

# Health insurance loss: the case of the displaced worker

*Upon termination, most displaced workers lose employer-financed health insurance along with their jobs; data for 1983–84 suggest that such workers ran a high risk of remaining uninsured for extended periods, even after new employment was secured*

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Increased import penetration, new automation technologies, and structural changes in industry have focused attention on labor market problems faced by dislocated workers in the United States. These concerns have stimulated research on the extent of the displacement problem, the adjustment cost for workers whose jobs are eliminated, and labor market policies to help these workers secure new work.<sup>1</sup> In this article, we examine one potentially serious problem faced by many displaced workers—the loss of employer-sponsored group health insurance benefits as a result of job displacement.

For most Americans who are covered by private medical insurance, coverage is a fringe benefit of their job, or the job of another family member. A special Labor Department survey in 1979 showed that 73 percent of full-time wage and salary workers in the private sector and 83 percent of workers in the public sector were covered by group health insurance on their job.<sup>2</sup> In the majority of cases, benefit premiums are paid by the employer. Even when employees make a contribution, their share is usually a small fraction of the total premium. When a worker's job is terminated, however, this employer-paid insurance quickly terminates as well, usually within 30 to 60 days after layoff.<sup>3</sup>

The perceived existence of a growing pool of persons who are uninsured because their jobs have been eliminated has led to numerous legislative proposals to extend health insurance coverage for displaced workers. Since the 1981–82 recession, the Congress has considered several bills which would extend health insurance benefits for unemployed workers, and recently enacted legislation allowing displaced workers to retain their group health insurance coverage at their own expense for up to 18 months following displacement.<sup>4</sup> Legislation has also been introduced in the House and Senate which would, among other things, mandate extension of employer-paid insurance for up to 4 months following layoff.<sup>5</sup> Two States have enacted legislation mandating extension of employer-paid benefits for some workers losing jobs due to plant shutdowns and relocations. A 1984 Massachusetts law requires employers to extend health insurance coverage for 90 days to workers displaced due to certain partial or complete plant shutdowns. Connecticut has passed similar legislation, which extends coverage for 120 days.<sup>6</sup>

While public policy in this area is moving forward, research has tended to lag because of a lack of data on the labor market adjustment difficulties of displaced workers. For example, it has not been possible to directly identify such workers in the monthly Current Population Survey (CPS) or any of its regular supplements, which are the pri-

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mary source of U.S. labor force data. In response to growing concern over the problem of plant shutdowns and job displacement, the Bureau of Labor Statistics added a special "Displaced Worker Survey" to the basic CPS in January 1984. For this analysis, we used the January 1984 CPS and a special January-March 1984 matched data file to examine health insurance loss among displaced workers.

### The extent of the problem

In January 1984, all respondents from approximately 60,000 CPS households were asked whether they or any member of their household age 20 or older had "...lost or left a job since 1979 because of a plant closing, an employer going out of business, a layoff from which (he or she) was not recalled or other similar reasons." An affirmative response triggered 18 supplemental questions concerning the nature of the job lost and post-displacement labor market experience. These displacement questions, of course, supplement the extensive demographic and labor force data in the basic monthly CPS.

For this study, we drew a sample of workers between the ages of 20 and 64 whose full-time nonagricultural jobs had been eliminated between January 1979 and January 1984 due to plant shutdowns, business relocation or failure, slack work, and selected other reasons.<sup>7</sup> Workers age 65 or older were excluded from the sample because they generally are eligible for medicare. Weighted national totals for this population are presented in the first row of table 1.

Over the 5-year study period, 9.8 million workers were displaced from full-time nonagricultural jobs. Most of these workers had been covered by group health insurance policies on their former job. Coverage rates, which are reported in the second row of the table, ranged from 60.5 percent for women in white-collar and service positions to 75.6 percent for men in the same occupational groups. In both the blue-collar and the white-collar and service categories, men were somewhat more likely to be covered than women.

