

## Research



# Estimating the Cost of the Families First Coronavirus Response Act

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## Executive Summary

Given the continued worsening of the COVID-19 outbreak in the United States and around the world, Congress is negotiating a deal on an additional emergency response package that is expected to cost \$183.8 billion, according to estimates by the American Action Forum. If an important restriction on firm sizes were to be eliminated, the total cost could exceed \$350 billion. This package includes four key provisions:

1. Emergency paid sick leave and child care leave, which could cost between \$40.9 billion and \$118.4 billion, and possibly up to \$282.5 billion if restrictions on firm size were eliminated;
2. Expanded Unemployment Insurance benefits, for which the government has allotted \$1 billion;
3. Increased Medicaid funding and free testing for everyone: The federal government will cover a larger share of Medicaid expenses, which could increase costs by \$56.3 billion, and another \$1.3 billion is provided for health care services and testing costs;
4. Additional nutritional assistance: \$1.25 billion in additional funding is provided for the Women, Infants, and Children program, The Emergency Food Assistance Program, and programs to provide meals for the elderly; loosened restrictions for the Supplemental Nutrition Assistance Program will allow for additional benefits to be provided at an estimated cost of \$6.8 billion; states with schools experiencing closures of more than five days will also be able to provide benefits to cover the costs of school lunches that otherwise would have been provided.

## Introduction

Congress passed the first emergency funding bill, [H.R. 6074](#), on March 6, 2020, providing \$8.3 billion in supplemental funding for the Food and Drug Administration, the Centers for Disease Control and Prevention, the National Institutes of Health, and the Public Health and Social Services Emergency Fund. This bill also provided additional funds for the Small Business Administration, Department of State, and the U.S. Agency for International Development. These funds are intended to assist in developing, manufacturing, and procuring vaccines and other medical supplies, assist state and local authorities in their response efforts, provide loans for businesses, support evacuations and emergency preparedness activities at embassies and other facilities located overseas, and provide humanitarian assistance to affected countries.

The second package, [H.R. 6201](#), includes four key components: private-sector mandates for providing certain employees with paid sick leave, expanding unemployment-insurance benefits, increasing federal Medicaid funding, and providing additional nutritional assistance. This legislation explicitly includes \$3.5 billion in funding, and billions more will be provided as benefits are used. This legislation—which the U.S. House of

Representatives initially passed early Saturday morning and then amended late Monday—includes two weeks of emergency paid sick leave with 10 weeks of paid leave only if needed for childcare. The amendments significantly reduced the costs of the original proposal. Further legislation may be considered at a later date, to provide targeted support to key industries and introduce broad fiscal stimulus in the economy.

Also, the administration announced several actions last week, including the [declaration of a national emergency](#), unleashing \$50 billion in additional funds under the Stafford Act. The president gave new authority to the Secretary of Health and Human Services to waive numerous laws and regulations to allow hospitals maximum flexibility in responding to the virus, including enabling greater use of telehealth, loosening state licensing rules for health care providers, and relaxing Medicare’s three-day admission requirement prior to coverage of nursing home stays.

## **Emergency Paid Sick Leave and Emergency Family Medical Leave Expansion**

As currently written, H.R. 6201 includes two different federal legislative strategies for leave during this pandemic: up to three months of leave to care for a child, and the Emergency Sick Leave Act, which would provide two weeks of paid sick leave.. (AAF recently [estimated](#) the potential cost of an emergency sick-leave benefit.) According to the Bureau of Labor Statistics (BLS), an estimated 24 percent of workers in the United States do not have access to paid sick leave.[\[i\]](#)

### *Eligibility*

The paid sick and family medical leave provisions in H.R. 6201 are limited to employees in businesses with fewer than 500 employees – an important restriction. Rather than target the benefit to low-wage workers, this bill makes the cut-off based on size of business, leaving many low-wage workers without coverage.[\[ii\]](#)

The emergency paid sick leave would cover 80 hours for a full-time worker (pro-rated for part-time) at full wage replacement only if an employee is quarantined, seeking a diagnosis, or taking preventative care. If using the benefit for childcare or family-care reasons, the worker would be paid at two-thirds their usual rate. As it is currently written, H.R. 6201 would allow eligible workers to utilize up to 10 weeks at two-thirds wage replacement to care for a child whose school or care provider has been closed.

### *Child Care*

By the evening of March 16, 2020, 37 states have closed or are scheduled to close their public schools, affecting 37.4 million children so far (or 66 percent of the 56.6 million school children in the United States).[\[iii\]](#) All states have at least one district closed as a result of COVID-19.[\[iv\]](#) Assuming the spread of the virus does not drastically slow down, there are likely to be more closures.

