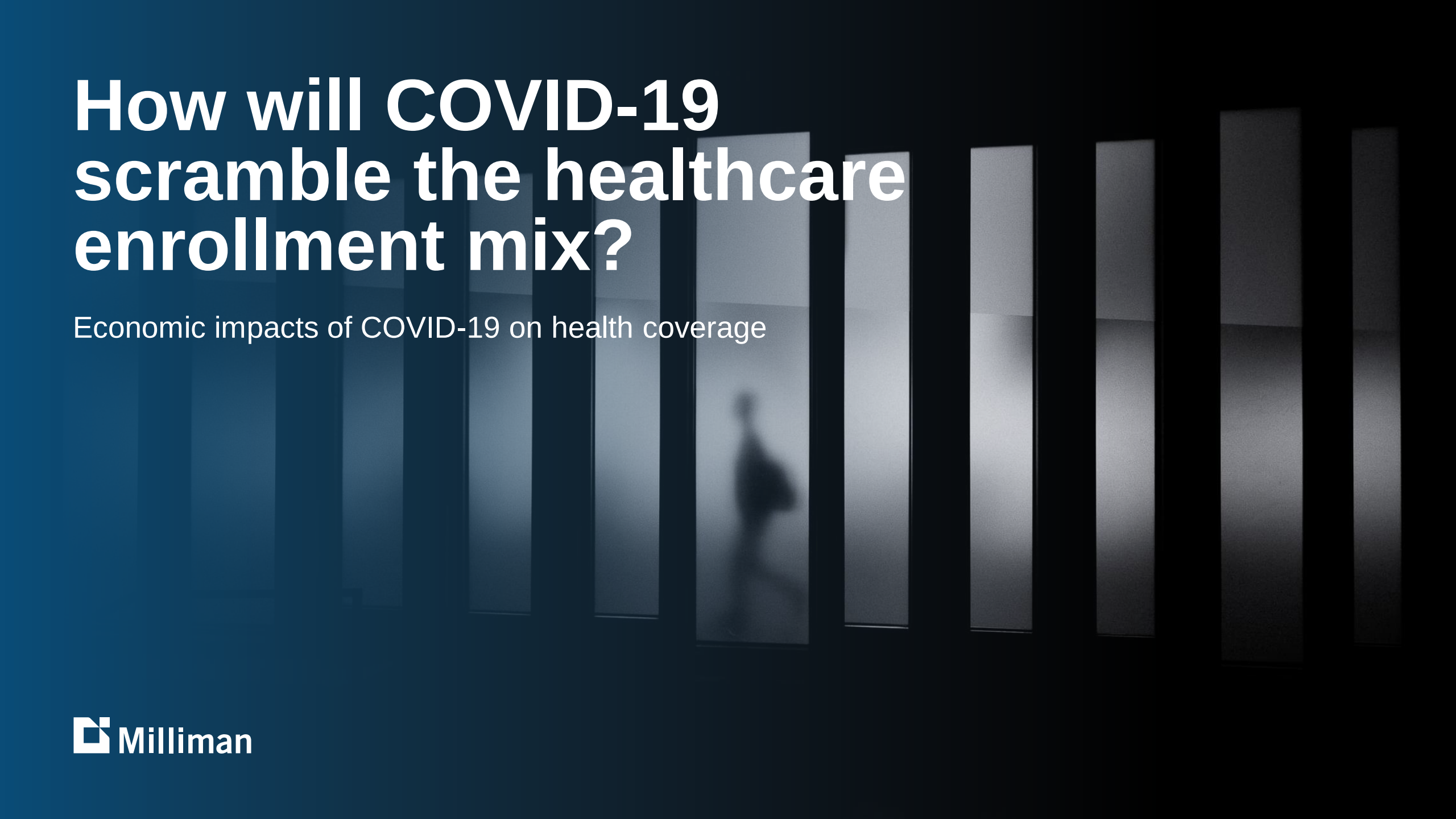
How will COVID-19 scramble the healthcare enrollment mix?

Economic impacts of COVID-19 on health coverage



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Welcome

AGENDA

- Introduction
- Key impacts
- Modeling and results
- Key considerations and drivers of results
- Looking forward
- Q&A

Introduction

Thomas D. Snook

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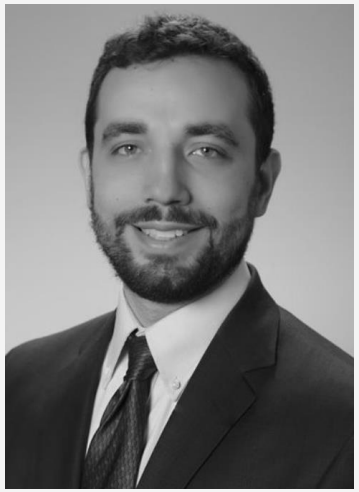

Jeff Milton-Hall

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Key impacts

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Economic impacts of COVID-19

COVID-19 induced shutdowns have caused a massive spike in unemployment [1]

1. Bureau of Labor Statistics Retrieved August 11, 2020 https://data.bls.gov/cgi-bin/surveymost

Economic impacts of COVID-19

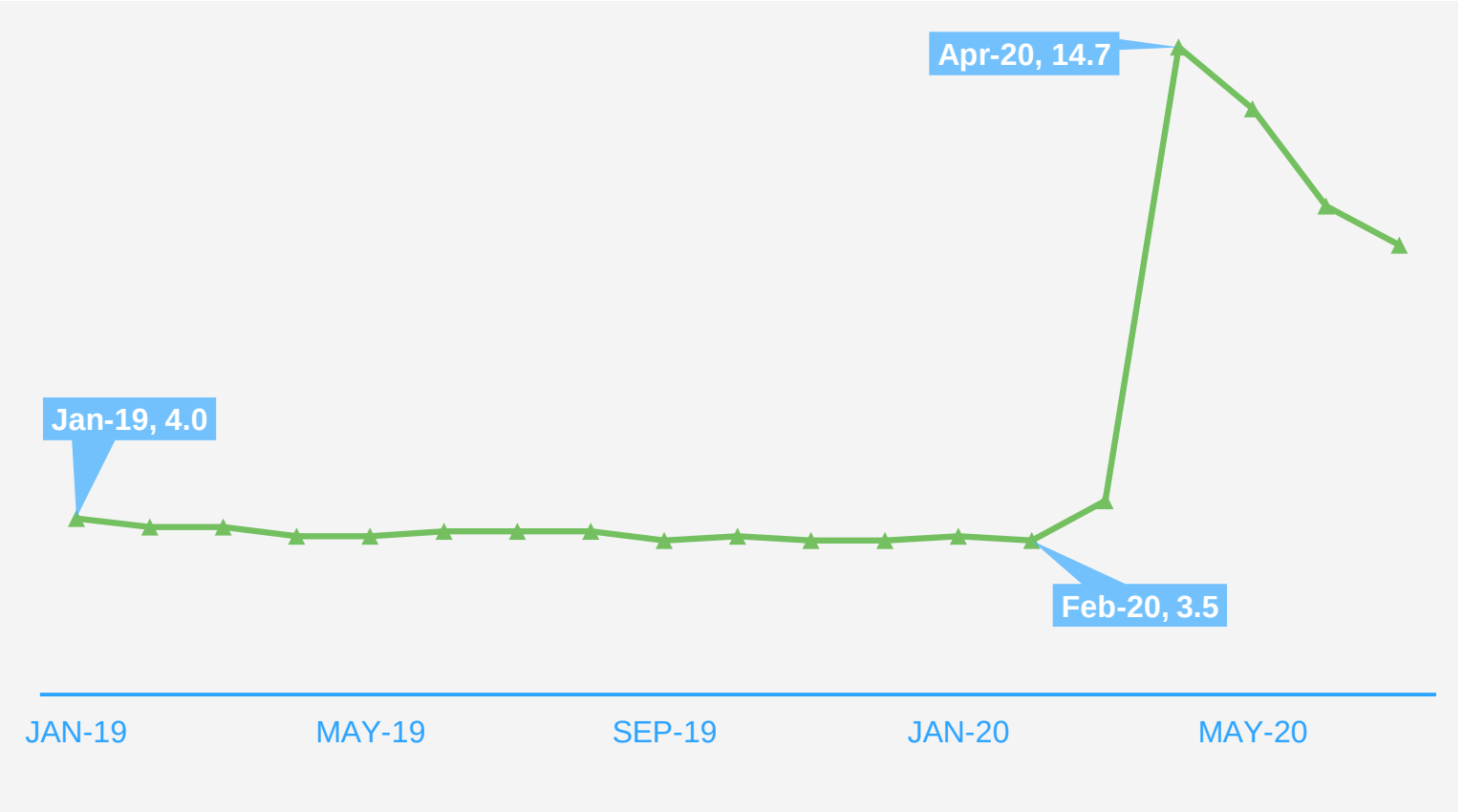
COVID-19 induced shutdowns have caused a massive spike in unemployment [1]

