

## HEALTH INSURANCE

## States' Protections and Programs Benefit Some Unemployed Individuals



Highlights of [GAO-03-191](#), a report to the Ranking Minority Member, Senate Committee on Finance and Senator Gordon Smith.

### Why GAO Did This Study

In March 2001, the longest economic expansion in United States history ended, and the country entered a recession, signified in part by a significant increase in unemployment. Because rising unemployment can adversely affect individuals' health insurance status, GAO was asked to review the policies of six states with significant recent increases in unemployment to

- (1) identify protections in place that assist unemployed individuals in maintaining or obtaining health insurance coverage and
- (2) assess the extent to which unemployed individuals and their families can rely on Medicaid and the State Children's Health Insurance Program (SCHIP) as a source of health insurance.

### What GAO Found

The six states reviewed had in place a variety of protections, established prior to the economic downturn, to assist unemployed individuals in maintaining health insurance coverage:

- State-mandated continuation coverage, which required small businesses to extend their group health coverage to former employees and their families who choose to pay for it.
- Guaranteed conversion, which required insurers to allow eligible individuals to convert their group coverage to individual health insurance policies.
- Guaranteed issue, which required insurers to offer coverage to those who did not have access to group coverage or public insurance.
- High-risk pools, state-created associations that offered comprehensive health insurance benefits to individuals with acute or chronic health conditions.

However, individuals generally bore the full cost of the premiums, which was usually higher than their premium cost under employer-sponsored plans. For individuals who relied on unemployment benefits as their principal income, premiums absorbed a significant share of the benefit.

#### State Protections that Facilitate Access to Health Insurance Coverage for the Unemployed in Six Selected States

State	State-mandated continuation coverage	State-mandated guaranteed conversion	State-mandated guaranteed issue	High-risk pool
Colorado	✓	✓		✓
New Jersey	✓		✓	
North Carolina	✓	✓		
Ohio	✓	✓	✓	
Oregon	✓			✓
Utah	✓	✓		✓

Source: State information, October 2002.

Unemployed workers were less likely than their children to be eligible for coverage under state Medicaid or SCHIP programs because adult eligibility thresholds were less generous than those for children. Coverage of adults was limited in four of the six states, as average unemployment benefits were at least twice the amount of income allowed for Medicaid eligibility. Colorado, Oregon, and Utah have received recent federal approval to expand Medicaid and SCHIP coverage for certain low-income adults. While New Jersey had a similar expansion of coverage in 2001, it suspended new enrollment for adults in June 2002 due to budgetary constraints.

We incorporated technical comments provided by representatives from states' insurance departments, high-risk pools, and Medicaid programs, as appropriate. We did not obtain comments from the Department of Health and Human Services because we did not assess its role in these programs.

[www.gao.gov/cgi-bin/getrpt?GAO-03-191](http://www.gao.gov/cgi-bin/getrpt?GAO-03-191).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Kathryn G. Allen (202) 512-7114.