

PROVIDING HEALTH COVERAGE FOR THE UNEMPLOYED

Staff Memorandum

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**Prepared by the Staff of the Human Resources
and Community Development Division**

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SUMMARY

As of February 1983, 10.2 million jobless Americans and their dependents lacked any form of health insurance coverage as a direct result of unemployment. Another 20 million had no coverage for other reasons. Lack of coverage is known to impede access to health care and it may lead to diminished health, though confirming data are unavailable. For these reasons, high and persistent unemployment rates have made lack of coverage caused by joblessness an important Congressional concern.

THE ALTERNATIVES AVAILABLE

Both the private and public sectors offer an array of health insurance possibilities for jobless workers, but few are readily available. Ranging from modified extensions of employer-provided policies to privately purchased policies, the private-sector alternatives are characterized by relatively high premium costs that can consume an important share of the incomes of unemployed workers. Public-sector choices are either very circumscribed as to whom they can assist (Medicaid, for example) or severely limited in what costs they will cover--specifically, those of very expensive "catastrophic" illnesses.

OPTIONS FOR CONGRESSIONAL CONSIDERATION

In recognition of these twin problems--high rates of unemployment-related noncoverage and the inaccessibility of alternative insurance--several legislative proposals have been advanced that would involve the federal

government in providing coverage for unemployed persons. These plans, and additional ones analyzed by the Congressional Budget Office, would either use a public program or involve the private sector--that is, employing firms laying off personnel and insurance companies that administer employer-provided insurance. Most of the public options analyzed here would establish entitlements, for which all applicants meeting certain eligibility criteria would qualify. Others would take the form of appropriated grants, either to states or to fiscally distressed hospitals. (These options are outlined in the Summary Table.) The commitment of federal money would vary from virtually none for some of the private-sector options to \$6.4 billion in 1984 for the most generous entitlement.

These options can be assessed on several dimensions:

- o From a federal standpoint or from the point of view of employers, **how controllable would direct costs be?** And might indirect costs also occur?
- o **How quickly could a plan be implemented?**
- o **How could assistance be directed toward those recipients who need it most,** namely those segments of the jobless population with the scarcest resources to purchase insurance on their own?

In general, entitlement options would direct aid toward persons believed to need it the most according to the chosen eligibility criteria. To whatever extent entitlements would build on programs already in place--Medicaid and Medicare--they could make assistance available with little delay. Further, if these options included uniform national eligibility standards, they would distribute aid with minimal state-to-state variations.

SUMMARY OF OPTIONS TO PROVIDE HEALTH INSURANCE FOR UNEMPLOYED WORKERS AND THEIR FAMILIES

Options (and Legislative Proposals)	Target Population	Financing Source	Plan Administration	Rate of Phase-in	1984 Federal Cost Effects
ENTITLEMENT OPTIONS					
Individual Purchase of Group Policy	Unemployed and lost coverage <u>a/</u>	Unemployed worker	Employer and insurer	Fast	None
Mandatory Employer-Paid Coverage	Unemployed and lost coverage <u>a/</u>	Employee and employer <u>b/</u>	Employer and insurer	Moderate	Possible tax revenue decline
Trust Fund to Finance Premiums	Unemployed and lost coverage <u>a/</u>	Employer <u>b/</u>	State and insurer	Slow	Possible tax revenue decline
State Administered Insurance Pools (S. 307)	Unemployed and lost coverage <u>a/</u>	Employee, employer, <u>b/</u> and insurer	State and insurer	Slow	Possible tax revenue decline
Catastrophic Insurance	Recipients and exhaustees of unemployment insurance	Federal government	Federal government	Moderate	\$3.5 billion
Limited Primary-Care Coverage (H.R. 2552)	Recipients and exhaustees of unemployment insurance	Federal and state government <u>c/</u>	State government	Moderate	\$2.6 billion
Expanded Medicaid	Unemployed and noncovered <u>d/</u>	Federal and state government	Federal and state government	Moderate	\$6.4 billion <u>e/</u>
Expanded Medicare	Unemployed and noncovered <u>d/</u>	Employee and federal government	Federal government	Fast	\$4.8 billion

GRANT OPTIONS					
Increased Categorical Grants to States	Recipients of health-care programs for the low income	Federal government	State government	Fast	Congressionally appropriated
Grants to States for Health Coverage (S. 951)	Recipients or exhaustees of unemployment insurance who lost health coverage <u>a/</u>	Federal and state government <u>c/</u>	State government	Fast	Congressional appropriation of \$900 million <u>f/</u>
Grants to Financially Distressed Hospitals	Hospitals with large uninsured patient load	Federal government	Federal government	Moderate	Congressionally appropriated

SOURCE: Congressional Budget Office.