Headline unemployment undercounts the true economic impact

Federal agencies forecast a deep recession and slow recovery [2]

1. Bureau of Labor Statistics Retrieved August 11th, 2020 https://data.bls.gov/cgi-bin/surveymost

2. Congressional Budget Office "An Update to the Economic Outlook: 2020 to 2030" (July 2020): https://www.cbo.gov/system/files/2020-07/56442-CBO-update-economic-outlook.pdf



Economic impact on health insurance coverage

U.S. insurance eligibility and coverage are closely linked to economic status:

- Employment
- Household income

Economic impact on health insurance coverage

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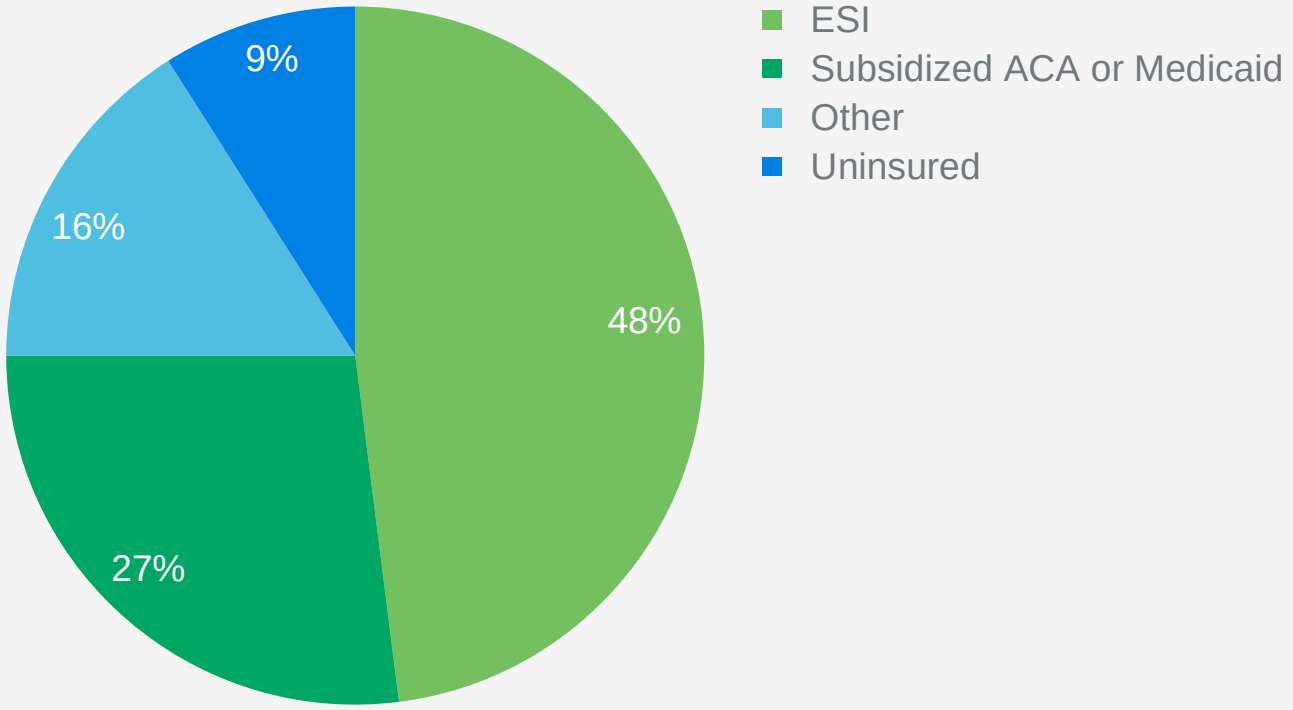
- Employment
- Household income

1. Adapted from 2018 American Community Survey (US Census Bureau), with adjustments to reflect subsidized 2019 ACA enrollment published by the Centers for Medicaid and Medicare Services, Medicaid eligibility and enrollment levels from Medicaid.gov, and Employer Sponsored Insurance enrollment from Federal Medical Loss Ratio reports



Employment/income change and impact to coverage

Job losses aren't distributed evenly and don't always result in loss of Employer Sponsored Insurance (ESI)

