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Subject: **ADDENDUM: Certification of Rates of the Uninsured**

Section 1886(r) of the Social Security Act provides for an adjustment to the amount available to make uncompensated care payments based on changes in the rate of the uninsured. The Chief Actuary of the Centers for Medicare & Medicaid Services (CMS) is required to certify reasonable estimates of the percentage of uninsured persons in both 2013 and 2022. This analysis represents an addendum to the Office of the Actuary's (OACT's) March 11, 2021 memorandum.

OACT has developed updated estimates of the rates of the uninsured for calendar years 2021 and 2022 and for fiscal year 2022 (see table 1).

Table 1: Applicable Updated Calendar Year and Fiscal Year Rates of the Uninsured

	CY Uninsured Rate	FY Uninsured Rate
2013	14.0%	–
2021	9.8%	–
2022	9.5%	9.6%

The trend in the uninsured share of the population provided in this addendum (for 2021 relative to 2020) reflects updated Medicaid and Marketplace enrollment and is generally consistent with the estimates prepared by the Census Bureau based on the Household Pulse Survey (https://www.census.gov/programs-surveys/household-pulse-survey/data.html). The FY2022 uninsured rate in the March 11 analysis was 10.1% and was based on a projected CY2021 uninsured rate of 10.2% and a projected CY2022 uninsured rate of 10.1% . The updated CY2021 and CY2022 uninsured rates of 9.8% and 9.5% included in this analysis reflect higher projected Medicaid enrollments. The Data Sources and Methods section of this memorandum discusses the major reasons for the revisions in the Medicaid estimates.

DATA SOURCES AND METHODS

Preparation of the updated estimates for this analysis did not include re-specification or re-estimation of the models originally used to generate the estimates of the uninsured that were

published on March 11, 2020.[1] Rather, those previously published figures served as the baseline to which updated data and additional estimated impacts on insurance enrollment were applied. The general approach was to directly estimate the impact of employment changes on insurance coverage and to analyze the flows in enrollment and uninsured due to changes in pre- to post-unemployment insurance status. Those results were then updated to reflect newly available Medicaid and Marketplace enrollment data.

Downward revisions to the uninsured share relative to the March 11, 2021 memorandum largely reflect significant gains in Medicaid enrollment data (through March 2021). These recent data show substantially greater increases in Medicaid enrollment relative to previous projections. This growth in Medicaid, despite continued gains in employment, is influenced by the Families First Coronavirus Response Act's (FFCRA) Maintenance of Effort (MOE) provision (which provides incentives for states not to disenroll Medicaid enrollees for the duration of the public health emergency). The lower uninsured rate also reflects faster-than-anticipated employment growth, an increasingly improving economic outlook according to the Blue Chip Consensus forecast for the unemployment rate, and Marketplace enrollment gains attributable to the Special Enrollment Period (effective February 15 – August 15, 2021).

A full description of the methods used to develop this updated projection can be found in sections I and II below.

I.   _**Updating the Base Model's Projection of the Rate of Uninsured**_

Updated Source Data

The updated FY22 uninsured rate described here was largely constructed using the same base model that underlies the rate published in the proposed rule. Since that time a number of the data sources that were used to derive that projection have been updated and are now included and reflected in the base model's results. Updated sources include data from the Bureau of Labor Statistics' (BLS) Current Employment Statistics, Labor Force Participation data, and Local Area Unemployment Statistics. Projections originating from the Blue Chip Economic Indicators were also updated.

Identifying Who Is Affected

Updated changes in insurance status due to the effects of COVID-19 were estimated based on analysis of the consequences of loss of employment for health insurance coverage (with adjustments applied later in the process to the base model's results to reflect newly available Medicaid and Marketplace enrollment data as described in more detail in section II). The estimated net change in the distribution by insurance status was estimated for the group of persons losing employment due to COVID-19 (defined as the change relative to the pre-pandemic level of employment in February 2020). The net change in the distribution by insurance status is defined as the difference between the average pre-unemployment insurance status to the average post-unemployment insurance status for the entire pool of those who lost employment. These are weighted based on the composition of unemployment by industry and

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[1] The full set of projections as published on March 24, 2020, as well as the methodology used to construct those estimates, can be found at the following link: https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html

by state. This net change was applied to the projected pool of persons whose insurance status was affected by job loss. This pool includes those who lost employment, as well as members of their households whose coverage would be affected as dependents.[2] Four major inputs contribute to the estimates:

