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Covered California 2016-2022 Market Analysis and Planning

May 12, 2016

DRAFT – For Board Presentation Only

pwc

Exchange Business Model

Enrollment Projection and Scenarios

- *Baseline*
- *Scenario Modeling*

Opportunities to Manage Turn-Over, Churn and Retention

Covered California's business model leverages products with attractive prices and features to attract enrollees and enhance care delivery, while influencing the overall health care market; its mission extends to the whole market

Covered California Business Model

- Covered California operates an innovative, competitive marketplace that empowers an increasing number of consumers to choose the health plan and providers that give them access to affordable, high quality care
- The model's success rests on
  - Patient-centered benefit designs to ensure high quality of care
  - Creating a competitive marketplace to provide consumers with choice
  - Extensive marketing, sales and outreach efforts including agents and navigators to ensure a good risk pool and thus stable prices both on and off exchange due to the combined risk pool with identical products
  - Availability of federal subsidies only through the exchange channel
  - Ability to self-sustain on fee revenue
  - Complementing a robust and effective Medicaid program

Results

- From 2013-2016, the number of uninsured has been cut almost in half, providing over 2M Californians with health insurance
- Individual market has remained stable and represents a good risk mix[1], resulting in an weighted average 4% price increase from 2015-16 compared to an average of 6% and 8% increase, after shopping, nationally and on the federal marketplace, respectively[2,3]
- Premium subsidies for lower-income Californians are an important aspect of the marketplace
  - Roughly 3/4 of premiums on Covered California are paid through the tax credit
  - Additionally, 60 percent of enrollees receive, on average, $1,200 a year to help pay for services at the point of care through income-based cost sharing reductions
- The market stability fostered by Covered California also extends to the population purchasing individual insurance not through Covered California

1) 1.20 risk score for 2014 benefit year, the lowest of all 48 states and DC. DHHS, CMS. CCIIO. "Summary Report on Transitional Reinsurance Payments and Permanent Risk Adjustment Transfers". Revised September 17, 2015. Table 5
2) Commonwealth Fund, http://www.commonwealthfund.org/publications/blog/2016/jan/2016-health-insurance-marketplace-premiums;
3) ASPE "Health Insurance Marketplace Premiums" Issue Brief Apr 12, 2016

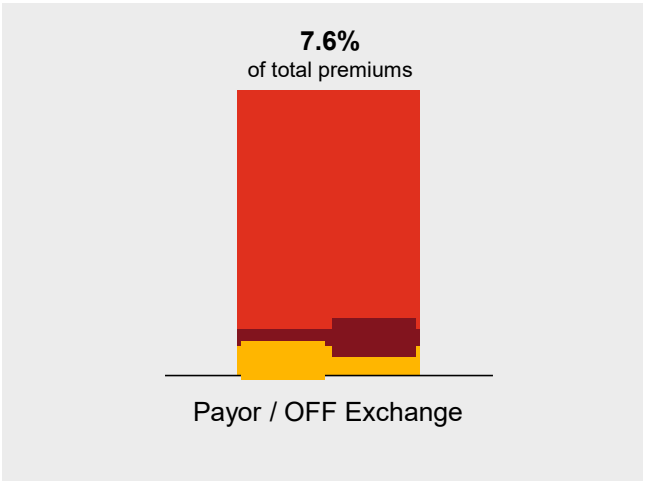
Given the structurally high turn-over in the individual market, Covered California's sustainability should be approached based on tenure and lifetime value

Comparing Pre and Post ACA Acquisition Spend	▪ **Payors appear to be spending substantially less on acquisition post ACA** compared to their pre-ACA spend, even with the costs of Covered California's assessment
Tenure	▪ We estimate average **monthly disenrollment of ~4%** and an **average tenure of ~2 years per member**; subsidized tenure is 5 months longer ▪ **Most of the turn-over** (>3% of the 4% a month) is from members that are leaving Covered California for **other forms of coverage: ESI, Medi-Cal or outside of the exchange** ▪ Only a small portion of the turn-over (<1% of 4%) is from members who are choosing to leave Covered California and drop coverage entirely (about 15% of all disenrollments)
Lifetime Value	▪ **Life Time Value (LTV)** is a concept used across industries to measure the contribution from each new enrollee to the organization or company. It defines a limit for the amount of money available to spend on all activities from acquisition to customer service ▪ Based on the estimate of tenure above, we calculated Covered California's average LTV of **$440 for each subsidy-eligible and $312 for each unsubsidized enrollee**
Benchmarking Spend on Acquisition	▪ We triangulated cost of acquisition using three methodologies (i.e. benchmarking against annual revenue vs. contribution margin vs. sustainable long term earnings). **LTV provides a very sound basis for comparison since it takes into account tenure and turn-over rate**, which are important drivers in an organization's willingness to spend on acquisition ▪ **Covered California spends 21% of LTV on acquisition**-related activities, which is consistent with what we observed in our analysis of **higher spend industries that have high turn-over,** which tend to spend anywhere between 15 – 30% of LTV on acquisition

Pre ACA to Post ACA, individual market acquisition costs appear to have dropped significantly as a percent of total premiums

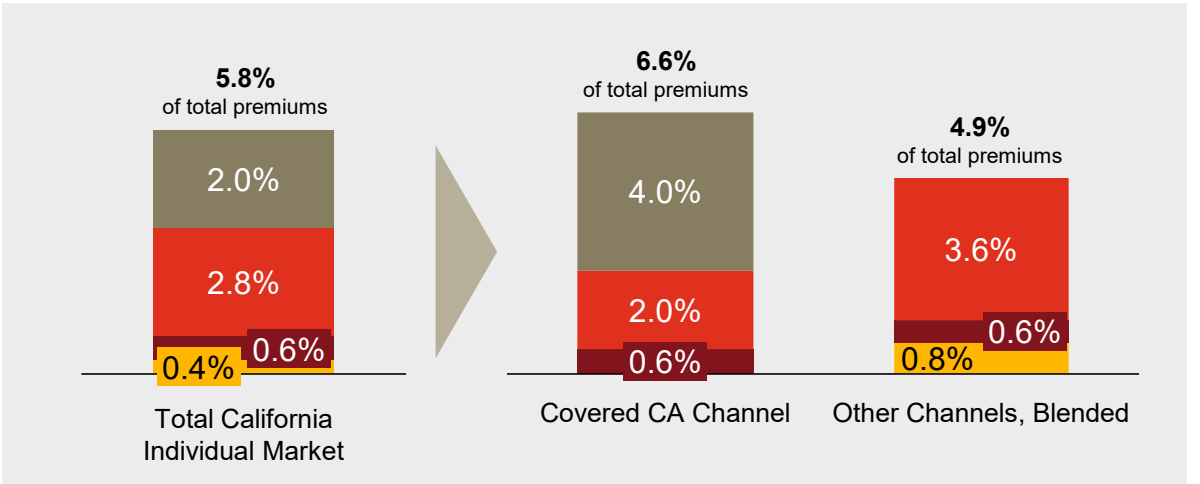
Pre ACA Member Acquisition (National View)

7.6% of Total Premiums Spent on Member Acquisition



Post ACA Member Acquisition (California View)

5.8% of Total Premiums Spent on Member Acquisition



Pre ACA Assumptions / Estimates

- Broker assisted enrollment: 90% of members
- Broker Commissions: 7% of total premiums
- Direct enrollment: 10% of members
- Direct sales costs: 7.5% of premiums
- Payor Sales and Marketing Costs: 0.5% of premiums
- Note: costs reflect pre Exchange but after implementation of the ACA's Medical Loss Ratio regulation
- Source: PwC National and Blues payor experience

Post ACA Assumptions / Estimates

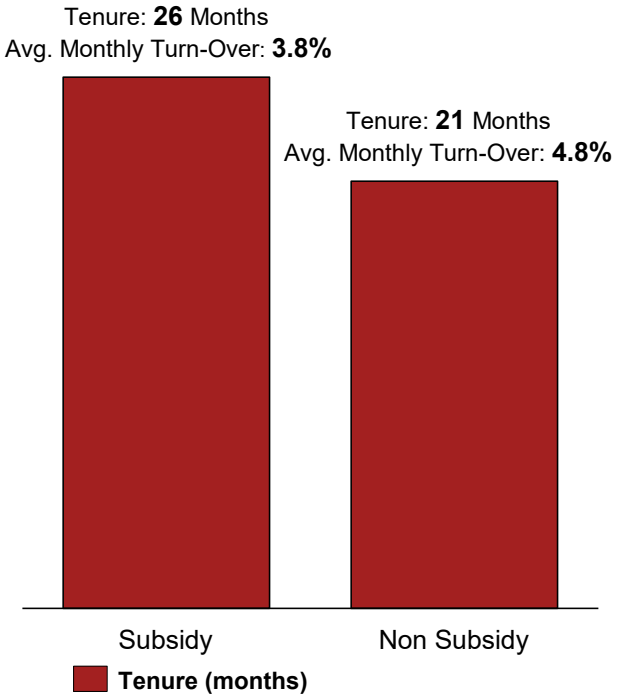
- Covered California enrollment: 50% of overall market (per DMCH, CDI and CC)
- Covered California exchange fee: 4% of total premiums
- Broker assisted enrollment for ON exchange: 50% of members ON the exchange (per CC)
- Broker assisted enrollment for OFF exchange: 90% of members (PwC payor experience)
- Broker Commissions: 4% of premiums (per CC)
- Direct channel enrollment: 10% of OFF exchange members (PwC payor experience)
- Direct sales costs: 7.5% of premiums (PwC payor experience; ~$350 telesales spend per enrollee)
- Payor Sales and Marketing Cost: 0.5% - 0.7% of premiums, mid-point shown (per CC)

Sources: Kaiser Family Foundation, Covered California, PwC client average across national and Blues plans

Note: It is difficult to make an "apples to apples" comparison regarding overall impact on profitability for payors from pre to post ACA. Where there have been reductions to cost of acquisition, there were some likely increases (e.g., risk adjustment and new data transfer), increase in marketing to capture members on exchanges and through off exchange channels.

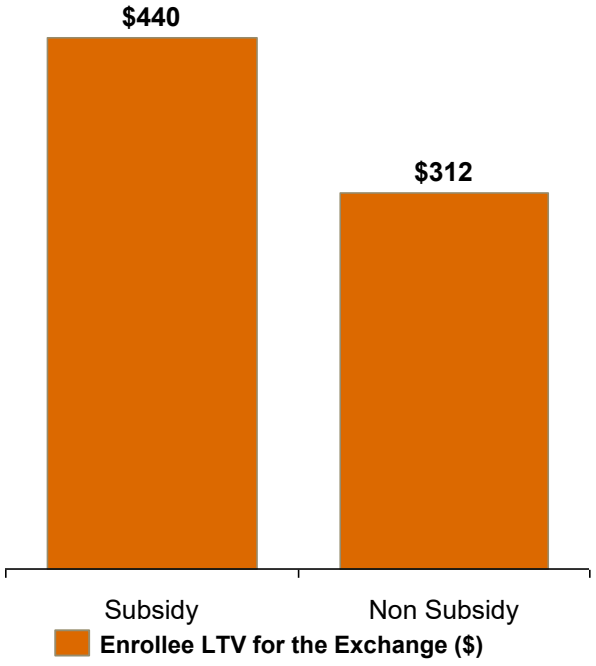
Covered California has an average tenure of ~25.5 months to date across subsidy and non subsidy-eligible members, with an overall average LTV of $427 per member

Average Tenure (in months) and Monthly Turn-Over % per Member



Average Lifetime Value ($) per Member for Covered CA By Member Segment[1]

(only for the exchange, not including payor LTV)



Discussion

- We estimated a monthly **average disenrollment[2] or turn-over of 4%** across subsidy and non subsidy eligible, which peaks at the point of renewal during open enrollment
- **Tenure** estimated as 1/avg. monthly disenrollment, **~25.5 months**
- LTV[1] for **subsidy eligible is nearly 40% greater than that for non-subsidy eligible** due to higher premiums and tenure
- Covered California **should continue to focus its sales and marketing efforts on subsidy eligible member acquisition** to ensure greater financial sustainability

Notes:

*[1] The calculation only represents revenue for Covered California, not including the payor portion of LTV. LTV = tenure * premium PMPM * 4% HBEX fee*

[2] Tenure is estimated through 1 over average monthly turn-over. Turn-over is estimated by observing 12-month rolling cohorts. Assumes turn-over rate for those still enrolled will not increase. Turn-over varies throughout the year and is highest at the point of renewal during Open Enrollment

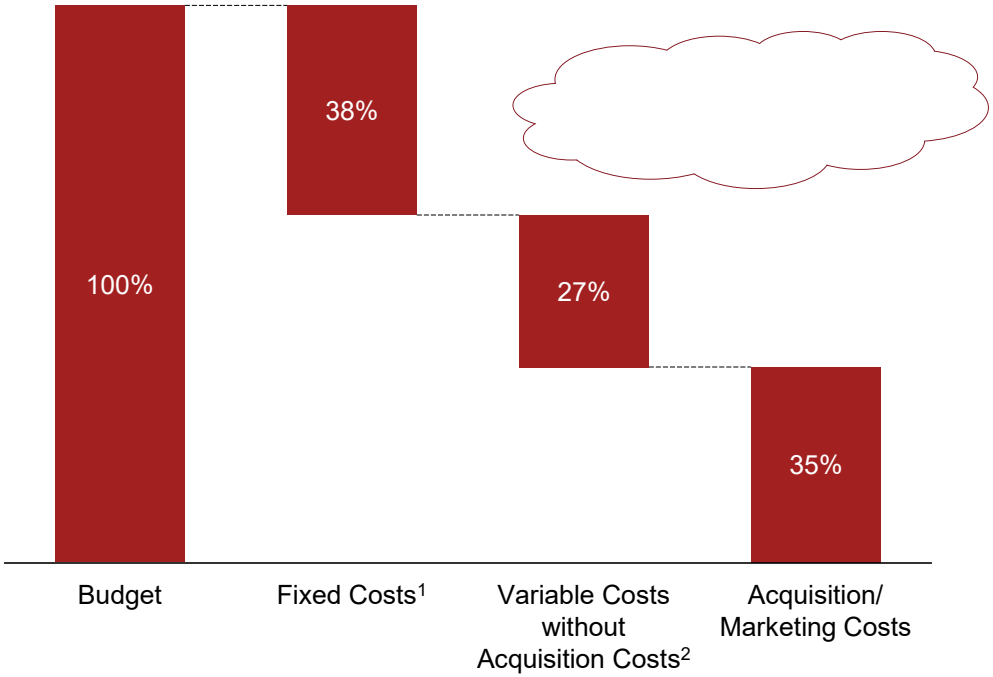
Sources:

