



# ASPE

## ISSUE BRIEF

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### HOW MANY INDIVIDUALS MIGHT HAVE MARKETPLACE COVERAGE AFTER THE 2015 OPEN ENROLLMENT PERIOD?

November 10, 2014

The Affordable Care Act is achieving its central aim: millions of Americans who were uninsured before now have access to affordable, high-quality health care. The number of uninsured people in the U.S. has decreased by nearly 26 percent over the past year.<sup>1</sup> This brief is about one important part of how we are reducing the number of uninsured people in the U.S. under the Affordable Care Act: the new Health Insurance Marketplace. The other two big tools for reducing the number of uninsured are the law's Federal support for States that wish to expand their Medicaid programs and its support for a continued robust system of employer-sponsored insurance.

Since October 2013, individuals have been able to shop for and buy insurance in the Marketplace. By the end of the first open enrollment period, over 8 million people selected Qualified Health Plans (QHP) through the Marketplace.<sup>2</sup> As of October 2014, 7.1 million people were enrolled and paying for health coverage ("effectuated" enrollees) through the Marketplace.<sup>3</sup> As the second annual open enrollment period (from November 15, 2014 through February 15, 2015), or OEP, approaches, analysts have produced estimates of the number of people who will enroll. Projections vary, depending on the underlying assumptions and analytical methods used, as well as analysts' judgment regarding the amount of time it will take Marketplace enrollment to "ramp up" to its long run "steady state" level (what some analysts think will be the fully implemented size of the program). While there is broad agreement that the number of people without health insurance will continue to fall in the coming years, projections differ in how quickly those reductions will occur and where individuals will obtain coverage. Moreover, in the early years of any new program, there is a high degree of uncertainty about projections; actual enrollment could be significantly higher or lower.

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<sup>1</sup> Benjamin Sommers et al., "Health Reform and Changes in Health Insurance Coverage in 2014," *New England Journal of Medicine*, Aug. 28, 2014, vol. 371, no. 9, p. 867-874.

<sup>2</sup> U.S. Department of Health and Human Services, "Health Insurance Marketplace: Summary Enrollment Report for the Initial Enrollment Period," May 1, 2014. Available at: [http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Apr2014/ib\\_2014Apr\\_enrollment.pdf](http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/Apr2014/ib_2014Apr_enrollment.pdf).

<sup>3</sup> Individuals with both Marketplace medical and dental coverage were erroneously included in this count. The correct number of individuals with effectuated Marketplace medical coverage as of October 15, 2014 is approximately 6.7 million. Our target for 2015 enrollment remains 9.1 million individuals.

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## The Congressional Budget Office's Estimate: Assumptions and Methods

The Congressional Budget Office (CBO) projected that in 2015 a total of 13 million people would have insurance and pay their premiums through the Marketplace.<sup>4</sup> CBO's most recent estimates were released in April 2014, although much of the analysis was completed before final data on 2014 open enrollment was available. CBO's projections show Marketplace enrollment reaching a steady state of 25 million enrollees by 2017. CBO assumes that enrollment will ramp up to that steady state in just over three years, which generates an estimate of 13 million enrollees in 2015, 24 million in 2016, and 25 million thereafter.

Like all projections, CBO's year-by-year estimates are quite sensitive to ramp up assumptions. One assumption underlying the estimates of Marketplace coverage growth is the projection of significant shifts over three years from employer-sponsored insurance (ESI) and off-Marketplace individual coverage into the Marketplace. Recent data suggest mixed evidence about the extent to which there is a shift in ESI and off-Marketplace individual coverage into the Marketplace.<sup>5,6,7</sup> Thus, there is considerable uncertainty that a large shift will occur in the next two years. This contributes to an analysis that the ramp up to 25 million will take more than three years.

In addition, recent experiences with new insurance coverage provide a range of data points. For example, programs established particularly for a defined set of individuals (such as Medicare Part D), support a rapid ramp-up period. The evidence from the Children's Health Insurance Program and early Medicaid expansions under the Affordable Care Act suggest that the long-run steady state may not be achieved for as much as five years.<sup>8</sup>

If one extends CBO's ramp-up from three years to four or five years (which is more consistent with experience in the programs mentioned above), the estimate of 2015 Marketplace enrollment becomes approximately 11.5 million or approximately 9 million (respectively).

