

**COVID-19 IMPACT ON  
MEDICAID, MARKETPLACE,  
AND THE UNINSURED**



MAY 2020 UPDATE

Health Management Associates (HMA) has updated our April 3, 2020 report to estimate the impact of the COVID-19 pandemic-driven US unemployment rate on enrollment in Medicaid, the Affordable Care Act (ACA) Marketplaces, and employer sponsored insurance (ESI), and the number of uninsured individuals. This update includes new estimates reflecting the magnitude and duration of the economic downturn, revised assumptions regarding how enrollment could change over time, and estimates of Medicaid program costs. We feature three scenarios related to the potential increase in the US unemployment rate.

**Table 1: HMA Estimated Impact to Health Insurance Coverage due to COVID-19 Economic Downturn**

Scenario	Peak	Equivalent BLS	2Q 2020	Insurance Coverage as of 4Q 2020			
	Unemployment Rate <sup>1</sup>	Unemployment Rate	Net Job Losses	Medicaid	Individual Marketplace	Employer-Sponsored	Uninsured
Pre-COVID	3.5%	3.5%		71	14	165	29
Moderate	20%	15% <sup>2</sup>	-22	76	15	160	29
Heavy	24%	18%	-29	83	17	148	32
Severe	28%	22%	-36	89	19	138	34

<sup>1</sup> Peak unemployment rate does not account for people exiting the labor force and is not comparable to official statistics released by the Bureau of Labor Statistics (BLS)

<sup>2</sup> April unemployment reported by BLS on 5/8/2020 was 14.7 percent

### High Level Observations

- Near-term changes to insurance will likely be muted by the nature of layoffs.** The April Jobs Report, released by the Bureau of Labor Statistics on May 8, 2020, showed that nearly 90 percent of people unemployed in April indicated their job loss was temporary. Additionally, nearly half of all job losses came from the Entertainment or Services industries, which tend to have lower rates of employer-sponsored insurance. Our analysis suggests that more people could change coverage during the 2<sup>nd</sup> half of 2020, especially if temporary job losses become permanent.
- Medicaid enrollment could increase by 5 to 18 million by the end of the year, depending on the economy.** We expect that three quarters of the people newly enrolled in Medicaid will be children or parents and a quarter will be childless adults. Depending on the speed of recovery, Medicaid enrollment by the end of 2022 could be 0.5-4.5 million higher than the end of 2019.
- There will be drastically reduced “churning” on and off Medicaid for the duration of the emergency.** A provision of the Families First Coronavirus Response Act (FFCRA) limits the ability of states to disenroll individuals from Medicaid during the emergency. We estimate this provision will increase Medicaid enrollment by 3 to 4 million for the duration of the public health emergency declaration.
- Increased Medicaid enrollment will cost at least \$11 billion in 2020, with the federal government paying the majority of the cost.** Total state and federal costs to cover the additional Medicaid population could range from \$18 billion to \$127 billion between 2020 and 2022. While the FFCRA-provided 6.2 percentage point enhanced FMAP will cover much of the costs related to higher Medicaid enrollment, projected state revenue shortfalls remain a major pressure on state finances.
- A disproportionate share of the newly uninsured will be in non-expansion states.** Despite representing only 30 percent of individuals losing ESI, we estimate that non-expansion states will comprise nearly 70 percent of the newly uninsured by the end of 2020.
- Individual Marketplace enrollment could see significant turnover.** Some newly unemployed who lose their ESI will have family income that is above the Medicaid limit, and therefore could choose to purchase subsidized coverage from the Marketplace. Other newly unemployed may have previously been purchasing individual insurance from the Marketplace, and with the loss of a job and associated income these people will qualify for Medicaid coverage. In addition, in a slower economic recovery, some individuals who choose individual Marketplace coverage upon job loss may become eligible for Medicaid at the end of the year.

7. **This is the first test of ACA Medicaid eligibility changes.** During prior economic downturns, the increase in Medicaid enrollment was slower than the growth in the unemployed, largely because most people remained ineligible for Medicaid. The Affordable Care Act expanded eligibility in many states, eliminating asset tests and generally setting a more consistent income threshold. Our analysis assumes this new safety net will largely work as intended, with a much quicker increase in enrollment compared to prior downturns.