- *Premiums: Subsidized PMPM estimated at $422, non-subsidized PMPM at $370 for 2016 with 4% increase over Covered California's reported 2015 data*
- *Enrollment: 1.3M members as of March 2016*

To sustainably increase acquisition spend, Covered California needs to improve its cost structure, enhance acquisition efficacy or increase revenue

Covered California Revenue and Cost Breakdown

% Breakdown by Cost Category



1) Plan Mgmt., CalHEERs, and Administration are considered 100% fixed costs

2) Service Center and Outreach and Marketing are considering a mix of fixed and variable costs

3) Acquisition / marketing % is more than the acquisition spend as a % of LTV as this is an annual view and acquisition / marketing cost is a blend of new member acquisition and retention spending

Sources: FY2015- 2016 Covered California Budget Summary

Discussion

- Under an annual lens, Covered California currently spends 35% of its budget on variable sales, marketing and outreach acquiring new and retaining existing customers[3]
- At ~1.3M enrollees, the exchange spends ~1/3 of its revenue on acquisition of new members, and renewing and retaining existing ones
- Covered California is in the process of setting appropriate spending levels to become fully self sustaining within the next 1-2 years
- In order to sustain and possibly further increase the amount of funds available for the acquisition of new enrollees, Covered California could consider four paths
  - Improve its variable cost structure by improving operational and IT practices
  - Drive additional enrollments through lower-cost channels (such as those outlined in the turn-over and churn discussion, or self-enrolling members)
  - Increase efficacy of marketing, sales and outreach efforts (e.g., lower reacquisition cost through better tracking of individuals turning over to other types of coverage)
  - Increase HBEX fee structure beyond currently targeted 4% given strong risk mix and desire to drive retention

The individual market being a single risk pool means the size and characteristics of the those who buy directly from Covered California or directly from a carrier are critical to the overall market

Importance of Covered California to the Entire Individual Market

Same Plan Features On and Off Exchange	• Development of a competitive market on the Exchange supports a competitive market off the exchange because insurers must offer identical price and benefits as offered to Covered California enrollees • Patient-centered medical designs adopted on the Exchange help drive benefit design off the Exchange; all benefit plans off the Exchange must also meet the metal-level actuarial value tiers
Combined Risk Rating On and Off Exchange	• The positive risk associated with healthier individuals who enroll because of the subsidy results in lower cost for the unsubsidized • Combined risk mix for premium setting on and off the exchange incentivizes enrolling a favorable mix in the entire individual market • Elimination of medical underwriting encourages use of other tools to encourage enrollment of low risk individuals: benefit designs, provider networks, consumer engagement • California's overall risk mix is materially lower than the national average (1.20 v. 1.60 raw score in 2014) • Extraordinary medical cost increases would escalate premium trend as the risk mix changes in the market magnify cost trend impacts market wide
Same Price On and Off Exchange	• Premium changes on the Exchange impact premium changes off the Exchange and vice versa • Health plans that offer non-standardized individual products may attract a different risk mix, however, only limited information is available on how many of these products have been sold and their effect on the total risk pool

Exchange Business Model

Enrollment Projection and Scenarios

Baseline

Scenario Modeling

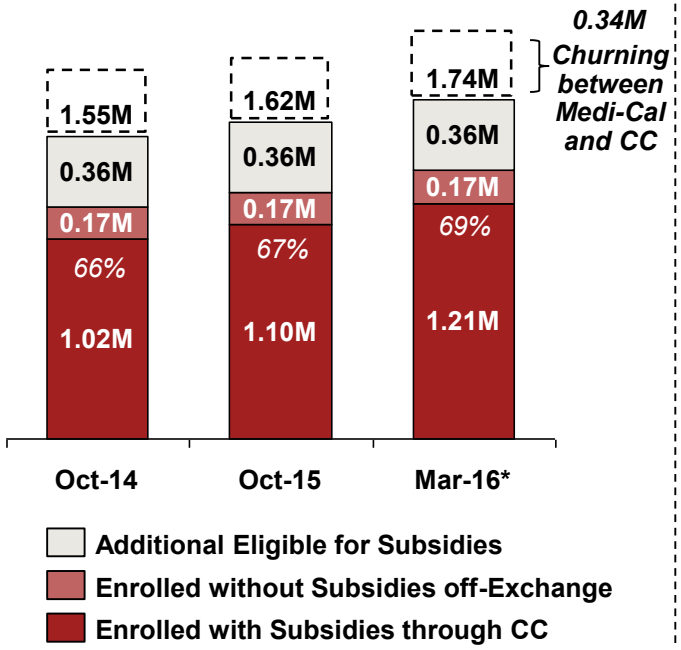
Opportunities to Manage Turn-Over, Churn and Retention

Under most scenarios, Covered California would experience modest or significant growth

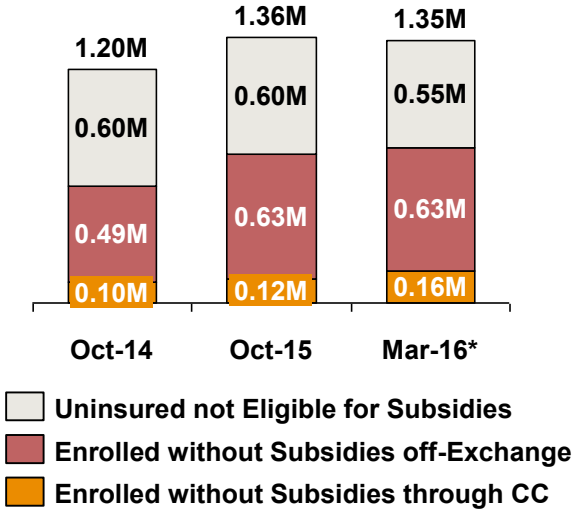
Baseline	▪ **Net enrollment projections,** excluding the impact of recently enacted minimum wage law, **generally reflect minimal growth** ▪ However, **Covered California must newly enroll 700-800K and re-enroll 800-900K Californians annually** due to the high amount of **structural turn-over and churn between different types of coverage** (e.g., subsidy eligible on-exchange, ESI, or Medi-Cal) ▪ Almost 2.5M **of subsidy-eligible Californians have ever been enrolled** through Covered California; due to turn-over and churn, eligible individuals in one year may become ineligible in the next and vice versa ▪ Within the addressable base, **~400K subsidy-eligible and ~550K unsubsidized individuals lack coverage** ▪ A **further ~1M uninsured** include unsubsidized individuals ineligible for subsidies due to existing ESI offer, higher income, or undocumented status
Of the external drivers assessed, most have a positive impact on Covered California's enrollment	▪ **Economic and regulatory factors** ($15 minimum wage, coverage for undocumented immigrants, unemployment rate) all have an **almost entirely positive impact** on Covered California; only a further strengthening of the economy with sub 5% unemployment could lead to a reduction in Covered California enrollment though this would likely mean fewer uninsured with an increase in ESI ▪ **ACA modifications** are modeled as "expansive" or "contraction": the **expansive policies grow Covered California enrollment** (subsidy increase, opening of the exchange to undocumented immigrants) and contraction policies have a mostly negative impact (elimination of the individual penalty, elimination of subsidies, the impact of Federal policy changes to Medicaid); subsidy or penalty elimination are estimated to increase the number uninsured by ~670-830K ▪ **Medical cost and high premium trend**, if not kept in check, could have an additional negative impact on overall enrollment, and lead to a net increase in premiums due to deteriorating risk mix as healthier individuals decide to drop coverage, while subsidized enrollees are largely protected from premium increases. Higher premiums in the total individual market will lead to higher federal costs and higher premiums for the unsubsidized.
When considering scenarios	▪ It is **hard to paint an economic picture in which Covered California would lose enrollees**; this occurs in the model only if there is a significant reduction in unemployment to 4.5% and failure of the $15 minimum wage to be fully implemented ▪ **Changes in regulations could result in substantial changes in Covered California enrollment**; for example, a repeal of the individual penalty could decrease Covered California enrollment by 300-400K and reduce off exchange enrollment by ~300-700K

In 2016, 69% of the subsidy eligible, and 12% of the non-subsidy eligible population are currently enrolled through Covered California

Subsidized (138-400% FPL) Eligibility and Enrollment



Unsubsidized (>400% FPL) Eligibility and Enrollment



Discussion

Subsidy-eligible population (138-400% FPL)

- Eligibility estimates can fluctuate ~340K due to churning population largely between Covered California and Medi-Cal
- In 2016, the ~340K churn means eligibility fluctuates between 1.74M and 2.07M
- Accordingly, the take up rate of the subsidy-eligible population is expected to fluctuate between 58-69% in 2016 even when enrollment is held constant
- ~150-180K subsidy-eligible individuals enrolled off exchange without receiving subsidies
- The remaining 0.4M are uninsured and have most likely not yet been touched by Covered California

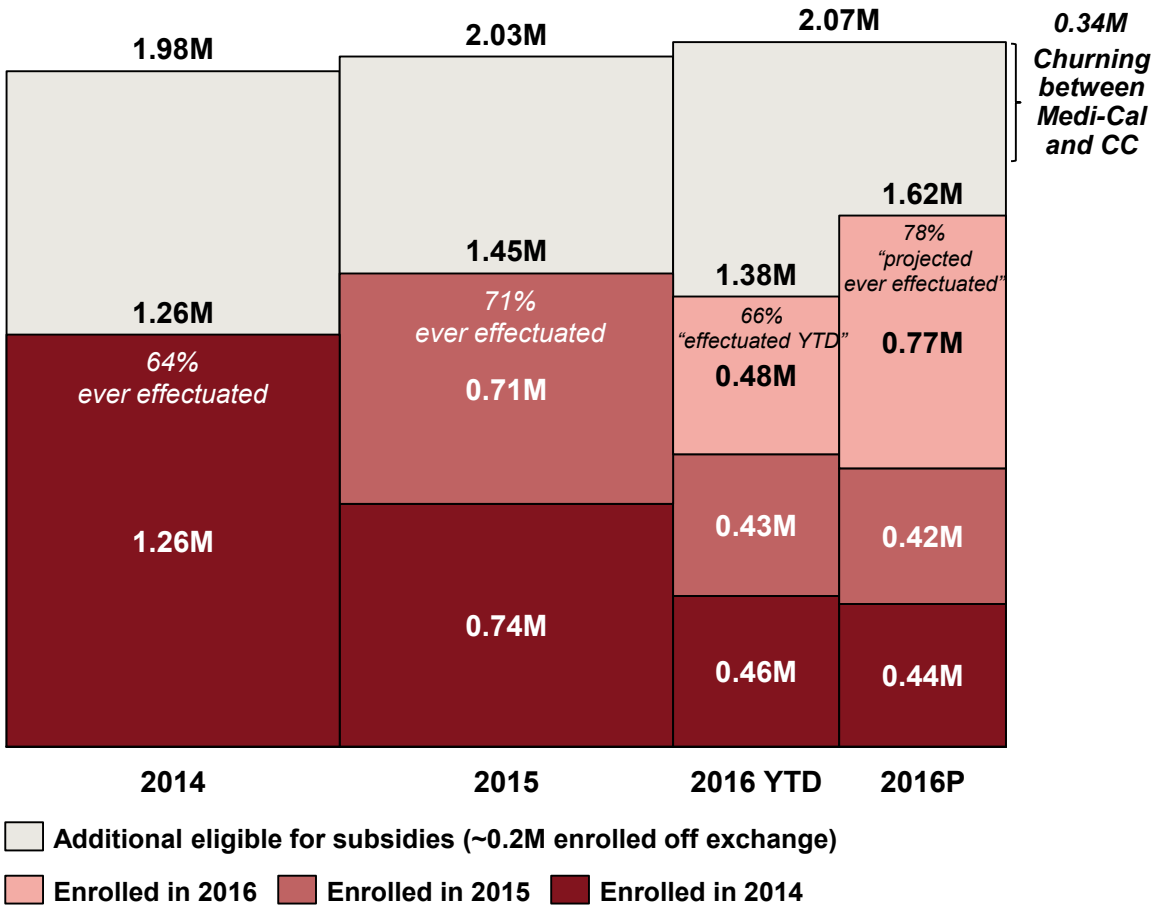
Non-subsidy eligible population (>400% FPL)

- We estimate ~1.3M unsubsidized individuals eligible to purchase coverage on the exchange, excluding undocumented immigrants and ~300K individuals with grandfathered plans
- ~0.8M are estimated to have enrolled in the Individual market, including ~160K that have enrolled through Covered California (~12% of total unsubsidized eligible)
- ~0.55M individuals remain uninsured and not eligible for Medi-Cal