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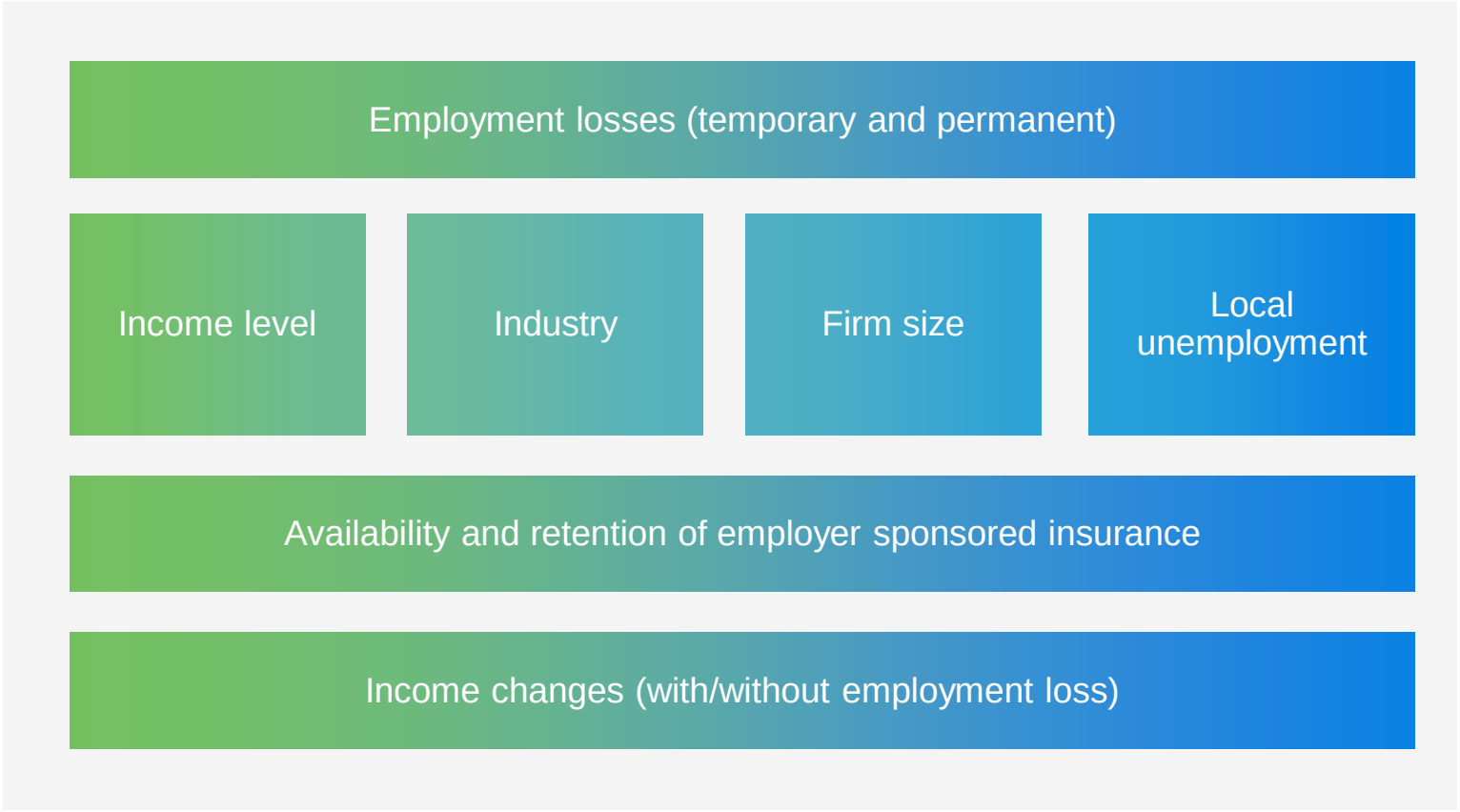

Scrambling the healthcare enrollment mix

COVID-19 economic disruptions will therefore affect insurance coverage

Scrambling the healthcare enrollment mix

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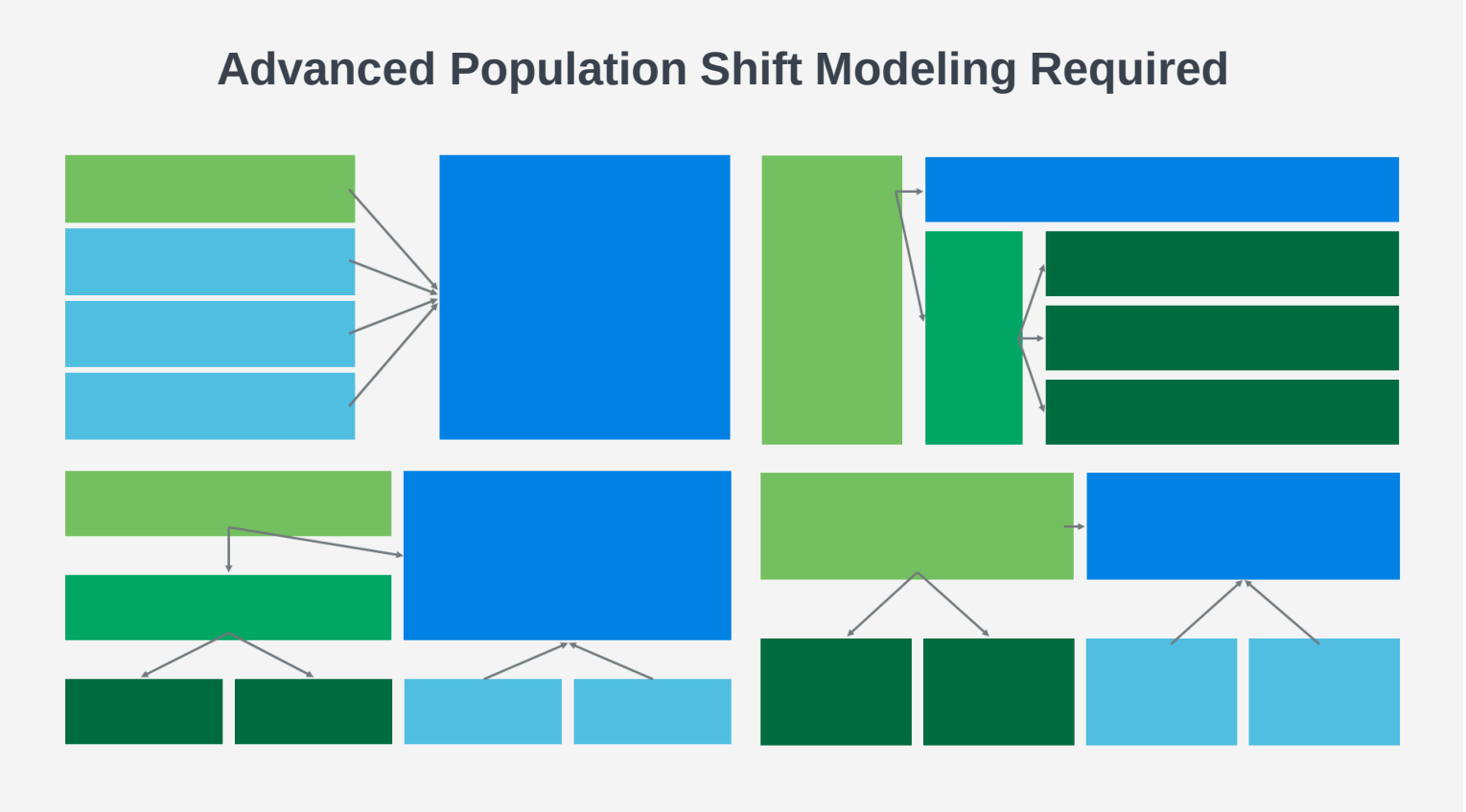

Modeling and results

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Modeling population shifts with CAPS

Milliman's **COVID-19 Advanced Population Shift (CAPS) Model** models potential changes in enrollment and the composition of U.S. healthcare coverage resulting from job and income loss associated with the COVID-19 pandemic

Modeling population shifts with CAPS

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Modeling population shifts with CAPS

1

Pre-COVID population

Detailed pre-COVID profile of each state's population:

- Individuals and households
- Employment characteristics
- Income
- Insurance coverage
- Demographics
- Health status

Integrates data from various public and proprietary sources

- American Community Survey
- Current Population Survey annual social and economic supplements
- Data.Medicaid.gov
- Medical Loss Ratio reports
- ACA enrollment and risk adjustment reports
- Milliman Consolidated Health Cost Guidelines sources

Modeling population shifts with CAPS

2

Employment loss

Calibrated to employment forecasts from Congressional Budget Office and Federal Reserve

Incorporates emerging data on variation in job loss:

- By state
- By industry
- By employee income
- By employer size

Modeling population shifts with CAPS

3

Changes in income

Change in income as % of federal poverty level (FPL)