### Methodology

This updated report takes into consideration additional layers of analysis, including an evaluation of the more than 30 million people who filed for unemployment insurance since February 2020, the relationship between industry and type of health insurance, and a review of expected type and timing of insurance coverage take-up after job loss, differentiated by state of residence, personal and family income, and family status. Our analysis leverages the 2018 American Community Survey (ACS), with adjustments for known issues with health insurance reporting. We utilize a wide range of information from the ACS, including age, personal income, family income, industry, job status, state of residence, size of family, as well as source of health insurance.

#### Key assumptions used in our analysis

- **Moderate scenario:** Unemployment reaches 20 percent in 2Q 2020, with 70 percent of jobs recovered by 3Q 2020 and the remainder recovered over another 12 to 24 months.
- **Heavy scenario:** Unemployment reaches 24 percent in 2Q 2020, with 60 percent of jobs recovered by 2Q 2021 and the remainder recovered over another 24 to 48 months.
- **Severe scenario:** Unemployment reaches 28 percent in 2Q 2020, with 50 percent of jobs recovered by 4Q 2021 and the remainder recovered over another 36 to 60 months.
- In every scenario, the economy does not fully recover to pre-COVID unemployment levels, with a 2 to 3 percentage point increase in the national unemployment rate at final recovery.
- Individuals with personal income of less than \$25,000 per year are 3-4 times more likely to lose their job than individuals with personal income greater than \$75,000 per year.
- A significant portion of individuals losing jobs in the near-term do not lose employer-sponsored insurance, although this rate will decrease over time.
- Upon job loss and loss of current insurance, people enroll in either Medicaid or the individual Marketplace at rates similar to other people in the same state with similar income and family size.
- People will return to the same industry and same insurance coverage once they get their job back.
- Costs for new Medicaid enrollees are the same as existing enrollees with similar characteristics (e.g., children, parents, and childless adults). Our analysis uses state-specific monthly costs from 15 states covering 70 percent of all Medicaid enrollees.
- The public health emergency declaration ends no earlier than 4Q 2020.
- State-specific Medicaid disenrollment rates range from 1.5 percent to 5 percent per month.

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Figure 1: HMA Moderate Scenario, Estimated Source of Primary Health Insurance, 2020-2022

