



DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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From: Paul Spitalnic
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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 2021. This analysis represents an addendum to the Office of the Actuary's (OACT's) April 3, 2020 memorandum, which served as the basis for the estimates of the uninsured rate that was used in the May 29, 2020 notice of proposed rulemaking.

In light of the COVID-19 pandemic and its significant impact on the nation's economy, OACT has developed an updated estimate of the rates of the uninsured for calendar years 2020 and 2021 and for fiscal year 2021 (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%	–
2020	10.3%	–
2021	10.2%	10.2%

The estimates of the uninsured share of the population provided in this addendum are 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>). Differences can be largely explained by variations in scope (full population compared to those aged 18 years and older) and timing (weekly observation compared to an annual estimate).

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 24, 2020.¹ Rather, those previously published figures served as the baseline

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>

to which the estimated impacts on insurance statuses were applied. The general approach was to directly estimate the impact of employment changes on insurance coverage, to supplement those methods with available Marketplace data, and to validate those results against external sources. The key steps for updating the estimates are described below.

Identifying Who Is Affected

Analysis of the consequences of unemployment on health insurance coverage is based on the estimated net change in the insurance distribution for newly unemployed persons (from a pre-unemployment insurance status to a post-unemployment insurance status). This net change is applied to the projected number of people whose insurance status has been affected (defined to include the newly unemployed, as well as members of their households whose coverage could be affected as dependents). Three major inputs contribute to the estimates:

- Macroeconomic unemployment projections for 2020 and 2021
 - National-level projections are based on the consensus forecast from the Blue Chip Indicators for July 2020.²
 - The number of unemployed persons is determined by multiplying the unemployment rate by the civilian labor force. The projection of the civilian labor force is based on the outlook as published by the Congressional Budget Office, which reflected sharp decreases in this measure over March and April and implied a level by the end of 2021 that remains below that observed in February 2020.³
- State-level variation in unemployment rates
 - Variation in unemployment across states relative to national unemployment is based on reported unemployment by state for the months of April/May 2020, according to data from the Bureau of Labor Statistics' (BLS) Local Area Unemployment Statistics (<https://www.bls.gov/lau>). Variation across states is assumed to remain constant over the projection. The rationale underlying this assumption is that the severity of the impact on unemployment among states observed in April/May provides a reasonable indication of the probable economic impact from COVID-19 throughout the period. That is, states with disproportionately affected industries and regions will continue to feel similar relative effects throughout the crisis. These state-level estimates are adjusted for consistency with national projections of unemployment so that, while each state has a different level of unemployment over the projection, the trend in each state is similar to the national trend.
 - State-level variation in unemployment is an important input to the estimated impact on the uninsured population because the distribution of coverage for the

² "Blue Chip Economic Indicators: Top Analysts' Forecasts of the US Economic Outlook for the Year Ahead," Wolters-Kluwer, Vol. 45, No. 7, July 10, 2020.

³ *Interim Economic Projections for 2020 and 2021*, Congressional Budget Office, May 2020 (<https://www.cbo.gov/system/files/2020-05/56351-CBO-interim-projections.pdf>).

unemployed varies substantially due to each state’s respective Medicaid expansion status.

- Composition of the unemployed population by insurance status
 - The assumption for the pre- and post-unemployment distribution by insurance status is primarily based on analysis of historical data from the American Community Survey (ACS) for 2014-2018, with supplemental data from additional sources. The estimates control for variation by state based on Medicaid expansion status.
 - The pre-unemployment distribution of insurance status for the newly unemployed is based on the ACS distribution for the pool of employed persons.⁴ 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 lose 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.
 - Notably, according to ACS data, 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 determine the effect of this loss on the members of the workers’ households.

- According to ACS data, the majority of employed workers (71 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 1.8 persons per ESI policy (see table 2).

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%

⁴ 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.

Covered per plan	1.0	2.0	3.3	1.8
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- 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.⁵

Temporarily Furloughed Workers

A substantial number of newly unemployed workers have been temporarily furloughed. Many employers have sought to retain ties to their current work force with the intention of bringing these individuals back to work as fiscal conditions improve.

To account for this unique characteristic of the current economic downturn, it is assumed that a proportion of temporarily furloughed employees continue to have access to ESI coverage. Estimates of the share of the newly unemployed who maintain this access are based on BLS data, which include the reason for unemployment, and on April 2020 data from the ADP Research Institute that pertain to the relative reduction in employment by firm size and to which differential ESI-retention assumptions were applied.^{6,7}

On average, 18 percent of temporarily furloughed workers are assumed to retain ESI through their prior employer for at least 1 month, with this coverage phasing out for the remaining furloughed employees over a period of 6 months. After this transitional period, the insurance status distribution for this group is assumed to reflect the ACS post-unemployment distribution.

Transitions to Post-Unemployment Insurance Status

Another unusual characteristic of the impact of COVID-19 on the economy is the speed at which job losses occurred. Approximately 15.9 million people became newly unemployed in April 2020 alone.⁸ As individuals attempt to guard against financial loss in the event of infection, it is assumed that there will be a transition to post-unemployment insurance status (see table 3).

Table 3: Transition Time to Post-Unemployment Insurance Status

	ESI	Medicare	Medicaid	Marketplace	Other Public
Unemployment + 1 month	85%	85%	53%	85%	53%
Unemployment + 2 months	100%	100%	78%	100%	78%
Unemployment + 3 months	100%	100%	100%	100%	100%

For someone who loses a job but obtains ESI coverage through a family member, and for those who transition to Medicare and Marketplace coverage, the transition is assumed to occur within

⁵ 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>).

⁶ Bureau of Labor Statistics, Unemployed Persons by Reason for Unemployment (<https://www.bls.gov/news.release/empsit.t11.htm>).

⁷ ADP National Employment Report, April 2020, ADP Research Institute, April 2020.

⁸ Bureau of Labor Statistics, Current Population Survey, accessed July 2, 2020.

1 month. Based on an analysis by the Kaiser Family Foundation, a 3-month transition is assumed for those who obtain Medicaid coverage⁹; the estimates of Medicaid enrollees from the OACT modeling approach are consistent with the results from the subset of states that have reported their Medicaid enrollment data (through May 2020).¹⁰ Other public programs are assumed to follow the same transition path as Medicaid.

Marketplace Trends

Marketplace enrollment data through June 2020, as reported to CMS, have been incorporated into the updated OACT estimates. These trends reflect not only the impact of those who have lost employment but also a lack of the normal attrition that would generally be expected to occur over the course of the year. The Marketplace enrollment projection over the remainder of 2020 was adjusted to reflect a continuation of this unique attrition experience, though at slower rates than observed in the first half of the year. As a result, the expected number of uninsured persons is reduced slightly in 2020.

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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⁹ Samantha Artiga and Maria Diaz, *How Quickly are States Connecting Applicants to Medicaid and CHIP Coverage?*, Kaiser Family Foundation, January 11, 2019 (<https://www.kff.org/medicaid/issue-brief/how-quickly-are-states-connecting-applicants-to-medicaid-and-chip-coverage/>).

¹⁰ <https://ccf.georgetown.edu/wp-content/uploads/2020/05/Medicaid-and-COVID-final.pdf>