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<sup>4</sup> Congressional Budget Office, "Updated Estimates of the Effects of the Affordable Care Act," April 14, 2014, p. 4. Available at: [http://www.cbo.gov/sites/default/files/cbofiles/attachments/45231-ACA\\_Estimates.pdf](http://www.cbo.gov/sites/default/files/cbofiles/attachments/45231-ACA_Estimates.pdf).

<sup>5</sup> Kaiser Family Foundation/Health Research & Educational Trust, "2014 Employer Health Benefits Survey," Sept. 10, 2014. Available at: <http://kff.org/health-costs/report/2014-employer-health-benefits-survey>.

<sup>6</sup> Cynthia Cox, Gary Claxton, and Larry Levitt, Kaiser Family Foundation, "Individual Market Enrollment Ticks Up in Early 2014," Jun. 2, 2014. Available at: <http://kff.org/health-reform/issue-brief/individual-market-enrollment-ticks-up-in-early-2014>.

<sup>7</sup> National Center for Health Statistics, "Directly-purchased Private Health Insurance by Selected Demographics and Year: Early Release of Estimates from the National Health Interview Survey, 2013–March 2014," NHIS Early Release, Oct. 2014. Available at: [http://www.cdc.gov/nchs/data/nhis/health\\_insurance/DirectlyPurchasedCoverage2013and2014Q1.pdf](http://www.cdc.gov/nchs/data/nhis/health_insurance/DirectlyPurchasedCoverage2013and2014Q1.pdf).

<sup>8</sup> U.S. Department of Health and Human Services, Health Insurance Marketplace: November Enrollment Report," Nov. 13, 2013, p. 20-25. Available at: [http://aspe.hhs.gov/health/reports/2013/marketplaceenrollment/rpt\\_enrollment.pdf](http://aspe.hhs.gov/health/reports/2013/marketplaceenrollment/rpt_enrollment.pdf).

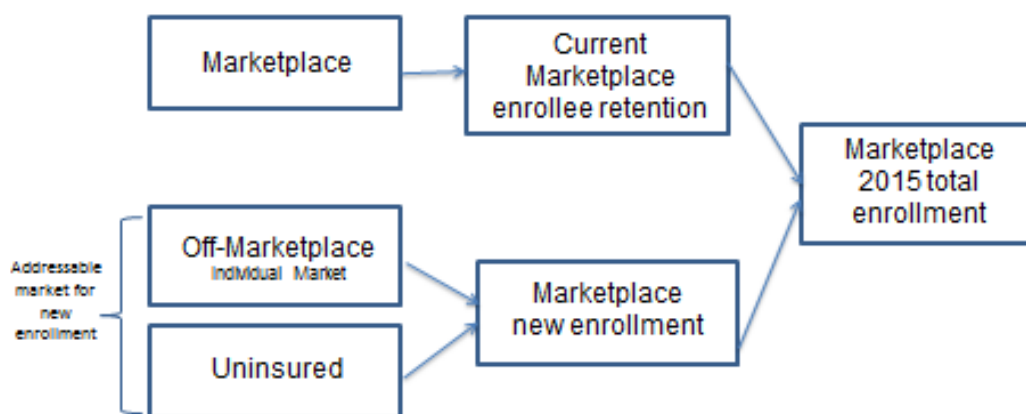
## The Department of Health and Human Services’s Estimate: Assumptions and Methods

HHS used a bottom-up approach to project 2015 enrollments, incorporating data from our experience during the first open enrollment period and recent population surveys of insurance coverage. The bottom-up approach yielded an estimated range of 9.0 to 9.9 million for effectuated Marketplace enrollment in 2015.

HHS separately analyzed the three possible paths (see Figure 1) by which individuals could become enrolled in the Marketplace in 2015: (1) re-enrollment by 2014 Marketplace enrollees; (2) shifts by off-Marketplace individual enrollees into the Marketplace; and (3) shifts by the uninsured into the Marketplace. HHS estimated enrollment through each of these channels using the following information:

- **Continued enrollment by 2014 Marketplace enrollees:** The number of current (2014) Marketplace policy holders and the rate at which they will re-enroll;
- **Shifts from off-Marketplace individual coverage into the Marketplace:** The number of individuals who currently hold “off-Marketplace” individual policies and the Marketplace take-up rate for such individuals; and
- **Shifts by the uninsured into the Marketplace:** The number of uninsured and the Marketplace take-up rate for the uninsured.

