



April 30, 2002

Health Coverage for Displaced Workers:

MSAs Guarantee Better & Broader Coverage than Democrats' "COBRA-Care"

The Senate may soon debate [Trade Adjustment Assistance](#) (TAA) legislation that would provide health coverage for workers who lose their jobs due to foreign competition. While Senate Republicans propose to protect hundreds of thousands of workers from losing their health coverage, Senate Democrats are offering less-comprehensive, less-effective proposals that would restrict workers' choices.

The best thing Congress can do to preserve displaced workers' health coverage is allow all workers to open a personal, tax-preferred [Archer Medical Savings Account](#) (MSA) that can meet their medical needs in the event they lose their job. Majority Leader Daschle and Senator Breaux made this point in a September 8, 1992, letter seeking support for their MSA bill:

Once a Medical Care Savings Account [MSA] is established for an employee, it is fully portable. Money in the account can be used to continue insurance while an employee is between jobs or on strike. . . Any money not spent out of a given year's allowance could be kept by the employee in an account for future medical needs during times of unemployment or for long term care.

Today, MSAs are available through a limited demonstration program where they have proven popular. As Senators Breaux and Daschle note, these MSA holders are already protected from a lapse in health coverage while between jobs. Congress should offer all Americans this protection by making MSAs more widely available.

At roughly the same cost, MSAs would help displaced workers far more than the leading Democrat proposal (contained in [S. 1209](#)), which targets only workers who are TAA-eligible. Congressional Budget Office (CBO) [estimates](#) suggest the Democrat proposal would cover 75,000 otherwise uninsured workers at a cost of \$1.2 billion over five years. Data from the [IRS](#) and OMB indicate MSAs could cover over 380,000 otherwise uninsured workers for the same amount, making MSAs five times more cost-effective. (The CBO estimates [expanding MSAs](#) to all private sector workers would [cost](#) \$1.8 billion over five years.)

The Democrat plan would spend taxpayer dollars to help some TAA-eligible workers buy coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ([COBRA](#)), and would encourage states to extend Medicaid coverage to other TAA-eligible workers.

COBRA allows certain workers to keep their coverage after they leave a job. COBRA coverage is already expensive both for workers (who must pay their own prior share of their premium, plus their employer’s share, plus a surcharge) and employers (because COBRA users still consume some 50 percent more than they contribute, a cost that is passed on to employers and remaining employees). Encouraging more workers to opt for COBRA coverage would impose further costs on employers. Workers would not fare much better. If they were COBRA-eligible, the Democrat plan would grant them aid *only if* they stayed with their former employer’s health plan. Democrats offer nothing but Medicaid to workers ineligible for COBRA, and *absolutely* nothing to workers ineligible for TAA.

<u>How MSAs Benefit Displaced Workers</u>	<u>How the Democrat Plan (S. 1209) Compares</u>
Available to all private sector workers.	Available only to TAA-eligible workers.
Can pay for medical services, COBRA premiums, individual insurance premiums, high-risk pool premiums, or long-term care.	Offers only COBRA coverage or Medicaid.
For price of Democrat plan, would cover 380,000 otherwise uninsured workers.	Covers only 75,000 otherwise uninsured workers.
Provide constant coverage to workers, including while between jobs or on strike.	Leaves displaced workers vulnerable to delays and possible cancellation.
Cover workers wherever a job search leads.	Ties workers down to one area.
Protect workers indefinitely.	Expires after 18 months (generally).
Allow workers to choose the best coverage from among competing insurers.	Forces workers into only one option.
Workers are sovereign: both doctors and the insurer work for the patient.	Workers are vulnerable: doctors are paid partly by the patient and partly by insurers loyal to the patient’s <i>former</i> boss.
Allow workers to choose their doctors.	Often restricts patients’ choice of doctors.
Expand coverage by giving employers and workers an additional, affordable option.	Restricts coverage by placing mandates on employers.

If Congress is serious about helping displaced workers maintain health coverage, it should immediately make MSAs widely available to all private sector workers. To choose the Democrat plan instead would be to deny health coverage to over 300,000 Americans.

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