According to BLS data on employment characteristics of families, there are 82.5 million families with children under 18.[\[v\]](#) Of those 82.5 million, 22.7 million families are either single-parent households or households where both parents are employed. Therefore, in the event of a school closure, it is likely that these families would make use of the childcare benefit. When limiting those families to individuals that work in firms with fewer than 500 workers, the number of families that may receive the benefit is 10.7 million. Assuming that 60 to 100 percent of schools close, additional costs could be between \$11.5 billion and \$64.2 billion, depending on the length of school closure.

## Costs

Using payroll and wage census data, the original version of H.R. 6201 could have cost employers \$49.4 billion to \$300 billion. The bulk of the costs in the original bill came from emergency family and medical leave expansion. These estimates did not take into account possible exemptions for firms with fewer than 50 employees and assumed full wage replacement for emergency paid sick leave.

The cost of the current version of H.R. 6201 could cost employers between \$40.9 and \$118.4 billion.

When calculating the upper-bound estimate, we assumed a 50 percent infection rate among the labor force. Assuming that the distribution of the illness fell equally across firms of different sizes, the total number of affected workers would be 30.2 million. For the lower-bound estimate, we assumed 3 million people were affected across the United States based on estimates done by a number of epidemiologists predicting the spread of COVID-19 with moderate preventative measures in place.<sup>[vi]</sup> In firms with fewer than 500 employees, the number of affected workers would total 1.4 million.

Table 1: Estimated costs of Emergency Paid Sick Leave and Emergency Family and Medical Leave Expansion for Employees in firms with fewer than 500 workers

	Childcare Costs (10 weeks)	Emergency Paid Sick Leave (2 weeks, full wage replacement)	Total Cost Under Current Version of H.R. 6201
Lower	\$38.4 billion	\$2.5 billion	\$40.9 billion
Upper	\$64.2 billion	\$54.2 billion	\$118.4 billion

In order to support businesses as they face increased costs due to these new paid-leave requirements, the federal government plans to provide a series of refundable tax credits for the firms. The tax credits would be administered by the Internal Revenue Service and creditable against employer-side payroll tax liability. Additionally, credits would provide relief for the self-employed population in addition to eligible firms. For emergency paid sick leave, employers would receive 100 percent tax credit for wages paid, up to a cap of \$200 per day for wages paid at two-thirds rate or a \$511 a day cap if being paid at full wage replacement.

## Challenges

The primary limit placed on this benefit is that it does not provide coverage for any employees in firms with greater than 500 workers. According to BLS data, nearly 15 percent of workers in firms with greater than 500 workers do not have access to paid sick leave.<sup>[vii]</sup> This exclusion would leave over 10 million workers without access to paid sick leave, who would most likely be low-wage earners.<sup>[viii]</sup> Additional challenges with this structure include the potential for duplicative efforts, as well as cashflow difficulties for small businesses. H.R. 6201 does not explicitly exclude workers who are already provided a paid sick-leave benefit by their employer. Workers could then be receiving wage replacement from this emergency program in addition to what their employer already provides. This duplication of private sector efforts is an inefficient use of resources. Moreover, the paid sick-leave benefits provide two-thirds wage replacement, which may be sufficient for those workers at the higher end of the wage distribution. For low-wage workers, however, a two-thirds wage benefit likely would not provide adequate financial security and would force workers to choose between providing childcare or receiving their full wage.

Last, small businesses will be bearing the brunt of these costs. While they will be reimbursed for their expenses, the structure of the tax credits presents a serious cashflow problem in the short term, which some businesses may not be able to overcome. The burden being placed on smaller firms may require a push for liquidity financing options in a future bill.

With the cap on firm size being a major point of contention, it's helpful to have an understanding of what costs would look like if that cap were removed.

Table 2: Estimated cost of Emergency Paid Sick Leave and Emergency Family and Medical Leave Expansion for all Employees

Childcare costs (10 weeks)	Emergency paid sick leave (2 weeks, full wage replacement)	Total cost under current version of H.R. 6201
\$148 billion	\$134.5 billion	\$282.5 billion

The maximum the paid leave component of H.R. 6201 (without limitations on firm size) would cost is \$282.5 billion. This number reflects all schools closing at some point and all workers having access to and taking both leave benefits at their most generous level.

### Expanded Unemployment Insurance Benefits

With the passage of H.R. 6201, states would receive \$1 billion in additional federal funding with \$500 million going to administrative costs and \$500 million set aside for emergency grants that states could receive if their unemployment rate sees a 10 percent increase. In order to be considered eligible for the additional grants, a state must require employers to inform laid-off workers of their unemployment insurance (UI) eligibility, ensure that workers have at least two ways to apply for benefits, and inform applicants about the status of their application. As a condition of receiving additional funds, states could be required to ease the work requirements surrounding UI eligibility, decrease waiting periods, and increase employer-side UI taxes. Furthermore, the legislation would provide full federal funding for extended benefits, half of which is typically funded by states. Extended benefits allow workers to claim up to an additional 26 weeks in unemployment benefits after their first days have been exhausted.