- a. Eligible population would be restricted to persons previously covered by employer-provided plans.
- b. Costs assessed against employers might be shifted over time to employees through lower wage increases or to customers through higher prices.
- c. At state option, participants could be required to pay small amounts.
- d. Eligibility not contingent on previous coverage under employer-provided plans.
- e. Assumes full federal funding for these benefits.
- f. Outlay estimate included in language of S. 951.

On the other hand, entitlements would have the drawback of giving rise to costs of uncertain magnitude at the outset that could be difficult to control in the longer term

Costs of grant programs, in contrast, would be far easier to control through the annual Congressional appropriation process, although exercising such control would mean providing less assistance to the unemployed. This approach would also enable states to vary the program's design to meet local needs most effectively. If new program mechanisms were used, however, provision of health coverage would be delayed.

Instead of emphasizing federal fiscal responsibility for providing health coverage for the unemployed, the Congress could mandate several forms of private-sector responsibility. Reliance on the private sector would avoid much of the impact on already-large federal deficits and could be simpler to administer. A problem with this approach, however, is that those industries and firms that account for large numbers of laid-off workers might be in a poor financial position to shoulder the added burden of coverage for the unemployed. This new expense could worsen such firms' condition--in extreme cases, forcing them out of business. While pooling of such risks across firms is a possibility, such a reinsurance mechanism is not available at present.

**PART I. UNEMPLOYMENT, THE COVERAGE AVAILABLE,
AND THE GAPS**

In February 1983, perhaps 30 million Americans, or 13 percent of the U.S. population, were covered by neither private nor public health insurance. Of that total, 10.2 million persons had lost coverage because of unemployment; for many U.S. workers and their families, loss of a job brings loss of employer-provided health benefits. ^{1/} The noncovered population is dominated by people who lack coverage for other reasons, however--people who do not qualify for public assistance, and thus Medicaid; those who do have jobs but work for employers that offer no health insurance benefits; and those who cannot afford the often high costs of private policies. Nonetheless, the fraction now without coverage as a result of joblessness is high enough to be of major concern. Lack of coverage is known to reduce the rate at which people use health-care services, although whether or not this brings about a definite deterioration of health cannot be corroborated with data.

With the current jobless rate at persistently high levels--in April, the civilian unemployment rate stood at 10.2 percent--considerable Congressional attention has focused on the companion problem of lacking health coverage. A number of bills to remedy this situation are now under consideration. Some would rely on the private sector for financing and

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1. This estimate of the extent of health insurance loss attributable to unemployment represents a revision of a Congressional Budget Office estimate presented to the House Committee on Energy and Commerce, Subcommittee on Health and the Environment, January 24, 1983. The current estimate is based on the civilian population excluding those living in institutions.



administration, others on the states and the federal government, but all would start with federal initiative. Reference to many of these proposals is included in the discussion of options in Part III.

The purpose of this paper is to clarify the link between employment and health coverage, describe the existing array of types of coverage, and analyze a number of options.

EMPLOYMENT STATUS AND HEALTH COVERAGE

Nine of every ten nonagricultural workers are employed by firms that offer health insurance plans as a fringe benefit. 2/ Thus, about 85 percent of the 170 million persons with private-sector health coverage--some 144 million people--obtain their coverage through employment-related health plans. But the fact of employment is no guarantee that workers and their families have coverage. More than 9 million persons who worked all or part of 1977 were without coverage during all of that year. 3/ Employed workers may lack coverage mainly for two reasons. Either they work in firms that do not offer coverage, or they work part time; part-time employees commonly do not qualify for employer-provided health insurance. Another rather small segment of the noncovered group is those persons who have

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2. Only at most 75 percent of all employees are covered by employment-based health plans, however. Some employees of firms that offer plans are not eligible--for example, because they work part-time--and others choose not to participate.
 3. The most recent year for which data are available is 1977; these data come from U.S. Department of Health and Human Services, National Center for Health Services Research, National Medical Care Expenditure Survey (1977).

secured new jobs too recently to qualify for this employment benefit; many employers do not make health benefits available to new personnel before the end of some waiting period.