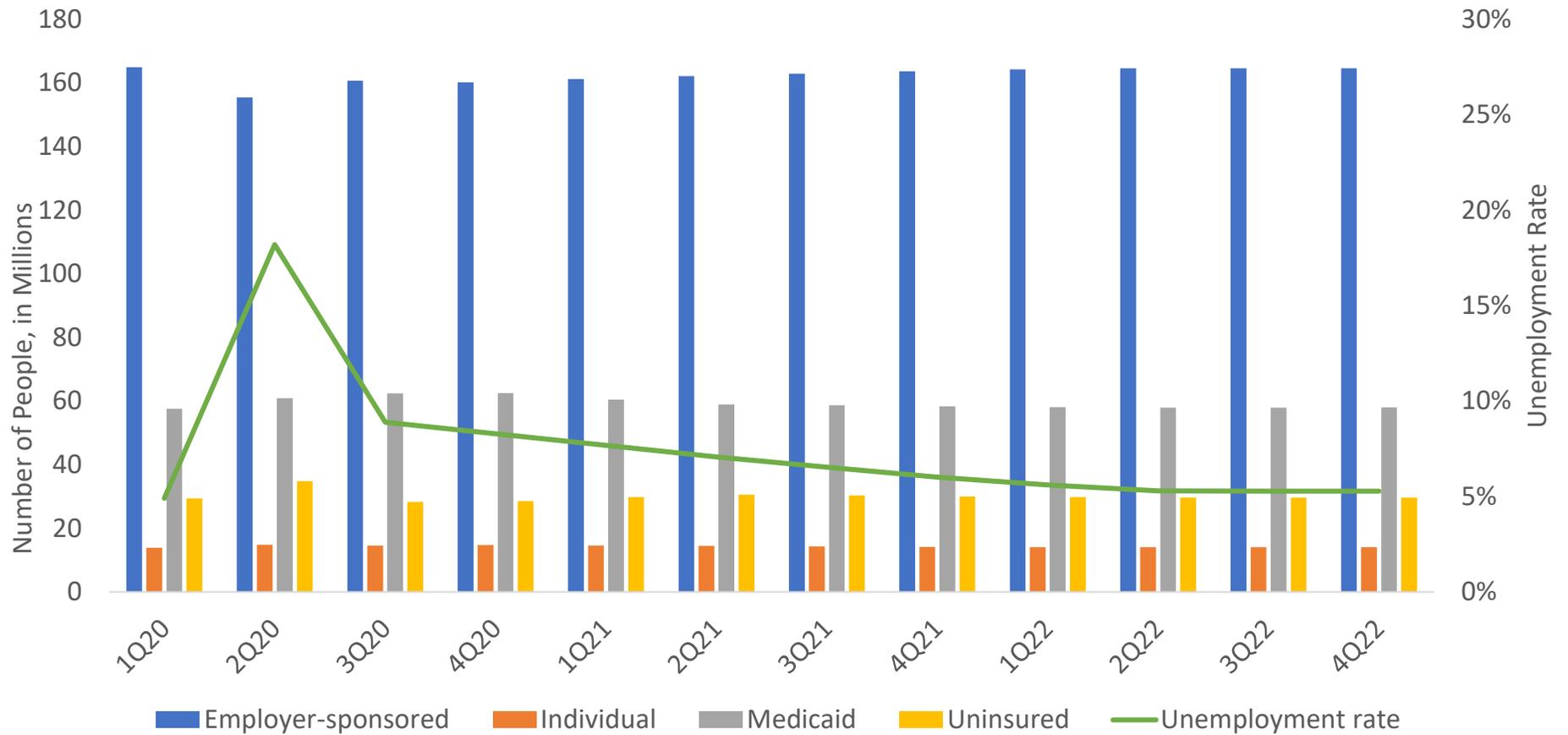


Figure 2: HMA Heavy Scenario, Estimated Source of Primary Health Insurance, 2020-2022