Considers pre-COVID income and changes in household employment

- Biggest impact when all household employment is lost
- Less when only one job lost in a dual income household
- Considers income loss among households without job loss (e.g., reduced hours, wages)

Net of state and federal unemployment income assistance

Modeling population shifts with CAPS

4

Health coverage transitions

Loss of Employer Sponsored Insurance (ESI)

- Job losses and ESI coverage vary within and across state populations
- Retention of ESI through spousal coverage, furloughs, and COBRA

Shifts from ESI to Medicaid, Individual ACA, and Uninsured

- Medicaid and subsidy eligibility by age and income
- Take-up highest among heavily subsidized, those who are older or in poor health

Shifts between Medicaid, Individual ACA, and Uninsured

- Income loss can affect ACA subsidy and Medicaid eligibility
- ACA enrollees may end in “coverage gap”

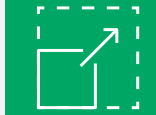
CY 2021 Nationwide – Impact projections

Nationwide calendar year 2021 average

Incorporates Congressional Budget Office July 2020 Employment Forecast[1]

- **5% to 13%** net **reduction** in employment **(-8M to -20M jobs)**

Solely represents impact of population shifts from the COVID-19 recession



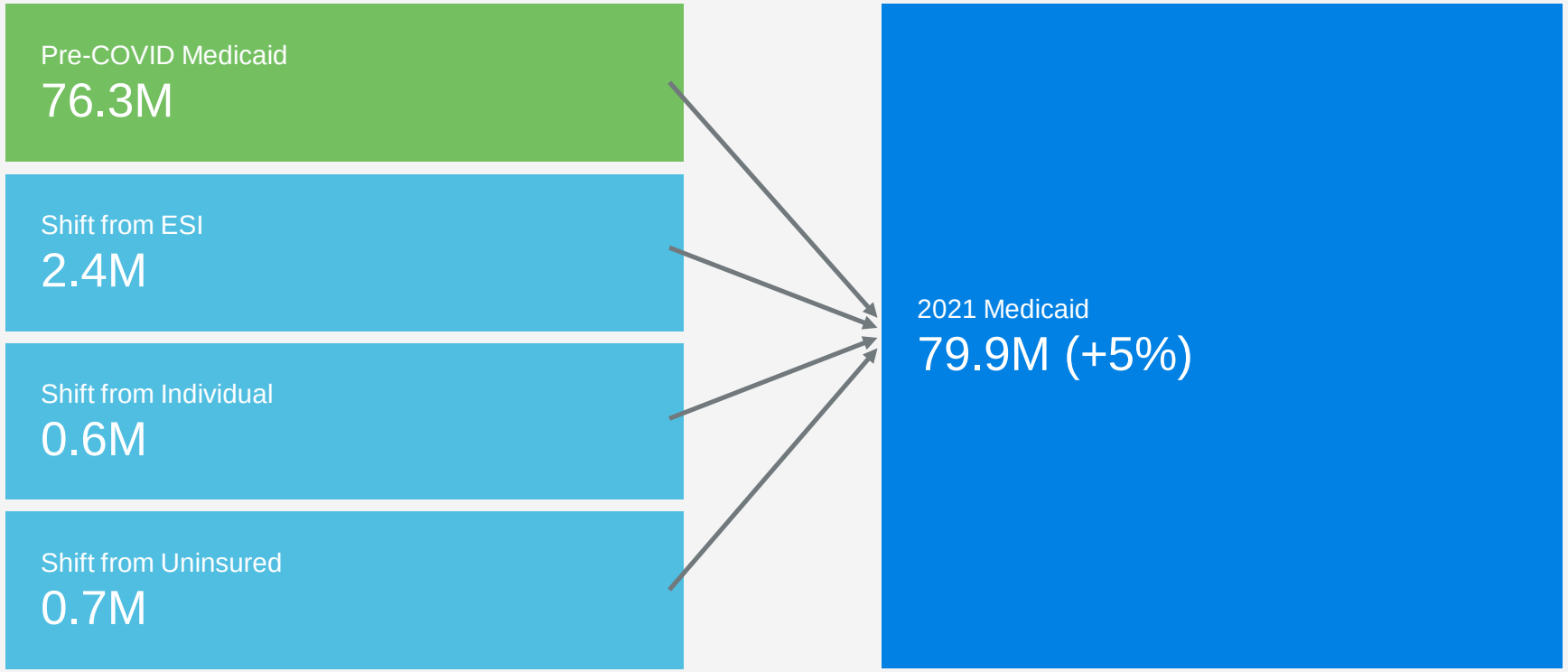
Results remain uncertain and vary significantly in magnitude and sometimes direction at the state level

1. Congressional Budget Office "An Update to the Economic Outlook: 2020 to 2030" (July 2020): https://www.cbo.gov/system/files/2020-07/56442-CBO-update-economic-outlook.pdf. Range around median based on June 2020 economic forecast from the Federal Open Market Committee

