpaid full-time workers.

^c Less than 0.5 percent.

TABLE 8.—Percentage distribution of all full-time workers, by group health insurance status and industry division, April 1972.

Industry division	Total number (thousands)	Percentage distributed by coverage status		
		Total	Covered	Not covered (total)
All full-time workers (total).	65,527	100	70	29
Agriculture.....	2,435	100	20	79
Mining.....	573	100	88	11
Construction.....	4,618	100	58	41
Manufacturing:				
Durable goods.....	10,981	100	89	10
Nondurable goods.....	7,318	100	84	16
Transportation.....	2,601	100	79	21
Communications and public utilities.....	2,142	100	92	8
Trade:				
Wholesale.....	2,766	100	75	24
Retail.....	8,493	100	54	45
Finance, insurance, and real estate.....	3,843	100	75	24
Services.....	19,758	100	65	34

Further Data on Manufacturing Groups

A review of group coverage in private industry showed considerable variation according to the manufacturing group. For durable goods industries, coverage rates generally were 87% or more with a range from 76% in furniture to 97% in primary metals. While 84% of the total of those employed in non-durable goods manufacturing were covered, the variations by group were more pronounced. Only 66% of those in the apparel industries were covered, while 91-94% of those in paper, chemical, and petroleum industries were covered. (Table 9)

TABLE 9.—Percentage distribution of full-time wage and salary workers in private industry, by group health insurance status and manufacturing industry group, April 1972

Manufacturing industry group	Percentage distribution		
	Total	Covered	Not covered
Total	100	87	12
Durable goods manufacturing	100	90	10
Ordnance and accessories.....	(¹)	(¹)	(¹)
Lumber and wood products.....	100	77	23
Furniture and fixtures.....	100	76	23
Stone, clay, and glass products.....	100	87	12
Primary metals.....	100	97	3
Fabricated metal products.....	100	90	9
Machinery, except electrical.....	100	91	8
Electrical equipment and supplies....	100	92	8
Transportation equipment.....	100	92	7
Instruments and related products....	100	88	12
Miscellaneous.....	100	74	25
Nondurable goods	100	84	15
Food and kindred products.....	100	84	14
Textile mill products.....	100	88	11
Apparel and other textile products....	100	66	33
Paper and allied products.....	100	94	6
Printing and publishing.....	100	80	20
Chemicals and allied products.....	100	94	5
Petroleum and coal products.....	100	91	9
Rubber and plastics products.....	100	87	13
Leather and leather products.....	100	73	26
Tobacco.....	(¹)	(¹)	(¹)

¹ Not computed where base less than 200,000.

Occupational Variations

Occupational variations were also recorded in the survey. Low group coverage rates were found among farm workers (17%), service workers (52%), sales employees (62%), non-farm laborers (67%), and managers and officials (69%). In the remaining occupational categories, the percentage ranged from 74%–80%. (Table 10) Health insurance coverage rates were generally lower for white collar employees in private industry than for those in comparable occupations in government; discrepancies were even more pronounced when comparisons were made for comparable blue collar occupations.

TABLE 10.—Percentage distribution of all full-time workers, by group health insurance status and occupational group, April 1972

Occupational group	Total number (In thousands)	Percent distribution		
		Total	Covered	Not covered
All full-time workers:				
Total.....	65,527	100	70	29
White collar workers:				
Professional and technical....	10,079	100	77	22
Managers and officials.....	7,324	100	69	30
Sales.....	3,701	100	62	37
Clerical.....	11,281	100	74	25
Blue collar workers:				
Craftsmen.....	9,832	100	76	24
Operative.....	8,936	100	80	19
Transport equipment operators.....	2,744	100	74	25
Nonfarm laborers.....	2,914	100	67	32
Service workers.....	6,543	100	52	47
Farm workers.....	2,173	100	17	81

Age of Worker

The survey also noted considerable differences in group health insurance protection according to the age of the worker. The coverage rates for individuals between 25-64 averaged about 72%. Thirty-seven percent of those under 25 did not have group protection. This was attributed to the fact that many in this population group are single and either do not feel the need for coverage or are covered under a family policy. Fifty-four percent over age 65 do not have group coverage. The vast majority of these persons are enrolled in the Medicare program; those who have elected group coverage presumably have supplementary policies. For all age groups, government workers were more likely than those in private industry to have group policies.