While it is clearly important to address the likely increase in unemployed workers, expanded unemployment insurance may not be the best solution. [Academic literature](#) has shown that unemployment benefits increase the duration of unemployment, effectively making a potential spike in unemployment a long-term problem.

### Increased Medicaid Funding

Medicaid is a joint federal-state program providing health care coverage for more than 71 million low-income individuals.<sup>[ix]</sup> The federal government currently provides an estimated 62 percent of the funding; the states provide the rest. There are five different categories of beneficiaries in Medicaid. States receive federal funding at one rate for beneficiaries in four of the five categories and another rate for those in the fifth category—the so-called “expansion population,” referring to childless adult who became eligible for the program following passage of the Affordable Care Act.

## *Increased Medicaid FMAP*

This proposal would increase the federal share of Medicaid expenses (known as the Federal Medical Assistance Percentages, or FMAP) by 6.2 percentage points for all beneficiaries—except the Affordable Care Act’s expansion population—for the duration of the COVID-19 emergency, retroactive to the beginning of the year. Total federal program spending is expected to reach \$425 billion this year, with federal spending on the expansion population estimated at roughly \$70 billion.<sup>[x]</sup> <sup>[xi]</sup> Thus, federal spending on the non-expansion population is estimated at \$355 billion, covering nearly 60 percent of costs for these beneficiaries. If the federal government covered 66.2 percent of costs for the entire year, based on this estimate, the federal cost would increase to \$391.7 billion. Assuming costs are evenly spread throughout the year, the federal government’s cost would therefore increase \$9.2 billion per quarter that the emergency declaration is in effect.

Of course, this estimate assumes no increase in spending from what was projected prior to the outbreak; it is likely there will be significant increases in care needs and thus increased costs. If program expenditures increase by five percent over the course of the year, federal costs would increase an additional \$19.6 billion, reaching \$411.3 billion for the non-expansion population if the emergency declaration is in effect for the remainder of the year (\$56.3 billion beyond prior projections).

The United States’ territories will receive \$22 million in additional funds this year and next to help defray costs there.

In order to qualify for the increased federal payments, states must provide coverage for testing and treatment at no cost to the patient and may not reduce eligibility levels or the generosity of benefits.

One concern with this uniform approach to providing additional federal Medicaid funding is that states with higher costs and inefficient use of funds will receive more assistance than states with lower costs, regardless of the actual need and impact of the virus.

## *Other Health Care Measures*

All individuals, regardless of what type of health insurance they have (or don’t), will have their cost-sharing liability waived for both the cost of the test as well as the visit during which the test was received. The legislation includes \$1 billion to cover these costs.

The Indian Health Service will receive an additional \$64 million, the Veterans Health Administration \$60 million, and the Department of Defense an additional \$82 million for the cost of providing health services related to COVID-19.

## **Additional Nutritional Assistance**

The federal government provides significant resources for nutrition assistance through various programs. The Supplemental Nutrition Assistance Program (SNAP) provides recipients with monetary benefits to purchase food. Additional nutritional assistance is available to pregnant women and women with young children through the Women, Infants, and Children (WIC) program. The School Breakfast and Lunch Programs allow children to receive free or reduced-cost meals while at school. The Emergency Food Assistance Program (TEFAP) provides food to states, which distribute the food either directly to the public or to food banks, soup kitchens, or other organizations.<sup>[xii]</sup> The Home-Delivered Nutrition Program provides meals directly to homebound seniors in

their homes. The Congregate Nutrition Program provides meals to the elderly at community centers and adult day-care centers.

Federal spending on SNAP was \$64.9 billion in 2019.[xiii] More than 36.3 million people (in 18.4 million households) are receiving SNAP benefits.[xiv] Nearly 30 million children receive a free or reduced-price lunch at school each day.[xv] Roughly 7 million individuals benefit from WIC. [xvi] An estimated 5.5 million households used food pantries supported by TEFAP assistance, with costs of \$758 million in 2019.[xvii] An estimated 144 million meals were provided to roughly 860,000 individuals in 2017, at an estimated cost of \$10 per meal; \$251 million was provided for fiscal year (FY) 2019.[xviii], [xix] The Congregate Nutrition Program provided nearly 76.1 million meals to 1.5 million people in 2017; \$490 million was provided in FY2019.[xx]

### *Additional Funding*

Through H.R. 6201, Congress is making available: an additional \$500 million in nutrition assistance for WIC funding; \$400 million in additional funding for TEFAP; \$100 million for nutritional assistance in the territories; and \$250 million for the Senior Nutrition Program to provide meals for seniors who are home-bound (and their caregivers) and who are disabled or have multiple chronic conditions.