CY 2021 Nationwide – Medicaid

3% to 9% net enrollment **increase (+2M to +7M)**

Primarily from employer coverage, also from individual and uninsured

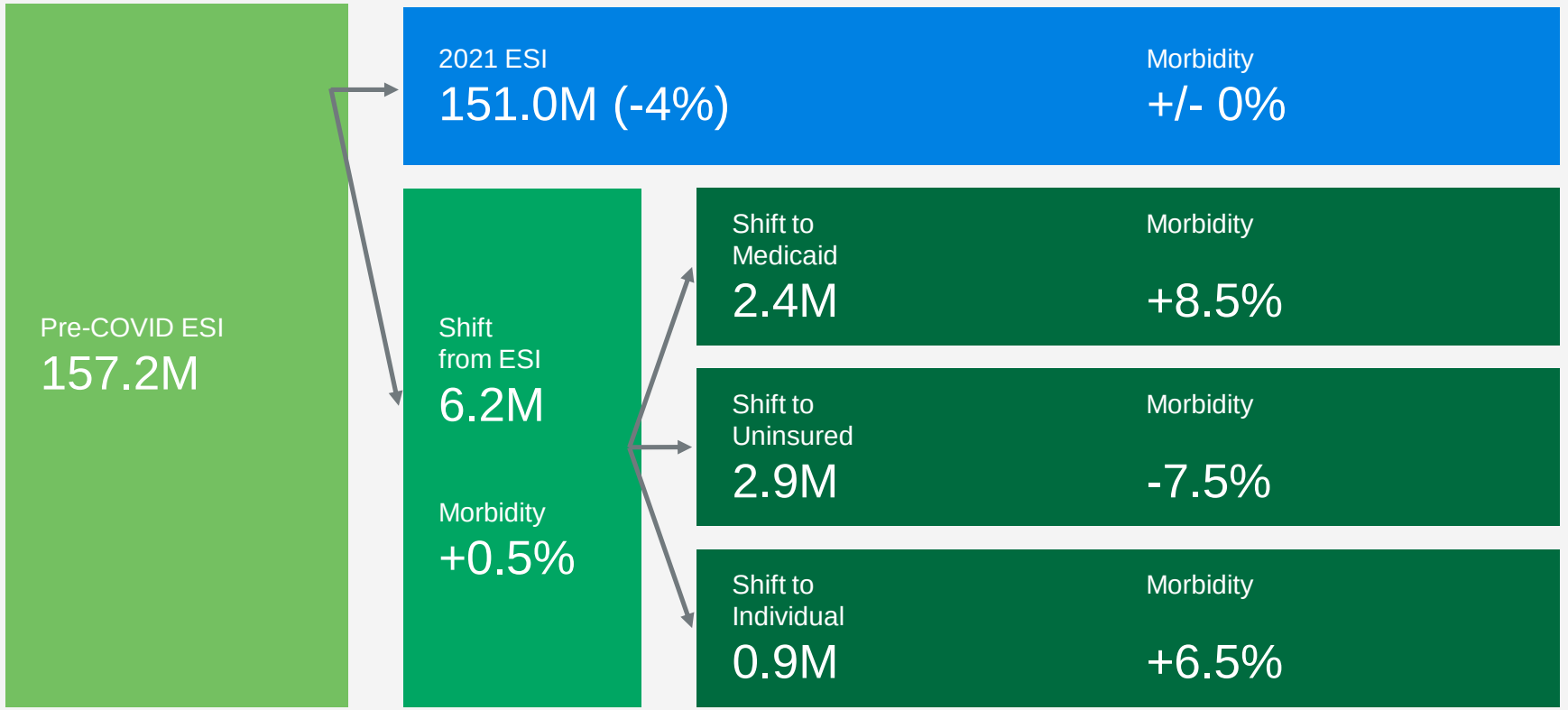


Note: Results represent projected nationwide population shifts due solely to the COVID-19 recession, and do not capture the impact of COVID-19 infection, deferred care, or national and state-specific trends and program modifications unrelated to COVID-19. We do not report morbidity impacts for Medicaid due to the heterogeneous nature of state Medicaid programs, which makes it challenging to meaningfully interpret an overall population morbidity factor or change thereto. Population counts and impacts are rounded. Point estimates represent a CY2021 midpoint scenario with respect to economic disruption and enrollment rates. Actual results will vary.

CY 2021 Nationwide – Employer Sponsored Insurance

3% to 7% net enrollment **reduction (-4M to -11M)**

No significant projected change in average morbidity



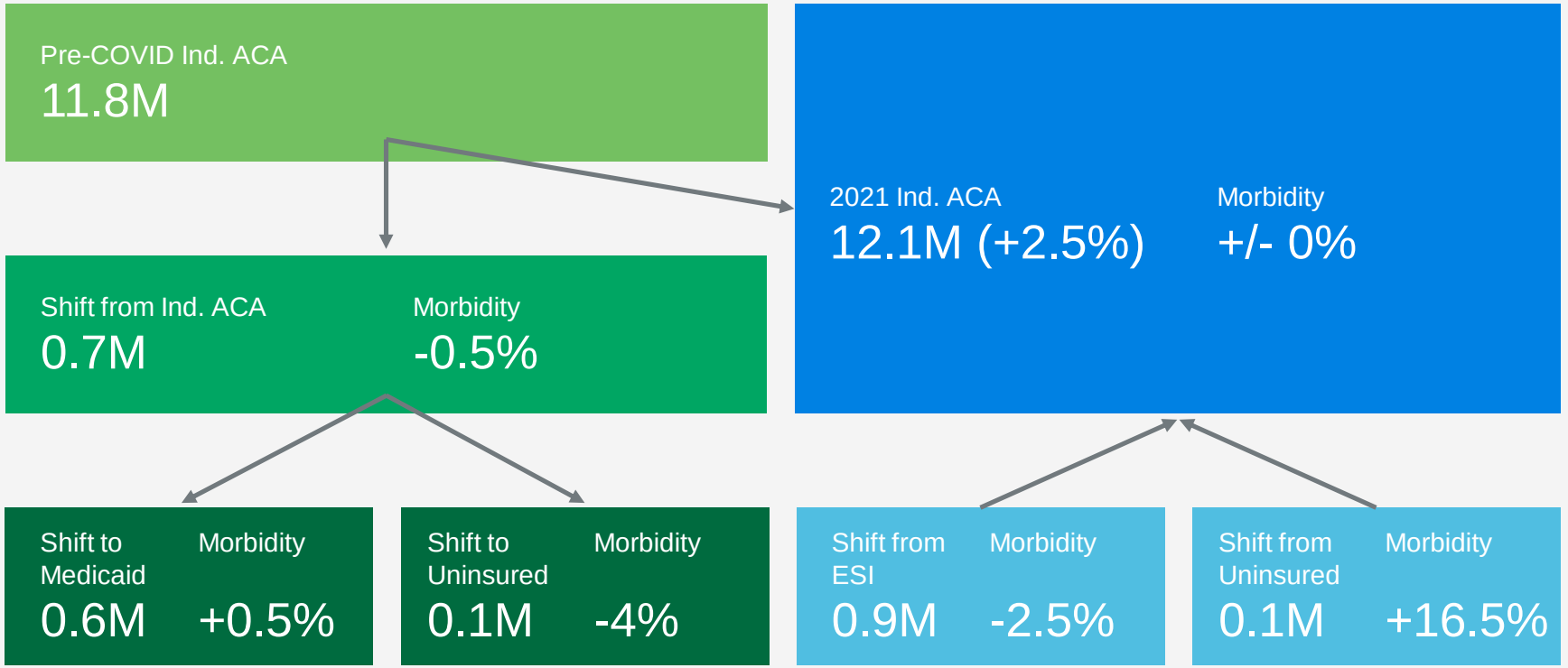
Note: Results represent projected nationwide population shifts due solely to the COVID-19 recession, and do not capture the impact of COVID-19 infection, deferred care, or national and state-specific trends and program modifications unrelated to COVID-19. The reported morbidity figures represent differences relative to the pre-COVID ESI population, controlling for demographics. In other words, they measure differences in health status versus the pre-COVID ESI population above or below what would be expected based on differences in the average age and gender composition of each population. Population counts and impacts are rounded. Point estimates represent a CY2021 midpoint scenario with respect to economic disruption and enrollment rates. Actual results will vary.