Earnings

An important factor in determining whether an individual had group health protection was his annual earnings. Forty percent of those with 1971 annual earnings of less than \$5,000 were not covered at the time of the 1972 survey. Approximately 80% of all non-covered workers had annual earnings under \$8,000 in 1971. Coverage rates rose with the level of earnings; 91-94% of those earnings \$10,000 had protection. (Table 11)

TABLE 11.—Percentage distribution of all full-time wage and salary workers, by group health insurance status and annual wage or salary income in 1971, April 1972

Annual wage or salary income in 1971	Total number (thousands)	Percentage distribution		
		Total	Covered	Not covered
Total	59,609	100	75	25
\$1 to \$4,999	9,035	100	59	40
\$5,000 to \$5,999	4,165	100	76	24
\$6,000 to \$6,999	4,146	100	80	19
\$7,000 to \$7,999	4,473	100	85	15
\$8,000 to \$8,999	3,698	100	88	12
\$9,000 to \$9,999	3,451	100	90	9
\$10,000 to \$10,999	3,280	100	92	8
\$11,000 to \$11,999	2,250	100	91	8
\$12,000 to \$12,999	1,972	100	92	8
\$13,000 to \$13,999	1,304	100	94	6
\$14,000 to \$14,999	1,000	100	94	6
\$15,000 to \$19,999	2,814	100	93	7
\$20,000 to \$24,999	779	100	91	9
\$25,000 or more	864	100	92	8

Marital Status and Coverage of Dependents

Marital status was also an important determinant in the 1972 survey. Married working men were the most likely to have insurance protection (76%). The lowest rates (57%) were recorded for married women, undoubtedly reflecting the fact that many were covered under their husband's policies. While ninety percent of the married men had coverage including dependents only 63% of the married women had this coverage. Overall 73% of workers in group insurance protection had dependent coverage.

Race and Geographic Variables

Additional variations were noted when the factors of race and geographic location were taken into account. Whites were more likely than other races to have group health protection (71% versus 65%). Those residing in the heavily industrialized Northeast were most likely to have coverage (75%) while those in the South were the least likely to have coverage (65%); part, but not all, of this variance can be accounted for by the differences in types of employment in the different regions.

Size of Firm

Many full-time employees not covered under group health insurance policies work in medium sized and small firms in private industry. Small establishments, typically not unionized, with low wage rates are less likely to offer such benefits. The survey data indicated that 60% of noncovered workers were in establishments with fewer than 25 employees. Fifty percent of employees in such firms were covered compared to 90% of persons in establishments employing over 100 persons. (Table 12)

TABLE 12.—Percentage distribution of full-time wage and salary workers in private industry, by group health insurance status and size of firm, April 1972

Size of firm	Total number (thousands)	Percentage distribution by coverage status		
		Total	Covered	Not covered
Total.....	48,178	100	74	26
Under 25 persons.....	14,860	100	59	50
25 to 99 persons.....	8,958	100	77	23
100 persons or more.....	25,524	100	90	10
No reponse ¹	1,835	100	48	41

¹ Estimated.

Waiting Period for Coverage

Group policies frequently have eligibility or probation periods for new employees. Where such restrictions were found, the waiting period most frequently ranged from one to six months. As a result, 76% of the employees who had worked at their present job for over a year were covered; the comparable rate for those who had been on their present job for less than three months was 42%. (Table 13)

TABLE 13.—Percentage distribution of all full-time workers, by group health insurance status and length of employment on present job, April 1972

Length of employment (in months)	Total number (thousands)	Percentage distribution by coverage status		
		Total	Covered	Not covered
All full-time workers (total)	65,527	100	70	29
Less than 3	2,885	100	42	57
3 but less than 6	2,925	100	50	49
6 but less than 9	3,122	100	61	38
9 but less than 12	1,830	100	64	35
12 or more	51,615	100	76	24

Benefit Characteristics¹

The types and range of protection provided full-time workers through group health insurance plans varies considerably. The survey conducted by Social Security and the Bureau of the Census for April 1972 revealed differences in extent of coverage by type of worker and by sex.

For those included in group health insurance plans, hospital protection and surgical coverage were almost universally provided. Most workers reporting health insurance coverage had both hospital and surgical protection. Forty-eight percent of the workers with coverage had a fairly comprehensive package—hospital insurance, surgical insurance, and coverage for doctors' (home and office) visits. Another 48 percent had hospital and surgical protection. The remaining 4 percent had other combinations of benefits.

¹ Social Security Bulletin, April 1974.

Data indicating the actual degree of protection afforded by employee group plans is unavailable. Preliminary findings from a survey recently conducted by the Washington Business Group on Health indicate that nearly all employee health plans surveyed contain a major medical component or other form of "catastrophic" coverage.¹ This form of coverage was generally subject to both deductibles (\$50 to \$100) and coinsurance (20%). However, the survey findings gave no indication as to maximum liability under the plans (cut-off points beyond which benefits are not paid) or the nature of benefits covered under the major medical portion of the insurance plans or what, if any, insurance protection was afforded below the major medical, i.e., for basic hospital-surgical or other types of care.

Coverage of dependents is a traditional feature of employee-group health insurance plans, although by no means are dependents included in all plans.¹ Lack of coverage of dependents may be related to the terms of the insurance plans or may result from the possibility that another person provides protection for dependents through his plan.

Employer-Employee Contributions

Estimated employer-employee contributions toward the costs of health benefit plans in 1972 totaled slightly more than \$17.9 billion.² Contributions for health insurance amounted to 3.0 percent of all wages and salaries.