Survey respondents were also asked whether the displaced worker was covered by any group health insurance policy in January 1984. Among those who had been covered by an employer group health insurance plan on their former job, 57.9 percent of blue-collar and 70.1 percent of white-collar and service workers reported that they currently were covered by some sort of group policy. Not surprisingly, the coverage rate was strongly associated with labor force status. For example, blue-collar workers who were not reemployed at the time of the January 1984 survey had a coverage rate of just 36.2 percent, while the rate for reemployed blue-collar workers was 71.0 percent.<sup>8</sup>

It is possible, of course, that some of the reemployed workers who lost group health insurance benefits may simply have "cashed out" of this fringe benefit and received higher earnings in return. The data in the lower portion of table 1 suggest that this is the exception rather than the rule, because workers reemployed with relatively large pay losses

**Table 1. Group health insurance coverage of displaced workers, January 1984**

Item	Blue-collar			White-collar and service		
	Total	Men	Women	Total	Men	Women
Total displaced (thousands) <sup>1</sup> . . . . .	5,899	4,526	1,372	3,851	1,952	1,899
Percent with group health insurance on former job . . . . .	70.9	72.1	66.8	68.2	75.6	60.5
Percent covered by any group plan in January 1984:						
Total . . . . .	57.9	58.2	56.9	70.1	70.2	70.1
Not reemployed . . . . .	36.2	33.9	42.2	46.1	37.6	53.4
Reemployed . . . . .	71.0	71.2	70.3	79.6	80.1	78.8
Current/previous earnings ratio for the reemployed: <sup>2</sup>						
1.00+ (no loss) . . . . .	88.2	88.6	86.4	91.5	91.0	92.3
.75 to .999 . . . . .	78.7	79.0	77.3	87.1	90.2	83.1
Less than .75 . . . . .	60.2	61.3	55.7	65.0	67.7	62.1

<sup>1</sup> Workers displaced from full-time nonagricultural jobs between January 1979 and January 1984 who were between the ages of 20 and 65 in January 1984. Totals exclude a small number of workers previously employed as private household workers or for whom a former occupation was not recorded.

<sup>2</sup> Previous earnings were adjusted to reflect the trend growth of wage and salary earnings by occupation between the year of displacement and January 1984 using Employment Cost Index data from *Current Wage Developments*, May 1986, table 10, pp. 41-48.

also were much more likely to have lost health insurance benefits. For example, reemployed blue-collar workers whose January 1984 earnings matched or exceeded their former earnings had a coverage rate of 88.2 percent, while those earning less than 75 percent of their former pay had a coverage rate of 60.2 percent.

### Coverage in 1983

It is possible to glean more detailed information about post-displacement health insurance coverage for a subsample of workers by drawing upon data collected in the Work Experience Survey which was administered with the March 1984 CPS. The Work Experience Survey is retrospective, eliciting information for the entire preceding calendar year—in this case 1983. Because one-quarter of CPS households leave the sample from one month to the next, approximately one-half of the households surveyed in the January 1984 sample were also reinterviewed in March. Using a special January-March matched data file constructed by the Bureau of Labor Statistics, we were thus able to draw upon the additional health insurance information in the March 1984 survey.<sup>9</sup>

In table 2, we report health insurance coverage data for workers displaced between 1979 and 1982. We have excluded workers displaced in 1983 because the questions in the March survey refer to health insurance coverage at any time during 1983 and we are concerned with coverage *after* displacement. Aside from this change, the sample corresponds to that used to calculate the percentages in the lower portion of table 1, that is, workers displaced from full-time nonagricultural jobs who previously had been covered by a

group health insurance policy.

The first row presents the percent of workers who reported that they were covered by an employer group policy at any time during 1983. Only 50.0 percent of blue-collar and 53.4 percent of white-collar and service workers were employed in jobs providing this fringe benefit during the year. The much lower rate for women reflects in part their lower reemployment rate. Among workers who were employed at any time in 1983, the coverage rate for men still exceeds that for women, but the gap is considerably smaller (65.9 percent versus 54.4 percent).