Characteristics of the Uncovered Population

As much as 11 percent or 12 percent of the population may have been without private or public health insurance in 1977, when the year's unemployment rate was 7.1 percent--about 3 percentage points lower than unemployment today. Results from the 1977 National Medical Care Expenditure Survey (NMCES) describe the fundamental gaps in coverage (see Table 1). 4/

People without coverage in 1977 fall into two groups: those without coverage for the full year (16 million) and those lacking coverage for only part of the year (17 million). This distinction is important, partly because the use of medical services appears to be significantly lower for persons without coverage for the entire year than for those covered for all or only a part of the year.

By and large, persons lacking coverage throughout 1977 were poorer and younger than persons with coverage. About 6.5 million--or two-fifths--of those not covered throughout all of 1977 were members of families

4. Using data for 1977 could result in some undercount of the number of persons who have lacked coverage since that date, because of growth in the size of the population and reduction in the proportion of the population holding jobs since 1977. On the other hand, this undercount might have been offset by expansion of employment-based health insurance since 1977.



TABLE 1. HEALTH COVERAGE STATUS BY INCOME, AGE, AND EMPLOYMENT EXPERIENCE IN 1977 (In millions of persons and percents)

	Uncovered All Year		Covered Part Year		Covered Full Year	
	Number	Percent	Number	Percent	Number	Percent
Total	16.3	100	17.1	100	179.2	100
BY FAMILY INCOME						
\$5,000 and below	6.5	40	7.4	43	41.3	23
\$5,001 - \$10,000	3.3	20	3.5	20	29.6	17
\$10,001 - \$15,000	2.2	14	2.3	13	31.7	18
Above \$15,000	4.3	26	4.0	24	76.5	43
BY AGE GROUP						
Under 6	1.3	8	2.1	13	14.8	8
6-18	4.0	25	4.1	24	42.4	24
19-24	3.2	20	3.5	20	15.5	9
25-44	4.5	28	5.0	29	46.3	26
45-64	3.3	20	2.2	13	37.8	21
65 and over	0.1	1	0.1	1	22.3	12
BY EMPLOYMENT STATUS						
Never worked	3.2	20	3.5	20	44.8	25
Worked full year	6.4	39	6.2	36	71.0	39
Worked part year	2.5	15	2.2	13	16.2	9
Other employed (duration uncertain)	0.5	3	0.5	3	3.2	2
Other <u>a/</u>	3.6	1	4.8	1	44.1	3

SOURCE: Congressional Budget Office calculations based on U.S. Department of Health and Human Services, National Center for Health Services Research, National Medical Care Expenditure Survey (1977).

a. Includes adults whose labor force status is not known and children under age 14.



with annual incomes below \$5,000. ^{5/} A disproportionately large number of them--3.2 million persons, or one-fifth of the noncovered--were between the ages of 19 and 24.

With respect to income and age, the 17 million persons who lacked coverage for a portion of 1977 resembled the population that lacked coverage for the entire year more than they resembled the population with year-round coverage. Family incomes for those covered part of the year tended to be low, with 43 percent of the partially covered having incomes below \$5,000. About 20 percent of those covered part of the year were between the ages of 19 and 24--the same proportion as those without coverage for the entire year, but twice the proportion of those with year-round coverage. Children below the age of six made up a larger proportion of those with part-year coverage than of either of the other two groups.

COVERAGE FOR LOSERS OF EMPLOYMENT-RELATED HEALTH INSURANCE--PRIVATE AND PUBLIC POSSIBILITIES

Various other sources of health insurance are available to persons who lose coverage when they lose jobs. The alternatives--to which jobless persons have differing degrees of access--include a mix of private and public insurance:

- o Extended coverage under former employers' plans,
- o Coverage under an employed spouse's plan,

5. The federally set poverty level in 1977 was an annual income of about \$6,200 for a family of four, for example. This corresponds to about \$10,000 in 1983.

- o "Conversion policies" offered to laid-off workers,
- o Personally purchased individual coverage,
- o State-sponsored general and catastrophic coverage and "reinsurance pools," and
- o Medicaid, sponsored jointly by states and the federal government.

Private-Sector Possibilities

The first four of these possibilities are versions of private health insurance, with public involvement limited to state statutes that mandate the availability of certain levels of coverage.

