

Pandemic Causing Many to Lose Employer-Sponsored Health Coverage

Some small businesses are finding health insurance no longer affordable

By Stephen Miller, CEBS

October 1, 2020

The COVID-19 pandemic forced many small businesses to stop paying health insurance premiums to insurers, leaving their employees without group health care coverage. Even more workers could find themselves without health insurance if businesses can't afford to renew their group plans for 2021, when premiums are expected to trend slightly higher (www.shrm.org/resourcesandtools/hr-topics/benefits/pages/employers-project-health-plan-cost-rise-for-2021.aspx).

If the coronavirus spikes again across the U.S. and a "second wave" further restricts business operations, more employees could find themselves uninsured.

We've rounded up articles from trusted news sources on the loss of employer-sponsored health insurance and what might be coming.

Employers No Longer Able to Afford Coverage

Health insurance coverage is a major expense for employers, especially for small businesses. As they struggle with the economic fallout of the pandemic, many may face end-of-year renewal deadlines that are harder to afford.

Thousands of small businesses that had always expressed difficulty in providing employee health insurance under the Affordable Care Act are now in far worse trouble because of the pandemic.

While estimates vary, a recent Urban Institute analysis of census data says at least 3 million Americans have already lost job-based coverage, and a separate analysis from Avalere Health predicts some 12 million will lose it by the end of this year. Both studies highlight the disproportionate effect on Black and Hispanic workers.

"The odds are we are on track to have the largest coverage losses in our history," said Stan Dorn, the director of the National Center for Coverage Innovation at Families USA, a Washington, D.C., consumer group.

(*New York Times* (<https://www.nytimes.com/2020/09/28/health/covid-19-health-insurance.html>))

Race-Based Disparities in Coverage Loss

Overall, 8 percent of Americans reported in September that they had lost their health insurance specifically due to the pandemic, according to a series of surveys conducted by data research firm Civism Analytics and global communications firm Finn Partners. That figure was higher among Black Americans, with 10.4 percent reporting they had lost their health insurance because of the pandemic. In contrast, 6.8 percent of white Americans said in September they had lost their health insurance because of the coronavirus outbreak.

Overall, among Black Americans, 26 percent were uninsured in September, up from 17 percent in February. Among white Americans, 12 percent were uninsured in September, up from 11 percent in February.

(ValuePenguin (<https://www.valuepenguin.com/news/millions-lose-health-insurance-amid-pandemic>))

Small Businesses Under Pressure

Small businesses, defined as those employing fewer than 500 workers, are under extreme pressure to cut costs. But in spite of across-the-board cost-cutting, a survey of small U.S. businesses in late June found only 5 percent had resorted to cutting health insurance benefits for their employees.

However, nearly one-third of survey respondents indicated they were not sure they could keep up with premium payments beyond Aug. 15.

To examine whether federal financial assistance enabled businesses to maintain health insurance coverage, researchers compared health care offer rates to employees by businesses reporting they had been approved for federal Paycheck Protection Program (PPP) funds with rates for those not approved, as of June 15. The firms that received PPP funds were much less likely to drop coverage than firms that did not.

The PPP stopped accepting loan application requests in early August.

(NEJM Catalyst (<https://catalyst.nejm.org/doi/full/10.1056/CAT.20.0468>))

[SHRM members-only HR Q&A: Can we keep furloughed or laid-off employees on our group health plan?

(www.shrm.org/resourcesandtools/tools-and-samples/hr-qa/pages/can-we-keep-furloughed-or-laid-off-employees-on-our-group-health-plan.aspx)]

Indiana's Experience

In April, Indiana saw about 560,000 residents losing employment, according to Mark Fairchild, director of public policy at the nonprofit Covering Kids & Families of Indiana. At the start of September, the number had fallen below 400,000 and is trending downward.

"We've recovered dramatically, but that still is going to leave over 10 percent of Hoosiers without a job," Fairchild said. "And related to that, of course, the insurance that goes with that impacts not just them, but their family members, too."

Counting the spouses and children who may have been covered by family plans, he estimates that upwards of a million Indiana residents may have lost employer-sponsored health coverage during the pandemic.

The loss of health insurance doesn't fall equally on everyone, as some sectors of the economy, like hospitality and service jobs, have been hit harder than others.

(Side Effects/WFYI Indianapolis Public Media (<https://www.sideeffectspublicmedia.org/post/because-covid-19-people-are-losing-health-insurance>))

DOL Temporarily Extends COBRA Sign-Up Deadlines

In response to the COVID-19 pandemic, the U.S. Department of Labor (DOL) temporarily extended the period in which eligible employees can elect COBRA health insurance continuation coverage and the deadline for them to begin making COBRA premium payments.

The final rule extended most COBRA deadlines to beyond the "outbreak period," defined as from March 1, 2020, to 60 days after the end of the declared COVID-19 national emergency, or another date if provided in future guidance.

"Any COBRA premiums due during the outbreak period will not be considered delinquent if the COBRA premiums are paid within 30 days following the end of the outbreak period," said Paul Yenerall, a Pittsburgh-based attorney with Eckert Seamans Cherin & Mellott.

Employers may require individuals to pay for COBRA continuation coverage. The premium that is charged cannot exceed the full cost of the coverage, plus a 2 percent administration charge. That cost is not affordable for many newly unemployed workers.

During the pandemic, however, some employers are choosing to pay for a former employee's COBRA coverage if the person has been laid off, or to do so for current employees who lost group health plan coverage when they were furloughed or had their hours reduced.

(*SHRM Online* (www.shrm.org/resourcesandtools/hr-topics/benefits/pages/dol-temporarily-extends-cobra-deadlines-coronavirus.aspx))

Related SHRM Articles:

Biden and Trump Want Lower Health Care Costs, but Approaches Differ, (www.shrm.org/ResourcesAndTools/hr-topics/benefits/Pages/biden-and-trump-want-lower-health-care-costs-but-approaches-differ.aspx) *SHRM Online*, September 2020

Employers Project Health Plan Costs Will Rise 5.3% for 2021 (www.shrm.org/resourcesandtools/hr-topics/benefits/pages/employers-project-health-plan-cost-rise-for-2021.aspx), *SHRM Online*, August 2020

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