- Macroeconomic projections of unemployment and demographics

  - Estimates for 2021 are based on historical BLS data for employment and unemployment through May 2021.[3]
  - National-level projections for the unemployment rates in 2021-22 are based on the consensus forecast from the Blue Chip Indicators for June 2021.[4]
  - The change in the number of unemployed persons is obtained by multiplying the unemployment rate by the civilian labor force.[5]
  - The estimated loss in employment is larger than the increased in the number unemployed because it includes those who dropped out of the labor force. To capture this effect, the estimated increase in unemployed persons is scaled by the ratio of employed to unemployed based on BLS data through May 2021.[6] This ratio is assumed to remain constant through 2021-22.
  - Projections of the US population are based on the 2020 Medicare Trustees Report updated to reflect the impacts of the pandemic on population.[7]

- State-level variation in unemployment

  - State-level variation in unemployment affects the uninsured population because the distribution of coverage for the unemployed varies substantially due to each state's Medicaid expansion status. Estimates are, therefore, adjusted for the composition of unemployment by state.
  - Variation in unemployment across states relative to national unemployment is based on reported unemployment by state through May, 2021, based on data from the BLS's Local Area Unemployment Statistics.[8] Variation across states is assumed to remain constant over the projection for 2021-2022. State-level estimates are adjusted for consistency with national projections of unemployment.

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[2] Note that the objective is to estimate total loss of employment due to COVID-19, including the loss of employment for those who later drop out of the labor force and are, therefore, excluded from the count of unemployed persons. However, the estimation process estimates effects on unemployment as an initial step because it relies on projections of the unemployment rate.

[3] Employment data from BLS, Current Employment Statistics (https://www.bls.gov/ces/); unemployment data from BLS, Current Population Survey (https://www.bls.gov/cps/)

[4] Economic Indicators: Top Analysts' Forecasts of the US Economic Outlook for the Year Ahead," Wolters-Kluwer, Vol. 46, No. 6, June 11, 2021.

[5] Historical estimates of the labor force are based on data from BLS (https://www.bls.gov/emp). The projection of the civilian labor force is based on the economic outlook as published by the Congressional Budget Office in February 2021.*The Budget and Economic Outlook: 2021 to 2031*, Congressional Budget Office, February 11, 2021, (https://www.cbo.gov/system/files/2021-02/56970-Outlook.pdf.

[6] Employment data from BLS, Current Employment Statistics (https://www.bls.gov/ces/); unemployment data from BLS, Current Population Survey (https://www.bls.gov/cps/)

[7] https://www.cms.gov/files/document/2020-medicare-trustees-report.pdf

[8] https://www.bls.gov/lau

- Industry composition of unemployment

  o Industry composition of unemployment affects the uninsured population because the share of employees with employer-sponsored-insurance (ESI) coverage varies substantially across industry groups. The incidence of unemployment due to pandemic was also highly concentrated in particular industry categories.
  o Data for the composition of unemployment by industry status through May 2021 are based on the BLS's Current Population Survey. Industry composition of the unemployed population is assumed to remain constant through 2021-22.[9]

- Composition of the unemployed population by insurance status

  o The assumption for the pre- and post-unemployment distribution by insurance status is based on analysis of historical data from the American Community Survey (ACS) for 2017-2018.[10] The distribution is estimated by state based on Medicaid expansion status and by industry of employment. This allows the insurance distribution to be re-weighted to reflect the atypical characteristics of those who lost employment due to COVID-19.

    ▪ The pre-unemployment distribution of insurance status for the newly unemployed is based on the ACS distribution for the pool of employed persons.[11] The post-unemployment distribution of insurance status for the newly unemployed is based on the ACS distribution for the pool of unemployed persons.
    ▪ The net difference in insurance status data indicates that, among those who become unemployed and lost access to their own Employer-Sponsored Insurance (ESI), the major impact that occurs in health insurance coverage is to either i) go from one's own ESI coverage to ESI coverage through a family member (this includes those who may have already been covered by their family member's policy), ii) shift to coverage under Medicaid, or iii) become uninsured. Much smaller shifts are observed for those who are covered in the Marketplace, under Medicare, and through other public sources.
    ▪ Based on ACS insurance distribution weighted for state and industry composition of unemployment, 12 percent of the newly unemployed were uninsured prior to their job loss.

After estimating the impact that loss of employment has on the newly unemployed workers themselves, it is also necessary to estimate the effect of this loss on the members of the workers' households.

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[9] Based on BLS, Current Population Survey (https://www.bls.gov/cps/)
[10] https://www.census.gov/programs-surveys/acs
[11] The newly unemployed population tends to be disproportionately concentrated in industry groups that were hardest hit by the shutdown, and to consist of lower-wage workers, as compared to the total pool of employed persons. Sensitivity testing for the effects of the assumption for pre-unemployment insurance status found that results are not highly sensitive to these variables.