FIGURE 1



To quantify the universe of individuals who could potentially enroll through each of these channels, HHS relied on Census and other survey data, administrative data from the 2014 open enrollment period, information from comparable programs aimed at covering the uninsured, industry data, insurance enrollment patterns, and expert review. For the first element, HHS used data from the Center for Medicare and Medicaid Services (CMS) on those currently enrolled in

the Marketplace. The latter two elements reflect what we call the “addressable market” for new enrollment. In estimating the size of the “addressable market,” HHS used data from the American Community Survey and the Gallup-Healthways Well-Being Index, a daily poll of American adults, to estimate the number of persons who are currently uninsured. Information from the Kaiser Family Foundation,<sup>9</sup> the National Health Interview Survey<sup>10</sup> and 2013 Medical Loss Ratio filings were used to estimate the size of the individual market.

Recent CMS data indicate that as of October 2014, approximately 7.1 million people have effectuated coverage through the Marketplace. According to the multiple information sources listed above, there are approximately 32 million uninsured Americans – approximately one-quarter fewer than before the ACA’s coverage expansion began; 17 million of them were subtracted from this total because they are likely to be eligible for Medicaid. This means that an estimated 15 million are eligible to purchase a Qualified Health Plan (QHP) through the Marketplace. There are 8 to 12 million people with individual off-Marketplace coverage. The estimated total addressable market for new enrollment – those who might elect to buy policies through the Marketplace – consists of approximately 23 to 27 million people.

HHS used survey data, industry information and experience with similar programs to predict retention rates, which range from 70 to 90 percent. Specifically, a major insurance company and some state Marketplaces projected between 80 and 85 percent renewal rates. We adopted the middle of that smaller range for our model, 83 percent. With 7.1 million effectuated enrollments as of October 2014, 83 percent of this is 5.9 million people.

To predict take-up in the addressable market, HHS stratified that population by household income into groups that were eligible for subsidies (financial assistance – tax credits and cost sharing reductions) or not. Then, using last year’s enrollment experience as the departure point, HHS estimated 2015 enrollment among the subsidy-eligible, based on the median State take-up rate for Marketplace enrollment during the initial open enrollment period, plus or minus 10 percent. For those individuals with incomes above the level eligible for financial assistance, HHS also applied take-up rates similar to observed rates during the initial open enrollment period.

HHS combined these population estimates with the take-up rates to estimate total Marketplace enrollment in 2015. The top of the estimated range reflects the combination of a higher take-up rate and a larger individual market size, while the bottom of the range reflects the combination of a lower take-up rate and a smaller individual market size. The resulting estimates imply a range of 9.0 to 9.9 million effectuated enrollees in the Marketplace in 2015.

HHS’s analysis implies that most of the new Marketplace enrollment for 2015 is likely to come from the ranks of the uninsured, with approximately three or four previously uninsured new

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<sup>9</sup> Liz Hamel et al., Kaiser Family Foundation, “Survey of Non-Group Health Insurance Enrollees,” Jun. 19, 2014. Available at: <http://kff.org/health-reform/report/survey-of-non-group-health-insurance-enrollees/>.

<sup>10</sup> National Center for Health Statistics, “Directly-purchased Private Health Insurance by Selected Demographics and Year: Early Release of Estimates from the National Health Interview Survey, 2013–March 2014,” NHIS Early Release, Oct. 2014.

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enrollees for each new enrollee drawn from the ranks of those who previously had off-Marketplace individual coverage.

### **The Bottom Line**

The HHS estimated take up range of 9.0 to 9.9 million enrollees and the CBO estimate of 13 million as modified for a longer ramp-up yield similar predictions for total enrollees at the end of the 2015 open enrollment period.

It is also important to view Marketplace enrollment in the broader context. One important goal of the law is reducing the number of uninsured people, and the Marketplace is just one means to that end. In practice, reducing the uninsured will be achieved through a combination of Marketplace retention, new Marketplace enrollment, increases in Medicaid enrollment, and continued support for a robust system of employer-sponsored insurance. Thus, we will measure our success by whether we are making continued progress in reducing the number of uninsured Americans. We will continue to work to decrease the number of uninsured Americans and expect the number to continue to decline.