



Covered California's Open Enrollment Period for 2020: Initial Analysis and Results

February 18, 2020

CALIFORNIA'S NEW INITIATIVES FOR 2020 BUILD ON THE SUCCESS OF AFFORDABLE CARE ACT

California's 2020 Health Care Affordability Programs



- The restoration of the penalty and new state subsidies contributed to the lowest rate change in Covered California's history at 0.8 percent.
- The new policies helped drive 418,052 people to newly sign up for coverage, an increase of 122,072 or 41 percent, compared to 2019.
- The new state subsidies lowered costs for 625,000 consumers.
- Over 590,000 low-income consumers, earning between 200 to 400 percent of the federal poverty level, will receive an average of \$25 per month per household in addition to their federal tax credits.
- California's first-in-the-nation program will help 32,000 middle-income consumers, earning from 400 to 600 percent of the federal poverty level — with an average state subsidy of \$504 per month per household.

COVERED CALIFORNIA 2020 ENROLLMENT: HUGE REBOUND DUE TO MANDATE AND NEW SUBSIDIES

Table 1: Preliminary Analysis of Covered California 2020 Net Plan Selections

Category	2018	2019	Percent Change	2020	Percent Change
New Enrollment*	388,344	295,980	-23.8	418,052	41.2
Renewals	1,133,180	1,217,903	7.5	1,120,767	-8.0
Total	1,521,524	1,513,883	-0.5	1,538,819	1.6

* The new enrollment number includes consumers who had coverage off-exchange switched to on-exchange coverage to benefit from new subsidies. Even after subtracting the entire newly-enrolled 400 to 600 percent FPL population, Covered California's new sign-ups in 2020 would still be 36 percent higher than in 2019 and still the highest total since 2016.

- Overall enrollment is higher in 2020 than the past two years — driven by a huge increase in new-enrollments — as California replaced the federal penalty and made new state subsidies available.
- New enrollment in 2020 increased by more than 122,000 — over 41 percent higher — compared to 2019 and at its highest level since 2016.
- In 2020, renewals are down slightly compared to 2019, due primarily to the significant drop in new enrollment during 2019 open enrollment which meant fewer new enrollees eligible to keep coverage for 2020.

NEW ENROLLMENT SUFFERED HUGE DECLINES IN STATES SERVED BY FEDERAL EXCHANGE

Table 2: Comparing Net Plan Selections in Federally-Facilitated Exchange States and California, 2016-2020

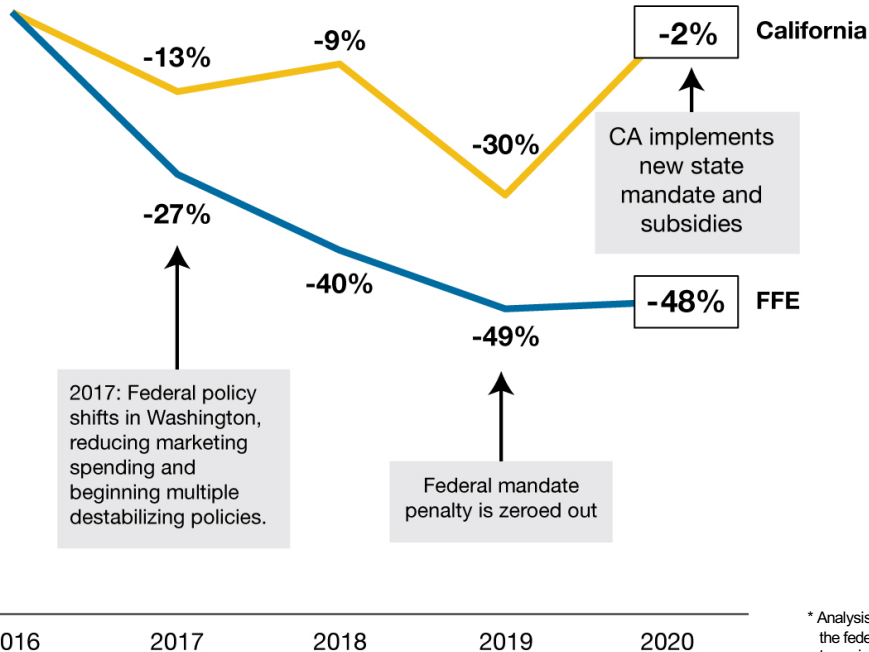
	Federally-Facilitated Exchange			Covered California		
	New Enrollment	Renewal	Total	New Enrollment	Renewal	Total
2016	3,984,426	5,553,411	9,537,837	425,484	1,149,856	1,575,340
2017	2,903,122	6,128,467	9,031,589	368,368	1,188,308	1,556,676
% change from previous year	-27.1%	10.4%	-5.3%	-13.4%	3.3%	-1.2%
2018	2,403,621	6,159,449	8,563,070	388,344	1,133,180	1,521,524
% change from previous year	-17.2%	0.5%	-5.2%	5.4%	-4.6%	-2.3%
2019	2,030,713	6,212,832	8,243,545	295,980	1,217,903	1,513,883
% change from previous year	-15.5%	0.9%	-3.7%	-23.8%	7.5%	-0.5%
2020	2,065,908	6,137,874	8,203,732	418,052	1,120,767	1,538,819
% change from previous year	1.7%	-1.2%	-0.5%	41.2%	-8.0%	1.6%
Cumulative Change	-48%	11%	-14%	-2%	-3%	-2%