- According to ACS data weighted for the state and industry composition of those unemployed due to COVID, the majority of employed workers (62 percent) are insured through their own employers. Combining these data with information obtained from the Medical Expenditure Panel Survey (MEPS) on the distribution of types of coverage (self-only, self-plus-one, or family) yields an estimated 1.7 persons per ESI policy (see table 2).[12]

Table 2: Distribution of Employer-Sponsored Insurance Policies by Type of Coverage

	Single	Employee + 1	Family	Weighted average
Share of ESI policies	55%	19%	26%	100.0%
Covered per plan	1.0	2.0	3.1	1.7

- To estimate the number of people who are affected in households in which people are covered through a means other than ESI, the average number of persons in family-based households is used as a proxy. Based on this measure, an average of 3.1 people per household are assumed to be affected by changes to non-ESI coverage categories.[13]

II. _Updating Uninsured Projection to Incorporate Recent Medicaid and Marketplace Enrollment_

Adjustments to the results were required primarily in response to faster than expected growth as shown in newly available data on Medicaid enrollment. These recent data indicate that combined enrollment in that program and the Children's Health Insurance Program increased substantially by January 2021 (https://www.cms.gov/newsroom/press-releases/new-medicaid-and-chip-enrollment-snapshot-shows-almost-10-million-americans-enrolled-coverage-during). Updated data now available through March 2021 show that enrollment continued to strengthen, and this is partly attributable to Maintenance of Effort (MOE) provision in the FFCRA.[14] Historically, Medicaid beneficiaries would disenroll from the program as a result of either proactively disenrolling themselves, or the more common practice of states conducting periodic redeterminations whereby enrollees deemed no longer eligible for coverage could be disenrolled. The MOE provision provided a significant incentive to states (in the form of an enhanced Federal Medical Assistance Percentage rate of 6.2 percent) to forego disenrolling beneficiaries (other than those who explicitly disenroll themselves) throughout the duration of the public health emergency.

To account for the effect of higher than anticipated Medicaid enrollment on the estimate of the uninsured population, an estimate of the share of these enrollees who were previously considered uninsured was required. A substantial portion of the additional Medicaid enrollees are attributed to the effects of the MOE over a period characterized by surging unemployment through April 2020 followed by a fairly rapid pace of recovery since that peak. Some who enrolled in Medicaid due to job loss would have disenrolled without the MOE, and some share of this group would have become uninsured. The magnitude of this effect on Medicaid

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[12] https://www.meps.ahrq.gov/mepsweb/
[13] U.S. Census Bureau, Current Population Survey, 2019 Annual Social and Economic Supplement (https://www.census.gov/data/tables/2019/demo/families/cps-2019.html).
[14] Based on CMS-64 Enrollment Report

enrollment was estimated based on historical estimates of the rate of disenrollment, which were assumed to have continued in the absence of MOE. The magnitude of the effect of the MOE requirement on the uninsured was based on a comparison of these historical rates of disenrollment to actual trends together with an assumption for the distribution of this group by insurance status in the absence of MOE (including uninsured share). The changes in insurance status for those enrolling/disenrolling in Medicaid were based on a longitudinal analysis of the Medical Expenditure Panel Survey data that tracked the insurance transition patterns of people who moved into or out of Medicaid over the 2014-2018 period.

The effect on Medicaid enrollment and on the uninsured due to the MOE was extrapolated through the assumed end of the public health emergency (assumed to be in January 2022). Over the course of calendar year 2022, the projected Medicaid enrollment from the MOE effect is assumed to linearly taper off by 80% of the differential relative to the projection based on employment trends, as the redetermination of eligibility and disenrollment are projected to return to pre-pandemic rates.

In addition, estimates were adjusted to incorporate the updated relationship between 2020-21 employment changes and Medicaid enrollment. This update also slightly reduced the estimated number of uninsured in 2021 and 2022.

Finally, the model's output was further adjusted to be consistent with updated Marketplace enrollment estimates. The observed Marketplace trends through May 2021 reflect not only the impact of those who have lost employment and sought coverage through the Marketplace, but also a lack of the normal attrition that would generally be expected to occur over the course of the year and the additional enrollment associated with the Special Enrollment Period (SEP). CMS recently indicated through May 31, 2021, 1.2 million people had signed up for coverage during the SEP that runs from February 15, 2021 to August 15, 2021 (https://www.cms.gov/newsroom/fact-sheets/2021-marketplace-special-enrollment-period-report-2).

CERTIFICATION

I certify that the updated calendar year and estimated fiscal year rates of the uninsured that are provided in this addendum are reasonable and appropriate for use in satisfying section 1886(r)(2)(B)(ii) of the Social Security Act.

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