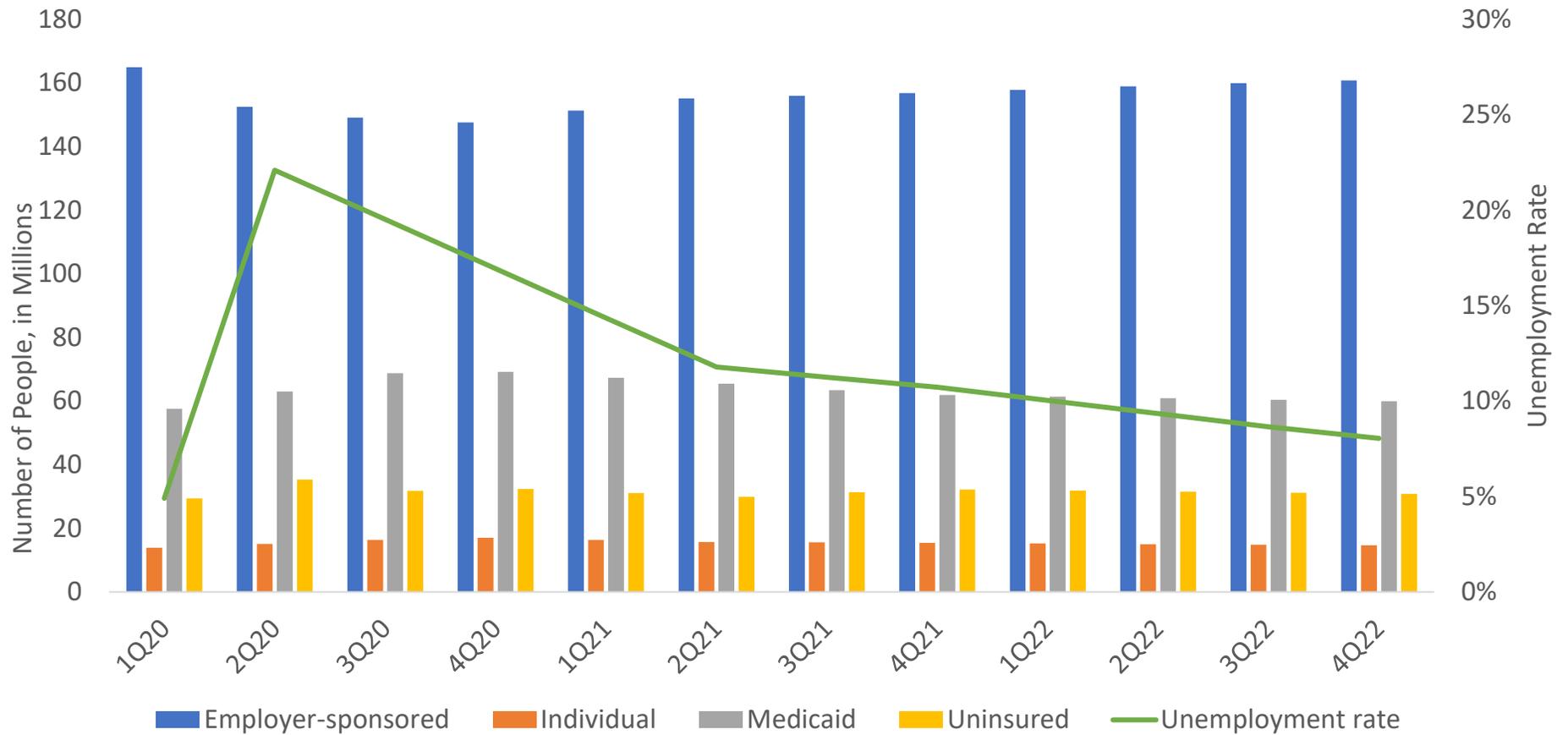


Figure 3: HMA Severe Scenario, Expected Source of Primary Health Insurance, 2020-2022