CY 2021 Nationwide – Individual ACA

-3% to +11% net enrollment **change (-0.4M to +1.3M)**

Average age increased

Morbidity close to flat with variation by state



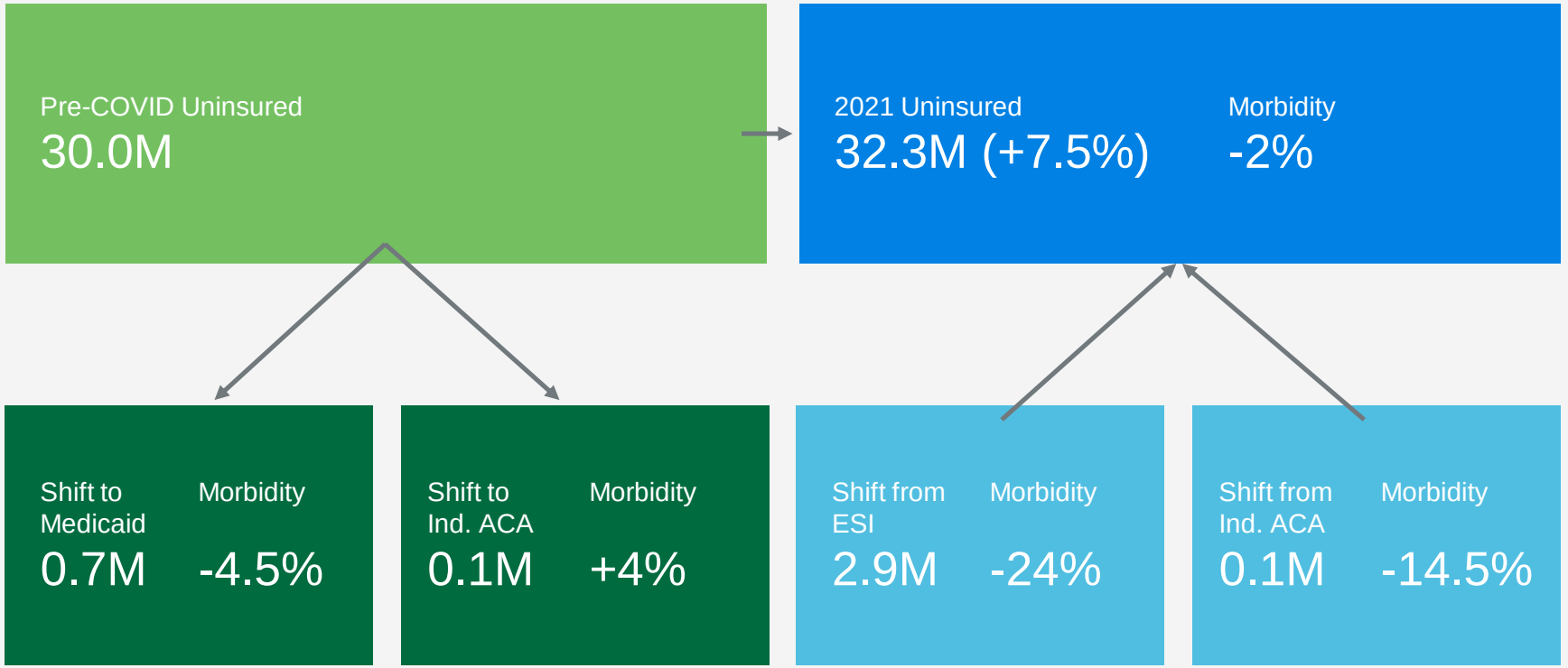
Note: Results represent projected nationwide population shifts due solely to the COVID-19 recession, and do not capture the impact of COVID-19 infection, deferred care, or national and state-specific trends and program modifications unrelated to COVID-19. The reported morbidity figures represent differences relative to the pre-COVID individual ACA population, controlling for demographics. In other words, they measure differences in health status versus the pre-COVID individual ACA population above or below what would be expected based on differences in the average age and gender composition of each population. Population counts and impacts are rounded. Point estimates represent a CY2021 midpoint scenario with respect to economic disruption and enrollment rates. Actual results will vary.

CY 2021 Nationwide – Uninsured

4% to 18% net **increase** in uninsured **(+1M to +5M)**

Loss of employer coverage among subsidy ineligible and those who opt out

Loss of ACA subsidies among those newly in the "coverage gap"



Note: Results represent projected nationwide population shifts due solely to the COVID-19 recession, and do not capture the impact of COVID-19 infection, deferred care, or national and state-specific trends and program modifications unrelated to COVID-19. The reported morbidity figures represent differences relative to the pre-COVID uninsured population, controlling for demographics. In other words, they measure differences in health status versus the pre-COVID uninsured population above or below what would be expected based on differences in the average age and gender composition of each population. Population counts and impacts are rounded. Point estimates represent a CY2021 midpoint scenario with respect to economic disruption and enrollment rates. Actual results will vary.

Key considerations and drivers of results

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Medicaid expansion

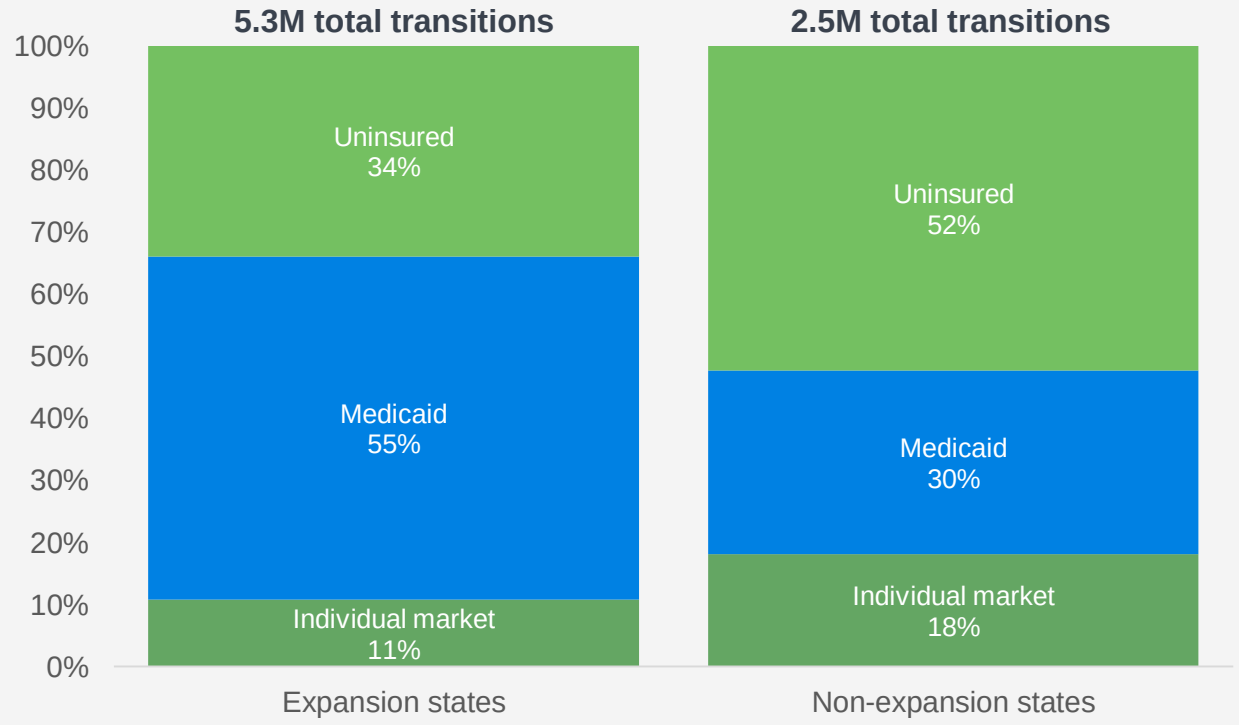
Expansion states have higher transitions into Medicaid, lower net transitions into the individual market, and lower transitions to uninsured.

Some individual market enrollees move into the **coverage gap** in **non-expansion** states.

The *proportional* increase in the uninsured rate is generally higher in **expansion** states because the pre-COVID-19 population is smaller.