- *Eligibility estimates are point in time at the specific point within the year; enrollment estimates are based on effectuated members at the end of open enrollment each year*
- *Subsidized and Unsubsidized Enrolled values as reported for Oct of 2014, 2015 and Mar of 2016, from Membership report as of Mar 16, 2016*
- *2016 Covered California E\enrollment numbers are still preliminary and may change over the next several months as the effectuated population stabilizes*
- *Unsubsidized eligibility and enrollment excludes grandfathered plans and based on DMHC and CDI reporting for 2014/15 and CalSIM estimate of uninsured. Assuming off exchange individual enrollment remained flat 2015-16 as 2016 OE enrollment reports not yet available*

Covered California has already served ~2.5M subsidy-eligible Californians and is on track to touch three quarters of the eligible population in 2016

Eligibility and Enrollments "Ever Enrolled" – Subsidized



Discussion

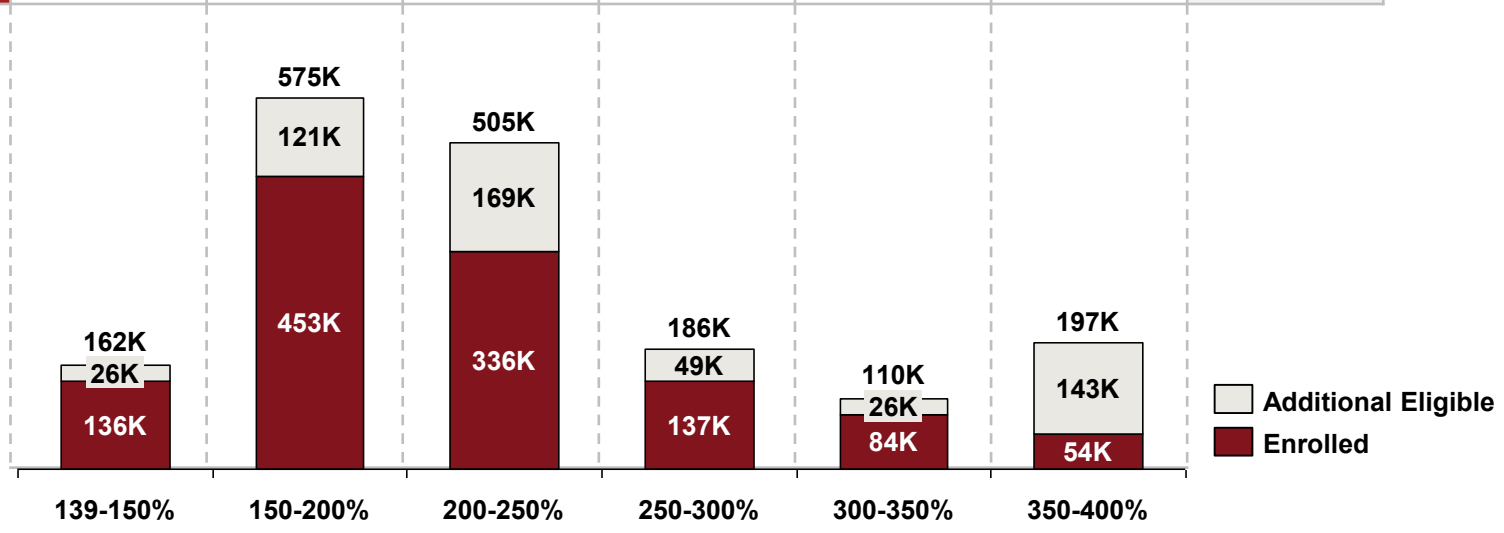
- In total, ~2.45M subsidy-eligible individuals (sum of those enrolled in 2014-16) have ever been touched by Covered California at any point in time
- There is a substantial amount of churn and turn-over structurally inherent to the subsidy-eligible population, driven largely by a back and forth churn between Medi-Cal and subsidy-eligible on-exchange and by turn-over from Covered California into ESI
  - Using the "Ever Effectuated" lens and depending on how the Medi-Cal churning population is counted, Covered California appears to have touched ~75-95% of the subsidy eligible population within a year
  - This may indicate an upper bound on members already reached by Covered California
- An additional 153K, 182K, and 174K of unsubsidized members were "ever effectuated" in 2014, 2015 and 2016 Jan-Mar, respectively
- Notes
  - Each year's enrollment numbers are estimated as cohorts, including effectuated new enrollment in the year and renewals from the prior year
  - Additional eligible includes ~200K eligible for subsidies who are enrolled without subsidies off exchange

- *Eligibility estimates are average during the course of the year; Enrollment estimates are based on effectuated members at the end of open enrollment each year*
- *2016 Covered California enrollment numbers are still preliminary and may change over the next several months as the effectuated population stabilizes*
- *"Ever enrolled" numbers are lower than average enrollments in the prior page as individuals disenroll throughout the year at a rate of ~4% per month*

A distribution of the subsidy eligible population by FPL shows take-up rates and enrollment are highest among the lower income levels

Distribution of Eligibility, Enrollment and Take-up rates by FPL

2016	139 150%	150 200%	200 250%	250 300%	300 350%	350 400%	Total
Eligible	162K	575K	505K	186K	110K	197K	**1.73M**
	9%	*33%*	*29%*	*11%*	*6%*	*11%*	***100%***
Enrollment	136K	453K	336K	137K	84K	54K	**1.14M**
	11%	*38%*	*28%*	*11%*	*7%*	*4%*	***100%***
Take up Rates	84%	79%	67%	74%	76%	27%	**69%**



Assuming current enrollment efforts and population/demographic trends, Covered California can expect enrollment between 1.1M-1.8M over the next five years

Ranges: Projected Enrollment and Take-up rates (based on major revisions to CalSIM 1.93)

Table		2016	2017	2018	2019	2020	2021	2022
Eligibility	**Covered CA**	**2.6M - 3.5M**	**2.7M - 3.5M**	**2.9M - 3.7M**	**2.9M - 3.7M**	**2.9M - 3.7M**	**2.9M - 3.7M**	**2.9M - 3.7M**
	Subsidized	1.4M - 2.0M	1.5M - 2.0M	1.6M - 2.1M	1.6M - 2.1M	1.6M - 2.1M	1.6M - 2.1M	1.6M - 2.1M
	Unsubsidized	1.2M - 1.5M	1.2M - 1.5M	1.3M - 1.6M	1.3M - 1.6M	1.3M - 1.6M	1.3M - 1.6M	1.3M - 1.6M
Enrollment	**Covered CA**	**1.0M - 1.6M**	**1.0M - 1.6M**	**1.1M - 1.8M**	**1.1M - 1.8M**	**1.1M - 1.8M**	**1.1M - 1.8M**	**1.1M - 1.8M**
	Subsidized	0.9M - 1.4M	0.9M - 1.4M	1.0M - 1.5M	1.0M - 1.5M	1.0M - 1.5M	1.0M - 1.5M	1.0M - 1.5M
	Unsubsidized	0.1M - 0.2M	0.1M - 0.2M	0.1M - 0.3M	0.1M - 0.3M	0.1M - 0.3M	0.1M - 0.3M	0.1M - 0.3M
Take-up rates	**Covered CA**	**38% - 49%**	**38% - 49%**	**38% - 49%**	**39% - 50%**	**39% - 50%**	**39% - 50%**	**39% - 50%**
	Subsidized	62% - 70%	63% - 71%	64% - 72%	64% - 74%	64% - 74%	64% - 74%	64% - 74%
	Unsubsidized	10% - 15%	10% - 15%	10% - 16%	10% - 16%	10% - 16%	10% - 16%	10% - 16%
Enrollment	**Off-Exchange**	**0.6M - 1.0M**	**0.6M - 1.0M**	**0.6M - 1.2M**	**0.6M - 1.2M**	**0.6M - 1.2M**	**0.6M - 1.2M**	**0.6M - 1.2M**
	Subsidy-Eligible	0.1M - 0.3M	0.1M - 0.3M	0.1M - 0.3M	0.1M - 0.3M	0.1M - 0.3M	0.1M - 0.3M	0.1M - 0.3M
	Not Subsidy-Eligible	0.5M - 0.7M	0.5M - 0.7M	0.5M - 0.9M	0.5M - 0.9M	0.5M - 0.9M	0.5M - 0.9M	0.5M - 0.9M

Notes:

- *After comparing multiple models, PwC selected the behavioral economical CalSIM model developed at the University of California and made significant adjustments. While generally similar in findings to other major national models (such as from KFF and Urban Institute, though Urban projects up to 2.5M subsidy eligible individuals), CalSIM conveniently enabled scenario-based modeling of external drivers*
- *CalSIM 1.93 incorporates multiple drivers (such as income levels and growth, population changes, and employer decisions to offer or to not offer coverage) to estimate eligibility and take-up rates. These produce a steady albeit slight increase from 2016 through 2018/2019, followed by a slight reduction in both eligibility and enrollment in 2019-2022*
- *Baseline eligibility and enrollment projections from CalSIM 1.93 were adjusted as follows:*
  - *Eligibility and enrollment numbers were adjusted downwards to account for population churning between Medi-Cal and Covered California, and per DMHC/CDI reports*
  - *Take-up rates were adjusted to match estimated effectuated enrollment at the end of Open Enrollment 3 in 2016*
  - *Take-up rates for unsubsidized population purchasing coverage through Covered California assumed at 10-16% based on historical take-up rates*
- *All projections are point-in-time for current state as of 4/1/2016, exclude undocumented individuals and grandfathered plans, and do not include enrollment impact due to:*
  - *Any external drivers modeled on subsequent pages, including those likely to occur (e.g. Minimum Wage Increases)*
  - *Additional investment or initiatives (e.g. increased marketing)*

For the purposes of scenario modeling to follow, we will use mid-point estimates for eligibility, enrollment and take-up rates

Mid-Point of Projected Enrollment and Take-up rates

		2016	2017	2018	2019	2020	2021	2022
Eligibility	**Covered CA**	**3.08M**	**3.18M**	**3.33M**	**3.33M**	**3.25M**	**3.25M**	**3.23M**
	Subsidized	1.73M	1.77M	1.82M	1.82M	1.79M	1.79M	1.78M
	Unsubsidized	1.35M	1.41M	1.51M	1.51M	1.46M	1.46M	1.45M
Enrollment	**Covered CA**	**1.30M**	**1.35M**	**1.43M**	**1.44M**	**1.42M**	**1.42M**	**1.41M**
	Subsidized	1.14M	1.18M	1.24M	1.25M	1.24M	1.23M	1.22M
	Unsubsidized	0.16M	0.17M	0.19M	0.19M	0.19M	0.19M	0.18M
	Of which: new in OEP	*0.48M*	*0.58M*	*0.64M*	*0.60M*	*0.58M*	*0.58M*	*0.57M*
	Of which: new in SEP	*0.29M*	*0.29M*	*0.31M*	*0.30M*	*0.29M*	*0.29M*	*0.29M*
Take-up rates	**Covered CA**	**42%**	**42%**	**43%**	**43%**	**44%**	**44%**	**44%**
	Subsidized	66%	67%	68%	69%	69%	69%	68%
	Unsubsidized	12%	12%	13%	13%	13%	13%	13%
Enrollment	**Off-Exchange**	**0.80M**	**0.82M**	**0.87M**	**0.87M**	**0.87M**	**0.87M**	**0.87M**

Notes:

- *All Eligibility and Enrollment estimates are point-in-time*
- *All OEP (Open Enrollment Period) and SEP (Standard Enrollment Period) enrollment numbers are effectuated enrollments, net of new enrollment and cancellations*
- *All other Enrollment numbers include renewals and are therefore greater than the OEP/SEP effectuated enrollments*
- *OEP considered to be from Jan to Apr (allowing for an additional month for effectuated enrollment to stabilize*
- *SEP considered to be from May to Dec*
- *Slight decrease in enrollment after 2019 due to complex interplay of multiple factors including wage growth, medical cost trend, ESI offer rate, and chronic disease pattern trends*

Exchange Business Model

Enrollment Projection and Scenarios

Baseline

Scenario Modeling

Opportunities to Manage Turn-Over, Churn and Retention

We modeled ten key drivers and assessed their impact on eligibility and enrollment over time

External Drivers impacting Eligibility and Enrollments

	External Driver	Changes Modeled
Economic and Regulatory Factors	**$15 Minimum Wage**	• Minimum wage increased to $10/hr in 2016, and increasing $1/hour each year starting in 2016, peaking at $15/hr in 2022 (approximation of min. wage law) • Minimum wage implementation delayed by 2 years, peaking only at $13/hr in 2022
	Unemployment Rate	• Dipping to 4.5%, then increasing to 7.5% in a moderate recession starting 2019 • Remaining at current rate (6.3%), then increasing to 10% in a severe recession starting 2019
ACA Modifications	**Subsidies**	• Elimination including negative feedback loop of increasing net premiums on risk mix • Reduction to 250% FPL • Increase up to 500% FPL and 8.5% net premium threshold
	"Family Glitch"	• Policy adjusted such that family members of employees offered "affordable" individual insurance coverage through an employer are eligible for subsidies through the exchange
	Elimination of Individual Penalty	• Elimination including negative feedback loop of increasing net premiums on risk mix
	Undocumented Individual Coverage	• Permitted to purchase unsubsidized coverage (current waiver application) • Permitted to purchase subsidized coverage
	Reversal of Employer Mandate for Small Group	• Reversal of the employer mandate for Small Groups leading to increased take-up on exchange
	Exchange Coverage for Large Group Employees	• Large group employees purchasing Individual coverage without any additional incentives (e.g. HRA contributions may not be used to purchase insurance on the exchange)
	Medicaid / CHIPS / Medi-Cal	• Removal of ACA expansion, i.e. rollback to 100% FPL and no single adult coverage; ACA subsidies to be provided starting at 100% FPL • Removal of ACA expansion but ACA subsidies will only be available from >138% FPL
Health Industry and Marketplace Dynamics	**Medical Cost / Premium Trend**	• Medical cost trend contained to 4% year-over-year through 2018, then down to 2% year-over-year • Medical cost trend returns to pre-recession levels: 16.5% year-on-year including negative feedback loop of increasing net premiums (up to 28% year-over-year) on risk mix