Extended Coverage Under Employer-Provided Plans. Most employment-based plans offer some extended coverage to laid-off persons, but this continued coverage tends to be of limited duration. Fewer than half of all private-sector workers with some extended coverage are eligible to receive that coverage for longer than five weeks after layoff. For many laid-off workers, this period runs out long before new jobs are found, and this problem is especially acute in a period of high unemployment, when the duration of joblessness may be especially long. In February 1983, when the average period of unemployment was 19 weeks, probably no more than 20 percent of the unemployed who had been covered by an employer-provided plan while working still retained their former coverage. 6/

6. Congressional Budget Office approximations of extended coverage provisions based on U.S. Department of Labor, Health Population Study Center, Battelle Human Affairs Research Center, "Study to Develop Methods of Encouraging the Growth and Maintenance of Employee Benefit Plans Among Firms with No Such Plans," prepared



Coverage Under a Spouse's Plan. Some job losers may have coverage under policies held by their spouses, but access to this protection is limited. Even though the number of families in which both head and spouse are in the labor force has increased, to 24 million in February 1983, unemployed persons with an employed spouse made up only about 25 percent of all those unemployed. Further, no more than one-quarter of all two-earner families have "duplicate coverage"--that is, two family policies that would provide uninterrupted coverage should one earner with coverage become unemployed. (Such families may carry two family policies because of complementary sets of benefits.) In contrast, in many two-earner families, one earner may work for a firm that offers no health benefits, or have a part-time job and thus be ineligible for employer-provided coverage.

In some instances, a spouse who is still employed has elected not to participate in his or her employer's group plan or has chosen a "self-only" policy that does not cover other family members. Opportunities to join the plan or to broaden coverage exist, but they are not universal, and when they are available, they often come with certain limitations such as waiting periods or exclusions of known medical conditions. Many insurers permit changes in participation--new enrollments, broadened coverage, and the like--only at certain "open seasons," short periods that occur only once or twice a year. Thus, for example, if one spouse is laid off in December and

6. (continued) for the Labor Management Services Administration, Assistant Secretary for Policy Evaluation and Research (March 28, 1980). Duration of unemployment data from U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings (March 1983).

his still-working wife's November open season has just closed, that couple's family may have to wait for 11 months before an opportunity for broadened coverage arises.

Required Conversion Policies. In at least 12 states, insurance companies that sell employment-related group coverage must offer a terminated worker the opportunity to continue coverage at the person's own expense, under a so-called "conversion policy." A conversion policy is usually issued with no waiting period or exclusion of existing medical conditions, but benefits are often less extensive than those provided under the group plan. From the worker's standpoint, an advantage of the mandatory conversion approach is that the insurer must accept all who apply, regardless of health status. A disadvantage, however, is cost. On average, about 80 percent of a premium's cost while the worker is employed is paid for by the employing firm. For the employed worker, the employer-paid premium may be a valuable but not specifically recognized (in dollar terms) part of compensation, whereas a terminated worker generally has to pay the entire premium.

Beyond that, however, premiums for conversion policies are usually calculated on a basis different from employment group plan premiums, and the former are commonly higher. Premiums for conversion plans tend also to be costly, however, because of a phenomenon that actuaries refer to as "adverse selection." Persons who are or who expect to be low users of

medical care are more likely to forego coverage, whereas high users are likely to accept the coverage offered. This results in high costs for insurers and, thus, in high premium rates. Despite the high premiums, some jobless workers may elect conversion plans because, for reasons of existing medical conditions, they cannot qualify for any other coverage.

Individual Insurance Plans. Private individual health insurance policies--characterized by relatively high premiums and, sometimes, by exclusions of existing medical conditions--are also available. Persons who do meet the underwriting standards and can afford the premiums usually receive more extensive coverage than can be obtained at a similar price through conversion policies. But private individual coverage can cost a significant portion of a jobless worker's income. For example, in Pennsylvania, a state with high unemployment, premiums for private family policies offered by Blue Cross/Blue Shield range from \$90 to \$200 a month, or between about 15 percent and 30 percent of the average unemployment benefit in that state.

Public-Sector Possibilities

Most of the coverage involving the public sector is restricted to state-level sponsorship. Only one form of coverage now available to any of the noncovered unemployed involves the federal government.

Catastrophic Coverage. Four states operate so-called "catastrophic" health insurance programs that provide reimbursement for expenses that exceed a certain dollar threshold. ^{7/} These programs, financed out of state revenues, protect state residents against the costs of illnesses that translate into extraordinarily high expenses. States operating these programs account for only 1 percent of the nation's jobless workforce, however.