**CAPS models transitions induced by the COVID-19 recession; these results do not include the impact of normal churn.*

Distribution of healthcare coverage transitions* – CY 2021



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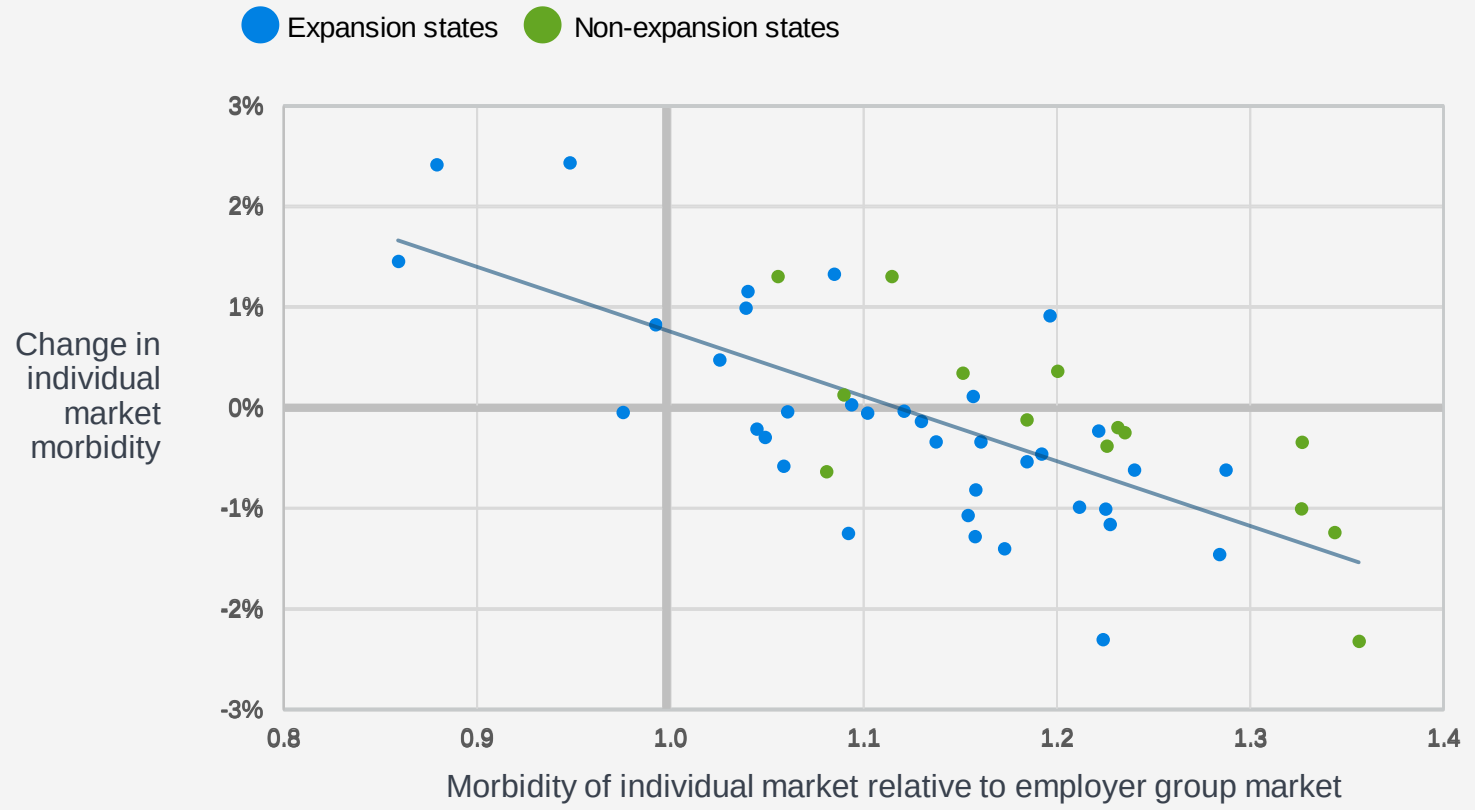
Individual market morbidity changes

The relationship between the **size** and **morbidity** of the individual and employer group markets influences morbidity changes.

The morbidity of the transitioning employer group population may differ from the average morbidity due to regional employment impacts and selection effects.



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Economic stimulus

State unemployment benefits (UI)

- Unemployment income, subject to state eligibility requirements
- Counted as income for ACA subsidy eligibility and Medicaid eligibility

Economic Impact Payments (EIP)

- One-time payment, subject to income limits
- NOT counted as income for ACA subsidy eligibility or Medicaid eligibility

Pandemic Unemployment Assistance (PUA)

- Benefits for those who are not traditionally eligible for UI
- Counted as income for ACA subsidy eligibility and Medicaid eligibility

Pandemic Unemployment Compensation (PUC)

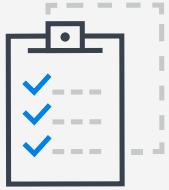
- Additional $600 per week for all UI, PUA, and PEUC recipients through **July 31, 2020**
- Counted as income for ACA subsidy eligibility, but NOT for Medicaid eligibility

Pandemic Emergency Unemployment Compensation (PEUC)

- Additional weeks of benefits for those who exhaust state unemployment benefits
- Counted as income for ACA subsidy eligibility and Medicaid eligibility

Other programs to help small businesses retain and support employees not listed.

Economic stimulus



Income impacts coverage eligibility

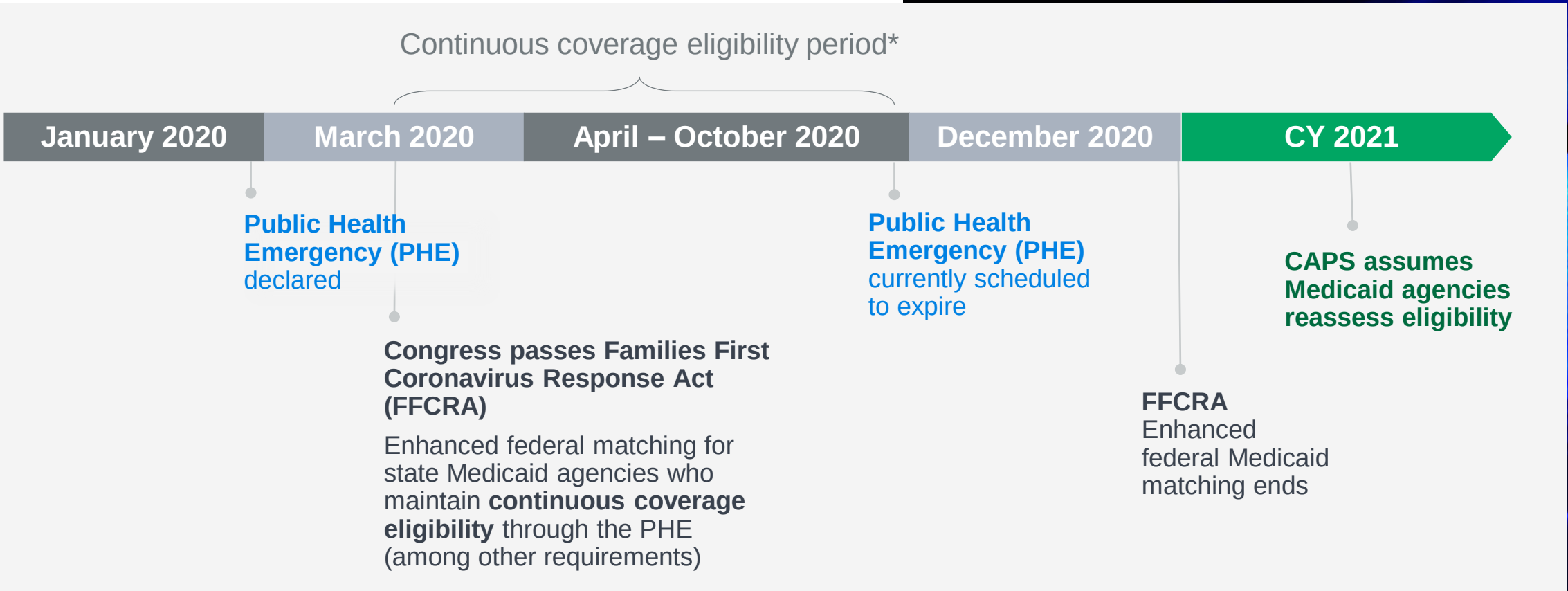
UI, PUA, and PEUC increase income for ACA subsidy eligibility and Medicaid eligibility