- FFE states have seen a cumulative decrease of new enrollments. Of 48 percent since 2016, meaning there were nearly 1.9 million fewer Americans newly enrolling in 2020.
- With the 2020 rebound, Covered California's new enrollment remained relatively stable from 2016 to 2020.
- New enrollment is key to bringing in new and healthy risk that keeps premium lower.

* Analysis of FFE states includes the 32 states served by the FFE and the six states with state-based exchanges facilitated by the federal platform (SBE-FP). We exclude Kentucky and Nevada from all counts due to these states switching marketplace types in 2017 and 2020, respectively. All plan selection totals data for the FFE are from CMS public data releases; however, because the "new" and "renewing" splits for Kentucky are not yet available from CMS for 2020, Kentucky share of "new" versus "renewing" is estimated using the ratio for Kentucky from 2019.

NEW ENROLLMENT SUFFERED HUGE DECLINES IN STATES SERVED BY FEDERAL EXCHANGE, 2016-2020

Figure 1: Comparing New Enrollment in Covered California and FFE* to 2016

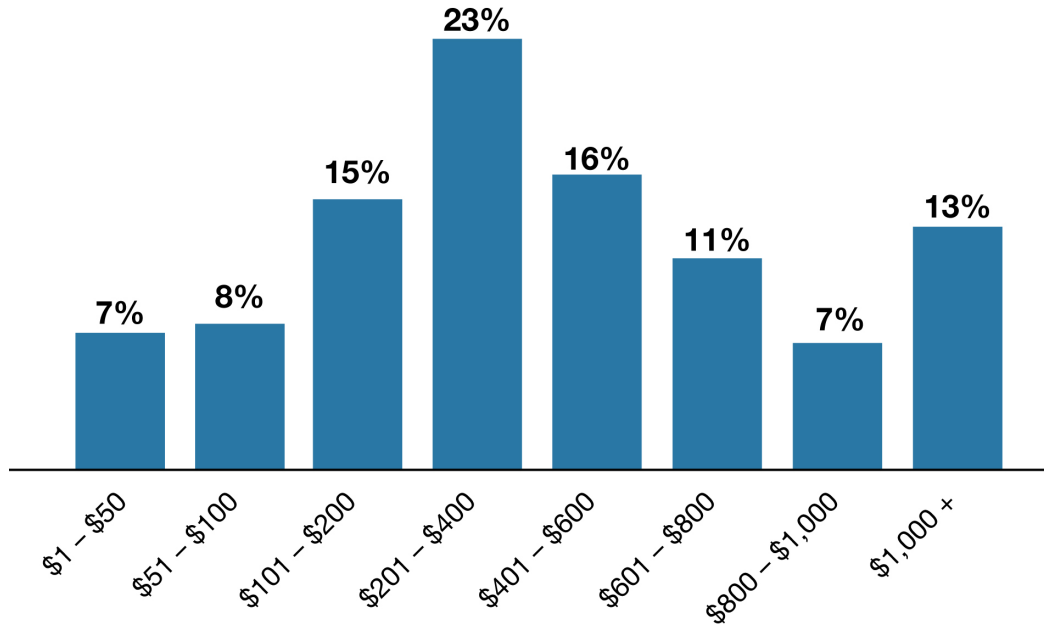


- **New sign-ups** during open enrollment are critical to assuring a healthy risk mix given natural “churn” in the individual market.
- The FFE has seen a drop of 48 percent in new sign-ups compared to 2016 – meaning there were nearly 1.9 million fewer Americans newly enrolling in 2020. The drop translates directly to higher rates of uninsured and higher costs for consumers and the federal government due to higher premiums resulting from a less healthy risk mix.
- Over the same period, California’s level of new enrollment rebounded in the 2020 plan year to 2016 levels after new state policies were introduced that restored the mandate and provided new financial help.