Reinsurance Pools. About six states require insurers to participate in so-called "reinsurance pool" arrangements to provide coverage to persons unable to obtain policies privately. In general, the administrative costs of these pools are paid by insurers in proportion to their shares of the health insurance markets in their states; other expenses are paid, in the form of premiums, by subscribers.

Coverage under these pool arrangements is even less affordable than individual policies, however. In general, persons covered in such pools have health conditions that prevented them from obtaining ordinary individual coverage, so claims paid by pools are high; that, in turn, drives up premium costs. In Connecticut, for example, the premium for coverage in a pool arrangement is 125 percent to 150 percent of that charged by private insurers for similar coverage.

7. The four states are Alaska, Maine, Minnesota, and Rhode Island.



Medicaid. Though some low-income persons may obtain coverage through Medicaid, the joint federal/state program that finances health care for low-income persons, few in the currently unemployed population satisfy Medicaid's eligibility criteria. Specifically, groups eligible for assistance under this program are primarily single-parent families receiving cash assistance through the Aid to Families with Dependent Children (AFDC) program and the aged, blind, and disabled receiving aid from the Supplemental Security Income (SSI) program. In about 30 states, those unemployed persons who would otherwise be eligible for AFDC or SSI, except that their incomes and/or their assets are too high, can also qualify for Medicaid, if they have substantial medical expenses.

Though in about half the states, two-parent families with an unemployed parent can also qualify for AFDC--and thus for Medicaid--if their incomes are low enough, those now receiving benefits under this provision make up a relatively small portion of the total number of families with unemployed parents. In large part, these families do not qualify because their assets exceed the limit allowed under AFDC provisions--\$1,000 in 1983 in most states 8/--or their incomes from other sources such as spouses' earnings are too high. Single persons and childless couples who are not aged, blind, or disabled, regardless of income, cannot qualify for Medicaid.

8. This limit does not apply to a family's home or essential furnishings or to a car unless its equity value exceeds \$1,500.

Some low-income persons who are ineligible for Medicaid may receive medical assistance through state general assistance programs and through general hospitals. Little is known about the extent of the population served this way.

CONCLUDING OBSERVATIONS

The foregoing description suggests that the array of private and public health coverage possibilities for the unemployed is wide. By and large, though, the private-sector options may be expensive to the jobless worker. Inaccessibility to persons with known medical problems--commonly those persons who stand to feel the loss of employment-based coverage most acutely--is another trait that characterizes many of these possibilities. Public programs help few of the unemployed, with state-provided catastrophic expense protection provided in only a few states, and most of the jobless work force ineligible for Medicaid.

PART II. UNDERLYING ISSUES

A wide array of proposals to provide health insurance for persons who lost coverage because they lost their jobs has been put forth in the Congress, and additional options are also possible. Many of these are examined in Part III. Several difficult issues underlie Congressional consideration of them.

- o **An entitlement versus an appropriated program** -- If federal involvement is deemed appropriate, what form of control should the Congress exercise over program costs? Should an entitlement program be created that would require changes in benefits or eligibility to limit costs? Alternatively, should a categorical grant be adopted so that the Congress could limit costs through the appropriation process?
- o **Targeting** -- How could assistance be clearly directed toward persons least able to afford medical care or insurance of their own?
- o **Funding** -- Who should finance benefits for the unemployed--the unemployed themselves, their previous employers, or the general taxpayer?

ENTITLEMENT VERSUS APPROPRIATED PROGRAMS

In general, entitlement approaches would delineate at the federal level an eligible population, and they would define the medical benefits that group could receive. Such programs could be implemented through either the private or the public sector. Discretionary grant programs, in contrast, could channel federal funds to public or private agencies to help some of the unemployed obtain medical care, but the agencies (or state governments) would determine what services to provide and who would receive those services, possibly within federally established guidelines.



The costs of entitlement programs are often difficult to project and difficult to control. Projecting outlays under such programs involves estimating the size of the eligible population, the proportion that would participate, and the amount of services each participant would use. Controlling the cost of an entitlement program requires legislation changing eligibility criteria or program benefits--potentially hurting those who have come to depend on the program.