We estimated the impact of the ten key drivers on Covered California and off-exchange enrollment (1/2)

External Drivers impacting Covered California and Off-Exchange Enrollments

External Driver		Subsidized	Unsubsidized			Uninsured
		CC Impact 2018 2022	CC Impact 2018 2022	Off Exchange Impact 2018 2022	Enrollment Impact (CC & Off Exchange) 2018 2022	Uninsured Impact 2018 2022
$15 Minimum Wage		**55K – 255K** *5% - 21%*	**11K – 53K** *6% - 29%*	**21K – 106K** *2% - 12%*	**32K – 159K** *3% - 15%*	↓
Unemployment Rate	**Moderate Cycle**	**8K – 25K** *1% - 2%*	**(4K – 11K)** *(2% - 6%)*	**(10K – 30K)** *(1% - 3%)*	**(14K – 41K)** *(1% - 4%)*	↑
	Severe Cycle	**45K – 60K** *1% - 4%*	**(8K – 22K)** *(4% - 12%)*	**(23K – 60K)** *(3% - 7%)*	**(31K – 82K)** *(3% - 8%)*	↑
Subsidies	**Elimination**	**(1.1M – 1.3M)** *(90% - 100%)*	**150K – 160K** *79% - 89%*	**280K – 310K** *32% - 36%*	**430K – 470K** *41% - 45%*	**670K – 830K** *62% - 77%* ↑
	Reduction to 250%	**(260K – 310K)** *(22% - 26%)*	**40K – 50K** *21% - 28%*	**80K – 90K** *9% - 10%*	**120K – 140K** *11% - 13%*	**140K – 170K** *13% - 16%* ↑
	Increase to 500% / 8.5%	**70K – 100K** *6% - 9%*	-	**(70K – 100K)** *(8% - 11%)*	**(70K – 100K)** *(7% - 10%)*	↓
"Family Glitch"		**40K – 280K** *3% - 24%*	**(0K - 20K)** *(0% - 11%)*	**(0K - 75K)** *(0% - 9%)*	**(0K - 95K)** *(0% - 9%)*	**(0K – 60K)** *(0% - 6%)* ↓
Elimination of Individual Penalty		**(270K - 300K)** *(23% - 25%)*	**(90K - 110K)** *(47% - 61%)*	**(320K - 370K)** *(37% - 43%)*	**(410K - 480K)** *(39% - 46%)*	**680K – 780K** *63% - 72%* ↑
Undocumented Individual Coverage	**Unsubsidized Only**	-	**40K – 50K** *21% - 28%*	-	-	↓
	Subsidized	**190K – 220K** *16% – 17%*	**5K – 10K** *3% - 6%*	-	-	↓

Note: *End points of the ranges represent the mid point of the annual high and low estimates from 2018-2022. % value is impact on mid-point enrollment baseline. Estimate of uninsured is directional and does not take into account changes to Medi-Cal take up rates*

We estimated the impact of the ten key drivers on Covered California and off-exchange enrollment (2/2)

External Drivers impacting Covered California and Off-Exchange Enrollments

External Driver		Subsidized	Unsubsidized			Uninsured
		CC Impact 2018 2022	CC Impact 2018 2022	Off Exchange Impact 2018 2022	Enrollment Impact (CC & Off Exchange) 2018 2022	Uninsured Impact 2018 2022
Reversal of Employer mandate for Small Group		**125K – 130K** *10% - 11%*	**38K – 42K** *20% - 23%*	-	**38K – 42K** *4% -5%*	- ⇔
Exchange coverage for Large group employees		**75K – 150K** *12% - 15%*	**25K – 50K** *13% - 28%*	**200K – 280K** *23% - 32%*	**225K – 330K** *21% - 31%*	↓
Medicaid / CHIPS / Medi-Cal	**Rollback to Pre-ACA, Subsidies to 100% FPL**	**0.9M – 1.0M** *70% - 80%*	-	**20K – 40K** *2% –5%*	**20K – 40K** *2% - 4%*	↑
	Rollback to Pre-ACA, Subsidies >138% FPL	-	**50K – 60K** *26% - 33%*	**100K – 120K** *11% - 14%*	**150K – 180K** *14% - 17%*	↑
Medical Cost / Premium Trend	**4% Year-on-Year through 2018, then 2%**	**2K – 14K** *<1% - 1%*	**3K – 16K** *2% - 9%*	**9K – 43K** *1% - 5%*	**12K – 59K** *1% - 6%*	**(14K – 73K)** *(1% - 6%)* ↓
	16.5% Year-on-Year Medical Cost Leading to 28.1% Premium Increase	**(17K – 31K)** *(1% - 3%)*	**(20K – 36K)** *(11% - 20%)*	**(59K – 96K)** *(7% - 11%)*	**(79K – 132K)** *(7% - 13%)*	**96K – 163K** *9% - 14%* ↑

Note: *End points of the ranges represent the mid point of the annual high and low estimates from 2018-2022. % value is impact on mid-point enrollment baseline. Estimate of uninsured is directional and does not take into account changes to Medi-Cal take up rates*

In addition to modeling each external driver in isolation, we simulated scenarios containing combinations of drivers

- **Scenario 1 "Strong Economy":** Unemployment dipping to 4.5%, end of recovery cycle starting 2019, medical cost trend back to pre 2008 levels
- **Scenario 2 "Weak Economy":** Unemployment bottoms out at current rates, severe recession starting 2019, medical cost trend holds steady
- **Scenario 3 "ACA Expansion":** Policy changes are implemented expanding coverage options and channels, and increasing premium support
- **Scenario 4 "ACA Contraction":** ACA rules are "loosened", including elimination of premium support and the individual penalty
- While there will be interactions between economic and political/regulatory scenarios, this analysis considers each in isolation

Simulation Assumptions

Categories	External Drivers	Economic Scenarios		Political/Regulatory Scenarios	
		Scenario 1 Strong Economy	Scenario 2 Weak Economy	Scenario 3 ACA Expansion	Scenario 4 ACA Contraction
Economic and Regulatory Factors	$15 Minimum Wage	*Current law (increases from $10/hr to $15/hr by 2022)*	*Implementation of min. wage delayed by 3 years*		
	Unemployment Rate	*Dips to 4.5%, recovery ending in mild recession starting 2019*	*Recovery does not improve and turns into severe recession in 2019*		
ACA Modifications	Subsidies			*Increased to 500% FPL, 8.5% threshold*	*Eliminated*
	"Family Glitch"			*Fixed*	
	Elimination of Individual Penalty				*Eliminated*
	Undocumented Individual Coverage			*Unsubsidized to 2021, Subsidized in 2022*	
	Reversal of Employer Mandate for Small Group				*Reversed in 2019*
	Exchange Coverage for Large Group Employees				
	Medicaid / CHIPS / Medi-Cal				*Eligibility at pre ACA level*
Health Industry and Marketplace Dynamics	Medical Cost / Premium Trend	*16.5% year-over-year medical cost inflation leads to deteriorating risk mix*	*Holds steady at 4% year-over-year through 2018, then down to 2%*	*Stabilized at 4% year-over-year*	*Subsidy and penalty elimination lead to deteriorating risk mix*

Scenario modeling summary: enrollment impact compared to the mid-point of the baseline projections

Scenario Simulation Results

Metrics	Scenario 1 Strong Economy		Scenario 2 Weak Economy		Scenario 3 ACA Expansion		Scenario 4 ACA Contraction	
	2018	2022	2018	2022	2018	2022	2018	2022
Minimum	-13K	139K	74K	281K	281K	424K	-1,409K	-1,423K
-25 %ile	6K	180K	88K	312K	319K	485K	-1,349K	-1,359K
Mean	12K	203K	93K	331K	336K	507K	-1,321K	-1,332K
+25 %ile	17K	226K	97K	349K	352K	528K	-1,294K	-1,305K
Maximum	35K	267K	110K	379K	391K	587K	-1,239K	-1,245K
Minimum	-1%	10%	5%	20%	20%	31%	-100%	-100%
-25 %ile	<1%	13%	6%	23%	23%	35%	-96%	-98%
Mean	1%	15%	7%	24%	24%	37%	-94%	-96%
+25 %ile	1%	16%	7%	25%	25%	38%	-92%	-94%
Maximum	3%	19%	8%	27%	28%	42%	-88%	-90%

Discussion

- Scenario 1 has the least impact on enrollment since unemployment rates and medical costs track closely with current trends
- Scenario 3 suggests a very high upside to enrollment from the inclusion of several policy changes that will drive more employees into the Individual and Exchange markets
- Scenario 4 is the only scenario that shows a reduction in enrollment, through elimination of subsidies and the individual penalty. These reductions could be even greater depending on Medi-Cal policy changes
- In reality, it is very unlikely that a reduction in enrollment will be experienced under any scenario unless the recently passed minimum wage law is altered in a significant way beyond a mere implementation delay due to, e.g., a weak economy

- **Scenario 1 "Strong Economy":** Unemployment dipping to 4.5%, end of recovery cycle starting 2019, medical cost trend back to pre 2008 levels
- **Scenario 2 "Weak Economy":** Unemployment bottoms out at current rates, severe recession starting 2019, medical cost trend holds steady
- **Scenario 3 "ACA Expansion":** Policy changes are implemented expanding coverage options and channels, and increasing premium support
- **Scenario 4 "ACA Contraction":** ACA rules are "loosened", including elimination of premium support and the individual penalty
- While there will be interactions between economic and political/regulatory scenarios, this analysis considers each in isolation

Exchange Business Model

Enrollment Projection and Scenarios

- *Baseline*
- *Scenario Modeling*

Opportunities to Manage Turn-Over, Churn and Retention

Key Findings – Opportunities to Manage Turn-Over, Churn & Retention

Areas of Opportunity	▪ A breakdown of Covered California's turn-over population suggests eight areas of **opportunity re-capturing individuals leaving Medi-Cal and those losing ESI coverage, retaining existing members, and targeting those who have remained uninsured** ▪ Addressing these eight opportunity areas could **increase Covered California's enrollment by ~260-320K annually**
Retention and Channel Mix	▪ Channel mix in healthcare is changing. **Although Brokers** remain an important enrollment channel, they will continue to **exist with self-service channels that are picking up pace** in the industry ▪ Given the **shift in channel mix** observed in the market and the **law of diminishing returns observed on marketing, best practices make an argument for exploring alternative strategies to improve member yield** such as – Spending part of acquisition efforts on **increasing retention rates** for current members which improves LTV and makes room for increasing marketing spend that pays for itself through higher take up rates – **Direct and self-service enrollment continue to gain adoption and could be well over 50% in 2020 given pick up in exchanges and continued decline in broker commissions. Covered California should optimize channel mix** that focuses on marketing and supports self-service enrollment as brokers become less incentivized to sell on exchange – **Exploring innovative partnership models** that increase affinity of exchange for different segments and meeting the eligible population where they are

A breakdown of the changes in Covered California's population suggests 8 areas of opportunity for re-capturing members and retaining existing ones

Coming from… \ Leaving to…	Exchange	Medi Cal	ESI	Off Exchange	Uninsured
Exchange (Subsidized)		6 90-110K	220-250K	50-60K	4 80-90K
Exchange (Unsubsidized)		10-20K	30-40K	5-15K	5 10-20K
Medi Cal	100K	2 Address through Medi-Cal Redeterminat ion Practices	210K	1 200-250K	
ESI				Not sized	3 170-210K[3]
Off Exchange					<5K
Uninsured					7 Subsidized 500K – 615K
					8 Unsubsidized 460K

Comments & Sources

- 525K total disenrolled members in CY 2015, as per Mar 2016 Membership report
- 2014 Member Survey results, applied to 2015 Disenrollment data
- Additional 56K Subsidized (11%) going to Medicare and Other

- 85K total disenrolled members in CY 2015, as per Mar 2016 Membership report
- 2014 Member Survey results, applied to 2015 Disenrollment data
- Additional 8-10K Unsubsidized (11%) going to Medicare and Other

- Assumed 10%-12% (300-340K) annual churn from Medi-Cal Adult population (3M) into Individual market and Uninsured, and 7% (210K) annual turn-over from Medi-Cal to ESI[1]
- Covered California currently estimated to capture ~100K enrolling after leaving Medi-Cal, roughly equal to population churning out to Medi-Cal

- CalSIM data book, 2014

- CalSIM data book, 2014

- KFF estimates for Eligibility among Uninsured[2]
- CalSIM eligibility estimates among Uninsured in Unsubsidized population

Key areas of focus

Churn/Turn-over into other types of coverage

Additional primary data collection by Covered California is needed to quantity and understand reasons for voluntary turn-over out of exchange coverage

1) *The Ongoing Importance of Enrollment: Churn in Covered California and Medi-Cal, UC Berkeley Labor Center, Apr 2014, assumes up to 16% churning of Medi-Cal adults into Individual and Uninsured markets, and up to 9% into ESI markets; Actuals recorded by Covered California are more in the range of 10% for Medi-Cal*
2) *New Estimates of Eligibility for ACA Coverage among the Uninsured, KFF, Jan 2016*
3) *163K COBRA and 26K Uninsured (see prior slides for sources)*