### *School Meals*

For families with children eligible to receive free or reduced-rate lunches attending any school that is closed for at least five consecutive days during a public-health emergency in FY2020 when the school would otherwise be in session, each household will be eligible to receive a benefit equal to the value of the meals that otherwise would be provided each day for each eligible child. Because these children would be receiving these meals anyway if schools were open, there is no additional cost expected, other than perhaps additional costs associated with administering the benefit. It may also be the case that costs decline marginally for schools that close for fewer than five days: Families would not qualify for a benefit under this section in that scenario, and the children would not receive a meal at school for the few days the school was closed.

### *SNAP Flexibility*

Starting next month and ending one month after the month in which the COVID-19 emergency declaration is lifted, the work requirements for SNAP eligibility will be waived. Currently, individuals between the ages of 18 and 50 who have received benefits for at least three months in the past three years must work 20 hours or more per week or participate in a qualified work program. (These requirements do not apply to those physically or mentally unable to work, individuals responsible for caring a child, or pregnant women.) After the COVID-19 emergency ends, states will be prohibited from considering any benefits received during the emergency for purposes of the work requirement.

States may also provide emergency allotments to households to address temporary food needs. A maximum monthly allotment caps SNAP benefits, and families are expected to contribute 30 percent of their own resources toward food.[xxi] As a result, emergency allotments may increase benefits by up to 30 percent. Rules regarding issuance of benefits and reporting requirements may be relaxed during the emergency.

It is difficult to know how much additional assistance may be provided during the outbreak as a result of these flexibilities. It is estimated that the average SNAP beneficiary receives \$122 in benefits per month (\$240 per household).[xxii] Only 12 percent of SNAP recipients (4.4 million) are non-elderly, non-disabled adults without



children.<sup>[xxiii]</sup> If all of these individuals received an extra two months of benefits, the additional cost would total \$1.1 billion, based on the average monthly benefit. If 50 percent of households received a 30 percent increase in their benefit for two months, the additional cost would total \$5.7 billion. These two scenarios together would increase costs by an estimated \$6.8 billion.

## Conclusion

Based on the estimated cost of the provisions included in H.R. 6201, along with the \$8.3 billion cost of the first emergency response package (H.R. 6074), the total cost of the congressional response to date is expected to total \$183.8 billion. This total does not account for the billions in additional costs that will result from administrative actions or the costs of an additional emergency response legislative package that is expected.

[i] <https://www.bls.gov/ncs/ebs/benefits/2019/employee-benefits-in-the-united-states-march-2019.pdf#page=119>

[ii] <https://www.census.gov/programs-surveys/susb.html>

[iii] <https://www.nytimes.com/interactive/2020/03/13/opinion/coronavirus-trump-response.html>

[iv] <https://www.edweek.org/ew/section/multimedia/map-coronavirus-and-school-closures.html>

[v] <https://www.bls.gov/news.release/pdf/famee.pdf>

[vi] <https://www.nytimes.com/interactive/2020/03/13/opinion/coronavirus-trump-response.html>

[vii] <https://www.bls.gov/ncs/ebs/benefits/2019/employee-benefits-in-the-united-states-march-2019.pdf#page=119>

[viii] <https://www.census.gov/data/tables/2017/econ/susb/2017-susb-annual.html>

[ix] <https://www.medicaid.gov/medicaid/program-information/medicaid-and-chip-enrollment-data/report-highlights/index.html>

[x] <https://www.cbo.gov/about/products/budget-economic-data#3>

[xi] <https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/ActuarialStudies/Downloads/MedicaidReport2017.pdf>

[xii] <https://www.fns.usda.gov/fns-101-tefap>

[xiii] <https://crsreports.congress.gov/product/pdf/R/R42353>

[xiv] <https://fns-prod.azureedge.net/sites/default/files/resource-files/34SNAPmonthly-2.pdf>

[xv] <https://www.ers.usda.gov/topics/food-nutrition-assistance/child-nutrition-programs/national-school-lunch-program/>

[xvi] <https://crsreports.congress.gov/product/pdf/R/R42353>

[xvii] [https://fns-prod.azureedge.net/sites/default/files/resource-files/fd\\$sum-2.pdf](https://fns-prod.azureedge.net/sites/default/files/resource-files/fd$sum-2.pdf)

[xviii] <https://crsreports.congress.gov/product/pdf/R/R42353>

[xix] <https://fas.org/sgp/crs/misc/IF10633.pdf>

[xx] <https://crsreports.congress.gov/product/pdf/R/R42353>

[xxi] <https://www.fns.usda.gov/snap/recipient/eligibility>

[xxii] <https://fns-prod.azureedge.net/sites/default/files/resource-files/34SNAPmonthly-2.pdf>

[xxiii] <https://www.cbpp.org/research/food-assistance/chart-book-snap-helps-struggling-families-put-food-on-the-table>