During the current recession, either the public or the private sector would have experienced high costs for a program in which workers were by some definition entitled to participate. One example would be public or private health insurance to cover all laid-off employees. For example, if fully implemented in fiscal year 1984, extension of Medicare coverage to persons who lost their health insurance along with their jobs could cost almost \$5 billion, adding to already large federal deficits. ¹/ Similarly, an entitlement program funded by the private sector could be costly, especially to industries and firms already in severe fiscal straits. Firms that have laid off many workers are likely to be in a poor position to finance continuing health insurance coverage.

In contrast, the costs of grant programs could be controlled through the annual appropriations process, although exercising this control would imply not serving many families needing assistance, and having grantees

1. This estimate represents the annual cost of a fully implemented plan.



making the difficult decisions of who is not to be served. On the other hand, grant programs would generally allow states to design eligibility criteria and benefit packages to suit their special circumstances.

TARGETING

Eligibility criteria could limit the provision of aid to unemployed persons with the least financial resources and, hence, with the greatest need for assistance in meeting medical expenses. This could be done by delaying eligibility for several weeks following date of layoff or by providing assistance only to those who had exhausted their Unemployment Insurance (UI) benefits.

Resources vary significantly among individuals and families who are both unemployed and uninsured, but one influential factor is duration of unemployment. Persons who have been jobless for long periods--say three months--are more likely to have depleted their resources, including UI benefits, than are those who have been jobless for relatively brief periods. (Between 60 percent and 70 percent of those who received UI benefits in 1982 became reemployed before they exhausted their UI benefits.) On the other hand, if eligibility were extended to all job losers meeting such a criterion, and their families, a family with one unemployed earner but another still employed would be eligible for federal benefits even though that family might have significant annual income--perhaps, exceeding that of many individuals who are employed but uninsured.



To avoid providing coverage to persons who have chosen to remain jobless and/or who have left the labor force--another targeting issue--the Congress might wish to limit the duration of health coverage for the unemployed. This would also limit program costs. A further way to limit costs would be to restrict eligibility to those unemployed persons who have been covered by an employer's health insurance plan. This would, however, exclude many families with limited resources.

Another way of targeting assistance to the needy would be to make grants directly to hospitals experiencing financial distress as a result of serving large numbers of uninsured persons. Assistance would then be available only to those too needy to pay their hospital bills, but it would not be restricted to those who were uncovered because of job loss. Even so, many hospitals might not be willing to serve the uninsured, especially if financial distress had to be experienced in order to receive funding.

FUNDING

The costs of providing health insurance coverage to the unemployed could be met either through the private or the public sector. Laid-off workers could pay the cost of health insurance coverage, or their previous employers could be required to finance continued coverage. In the long run, if the cost of continued coverage were imposed directly on employers, it could be passed on to consumers through higher prices or shifted to employees by slowing the growth in wages.



Alternatively, taxes could be used to fund health benefits for the uninsured. Specifically, general federal revenues could be used to finance any new program, or new taxes could be enacted. Through general revenues, all taxpayers--including the self-employed and employees who either lack insurance coverage or pay for it themselves--would be subsidizing coverage for certain unemployed persons. If only those with employer-paid coverage prior to layoff were eligible to participate in the program, the use of general revenues would result in workers without employer-sponsored coverage supporting a program that would not benefit them during lay-off.

Two alternatives to general revenue funding are a percentage tax on employer-paid health insurance and taxing (as income to employees) employer contributions to health insurance above a certain threshold. Either of these taxes would result in persons currently with coverage subsidizing benefits for those participating in the new program. Some of those paying the new tax to fund coverage for the unemployed could, however, become recipients of the program at some future date.

PART III. OPTIONS

Two broad categories of options are examined in this section: those that would provide coverage to jobless persons and their families on an **entitlement basis**, and those that would support health-care coverage by means of **appropriated grants**. (Table 2 summarizes them.) Many would build on practices that are already in effect in small numbers of states, and many have already been proposed as bills before the Congress. A number of general considerations apply to these options.

The costs of providing coverage are not limited to what would appear on the outlay side of federal or state budgets. Many options would depend heavily or even exclusively on the private sector to cover costs. To the extent that private-sector financing were mandated, the financial burdens would be placed on industries that are already experiencing financial difficulty--as manifested in the high rates of unemployment caused by layoffs. Whereas corporate participation in providing health-insurance coverage for the unemployed would offer clear advantages of efficiency and simplicity, it could translate into lower wages for workers still employed and/or lower profits. In either case, federal revenues would fall, so that the federal government would automatically share with the private sector the burden of such options.