Addressing these eight opportunity areas could increase Covered California's enrollment by ~270-330K annually

Opportunities to Increase Enrollment

	1 From Medi Cal to Uninsured	2 Medi Cal Redeterminati on Practices	3 From ESI to COBRA or Uninsured	4 Sub. CC Population Dropping Coverage	5 Unbsub. CC Population Dropping Coverage	6 From Exchange to Medi Cal	7 Remaining Uninsured Subsidized Population	8 Remaining Uninsured Unsub. Population	*Total*
Total Addressable Market Size	200-250K	TBD	170-210K	80-90K	10-20K	100K	500-615K	460K	**1.5-1.7M**
Medi Cal Policy Changes	A	B TBD				C 25%			**125-150K**
Capturing Employees Losing ESI			D 50%						**85-105K**
Improved Marketing, Service Center, and IT				E 30%	F 20%		G 6%	H 3%	**61-76K**
Total Market Estimated to be Captured by Covered CA	**100-125K**	**TBD**	**85-105K**	**24-27K**	**2-4K**	**25K**	**30-40K**	**5K**	

Discussion

- PwC analysis indicates that Covered California can capture ~270-330K additional enrollees annually by flexing its three internal drivers
- To adjust for limited supporting data, the PwC analysis takes a conservative approach to estimating the total incremental enrollment Covered California could capture with its internal drivers – PwC has excluded the following populations from the analysis, of which Covered California may be capable of capturing a portion of: from Medi-Cal and ESI to Off-Exchange, from ESI to Uninsured, and Exchange Population going Off-Exchange
- The ability to capture the specified portions of each population segment may change over time depending on the internal driver; for example, increased marketing spend may only lead to the projected increase in year 1, and have no effect in future years

Internal driver captures X% of the population segment
Internal driver has no impact on the population segment
(X) Assumptions documented on proceeding pages
(#) Assumptions documented on proceeding pages

We took a conservative approach to calculating the additional enrollment from internal drivers given the strong reliance on assumptions (1/2)

Opportunities to Increase Enrollment – Assumptions for Total Addressable Market Size

	Market Segment	Projected Subsidy Eligible Population	Off Exchange Impact	Assumptions
1	**From Medi-Cal to Uninsured**	200-250K	Small	▪ Assumed 10-12% (300-340K) annual churn from Medi-Cal Adult population (3M) into Individual market and Uninsured, and 7% (210K) annual turn-over from Medi-Cal to ESI
2	**Medi-Cal Redetermination Practices**	TBD	TBD	▪ TBD
3	**From ESI to COBRA and Uninsured**	150-180K COBRA 20-30K Uninsured 170-210K Total	Small	▪ Unemployment population of ~1.05M from BLS; Assumes 60-65% will be eligible for the Subsidized market for a total of ~630-680K; Assumes 24-26% of that will take-up COBRA according to Indiana University report studying the unemployed ▪ Per CalSIM data book, additional 20-30K individuals lose ESI and do not or cannot take up COBRA
4	**Subsidized Exchange Population going Uninsured**	80-90K	n/a	▪ 525K total disenrolled members in CY 2015, as per March 2016 Membership Report ▪ 2014 Member Survey results, applied to 2015 Disenrollment data ▪ Additional 50-60K Subsidized (11%) going to Medicare and Other
5	**Unsubsidized Exchange Population going Uninsured**	10-20K	Small	▪ 85K total disenrolled members in CY 2015, as per March 2016 Membership Report ▪ 2014 Member Survey results, applied to 2015 Disenrollment data ▪ Additional 8-10K Unsubsidized (11%) going to Medicare and Other
6	**From Exchange to Medi-Cal**	100K	n/a	▪ Covered California currently estimated to capture ~100K leaving from Medi-Cal, roughly equal to the population churning out to Medi-Cal
7	**Subsidized Uninsured Population remaining Uninsured**	500-615K	n/a	▪ KFF Estimates for Eligibility among Uninsured
8	**Unsubsidized Uninsured Population remaining Uninsured**	460K	Medium	▪ Market is ~1M Unsubsidized; of that, 160K are Covered California enrollees, 380K are Off-Exchange enrollees, and the remainder are the Uninsured

We took a conservative approach to calculating the additional enrollment from internal drivers given the strong reliance on assumptions (2/2)

Opportunities to Increase Enrollment – Take-up Rates

Internal Driver		Market Segment	Projected Take Up for Subsidy Eligibles	Assumptions
Medi-Cal Policy Changes	A	From Medi-Cal to Uninsured	50%	▪ With policy changes addressing Medi-Cal churn, the exchange can capture the Uninsured population looking for health insurance through its subsidized offerings that are likely attractive to those churning out of Medi-Cal
	B	Medi-Cal Redetermination Practices	TBD	▪ TBD
	C	From Exchange to Medi-Cal	25%	▪ Instead of conducting the redetermination process monthly, converting to a quarterly basis would cut out a quarter of the turn-over
Capturing Employees Losing ESI	D	From ESI to COBRA and Uninsured	50%	▪ By creating awareness of Covered California to potential COBRA enrollees, Covered California can likely get more than a majority of the enrollees to choose Covered California since the subsidized plans are often a better deal
Increased Marketing, Customer Service, and IT	E	Subsidized Exchange Population going Uninsured	30%	▪ Improving the customer experience can likely cut turn-over down in half; a conservative approach was used to estimate the projected take-up rate
	F	Unsubsidized Exchange Population going Uninsured	20%	▪ For Covered California's current enrollment, the take-up rate for the Unsubsidized market is 20%, so we applied the same percentage
	G	Subsidized Uninsured Population remaining Uninsured	6%	▪ PwC analysis determined that the incremental enrollment achieved through Medi-Cal policy changes and COBRA conversion would allow room in the marketing budget to enroll ~20K people at 2x the current acquisition cost, in line with decreasing returns to marketing spend as populations become harder to reach and efforts may need to focus on sub-pockets
	H	Unsubsidized Uninsured Population remaining Uninsured	3%	▪ Relative to the take-up rate of the Subsidized Uninsured population, the Unsubsidized Uninsured population is likely to have a much lower take-up ▪ Higher uptake possible as delivery system reforms take hold, slowing health care cost increase across the entire individual market

Appendix

Appendix

Discrete External Drivers

Scenario Findings

Exchange Business Model Details

The minimum wage law results in a mid-point subsidized and unsubsidized enrollment increase of >200K each by 2022

Minimum Wage Changes Impact (mid-point estimate, # of individuals)

	2016	2017	2018	2019	2020	2021	2022
Subsidized Eligibility Impact	-	32K	81K	135K	201K	252K	60K
Subsidized Enrollment Impact	-	16K	56K	93K	150K	186K	254K
Unsubsidized Eligibility Impact	-	1K	11K	19K	55K	119K	169K
Unsubsidized Enrollment Impact	-	-1K	11K	22K	25K	43K	53K
Off-Exchange Enrollment Impact	-	-2K	21K	44K	50K	87K	106K

Minimum Wage Changes Impact (mid-point estimate, as % of mid-point baseline)

	2016	2017	2018	2019	2020	2021	2022
Subsidized Eligibility Impact	-	*2%*	*4%*	*7%*	*11%*	*14%*	*3%*
Subsidized Enrollment Impact	-	*1%*	*5%*	*7%*	*12%*	*15%*	*21%*
Unsubsidized Eligibility Impact	-	*1%*	*1%*	*1%*	*4%*	*9%*	*13%*
Unsubsidized Enrollment Impact	-	*>-1%*	*5%*	*11%*	*13%*	*22%*	*29%*
Off Exchange Enrollment Impact	-	*>-1%*	*2%*	*5%*	*5%*	*10%*	*12%*

Source: CalSIM analysis on impact of Minimum Wage increase in California, PwC analysis

Discussion

- Minimum wage law has been enacted in California, increasing minimum wages to $10/hr in 2016, and incrementally increasing each year until it reaches $15/hr in 2022, with different rates of increase for different employer sizes
- Higher wages lead to shifts from Medi-Cal to Exchange subsidized and unsubsidized population
- An additional 1.2M to 1.5M Medi-Cal enrollees may be impacted by this change and lose Medi-Cal coverage
- Up to 100K additional enrollees may also enroll in the Individual off-exchange market
- The number of subsidy eligible between 250%-400% FPL appears to drop from 2021 to 2022, even though the number enrolling within that income range continues to grow
  - This may be partially due to a lag in enrollment or a modeling artifact. In addition, a significant population (~250K) who are eligible for subsidies because their ESI is unaffordable and their income is in the 350%-400% FPL range, but who stop being eligible for subsidies under a $15 minimum wage in 2022
- The take up rate of subsidies among this group is low; most stay enrolled in their unaffordable ESI with or without the ACA.

Undocumented immigrants purchasing unsubsidized or subsidized coverage through Covered California may result in >200K new enrollees

Unsubsidized Coverage

Undocumented Individual Coverage Impact (mid-point estimates from 2018-2022)

	Subsidized	Unsubsidized	Total
Eligibility Impact	-	300K – 320K *20% - 22%*	**300K – 320K**
Enrollment Impact	-	40K – 50K *21% - 27%*	**40K – 50K**

Subsidized Coverage

Undocumented Individual Coverage Impact (mid-point estimates from 2018-2022)

	Subsidized	Unsubsidized	Total
Eligibility Impact	300K – 320K *19% - 20%*	-	**300K – 320K**
Enrollment Impact	190K – 220K *16% – 17%*	5K – 10K *1% - 5%*	**195K – 230K**

Discussion

Unsubsidized Coverage

- SB10 proposes a Section 1332 waiver that would allow undocumented immigrants to purchase coverage through Covered California at full cost
- While undocumented workers could already enroll for Individual plans off-Exchange, they may choose to newly enroll through Covered California in order to be in the same plan as their documented family members and vice versa
- Enrollment estimates are based on historical projections of 15%-20% Unsubsidized take-up rate on Covered California

Subsidized Coverage

- Further policy changes allowing undocumented immigrants to purchase subsidized coverage on the Exchange would significantly increase enrollment through Covered California, based on assumed take up rates of 65%
- Some additional impact in the unsubsidized population may be felt as families reassess whether to enroll together

Notes

- *% change over baseline Eligibility and Enrollment numbers; does not indicate a change in Take-up rate*
- *Estimates assume similar take-up rates for Individual and Covered California exchange enrollees as those currently Unsubsidized*

Source: PwC, CalSIM analysis on impact of SB10

Changes in the unemployment rate impact eligibility and enrollment in the subsidized and unsubsidized populations – Moderate Cycle

Unemployment Rate Impact (mid-point estimate, # of individuals)

	2016	2017	2018	2019	2020	2021	2022
Unemployment Rate	6.3%	4.5%	5.0%	6.0%	7.0%	7.5%	7.5%
Subsidized Eligibility Impact	-	-47K	-36K	-12K	12K	36K	36K
Subsidized Enrollment Impact	-	-31K	-25K	-8K	8K	25K	24K
Unsubsidized Eligibility Impact	-	90K	73K	24K	-23K	-70K	-70K
Unsubsidized Enrollment Impact	-	14K	11K	4K	-4K	-11K	-11K
Off-Exchange Enrollment Impact	-	42K	34K	11K	-10K	-31K	-30K

Unemployment Rate Impact (mid-point estimate, as % of mid-point baseline)

	2016	2017	2018	2019	2020	2021	2022
Unemployment Rate	6.3%	4.5%	5.0%	6.0%	7.0%	7.5%	7.5%
Subsidized Eligibility Impact	-	*-3%*	*-2%*	*-1%*	*1%*	*2%*	*2%*
Subsidized Enrollment Impact	-	*-3%*	*-2%*	*-1%*	*1%*	*2%*	*2%*
Unsubsidized Eligibility Impact	-	*7%*	*6%*	*2%*	*-2%*	*-6%*	*-6%*
Unsubsidized Enrollment Impact	-	*8%*	*6%*	*2%*	*-2%*	*-6%*	*-6%*
Off-Exchange Enrollment Impact	-	*5%*	*4%*	*1%*	*-1%*	*-4%*	*-3%*

Discussion

- In the last recession from 2008 – 2011, the unemployment rate rose from 6% to 12%
- During higher unemployment, the Subsidy eligible population grew as more people were laid off and incomes fell
- During the same period, the Subsidy eligible population grew by 6%, while the Unsubsidized population fell by 24%
- Adjusting for natural population changes during the same period, 1% increase in unemployment rate led to a 1% to 1.33% increase in Subsidized enrollments, and 3.67% to 4% reduction in Unsubsidized enrollments, assuming no change in Take-up rates
- Assumes the economy continues to strengthen and unemployment dips to 4.5% in 2017 followed by a mild recession
- Subsidized enrollment could reduce by 30K-32K and Unsubsidized enrollment could increase 16K-18K, for a net enrollment impact of 16K-18K

Source: PwC, CalSIM analysis on impact of recession in California; KFF analysis on Rising Unemployment, Medicaid and the Uninsured, 2009

Changes in the unemployment rate impact eligibility and enrollment in the subsidized and unsubsidized populations – Severe Cycle

Unemployment Rate Impact (mid-point estimate, # of individuals)

	2016	2017	2018	2019	2020	2021	2022
Unemployment Rate	6.3%	7.0%	8.0%	9.0%	10.0%	10.0%	10.0%
Subsidized Eligibility Impact	-	23K	24K	48K	48K	47K	71K
Subsidized Enrollment Impact	-	16K	16K	33K	33K	33K	49K
Unsubsidized Eligibility Impact	-	-45K	-48K	-97K	-94K	-94K	-140K
Unsubsidized Enrollment Impact	-	-7K	-8K	-15K	-15K	-15K	-22K
Off-Exchange Enrollment Impact	-	-21K	-23K	-45K	-41K	-41K	-60K