TABLE 14.—Employer-employee contributions under employee benefit plans, 1972

	Amount
Total, health benefits.....	\$17,937,400,000
Hospitalization.....	9,517,700,000
Surgical and regular medical.....	5,202,700,000
Major medical.....	3,217,000,000

Employers make a sizable contribution to the financing of health benefits for workers. In all, about one-third of the workers covered by plans are in non-contributory plans—that is, the employers pay the full cost of whatever protection is provided.³ For 19 percent of the workers in covered plans, the employers pay at least half of the premium costs; for 18 percent, employers paid some amount but less than half. Relatively few workers in group plans pay the entire costs of coverage.

¹ Washington Business Group on Health. Special Report. Survey findings: Health Insurance and the Unemployed. February 15, 1975.

² Social Security Bulletin, May, 1974.

³ Social Security Bulletin, April, 1974.

TABLE 15.—Full-Time Workers in Group Plans, by Type of Financing, 1972

Type of financing	Total		Total (in thousands) private industry		Government	
	Number	Percent	Number	Percent	Number	Percent
Total ¹	45,973	100	35,415	100	9,180	100
Employer pays all.....	15,505	34	13,304	38	2,001	22
Employer pays part:						
Less than half.....	8,171	18	5,042	14	3,037	33
Half or more.....	8,520	19	6,750	19	1,714	19
Unknown.....	4,774	10	3,889	11	826	9
Employee pays all.....	5,698	12	3,668	10	1,126	12
Do not know.....	2,975	6	2,522	7	419	5
No response.....	331	1	240	1	58	1

¹ Total includes 1,378 self-employed persons.

D. LOSS OF GROUP PROTECTION DUE TO UNEMPLOYMENT

Though clearly some workers have lost the benefit of private group health insurance protection due to unemployment, it is not known how many workers, or their dependents, have been affected. It has been assumed that many have been. However, it can by no means be assumed that all of the unemployed are affected.

Some employers continue coverage of their workers for a period of time, with the former employer paying all or part of the premium. Some unions similarly continue coverage of their laid-off members. Other employers offer to their former employees continuation of their group coverage if the employee pays the full amount of the premium. Additionally, some of the unemployed are picked up under their spouses' plan. Finally, a few become eligible for Medicaid, VA health coverage, or another public program. The number of unemployed persons who are covered because of these options is unknown.

On the other hand, some of the unemployed have not lost group coverage because they never had it to begin with.

Group health insurance plans frequently have eligibility requirements or a probationary period for new employees before they may participate in the insurance plan. (See previous Table 18). Such restrictions are usually imposed for underwriting or administrative reasons. The periods generally imposed range from one month to as long as half a year. In other words, coverage varies by duration of employment in the present job.

The "last hired, first fired" phenomenon, therefore, may result in unemployment (especially for new or young workers), but not necessarily *loss* of group health insurance coverage, since the affected workers were never covered. The recent survey by the Washington Business Group on Health lends some credence to this theory. The study observes:¹

The data (from more than 100 major firms) clearly show that most employers do have a waiting period before new employees "earn" the right to participate in the company plan. The duration varies but is most typically 30 days and generally not more than 90 days. It is equally true that most employers, in times of economic stress, lay-off first those who were hired last.

Therefore, it is easy to see that the probability exists for many to be laid off before gaining entrance into the health plan. This was one of the few questions that many refused to answer; possibly indicating that the numbers would look bad, and frequently indicating that they simply do not keep good records of such lay-offs because the employee's departure has a slight impact upon company personnel operations.

A number of those firms which did provide specific data showed a high correlation between the total number of lay-offs and those not yet eligible to participate.

¹ Washington Business Group on Health. Special Report. Survey Findings: Health Insurance and the Unemployed. February, 1976.

The Washington Business Group study also reveals that a number of workers continue to receive group protection during varying periods of lay-off:¹

We did ask if the employees would be allowed to keep their group plan with full benefits, if the employee paid the premium. 37 companies said YES and added that the time periods ranged from three months to INDEFINITE. 6 months was the most common and in most cases, when the employee takes over, he pays 100% of the premium.

We also asked what formula the companies have to provide an extension of their group plans during lay-offs. 86 said they had some such formula. . . . The most common period for employer paid extension is from 30-90 days.

There are a great many different plans and these have not all been analyzed yet. They are generally based on seniority. On the average, the extension, including both the employer and employee paid benefits, does not run beyond 6 months . . . but there are notable exceptions running from 1 to 2 years and beyond.

In sum, the replies indicate that, with a few notable exceptions, the employee will either have no health benefits or will be paying 100% of the premiums within 90 days. Where lay-offs reach up the seniority ladder to those with 2 years' and then 10 years' service, the employer paid extension period more frequently increases to 12 months but this is still a minority of the 127 responses.

¹Ibid.

