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# How Companies Should Prepare for Expanded Unemployment, Health Benefits in CARES Act

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*The CARES Act, signed into law on March 27, increases unemployment insurance, potentially making it difficult to hire workers. The law also expands health coverage, from reimbursing medication to covering COVID-19 testing. Here's how companies should prepare.*

The \$2 trillion Coronavirus Aid, Relief, and Economic Security Act (CARES Act), signed into law on March 27, is the largest emergency stimulus plan in United States (U.S.) history. The law is intended to soften the blow of the COVID-19 pandemic on the economy and includes assistance for businesses and individuals by providing low-interest loans, loan relief, additional unemployment benefits and cash payments to certain taxpayers. A full text of the CARES Act is available [here](#).

The CARES Act focuses on workers, economic stabilization and the health care system. This article discusses provisions relating to unemployment insurance and employer group health plans. To learn more about limitations the Act places on executive compensation for organizations that use government loans and loan guarantees under the legislation, [click here](#) for our recent article.

## Increased Unemployment Insurance

### Federal Pandemic Unemployment Compensation

The CARES Act does not change the basic structure of the existing unemployment insurance system, which is governed by each state's own regulations and requirements. Generally, an individual who is totally or partially unemployed through no fault of their own is entitled to unemployment benefits, typically up to 26 weeks, if they are able and actively looking for work. The calculation of an individual's weekly benefit amount (WBA) is based on the wages earned in a "base period," which usually comprises four of the last five calendar quarters. There is a minimum amount of required earned wages, which varies by state, and the highest amount of wages in a base period quarter is the number used to determine the WBA.

The CARES Act adds five key expansions to the existing unemployment insurance system. They include:

- Eligibility for unemployment benefits for COVID-19 related reasons
- 13 additional weeks of eligibility (for up to 39 weeks of benefits)
- A flat \$600 increase to the WBA payable to all eligible recipients

- Certain looser restrictions on unemployment insurance, such as the one-week waiting period and requirement unemployed actively look for work
- Support of existing work-share programs (also known as “short-term compensation” programs) and encouraged creation of new ones

The COVID-19-related eligibility requirements are very broadly stated. In addition to contractors and gig workers, the expanded eligibility includes (but is not limited to) people who are diagnosed with COVID-19 or live with someone who is, have a child who can't attend school or a child care facility, are unable to reach their place of work because of a quarantine, advised by medical experts to self-quarantine, or their workplace is closed.

Many of the clients we have talked to in the weeks since the law was passed are concerned about the unintended consequences of expanded unemployment benefits. Firms are trying to determine what happens to an employee if they have to lay them off or reduce their hours. We recommend organizations model different scenarios for their most at-risk employee populations in terms of how much employees might be entitled to under the applicable state unemployment insurance program with the \$600 expansion. In some cases, workers could end up earning more in the short term by collecting unemployment than they would have when they were employed. Of course, it depends on the state and what the employee was earning (and continues to earn if they are partially employed).

For example, consider a full-time employee in California that earned \$13/hour. Under California's unemployment insurance program, the individual's weekly benefit amount would be around \$260 (please note, actual amounts can vary). As a result of the CARES Act, the individual's WBA is increased by \$600 to a total of \$860 for up to four months. At \$13/hour, a full-time employee working 40 hours a week would have earned \$520, meaning the unemployment benefit extends an additional \$340 per week to the individual.

Between the expanded benefits and loosely-written definitions, there could be a substantial disincentive to work for certain individuals and employers may have a difficult time attracting or retaining employees. This is a complicated situation and companies need to stay on top of their states' unemployment provisions related to the COVID-19 pandemic. They should continue to model out the scenarios the CARES Act creates to determine what the talent pool might look like for them now and in the short-term future.

## Boosting Short-Time Compensation Programs

In addition to the Federal Pandemic Unemployment Compensation benefit, guidance in the CARES Act notes the Department of Labor will establish model legislative language for states seeking to establish short-time compensation (STC) programs. STC programs (also known as “shared work” or “work share” programs) are designed to avert layoffs by reducing the hours of work for a certain portion of their workforce. Those affected workers then receive partial unemployment benefits, which are generally greater than would be received under regular unemployment for partial work. The CARES Act includes robust federal funding for states establishing such programs and enhanced federal funding for states that already provide them.

## Paid Leave Provisions

The CARES Act does not provide any new paid leave provisions but clarifies the capped amount employees may receive for taking paid leave under The Families First Coronavirus Response Act (FFCRA), signed into law last month. The CARES Act clarifies that under FFCRA, amounts paid to employees are capped at \$200 per day and \$10,000 in the aggregate for each employee. Under the Emergency Paid Sick Leave provisions of FFCRA, the amount is \$511 per day and \$5,110 in the aggregate for each employee who takes leave related to their own condition under this section. For employees who take leave to care for other individuals, the amount is \$200 per

day and \$2,000 in the aggregate. Employees who were laid off by an employer on or after March 1, 2020, may have access to paid family and medical leave in certain instances if they are rehired by the employer. This applies only if the employee worked for the employer for at least 30 days prior to being laid off.