Unemployment Rate Impact (mid-point estimate, as % of mid-point baseline)

	2016	2017	2018	2019	2020	2021	2022
Unemployment Rate	6.3%	7.0%	8.0%	9.0%	10.0%	10.0%	10.0%
Subsidized Eligibility Impact	-	*1%*	*1%*	*3%*	*3%*	*3%*	*4%*
Subsidized Enrollment Impact	-	*1%*	*1%*	*3%*	*3%*	*3%*	*4%*
Unsubsidized Eligibility Impact	-	*-4%*	*-4%*	*-7%*	*-7%*	*-7%*	*-11%*
Unsubsidized Enrollment Impact	-	*-4%*	*-4%*	*-7%*	*-7%*	*-7%*	*-12%*
Off-Exchange Enrollment Impact	-	*-3%*	*-3%*	*-5%*	*-5%*	*-5%*	*-7%*

Discussion

- To estimate a more severe economic cycle, we assume current unemployment rate is already the minimum
- The impact on Eligibility and Enrollment has been forecast projecting a severe recession starting within the next 3 years but slightly softer than the Great Recession, with unemployment rising to 10% in 2019-20

Source: PwC, CalSIM analysis on impact of recession in California; KFF analysis on Rising Unemployment, Medicaid and the Uninsured, 2009

Rolling back subsidies to 138% FPL may lead to a loss of ~1-1.2M members; scaling back to 250% FPL may lead to a loss of ~220-260K members

Change due to Subsidy Rollback to 250% FPL
(impact estimate for 2018)

Impact for 2018	Subsidized	Unsubsidized	Total
Eligibility Impact	(490K – 540K) *(28% - 32%)*	490K – 540K *31% - 34%*	-
Covered CA Enrollment Impact	(260K – 310K) *(22% - 26%)*	40K – 50K *21% - 28%*	**(220K – 260K)**
Off-Exchange Enrollment Impact		80K – 90K *9% - 10%*	**80K – 90K**
Uninsured Impact	260K – 310K *24%-29%*	120K – 140K *(11%-13%)*	**140K – 170K**

Change due to Subsidy Rollback to 138% FPL
(impact estimate for 2018)

Impact for 2018	Subsidized	Unsubsidized	Total
Eligibility Impact	(1.7M – 1.9M) *(100%)*	1.7M – 1.9M *150% - 160%*	-
Covered CA Enrollment Impact	(1.1M – 1.3M) *(90% - 100%)*	150K – 160K *80% - 90%*	**(1M – 1.2M)**
Off-Exchange Enrollment Impact		280K – 310K *32% - 36%*	**280K – 310K**
Uninsured Impact	1.1M – 1.3M 102%-121%	430K – 470K *(40%-44%)*	**670K – 830K**

Discussion

- If subsidies were to be rolled back to 138% FPL, at least 1.7M individuals are estimated to lose eligibility for subsidies
  - Of these, 1.1M – 1.3M currently enrolled through the Exchange will lose subsidies
  - A further 150K – 160K are expected to re-enroll as unsubsidized Individuals through the Exchange, and 280K – 310K off the Exchange
- If subsidies were to be scaled back only up to 250% of FPL, at least 490K individuals are estimated to lose eligibility for subsidies
  - Of these, 260-310K currently enrolled through the Exchange will lose subsidies
  - A further 40K – 50K are expected to re-enroll as unsubsidized Individuals through the Exchange, and 80K – 90K off the Exchange
- Additionally, individuals with poorer health status are more likely to re-enroll on and off exchange in an unsubsidized fashion, leading to a deterioration in the risk mix and an increase in premiums by up to 12%[1]. This could result in up to 5% more individuals leaving the exchange than estimated
- A similar impact might be expected if subsidies were allowed to be administered through other channels such as web-based direct enrollments entities

1) "Without The Individual Mandate, The Affordable Care Act Would Still Cover 23 Million; Premiums Would Rise Less Than Predicted", http://content.healthaffairs.org/content/early/2011/10/24/hlthaff.2011.0708

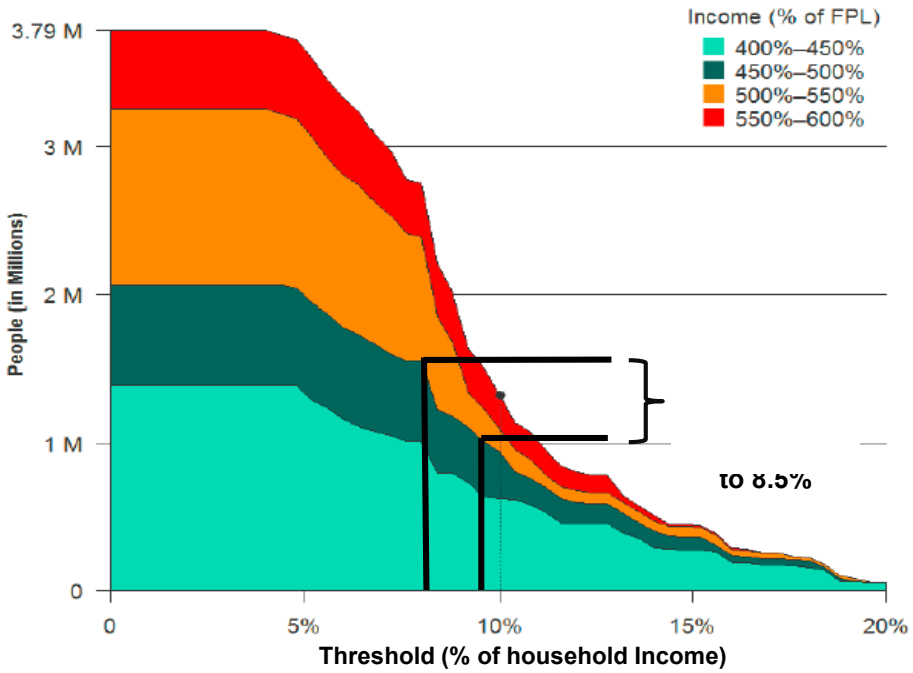
Source: Health Affairs, CalSIM, PwC analysis

Reducing net premiums to 8.5% of income (from 9.5%) and extending subsidies up to 500% FPL could increase subsidized enrollment by ~100K

Increase in Subsidies to 500% FPL and
Net Premiums at 8.5% of Income (impact estimate for 2018)

	Subsidized	Unsubsidized
Eligibility Impact	160K – 200K *16% - 20%*	-
Enrollment Impact	70K – 100K *6% - 9%*	-
Off-Exchange enrollment Impact		(70K – 100K) *(8% - 11%)*

Affordability threshold by household income



Discussion

- For the subsidy eligible population, current net premiums are capped at 9.5% of household income
- The chart projects the affordability of Exchange premiums in 2015 for non-elderly Americans who are uninsured or on the individual market with no household offer of job-based coverage and household income between 400% and 600% FPL
- If the threshold were to be lowered to 8.5% of household income and subsidies extended up to 500% FPL, there would be a 16% increase in the subsidy eligible population
- We assume a take-up rate of 50% to 60% for the new population within Covered California, lower than typical subsidized take-up rates (65%) since this population is higher income and less price sensitive so likely already has a strong uptake prior to this policy change, while the remaining will continue to be enrolled off Exchange

Source: CalSIM 1.93 analysis

Fixing the "Family Glitch" by taking the cost of family coverage into account for affordability could increase subsidized coverage by 40-280K

Subsidy Eligibility based on Cost of Self-Only Coverage
(impact from 2018-22)

	Subsidized	Unsubsidized
Eligibility Impact	**60K – 70K** *3% - 4%*	-
Covered California Enrollment Impact	**40K – 50K** *3% - 4%*	-
Off-Exchange enrollment Impact	-	-
Uninsured Impact	-	-

Subsidy Eligibility based on Cost of Self-Only Coverage and Cost of Family Coverage
(impact from 2018-22)

	Subsidized	Unsubsidized
Eligibility Impact	**330K – 405K** *18% - 23%*	-
Covered California Enrollment Impact	**230K – 280K** *19% - 24%*	**(15K – 20K)** *(8% - 11%)*
Off-Exchange enrollment Impact	-	**(65K – 75K)** *(7% - 9%)*
Uninsured Impact	-	**(50K – 60K)** *(4% - 5%)*

Discussion

- The "family glitch" refers to the ACA using the cost of the self-only premium to determine affordability of employer-sponsored insurance. The significantly higher family premium may put insurance out of reach for family members, but if self-only coverage is deemed affordable, regulations disallow subsidies for the family members.
- When affordability of health insurance is based on the cost of self-coverage only for an employee and their families,1% of the ESI market would move to a subsidized plan through Covered California as a result of having unaffordable coverage on the job
- If subsidy eligibility for employees was based on the affordability of self-coverage, and subsidy eligibility for family members were based on the cost of family coverage, there would be an 18-23% increase in the eligible population
- We assume a take-up rate of 69% for the new population to Covered California
- As modeled in the second scenario: approximately half of the new subsidized individuals would be employees, moving from ESI to Covered California. The other half would be additional family members, the majority of which are children

Source: UC Berkeley Center for Labor Research and Education Policy Brief on Affordable Health Coverage for Workers' Children and Family Members, 2011; PwC analysis

Elimination of the individual mandate may lead to a drop of ~400K on exchange plus another ~350K off exchange

Elimination of Individual Mandate (impact from 2018-22)

Individual Penalty	Subsidized	Unsubsidized	Total
On-Exchange Enrollment Impact	(270K - 300K) *(23%-25%)*	(90K - 110K) *(47%-61%)*	**(360K - 410K)** ***(27%-30%)***
Off-Exchange Enrollment Impact	-	(320K - 370K) *(37%-43%)*	**(320K - 370K)** ***(37%-43%)***
Uninsured Impact	270K – 300K *25%-28%*	410K – 480K *38%-45%*	***680K – 780K*** ***63%-72%***

Discussion

- An elimination of the Individual mandate penalty will reduce the incentive to gain coverage, primarily within the Subsidized population
- Elimination of the Individual Mandate altogether leads to a steep fall in enrollment of ~400K on exchange
- Off exchange impact could add another ~400K individuals to the uninsured,
- Additionally, individuals with poorer health status are more likely to re-enroll on and off exchange on an unsubsidized basis, leading to a deterioration in the risk mix and an increase in premiums up to 25%[1]. This could result in up to 20% more individuals leaving the exchange than estimated here

1) "Eliminating the Individual Mandate: Effects on Premiums, Coverage, and Uncompensated", Urban Institute, 2012
Source: CalSIM, PwC analysis

Employers have already been considering employee coverage through the exchange; adjusting the employer mandate may accelerate the shift

Impact from Revoking SG Mandate (impact ranges from 2018-22)

	Subsidized	Unsubsidized	Total
Eligibility Impact	-	-	-
Enrollment Impact	125K – 130K *10% – 11%*	38K – 42K *20% - 23%*	**163K – 172K** **14%-15%**

Effect on Enrollment in Covered California by Revoking the SG Employer Mandate[2] (mid-point estimates for 2018)

New Enrollees in Subsidized Covered California Plans *(39% of market at 65% take-up rate)*	+130K
New Enrollees in Unsubsidized Covered California Plans *(56% of market at 15% take-up rate)*	+42K
Total New Enrollees in Covered California Plans	**+172K**

Discussion

- According to the PwC Touchstone survey, about 8% of employers would consider terminating benefits and shifting their employees to the public exchange, while the remaining 92% are not considering that type of change[1]
- A CHCF IVL and small group markets report indicates that the majority of those employees shifting to the public exchange would be eligible for the unsubsidized market
- The impact of the employer mandate being revoked on the market is likely to be limited
  - Employers currently providing coverage are likely to continue doing so; others have already transitioned employees to part time and are exempt
  - Urban Institute report on the employer mandate estimated that 58.1% of people would have ESI with the mandate compared to 57.9% without the mandate[3]
  - Large group mandate only went into effect in 2015 and any effect pre mandate was masked by increases in the workforce due to the recovery[4,5]
- Risk mix may be a concern as employers with favorable risk characteristics may choose to self-insure, while those with less desirable risks may tend to opt for fully insured plans either through the Exchange or in the Individual market[6]

1) *PwC Touchstone Survey: 8% of employers plan to send employees to the public exchange. Urban estimates an additional 4-5% in the SG market may consider with the removal of the employer mandate; assumes only small group employers make a change and that firms with 1-4 employees already send their employees to the IVL market*
2) *CHCF Report assumes 39% of employees will fall under Subsidy eligibility and 56% under Unsubsidized eligibility (5% will go to Medi-Cal); assumes a take-up rate of 65% for the subsidized market and a 15% take-up rate for the unsubsidized market*
3) *"Why Not Just Eliminate the Employer Mandate?", Urban Institute, May 2014*
4) *"Employer-Sponsored Insurance Offer and Coverage Rates", KFF/JAMA, May 2016. http://jama.jamanetwork.com/article.aspx?articleid=2518243*
5) *"Little impact of employer mandate on companies' enrollment", Politico, Mar 2015. http://www.politico.com/story/2015/03/survey-obamacare-employment-mandate-116159*
6) *Adverse Selection Issues and Health Insurance Exchanges Under the Affordable Care Act", NAIC, 2011*

LG employers may consider directing as many as ~200K employees to the exchange market

Large Group Employees Shifting to Public Exchange[1]

	Subsidized	Unsubsidized	Total
Eligibility Impact	-	-	-
Enrollment Impact	75K –150K *12% -15%*	25K – 50K *13% - 28%*	**100K – 200K** ***10% - 20%***

Effect on Enrollment in Covered California[2]