PUC benefits **increase** income for ACA subsidy eligibility, but NOT Medicaid eligibility

Reduces Medicaid transitions and **affects ACA marketplace subsidies**

Further **affects ACA marketplace subsidies**

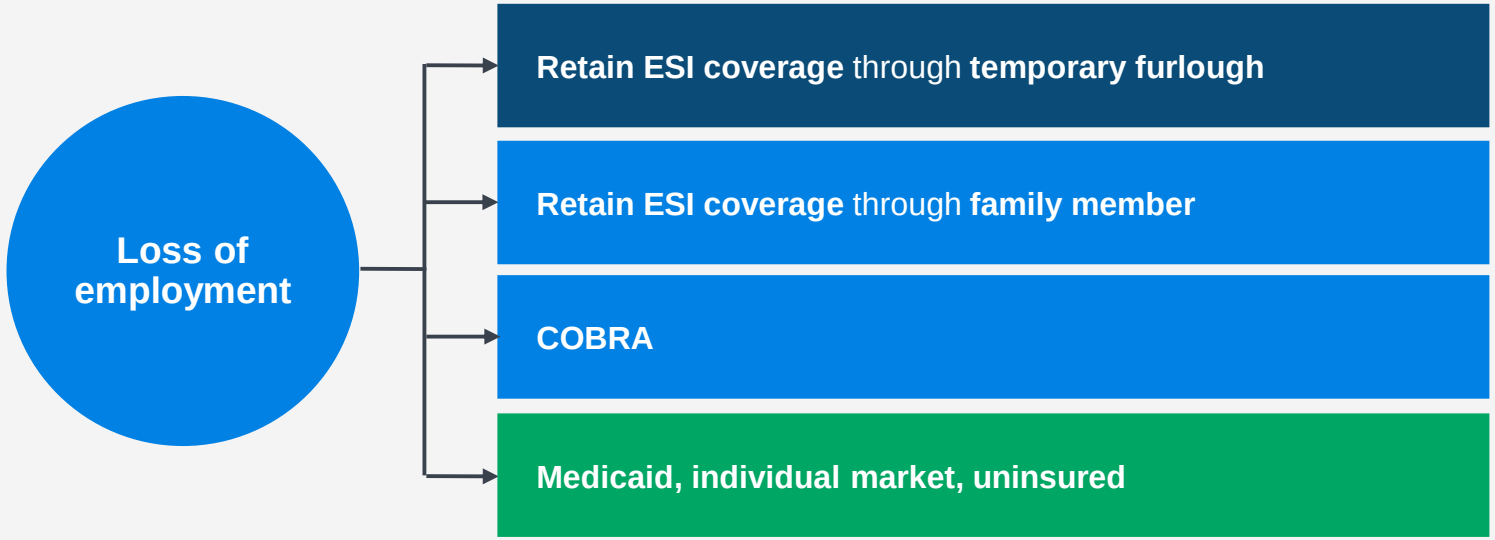
Medicaid continuous eligibility provisions



*Some state Medicaid agencies adopted 12-month continuous eligibility provisions that were in effect before the pandemic.

Retention of employer sponsored coverage

Retention of ESI results in **fewer uninsured** and **fewer transitions** to the individual market and Medicaid



Income distribution of those losing employment/income

Coverage options and transition considerations vary by income level.

The pandemic has a disproportionate impact on lower income households.

Lower income

- Less likely to have ESI, more likely to have Medicaid or individual ACA
- **More likely** to become eligible for **Medicaid and ACA subsidies**
- **Less adverse selection** pressure prevalent among **highly subsidized** low income populations
- More likely to fall into the **coverage gap (non-expansion states)**

Higher income

- More likely to have ESI coverage
- More likely to retain ESI with job loss
- **Less likely** to obtain **subsidized coverage**
- **More adverse selection** pressure prevalent among **unsubsidized** higher income populations

Consumer behavior

Selection considerations

- Healthier people are more price sensitive
- Less selection among subsidy eligible
- People do not always know what serves their best interest

Impact of guaranteed issue (GI)

- Difference between Medicaid and individual market eligibility requirements impacts take-up

Consumer behavior

Knowledge of options

- State outreach and education on Medicaid and ACA marketplace options

COVID-19 uncertainties

- The pandemic may influence behaviors in new ways
- The duration of the pandemic is unknown

Looking forward

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COVID-19, CAPS, and the road ahead

Emerging data and developments

U.S. economy, healthcare markets, state and federal policy.

“What If?” scenario testing

Trajectory of the recovery, policy scenarios, enrollment behavior.

Diving deeper

Drill downs by state, age, income, or any other characteristic that can be captured in population data.

Leveraging CAPS beyond COVID-19

Simulating Medicaid expansion, healthcare reform, and other market impacts.

Q&A

If you have a question, please add it to the chat.

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Data reliance and limitations

- This presentation is intended to provide an educational overview of how economic conditions associated with the COVID-19 pandemic may impact enrollment and population mix across health insurance markets. The opinions expressed in this presentation are attributable to the authors and not Milliman as a whole. The information herein is intended for educational purposes, and represents the authors' best estimates at the time of publication based on available information; actual results will vary. Emerging experience should be monitored and adjustments made as necessary.
- The Milliman COVID-19 Advanced Population Shift (CAPS) model is premised on economic data and forecasts from the Bureau of Labor Statistics and Congressional Budget Office as well as health insurance enrollment data from the US Department of Health and Human Services and various state agencies, along with information from other public and non-public sources. The projections herein are based on assumptions regarding changes in employment over time, changes to family and individual incomes, and corresponding impacts to health insurance coverage.
- Knowledge of future economic impacts related to COVID-19 shut-downs and potential state and federal regulatory actions to alleviate financial distress is incomplete. New information about state and federal regulatory actions, including length of "stay-at-home" orders and non-essential business closures, unemployment benefit extensions and the creation of additional state and federal relief programs is still emerging and rapidly changing, as is data on emerging changes in health insurance coverage. Consequently, our model results will evolve as new information becomes available and new actions are taken by the authorities and other stakeholders.
- Due to constantly developing data on COVID-19 and to economic outlooks for 2020 and 2021, as well as the inherent difficulty of predicting individual and governmental actions far into the future, any analysis using the CAPS model is subject to a substantially greater than usual level of uncertainty. Note that the CAPS model is NOT an economic forecasting model. Judgments about the economy and related unemployment are inputs to the model, not outputs.
- Fritz Busch, Lindsy Kotecki, and Jeff Milton-Hall are members of the American Academy of Actuaries, and meet its qualification standards to provide this analysis.