Employers that are subject to this requirement (private sector employers with fewer than 500 employees and public-sector employers without regard to number of employees) should confirm that the program is operating in accordance with the requirements.

## Coverage for Testing and Preventive Services of COVID-19

The FFCRA requires group health plans to cover testing for COVID-19 without cost-sharing, prior authorization, or medical management. (FFCRA also expands the Families Medical Leave Act or FMLA and enacts an emergency paid sick leave requirement for employers with less than 500 employees.) The CARES Act expands that coverage to include COVID-19 tests that may not have been approved by the FDA, including those that are in the process of receiving an emergency use designation by the FDA.

The Act clarifies the amount that a group health plan must pay a provider for the required testing of COVID-19. This includes either the negotiated amount that was in place with the provider before the COVID-19 public health emergency or, if there is no negotiated amount, the cash price listed by the provider on its public website. Instead of the cash price, a plan is permitted to negotiate with the provider for a lesser amount. Additionally, providers are required to make public the cash price for those services on their website during the COVID-19 public health emergency.

An employer group health plan will be required to cover COVID-19 items and services, including vaccines and immunizations, that have a recommended “A” or “B” rating in the current recommendations of the U.S. Preventive Services Task Force (USPSTF) or a recommendation from the Advisory Committee on Immunization Practices (ACIP). Plans will be required to cover these items and services within 15 days of the recommendations with no cost sharing. This essentially mandates an employer group health plan to cover COVID-19 items and services (including potential vaccines) that are determined to be “preventive” under the Affordable Care Act (ACA) with no cost-sharing on an accelerated basis. The 15-day deadline is a change from current law, under which such items or services must be covered by plans no earlier than a year after the recommendation is released. This expedited coverage applies only to recommendations by USPSTF or ACIP related to COVID-19.

Employers should work with their carriers or third-party administrators (TPAs) to ensure that COVID-19 testing and related items and services are covered without cost sharing to the participant for their group health plans. Also, employers should confirm their carriers and TPAs will be prepared to cover COVID-19 items and services recommended by USPSTF and ACIP within 15 days of the recommendation. Employers should amend plan documents and SPDs to reflect these changes. Additionally, organizations should be on the lookout for further guidance from the agencies on clarifications for these provisions. For example, what exactly is included in the “cash price” that providers must list on the website? This could determine what plans may be required to pay.

## Expanded Use of Telehealth in HDHPs

The CARES Act allows high deductible health plans (HDHPs) with health savings accounts (HSAs) to offer telehealth services (regardless of whether the service is related to COVID-19 or not) before the deductible.

However, this provision is temporary and only permitted for HDHPs whose plan years begin on or before December 31, 2021. HDHPs are not required to provide telehealth coverage before the deductible but are permitted to do so under this provision.

Employers that sponsor HDHPs with HSAs need to decide whether they want to cover telehealth services before the deductible. Employers should work with their TPAs or carriers to determine whether there are any administrative challenges in making this change. If the employer decides to cover these services, plan documents and SPDs should be amended to reflect the change.

## Reimbursing Over-the-Counter Drugs

Plan participants will be permitted to use their HRAs, HSAs, and health care flexible spending accounts (FSAs) to reimburse over the counter drugs without a prescription. Also, menstrual products are included as medical expenses that can be reimbursed from these accounts. This provision applies to expenses paid after December 31, 2019. These changes are optional for plan sponsors. Employers with HRAs and health FSAs should work with their administrators to determine if these expenses will be covered and the effective date of the coverage. Plan documents and SPDs should also be updated to reflect any changes.

## Student Loan Provision

The CARES Act expands Section 127 of the Internal Revenue Code to allow employers to provide student loan repayment benefits to employees. Such benefits will be excluded from the employee's income. This applies to payments (up to a maximum of \$5,250) made to an employee or lender from the date of enactment until December 31, 2020. It includes both new student loan repayment benefits as well as other educational assistance (such as tuition, fees and books) provided by the employer under current law. Since it is only temporary, organizations should closely consider whether they want to take advantage of this program.

## Additional Resources from Aon

To read more articles on how rewards professionals can respond to the COVID-19 pandemic, please [click here](#).

For more information on how businesses are responding broadly to the COVID-19 pandemic, including stakeholder communication, health and benefits impacts and business continuity planning, please see Aon's COVID-19 Response Site [here](#).

For questions about the CARES Act, please contact one of the authors or write to [rewards-solutions@aon.com](mailto:rewards-solutions@aon.com).

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