Population	Impact
Subsidized Enrollees in Covered CA *(39% of market at 65% take-up rate)*	+150K
Unsubsidized Enrollees in Covered CA *(56% of market at 15% take-up rate)*	+50K
Total Enrollees in Covered CA	**+200K**
Off-Exchange enrollees	**+280K**

Discussion

- According to the PwC Touchstone survey, about 8% of employers would consider terminating benefits and shifting their employees to the public exchange, while the remaining 92% report that they are not considering that type of change[1]
- Some impact may be moderated due to the nature of the LG market
  - Large employers continue to rely on offering health benefits as a recruiting strategy to attract and retain employees
  - Large employers that have already changed staffing patterns to a greater proportion of part-time employees may be less inclined to participate
- As a result, we estimated between 4-8% of LG employers may consider shifting employees to the public exchange, under the right incentives
  - Of these, 39% are likely to be subsidy eligible[2] with up to a 65% historical take-up rate on the Exchange
  - 56% are likely to be unsubsidized enrollees[2]; historically only 15% of these have enrolled on the Exchange, and the remaining off the Exchange
- Risk mix may be a concern as large employers with favorable risk characteristics may choose to self-insure, while those with less desirable risks may tend to opt for fully insured plans either through the Exchange or in the Individual market[3]

1) *PwC Touchstone Survey: 8% of employers plan to send employees to the public exchange without additional incentives*
2) *CHCF Report assumes 39% of employees will fall under Subsidy eligibility and 56% under Unsubsidized eligibility (5% will go to Medi-Cal); assumes a take-up rate of 65% for the subsidized market,15% take-up rate for the unsubsidized on-exchange market from historical data*
3) *Adverse Selection Issues and Health Insurance Exchanges Under the Affordable Care Act, NAIC, 2011*

Rolling back Medi-Cal to 100% FPL may add ~50-60K members; expanding subsidies to cover the 100%-138% FPL gap may add ~0.9-1M members

Change due to Medi-Cal rollback to 100% FPL

Impact for 2018	Subsidized	Unsubsidized
Medi-Cal Eligibility Impact	*(1.1M – 1.2M)*	-

Change due to Medi-Cal rollback to 100% FPL, with NO Subsidies to cover gap between 100% FPL – 138% FPL

Impact for 2018	Subsidized	Unsubsidized
Covered CA Eligibility Impact	-	1.1M – 1.2M *85% - 90%*
Covered CA Enrollment Impact	-	50K – 60K *26% - 33%*
Off-Exchange Enrollment Impact	-	100K – 120K *11% - 14%*

Change due to Medi-Cal rollback to 100% FPL, with Expanded Subsidies to cover gap between 100% FPL – 138% FPL

Impact for 2018	Subsidized	Unsubsidized
Covered CA Eligibility Impact	1.1M – 1.2M *60% - 65%*	-
Covered CA Enrollment Impact	0.9M – 1.0M *70% - 80%*	-
Off-Exchange Enrollment Impact	-	20K – 40K *2% – 5%*

Discussion

- If Medi-Cal were to be rolled back to pre-ACA levels of 100% FPL, at least 1.1M individuals between 100%-138% FPL currently enrolled in Medi-Cal are estimated to not be Medi-Cal eligible any further
- In such a scenario, in the absence of subsidy expansion to cover the 100%-138% FPL gap, only 150K – 180K individuals are expected to re-enroll in the Individual market without subsidies, based on an estimated take-up rate of 14% for this population
  - Of these, 50K-60K will enroll through Covered California, while 100K – 200K will enroll off the Exchange
- However, if subsidies were expanded to cover the 100%-138% FPL gap, up to 1M individuals would be expected to re-enroll through Covered California, based on an estimated take-up rate of 78% for this population
  - An additional 20K – 40K may choose to enroll off the Exchange
  - The take-up rate of 78% is lower than typical Medi-Cal take up rates of up to 90%, as despite the high level of subsidies due to the low income levels, there is still an out of pocket cost that will be incurred
- Additionally, individuals with poorer health status are more likely to re-enroll on and off exchange in an unsubsidized fashion, leading to a deterioration in the risk mix and an increase in premiums. This could result in more individuals leaving the exchange than estimated here

Source: PwC, CalSIM analysis

A slowdown in medical cost increases from current rates will result in higher take-up among the subsidized and unsubsidized

Premium Impact (mid-point estimate, # of individuals)

	2016	2017	2018	2019	2020	2021	2022
Medical Cost Change	6.5%	4%	4%	2%	2%	2%	2%
Effective Net Premium Change	6.5%	4%	4%	2%	2%	2%	2%
Subsidized Enrollment Impact	-	2K	2K	9K	10K	12K	14K
Unsubsidized Enrollment Impact	-	2K	3K	10K	12K	14K	16K
Off Exchange Enrollment Impact	-	7K	9K	31K	33K	38K	43K
Uninsured Impact	-	-11K	-14K	-50K	-55K	-64K	-73K

Premium Impact (mid-point estimate, as % of mid-point baseline)

	2016	2017	2018	2019	2020	2021	2022
Medical Cost Change	6.5%	4%	4%	2%	2%	2%	2%
Effective Net Premium Change	6.5%	4%	4%	2%	2%	2%	2%
Subsidized Eligibility Impact	-	<1%	<1%	1%	1%	1%	1%
Unsubsidized Enrollment Impact	-	1%	2%	6%	6%	7%	9%
Off Exchange Enrollment Impact	-	1%	1%	4%	4%	4%	5%
Uninsured Impact	-	-1%	-1%	-4%	-5%	-6%	-6%

Discussion

- While CalSIM assumes a 6.5% increase in net premiums year over year, thus far Covered California has been able to achieve lower average premium increases (e.g., only 4% from 2015-2016)
- Under such a scenario, enrollment will increase by 10% over 5 year and the uninsured, eligible population is estimated to decrease by 6%

Increases in premiums of 10% over baseline will accelerate a feedback loop into premium growth and lower take-up rates especially for the unsubsidized

Premium Impact (mid-point estimate, # of individuals)

	2016	2017	2018	2019	2020	2021	2022
Medical Cost Change	6.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%
Effective Net Premium Change	6.5%	16.5%	18.3%	20.3%	22.6%	25.2%	28.1%
Subsidized Enrollment Impact	-	-13K	-17K	-20K	-23K	-27K	-31K
Unsubsidized Enrollment Impact	-	-15K	-20K	-23K	-27K	-31K	-36K
Off Exchange Enrollment Impact	-	-46K	-59K	-70K	-74K	-85K	-96K
Uninsured Impact	-	74K	96K	113K	124K	143K	163K

Premium Impact (mid-point estimate, as % of mid-point baseline)

	2016	2017	2018	2019	2020	2021	2022
Medical Cost Change	6.5%	16.5%	16.5%	16.5%	16.5%	16.5%	16.5%
Effective Net Premium Change	6.5%	16.5%	18.3%	20.3%	22.6%	25.2%	28.1%
Subsidized Enrollment Impact	-	-1%	-1%	-2%	-2%	-2%	-3%
Unsubsidized Enrollment Impact	-	-9%	-10%	-12%	-14%	-16%	-20%
Off Exchange Enrollment Impact	-	-6%	-7%	-8%	-9%	-10%	-11%
Uninsured Impact	-	7%	9%	10%	11%	13%	14%

Note: Assuming 0.3 and 5.0 risk scores for non-chronically and chronically ill individuals, respectively

Discussion

- After adjusting for risk mix among those with and without chronic conditions, a 16.5% year-over-year increase in premiums may result in as much as a 28% increase in net premiums by year 5
- While ordinarily, increasing premiums may drive more subsidy eligible to take up coverage (as premiums increase beyond the affordability threshold), after adjusting for the risk mix, the net impact of increasing medical costs is a lower take up rate among both the subsidized and unsubsidized populations
  - Subsidized population decrease slightly
  - Unsubsidized coverage on and off exchange enrollment decreases cumulatively by ~20% by year 5, with a cumulative impact of a 10-19% reduction in unsubsidized coverage
  - Number of uninsured increases by 14%
  - The full impact of the accelerating premium increase is mitigated primarily due to the impact of subsidies for the subsidy eligible population, and due to the enforcement of the individual mandate for the unsubsidized population

Appendix

Discrete External Drivers

Scenario Findings

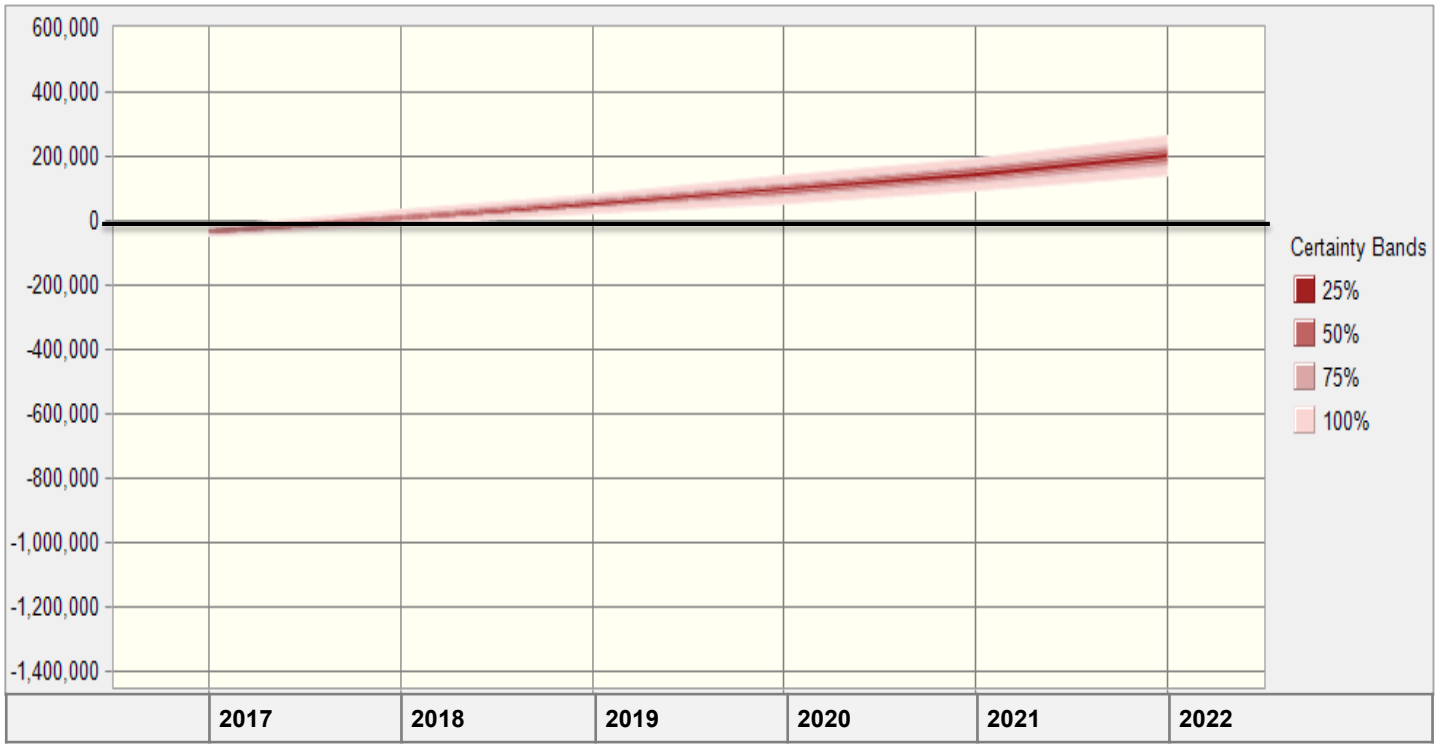
Exchange Business Model Details

In Scenario 1, "Strong Economy", the economic recovery continues on its current trajectory, with lower unemployment rates and medical costs

Key Drivers

- **Unemployment rate:** Drops to 4.5% in 2017 before rising in a moderate recession starting in 2019 to 7.5% in 2022
- **Medical costs and net premiums:** Increases 16.5% year-over-year starting in 2017, with effective net premium increase going up to 28% year over year in 2022 due to adverse risk selection

Impact on Enrollment



Metrics	2018	2022
Min	-13K	139K
-25% percentile	6K	180K
Mean	12K	203K
+25% percentile	17K	226K
Max	35K	267K

Metrics	2018	2022
Min	-1%	10%
-25% percentile	<1%	13%
Mean	1%	15%
+25% percentile	1%	16%
Max	3%	19%

