



# Enrollment Forecast:

## Description and Key Assumptions

May 20, 2014

Covered California’s individual enrollment projection model considers experience to date and input from experts regarding expectations about future growth. The model projects that Covered California should expect to see overall enrollment growth in 2015 and 2016. It tracks the enrollment behavior of both subsidy eligible and non-subsidy eligible individuals through Special Enrollment and Open Enrollment periods. Covered California expects to see stronger enrollment growth in the near term and modest growth in the future as the program matures.

### Model Description

The enrollment projection considers current enrollment, individuals who remain eligible for subsidies but are not enrolled, disenrollment, as well as individuals who may transition to Covered California from Medi-Cal, or employer sponsored coverage. The model projects both losses and gains during Special and Open Enrollment periods. The most significant changes occur during Open Enrollment when enrollment gains and losses are amplified due to the projected volume of individuals dropping coverage, renewing coverage, and obtaining coverage for the first time through Covered California.

The model does not reflect the impact of the economic recovery—a factor that will both increase and reduce Covered California’s enrollment. Specifically, more Covered California enrollees will lose subsidies and transition to employer sponsored insurance leaving the program. Others will transition from Medi-Cal to Covered California as they become employed, work more hours or secure higher paying jobs.

The University of California Simulation of Insurance Markets (CalSIM) model estimates the subsidy eligible population in California to be approximately 2.5 million individuals increasing to 2.7 million by 2017. In addition, there will be other consumers whose income is above the subsidy level (400% of FPL) who find it easier and more convenient to purchase coverage through Covered California, though no subsidy is involved. This may include some individuals who enroll in the subsidized Covered California individual market but whose income grows above the 400% FPL level in subsequent years. This provides Covered California some assurance that enrollment should increase over time as more subsidy eligible individuals make their way to Covered California and more individuals ineligible for subsidies choose to secure coverage through Covered California.

### Covered California Medium Enrollment Forecast

	<b>Subsidized</b>	<b>Unsubsidized</b>	<b>Total</b>	<b>Year Over Year Net gain</b>
End of initial Open Enrollment	1,040,000	150,000	1,190,000	
End of 2014-15 Open Enrollment	1,480,000	230,000	1,700,000	510,000
End of 2015-16 Open Enrollment	1,780,000	260,000	2,040,000	340,000

Enrollment is projected to grow from now until the end of the 2015-16 Open Enrollment period. Using the Covered California base enrollment forecast, total enrollment is projected to grow by 510,000 individuals, or 43 percent, from the end of the initial Open Enrollment period to the end of the 2014-15 Open Enrollment period. Enrollment is projected to grow by approximately 340,000 individuals, or 20 percent, from the end of the 2014-15 Open Enrollment period to the end of the 2015-16 Open Enrollment period.

Although Covered California will see gross gains and losses each month, we project that net enrollments will increase after each open enrollment period for the next two years. Some experts project that the gains and losses during the special enrollment period will offset each other and total enrollment will remain flat during this period. Consistent with this perspective, we expect special enrollment growth during 2015-16 to be very modest. In future years, we expect enrollment to remain flat or slightly decline during the special enrollment period.

These projections reflect our medium enrollment forecast. To capture the range of potential enrollment, we also developed low and high estimates. The low enrollment forecast reflects lower take up among individuals eligible for subsidies, a higher percentage of enrollees paying their premiums and fewer enrollees leaving the program each month. The low estimate projects enrollment growing to 1.66 million by the end of 2014-15 open enrollment and to 1.97 million by the end of the 2015-16 open enrollment. The high enrollment forecast reflects higher take up among individuals eligible for subsidies, more individuals who do not receive subsidies accessing coverage through Covered California bringing the distribution of subsidized/unsubsidized enrollment closer to the national average, and more enrollees leaving the program every month. The high estimate projects enrollment growing to 1.86 million by the end of the 2014-15 open enrollment and to 2.24 million by the end of the 2015-16 open enrollment. The medium enrollment estimate, shown in the chart below, is the recommended forecast.

**Covered California Low, Medium, & High Enrollment Projections**

	<b>2014</b>	<b>2015</b>	<b>2016</b>
Low (end of open enrollment)	1,200,000	1,300,000	1,400,000
Medium (end of open enrollment)	1,200,000	1,700,000	2,000,000
High (end of open enrollment)	1,200,000	1,900,000	2,400,000

**Key Assumptions**

- *Effectuation Rate:*

Of the enrollees who complete an application and select a qualified health plan, we estimate that approximately 85% will obtain coverage by paying their first month’s premium (the effectuation rate). In later years, we predict that the effectuation rate will increase to 90% starting in May 2015.

- *Medi-Cal Churn Into Covered California:*

The Medi-Cal churn rate into Covered California is the percent of Medi-Cal beneficiaries who enroll in Covered California upon annual redetermination. Pre-ACA implementation approximately 10 percent of Medi-Cal enrollees were found ineligible at annual redetermination. More Medi-Cal enrollees left the program at annual redetermination as a result of not responding to requests for information. The model assumes that 5 percent of MAGI Medi-Cal enrollees will transition to Covered California at annual redetermination. CalSIM projects churn from Medi-Cal to Covered California to be 16.4%.

- *Gains and Losses Due to Special Enrollments:*

- 2014 Special Enrollment projection:
  - Gain from loss of Medi-Cal or Employer Sponsored Insurance: 370,000
  - “Other” Gains: 80,000 (such as marriages, deaths, births, etc.)
  - Gross Special Enrollment Losses (based on individuals obtaining employer sponsored coverage, transitioning to Medi-Cal, etc.): 290,000
  - Net Special Enrollment Gain: 160,000
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- 2015 Special Enrollment projection:
  - Gain from Loss of Medi-Cal and Employer Sponsored Insurance: 380,000
  - “Other” Gains: 90,000
  - Gross Special Enrollment Losses: 450,000
  - Net Special Enrollment Gain: 20,000

- *Non-subsidized Enrollments:*

Covered California enrollees will continue to be both subsidy eligible and subsidy ineligible. We forecast 88% of total enrollees will be subsidy eligible and 12% of total enrollees will not be eligible for subsidies. The model tracks the ratio of subsidy eligible individuals and individuals not eligible for subsidies based on current experience. This ratio reflects lower participation of individuals not eligible for subsidies than the national average and is likely a conservative assumption.

- *Churn out of Covered California:*

Churn and retention rates are functions of gross enrollment changes, which drive a net effect in the enrollment projection model. The model assumes the following churn rates (individuals who will obtain employer sponsored coverage, transition to Medi-Cal or decide to go without insurance):

- 2.5% per month during special enrollment
- 15% during open enrollment
- Total annual churn rate of approximately 37%

This disenrollment rate is based on the experience of the Healthy Families program. The Healthy Families disenrollment rate in the last decade averaged between 3.0 and 3.5 percent per month. It was 1 percent per month in the program's early years. The Healthy families program evaluated eligibility monthly as compared to Covered California's annual eligibility evaluation.