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NEW STATE SUBSIDIES FOR MIDDLE CLASS MAKE HEALTH CARE MORE AFFORDABLE – AVERAGE SUBSIDY IS \$500 PER HOUSEHOLD

Figure 2: Distribution of California State Subsidies Among Receiving Middle-Income Households - 400% to 600% FPL.*

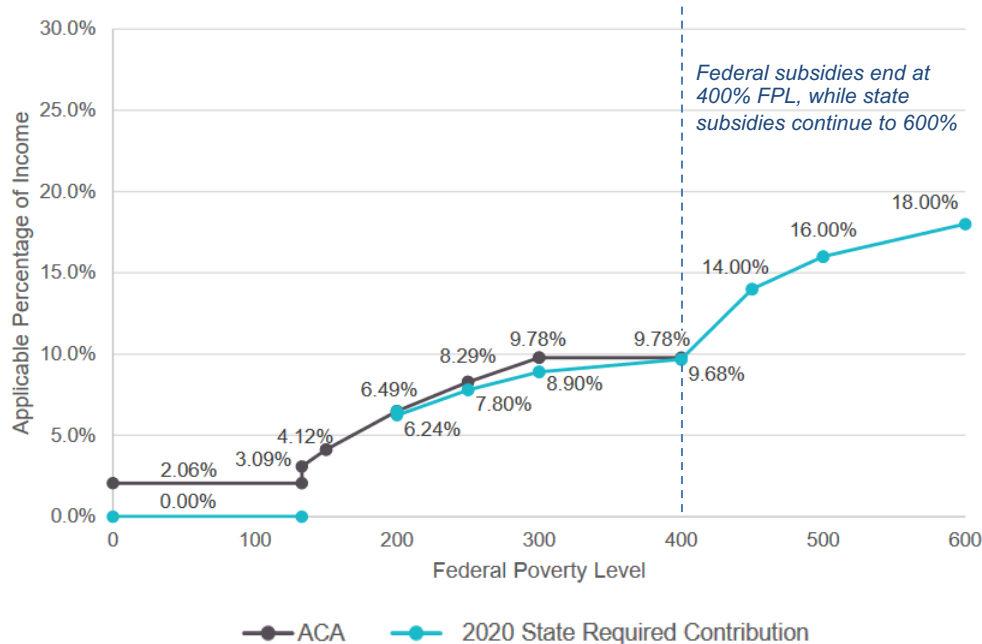


- At the close of open enrollment, 32,000 middle-income individuals have been found eligible for state subsidies, which represents 40 percent of those applying in that income range.
- The average monthly per household subsidy is \$504.
- Over 10 percent of the households receiving subsidies will get more than \$1,000 per month to lower their health care costs.

* Average is among those receiving state subsidies. Consumers in 400 to 600% FPL with a benchmark that costs less than “required contribution” of income not included.

NEW STATE SUBSIDIES FOLLOW ACA IN LIMITING PREMIUMS AS A SHARE OF INCOME

Figure 3: Required Contribution for Benchmark Silver Plan as a Percentage of Income Under ACA and California State Subsidy Program (2020)



Under the ACA, financial assistance is provided to limit the share of income a consumer must spend on premiums for the benchmark second-lowest silver plan (grey line). For example, the ACA caps premiums for a consumer earning 300% of FPL to 9.78% of income.

California's new state subsidies offer new help to two groups (blue line):

- 1) Many consumers below 400% of FPL see their required contribution reduced (for example, the consumer at 300% of FPL will receive a state credit to reduce the share of income spent on premiums from 9.78% to 8.90% of income.
- 2) For consumers from 400 to 600% of FPL, which saw no financial protection under the ACA, new state caps limit premiums to the percentages shown in Figure 3, so that a consumer at 450% of FPL spends no more than 14% of their income on premiums.

POLICIES, MARKETING AND OUTREACH MATTER — THE EVIDENCE FROM CALIFORNIA IS CLEAR

64% of the uninsured say they are more likely to enroll in health insurance to avoid the penalty

80% of insurance agents say the penalty is motivating to their consumers

11 health plans lowered premiums based on belief that penalty matters

41% increase in new consumers signing up for coverage during open enrollment