Notes

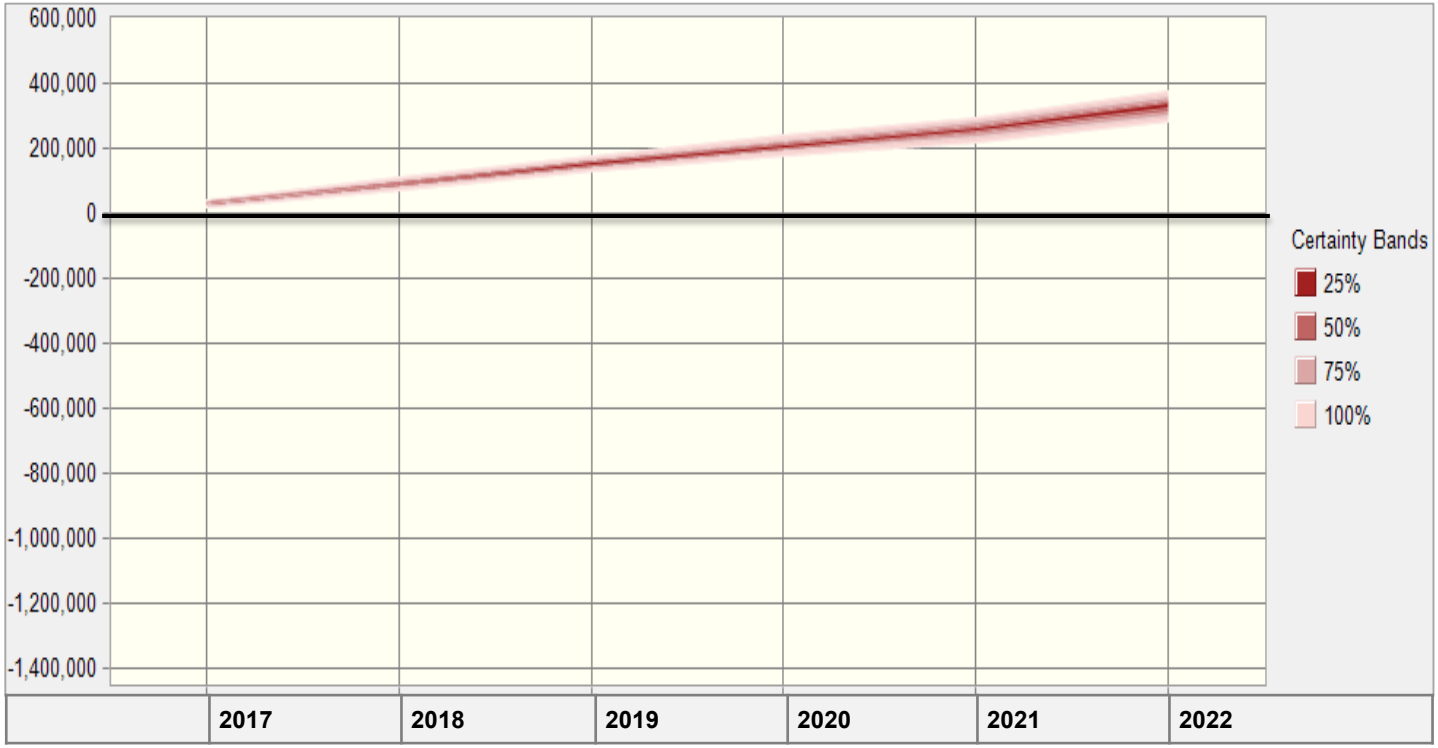
- Unemployment rate and Medical cost increases track closely to current levels and have a have a minimal impact on Enrollment

In Scenario 2, "Weak Economy", the economy heads back into a recession with higher unemployment rates and a slowdown in medical cost increases

Key Drivers

- **Unemployment rate:** Increases from 6.3% currently and peaks at 10% in 2019 and 2020
- **Medical costs and net premiums:** Holding steady at Covered California's 2014-2016 rate of 4% year-over-year until 2018, when it drops to the CPI level of 2% year-over-year
- **Minimum Wage:** Minimum wage law is enacted, with hourly rates at $10/hr in 2016 and going up $1/hr each year to peak at $15/hr in 2022

Impact on Enrollment



Metrics	2018	2022
Min	74K	281K
-25% percentile	88K	312K
Mean	93K	331K
+25% percentile	97K	349K
Max	110K	379K

Metrics	2018	2022
Min	5%	20%
-25% percentile	6%	23%
Mean	7%	24%
+25% percentile	7%	25%
Max	8%	27%

Notes

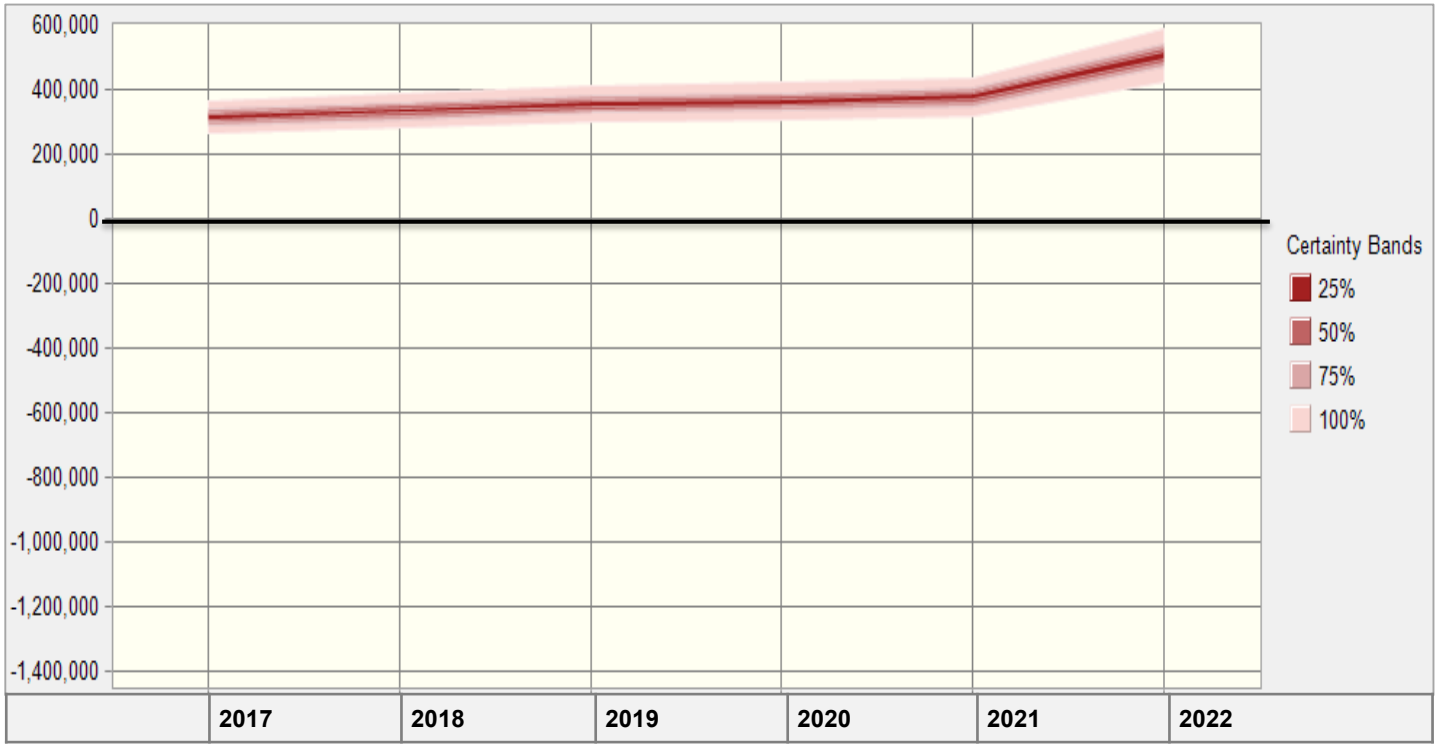
- If the economy heads into a recession and Unemployment rate and Medical costs/net premiums both increase (as per the above assumptions), the net impact on Enrollment is positive
- Increases in Unemployment rate have a stronger impact on Enrollment than Net Premiums

In Scenario 3, "ACA Expansion", Policy changes are implemented expanding coverage options and channels, and increasing premium

Key Drivers

- **Undocumented Individual coverage:** Undocumented individuals are permitted to purchase unsubsidized coverage on the exchange starting 2017, and subsidized coverage in 2022
- **Subsidy Increase:** Subsidies increase up to 500% of FPL, with net premium threshold at 8.5% of income
- **Exchange coverage for Large group employees:** Starting in 2019, LG employees permitted to purchase coverage directly on the Exchange, with additional incentives (e.g. tax-deductible HRA defined contributions)
- **Reversal of Employer mandate for Small Group:** Reversal of the employer mandate for SG in 2019

Impact on Enrollment



Metrics	2018	2022
Min	281K	424K
-25% percentile	319K	485K
Mean	336K	507K
+25% percentile	352K	528K
Max	391K	587K

Metrics	2018	2022
Min	20%	31%
-25% percentile	23%	35%
Mean	24%	37%
+25% percentile	25%	38%
Max	28%	42%

Notes

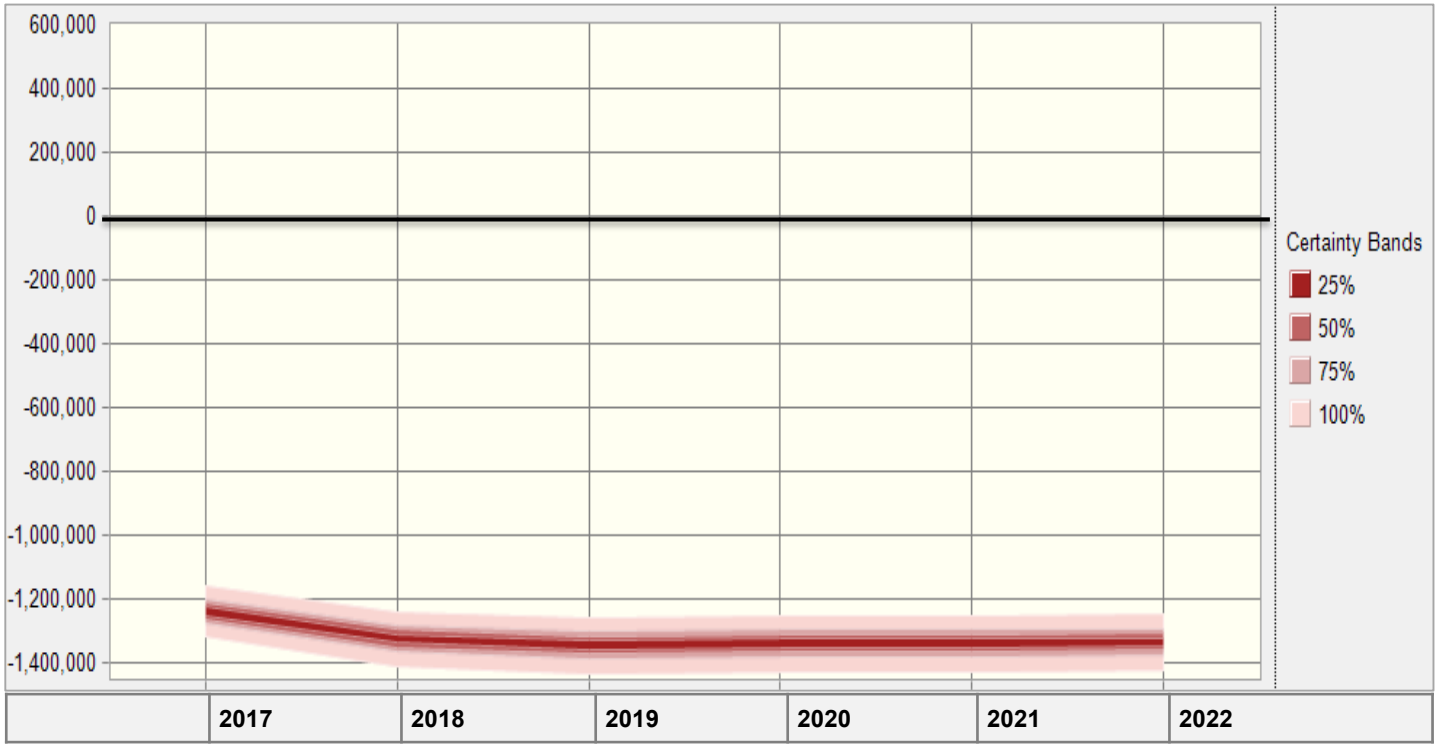
- This scenario simulates a large influx of enrollees into the Individual and Exchange markets stemming from changes in policy expanding coverage and access channels

In Scenario 4, "ACA Contraction", policy changes are implemented rolling back premium support and coverage purchase incentives

Key Drivers

- **Reduced Individual mandate penalty:** The penalty for non-compliance of the individual mandate is reduced by 50%
- **Subsidy Decrease:** Subsidies reduced down to 300% of FPL

Impact on Enrollment



Metrics	2018	2022
Min	-1,409K	-1,423K
-25% percentile	-1,349K	-1,359K
Mean	-1,321K	-1,332K
+25% percentile	-1,294K	-1,305K
Max	-1,239K	-1,245K

Metrics	2018	2022
Min	-100%	-100%
-25% percentile	-96%	-98%
Mean	-94%	-96%
+25% percentile	-92%	-94%
Max	-88%	-90%

Notes

- This is the only scenario in which there is a negative impact on enrollment, due to policies reducing premium support and incentive to purchase coverage

Appendix

Discrete External Drivers

Scenario Findings

Exchange Business Model Details

Exchanges need to determine how actively they want to drive four core functions; Covered California has chosen all four

Health Exchange Function	Geographic Focus
Effectively Reach Consumers: Marketing, Outreach and Retention • Reach potential consumers and support retention • Convey value of subsidies and support informed choice • Support enrollment and education by agents, navigators and others	• Mostly "local" • Shared media buying for states with overlapping markets • Common development
Plan Management: Offer Affordable Products through Plan Selection, Contracting and Oversight • Offer quality plans that represent a good value • Leverage purchasing power to help consumers • Promote consumer-friendly medical design and delivery system reform	• Mostly "local" • Share contractual and analytic templates • Share negotiating strategies
Conduct Enrollment and Plan Selection (IT/Website) • Determine subsidy eligibility and conduct enrollment • Develop and maintain the health plan "choice architecture" • Establish and maintain data interfaces with health plans	• Use common choice architecture (benefit from lower cost/ efficiencies, but requires significant state-specific integration with Medicaid programs) • Use common eligibility/back-end
Provide Good Customer Service • Offer assistance through multiple channels, such as phone and online • Help with problem resolution	• Negotiate joint services/common terms • Coordinate vendor oversight (standards and review processes)