To what extent were workers who had earlier lost employer group health insurance covered by other types of health insurance in 1983? Rows two through five of table 2 present coverage rates for workers who reported that they were *not* covered by their own employer group policy during the year. The most common alternate source of coverage was the employer group plan of a spouse or another family member: 12.7 percent of blue-collar and 15.3 percent of white-collar and service workers reported such coverage. Within each occupational group, women were considerably more likely than men to be picked up by another family member's policy.

Medicaid provided coverage for 5.6 percent of displaced blue-collar and 2.9 percent of displaced white-collar and service workers. A small percentage of the workers reported that they were covered by military-related benefits such as CHAMPUS or VA benefits. Finally, 8.5 percent of the blue-collar and 12.3 percent of the white-collar and service workers reported that they were covered by some other unspecified type of health insurance policy. Unfortunately, the comprehensiveness and quality of insurance policies that fall into this residual category are not known; hence, these coverage rates should be interpreted with caution.

The sixth row of the table shows the percent of displaced workers who reported that they were covered by an employer group health insurance policy of their own or another family member. Finally, row seven shows the percent of workers who reported that they were covered by any of the health insurance policies listed in the first five rows of the table: 76.7 percent of blue-collar and 83.8 percent of white-collar and service workers reported coverage by at least one of these types of insurance at some time during 1983. Although female displaced workers were less likely to become reemployed on a job providing group health insurance, they were more likely to retain coverage through the alternative sources listed in the table. Thus, the comprehensive coverage rates within each occupational grouping are very similar for men and women.<sup>10</sup>

There are several possible explanations for the fact that the comprehensive coverage rates in row seven of table 2 are considerably higher than those reported in table 1. First, the employer group health insurance coverage questions in the March 1984 CPS supplement refer to coverage at any time during 1983, whereas the question in the January 1984

monthly survey concerns coverage in the survey reference week. The former coverage rate will tend to be greater than the latter if displaced workers continue to experience spells of unemployment which entail interruptions in insurance coverage. Second, the questions in the two surveys differed. In the January survey, respondents were asked whether they were currently covered by any group health insurance policy, but the statistics in row seven of table 2 refer to *all* types of health insurance coverage, including the unspecified residual category in the fifth row of the table, which may include some types of individual policies. Whether these other types of coverage are comparable to that provided on the former job, however, cannot be assessed.<sup>11</sup>

In sum, the statistics in table 2 support the conclusion that a very large share of workers lose employer-sponsored group health insurance coverage as a result of displacement. Some of these workers retain coverage through the employer policy of another family member, but some must rely on government programs and many simply lose coverage.

OUR ANALYSIS SHOWS that workers who were displaced from full-time nonagricultural jobs between 1979 and January 1984 did, in fact, face a high risk of losing health insurance coverage for an extended period of time following displacement, even after new employment was secured. Many workers who lost employment-related group health insurance were able to fall back on coverage from another family member's policy, or on other types of insurance coverage, including government programs such as medicaid

**Table 2. Health insurance coverage by type in 1983 for workers having lost group coverage through displacement between 1979 and 1982**

Type of coverage	Percent of workers covered at any time during 1983 <sup>1</sup>					
	Blue-collar			White-collar and service		
	Total	Men	Women	Total	Men	Women
Own employer group plan .....	50.0	53.7	36.5	53.4	62.2	42.5
Other:						
Employer plan of another family member .....	12.7	10.1	22.1	15.3	9.1	23.1
Medicaid .....	5.6	4.4	10.0	2.9	1.0	5.3
Military-related <sup>2</sup> .....	2.0	2.0	2.2	2.0	.6	3.6
Other .....	8.5	7.6	11.6	12.3	11.4	13.3
Total covered by employer group plan (row 1 + row 2) .....	62.7	63.8	58.6	68.8	71.3	65.6
Total covered by any health insurance <sup>3</sup> .....	76.7	76.0	79.0	83.8	84.6	83.1
Sample size .....	836	655	181	554	307	247

<sup>1</sup> The estimates, developed from a January-March matched data file, relate to workers displaced from full-time nonagricultural wage and salary jobs who had been covered by group health insurance on their previous job.

