Date: March 11, 2021

From: Paul Spitalnic
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Subject: **Certification of Rates of Uninsured**

Under section 1886(r) of the Social Security Act, which provides for an adjustment to the amount available to make uncompensated care payments based on changes in the rate of 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. Specifically, section 1886(r)(2)(B)(ii) stipulates that the prescribed formula for determining these estimates be based on the following (known as Factor 2):

> For fiscal year 2018 and each subsequent fiscal year, a factor equal to 1 minus the percent change in the percent of individuals who are uninsured, as determined by comparing the percent of individuals—
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> (I) who are uninsured in 2013 (as estimated by the Secretary, based on data from the Census Bureau or other sources the Secretary determines appropriate, and certified by the Chief Actuary of the Centers for Medicare & Medicaid Services); and
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> (II) who are uninsured in the most recent period for which data is available (as so estimated and certified), minus 0.2 percentage points for each of fiscal years 2018 and 2019.

Based on data from the National Health Expenditure Accounts (NHEA) and the methods described below, the applicable rates of uninsured are as follows:

Year	Rate of Uninsured
CY 2013	14.0%
CY 2021	10.2%
CY 2022	10.1%
FY 2022*	10.1%

*Based on a weighted average of CY 2021 and CY 2022 data.

The rates provided in the table above do not reflect the impacts on insurance coverage associated with the American Rescue Plan Act of 2021. Those effects will be included when the projections are updated for publication in the final rule.

DATA SOURCES AND METHODS

The process to project the relevant annual rates of the uninsured was similar to that incorporated into last year's final rule displayed on September 2, 2020.[1]

The primary basis for the figures in the table above are largely based on the latest publicly available projections of the NHEA produced by the CMS Office of the Actuary and published on March 24, 2020.[2] The NHEA represent the government's official estimates of health spending by type of good or service, as well as by source of funding. Comprehensive estimates and projections of health insurance enrollment for the total population are also produced and shown by various categories of coverage including uninsured, Medicare, Medicaid, private health insurance (direct and employer-sponsored), the Children's Health Insurance Program, and other public coverage.[3] Uninsured persons include all individuals not covered by any health insurance (including those who use the Indian Health Service) at a specific point in time (such as at the time of a health insurance survey interview or during a reference period covered by the survey) and, as such, represent an average of the number of uninsured for the estimation period (in the NHEA, this is a calendar year).

As a result of the COVID-19 public health emergency and the associated impacted on health insurance coverage, the projections referenced above have been adjusted. Updates 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. Rather, those previously published figures served as the baseline to which estimated impacts on insurance status associated with the effects of the COVID-19 pandemic were applied. The general approach was to directly estimate the impact of employment changes on shifts in 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

Changes in insurance status due to the effects of COVID-19 were estimated based on analysis of the consequences of loss of employment on health insurance coverage. 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-

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[1] https://www.cms.gov/medicare/acute-inpatient-pps/fy-2021-ipps-final-rule-home-page

[2] 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

[3] For the total population, estimates are from the U.S. Bureau of the Census and reflect a count of U.S. residents less armed forces overseas and population of outlying areas.

unemployment insurance status for the entire pool of those who lost employment. 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.[4] Four major inputs contribute to the estimates:

1) Macroeconomic projections of unemployment and demographics

   a) Estimates for 2020 are based on historical data for employment and unemployment through December 2020.
   b) National-level projections for the unemployment rates in 2021-22 are based on the consensus forecast from the Blue Chip Indicators for January 2021.[5]
   c) The change in the number of unemployed persons is obtained by multiplying the unemployment rate by the civilian labor force.[6]
   d) 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 data through December 2020.[7] This ratio is assumed to remain constant through 2021-22.
   e) Projections of the US population are based on estimates contained in the 2020 Medicare Trustees Report adjusted to reflect excess deaths in 2020 and an expected continuation of excess deaths through 2022 (though at a declining rate relative to those observed in 2020).

2) State-level variation in unemployment

   a) 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.
   b) Variation in unemployment across states relative to national unemployment is based on reported unemployment by state through December 2020, based on 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

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[4] 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.

[5] "Blue Chip Economic Indicators: Top Analysts' Forecasts of the US Economic Outlook for the Year Ahead," Wolters-Kluwer, Vol. 46, No. 1, January 11, 2021.

[6] 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)

[7] Employment data through December 2020 from Bureau of Labor Statistics (BLS) Current Employment Statistics; unemployment data through 2020 based on BLS Current Population Survey.

projection for 2021-2022. State-level estimates are adjusted for consistency with national projections of unemployment.

3) Industry composition of unemployment

    a) 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.

    b) Data for the composition of unemployment by industry status through December 2020 are based on the BLS Current Employment Statistics. Industry composition of the unemployed population is assumed to remain constant through 2021-22.

4) Composition of the unemployed population by insurance status

    a) 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. 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.

        i) The pre-unemployment distribution of insurance status for the newly unemployed is based on the ACS distribution for the pool of employed persons.[8] The post-unemployment distribution of insurance status for the newly unemployed is based on the ACS distribution for the pool of unemployed persons.

        ii) 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.

        iii) 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.

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[8] 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.

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.

5) 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).

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

6) 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.[9]

Marketplace Trends

Marketplace enrollment data through September 2020, as reported to CMS, have been incorporated into the updated OACT estimates. The observed trends 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. They also reflect new enrollees who have signed up during the initial phase of the 2021 Special Enrollment Period.

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] 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).