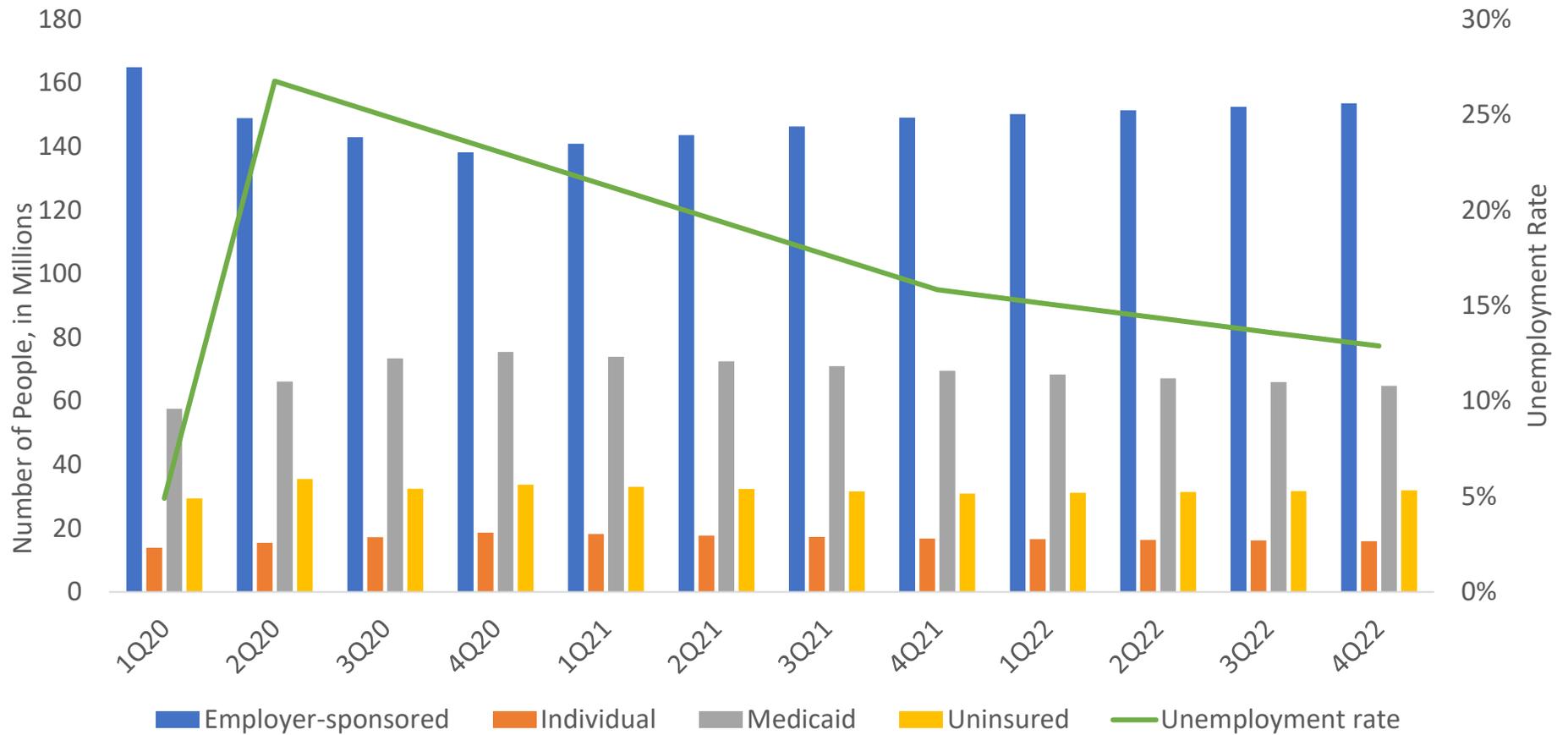
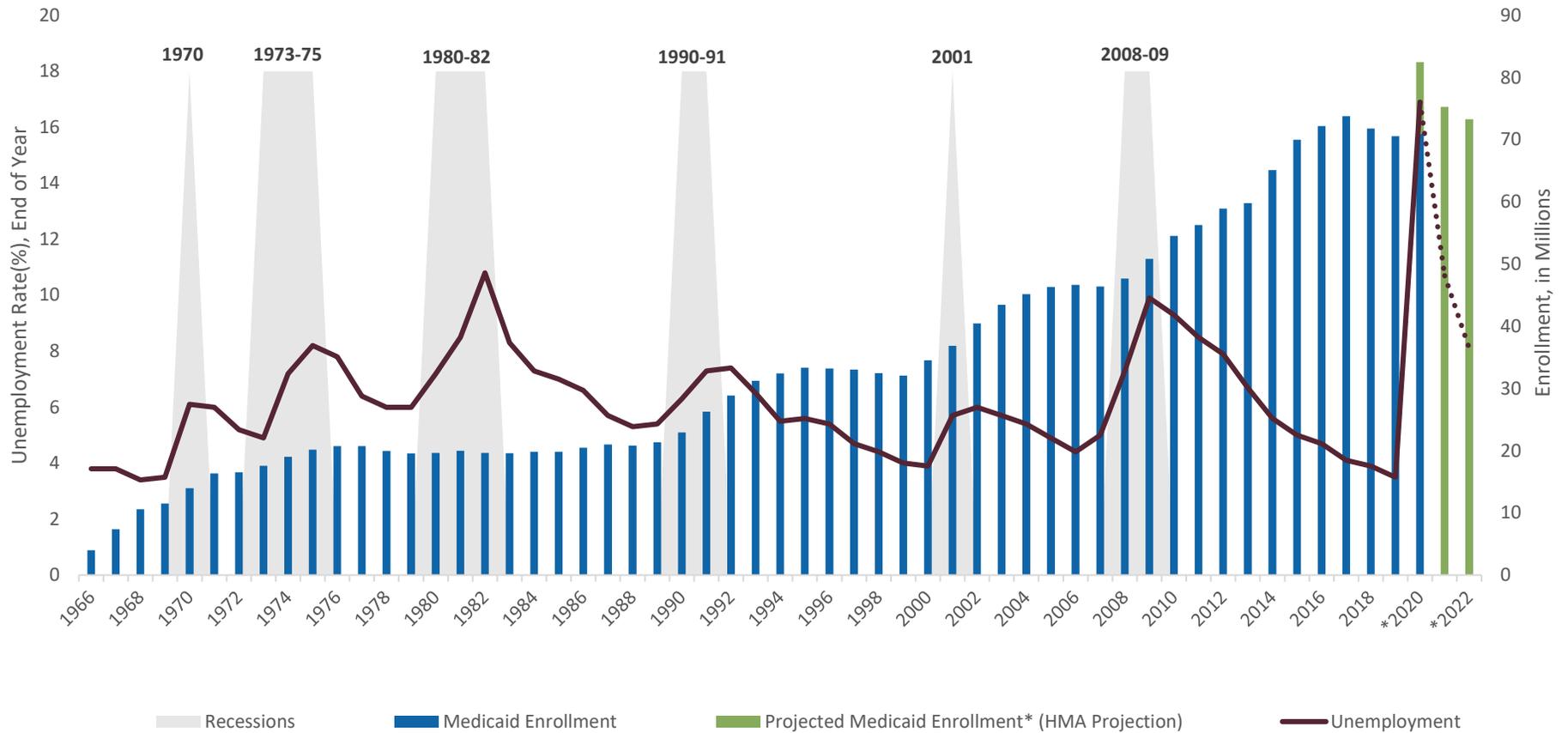


Figure 4: HMA Heavy Scenario - Annual Medicaid Enrollment and Unemployment Rate, 1966 - 2022