<sup>2</sup> Includes Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), Veterans Administration (VA), and other military health care plans.

<sup>3</sup> Percent of workers reporting coverage by any of the health insurance policies or programs in the first five rows of the table. Because some workers reported coverage by more than one program, this total is less than the sum of the first five rows.

or VA benefits. A sizable fraction, however, reported no coverage whatsoever. Information on the extent to which recent legislation allowing workers to continue their group coverage at their own expense reduces health insurance loss

rates awaits future surveys. Our findings do suggest that, for workers displaced between 1979 and 1983, the social safety net had holes.

— FOOTNOTES —

<sup>1</sup> For example, see Paul O. Flaim and Ellen Seghal, "Displaced workers of 1979-83; how have they fared?" *Monthly Labor Review*, June 1985, pp. 3-16; Richard M. Devens, Jr., "Displaced workers: one year later," *Monthly Labor Review*, July 1986, pp. 40-43. For a thorough survey of recent research on displaced workers, see U.S. Congress, Office of Technology Assessment, *Technology and Structural Unemployment: Reemployment of Displaced Adults*, OTA-ITE-250 (Washington, U.S. Government Printing Office, February 1986).

<sup>2</sup> U.S. Department of Labor, Labor-Management Services Administration, *Group Health Insurance Coverage of Private Full-Time Wage and Salary Workers, 1979* (Washington, 1981), pp. 30 and 51.

<sup>3</sup> *Health and Life Insurance Benefit Plans*, Personnel Policies Forum Survey, 137 (Washington, Bureau of National Affairs, March 1984), pp. 21-22; and Daniel N. Price, "Health Benefits for Laidoff Workers," *Social Security Bulletin*, February 1976, pp. 40-51.

<sup>4</sup> Workers covered by an employer group health insurance plan can extend their coverage for up to 18 months following layoff at their own expense (that is, they must pay the total insurance premium plus a 2-percent administrative fee). Widows, spouses, and dependents are eligible for up to 36 months of coverage under similar terms. This Federal law was part of the Budget Reconciliation Act of 1986 and became effective July 1, 1986.

<sup>5</sup> This is one part of a more comprehensive Access to Health Care Act (S.2402).

<sup>6</sup> Richard Nelson, "State labor legislation enacted in 1984," *Monthly Labor Review*, January 1985, pp. 27-42; and conversations with officials of the Massachusetts Division of Employment Security. According to the

National Center on Occupational Readjustment (NACOR), Massachusetts and Connecticut are the only two states with mandatory laws.

<sup>7</sup> The omitted categories are: self-employed business failures; seasonal job ended; and "other." In omitting these categories we are using the same criteria as Flaim and Seghal, "Displaced workers of 1979-83," and Devens, "Displaced workers: one year later." Unlike these authors, however, we do not limit our sample to workers with 3 or more years of tenure on their old job, but rather include any worker fitting the selection criteria described in the text, regardless of years of tenure.

<sup>8</sup> If we restrict our sample to workers with 3 or more years of seniority on their former job, the health insurance coverage rates, not surprisingly, tend to be somewhat higher for both blue-collar (85.8 percent) and white-collar and service workers (81.2 percent). The January 1984 coverage rates for these tenured workers are nearly identical to those reported in table 1. The post-displacement coverage rates for the other subgroups shown in the lower portion of the table also are very similar.

<sup>9</sup> We are indebted to Robert McIntire of the Bureau of Labor Statistics for constructing this matched file for us.

<sup>10</sup> As with table 1, the post-displacement coverage rates for formerly insured workers with 3 or more years of tenure are very similar to those reported in table 2.

<sup>11</sup> A related factor may be that respondents in the March survey were prompted concerning the various types of health insurance (such as medicare, medicaid, or veterans benefits) whereas the respondents in the January survey were not. It is also possible that the January survey respondents did not recall coverage by some of these policies, or did not consider them "group" policies.