**Table 2: Estimated Cumulative Costs for New Medicaid Enrollment, CY20-CY22**

<i>(in millions)</i> State	Moderate Scenario		Heavy Scenario		Severe Scenario	
	Total	State	Total	State	Total	State
Alabama	\$230	\$53	\$805	\$192	\$1,619	\$394
Alaska	\$51	\$17	\$199	\$66	\$404	\$133
Arizona	\$498	\$91	\$1,588	\$292	\$3,244	\$604
Arkansas	\$175	\$32	\$605	\$114	\$1,253	\$241
California	\$1,646	\$490	\$6,175	\$1,846	\$13,003	\$3,895
Colorado	\$299	\$91	\$1,023	\$306	\$2,100	\$630
Connecticut	\$223	\$65	\$815	\$237	\$1,709	\$499
Delaware	\$78	\$19	\$271	\$67	\$555	\$139
District of Columbia	\$64	\$10	\$239	\$37	\$474	\$74
Florida	\$633	\$212	\$1,652	\$563	\$3,196	\$1,118
Georgia	\$518	\$148	\$1,854	\$544	\$3,687	\$1,100
Hawaii	\$164	\$53	\$685	\$225	\$1,432	\$469
Idaho	\$117	\$22	\$310	\$63	\$607	\$129
Illinois	\$380	\$116	\$1,420	\$440	\$3,003	\$932
Indiana	\$422	\$94	\$1,512	\$343	\$3,095	\$716
Iowa	\$179	\$42	\$730	\$172	\$1,511	\$360
Kansas	\$256	\$92	\$778	\$284	\$1,535	\$572
Kentucky	\$614	\$106	\$2,266	\$401	\$4,657	\$836
Louisiana	\$470	\$95	\$1,711	\$350	\$3,567	\$738
Maine	\$96	\$22	\$308	\$72	\$630	\$149
Maryland	\$407	\$125	\$1,319	\$406	\$2,727	\$849
Massachusetts	\$454	\$132	\$1,921	\$560	\$3,851	\$1,115
Michigan	\$582	\$121	\$2,277	\$481	\$4,779	\$1,014
Minnesota	\$425	\$129	\$1,633	\$495	\$3,341	\$1,016
Mississippi	\$146	\$26	\$464	\$86	\$914	\$176
Missouri	\$210	\$64	\$738	\$232	\$1,485	\$474
Montana	\$76	\$16	\$270	\$60	\$552	\$123
Nebraska	\$67	\$26	\$197	\$78	\$387	\$156
Nevada	\$333	\$77	\$1,272	\$298	\$2,643	\$620
New Hampshire	\$100	\$30	\$374	\$114	\$777	\$237
New Jersey	\$440	\$137	\$1,738	\$541	\$3,724	\$1,153
New Mexico	\$160	\$26	\$501	\$83	\$1,003	\$170
New York	\$1,541	\$470	\$5,538	\$1,688	\$11,318	\$3,457
North Carolina	\$336	\$95	\$1,057	\$305	\$2,095	\$618
North Dakota	\$33	\$10	\$112	\$36	\$229	\$74
Ohio	\$1,153	\$247	\$4,186	\$905	\$8,728	\$1,904
Oklahoma	\$241	\$56	\$755	\$179	\$1,511	\$367
Oregon	\$318	\$75	\$1,036	\$248	\$2,121	\$516
Pennsylvania	\$905	\$258	\$3,272	\$929	\$6,779	\$1,930
Rhode Island	\$93	\$25	\$406	\$111	\$832	\$228
South Carolina	\$195	\$49	\$683	\$176	\$1,374	\$361
South Dakota	\$27	\$10	\$153	\$58	\$169	\$65
Tennessee	\$176	\$52	\$596	\$180	\$1,195	\$368
Texas	\$770	\$259	\$1,963	\$670	\$3,798	\$1,333
Utah	\$132	\$29	\$367	\$84	\$727	\$172
Vermont	\$61	\$15	\$200	\$48	\$392	\$94
Virginia	\$395	\$127	\$1,207	\$405	\$2,449	\$829
Washington	\$470	\$150	\$1,584	\$502	\$3,274	\$1,039
West Virginia	\$146	\$23	\$492	\$79	\$997	\$164
Wisconsin	\$239	\$87	\$810	\$299	\$1,642	\$615
Wyoming	\$13	\$6	\$44	\$20	\$87	\$41
<b>Total</b>	<b>\$17,756</b>	<b>\$4,822</b>	<b>\$62,112</b>	<b>\$16,970</b>	<b>\$127,183</b>	<b>\$35,009</b>

Note: State costs do not include impact of FFCRA-enhanced FMAP on pre-COVID Medicaid enrollment