



CalSIM

California Simulation of Insurance Markets

The California Simulation of Insurance Markets (CalSIM) model is designed to estimate the impacts of various federal and state policies on employer decisions to offer insurance coverage and individual decisions to obtain coverage in California. It was developed by the UC Berkeley Center for Labor Research and Education and the UCLA Center for Health Policy Research.

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3.6 Million Californians Would Benefit if California Takes Bold Action to Expand Coverage and Improve Affordability

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California made historic gains in health insurance coverage under the Affordable Care Act (ACA), but several million Californians remain uninsured and many struggle to afford individual market insurance. If the state takes no action, the number of Californians uninsured is projected to increase to 4.4 million in 2023 due to the elimination of the individual mandate penalty as well as other trends such as premium growth, population growth, and changes in eligibility due to minimum wage increases.¹ Similarly, if the state takes no action the individual market is projected to be smaller and have a less healthy risk mix, resulting in higher premiums that would further reduce affordability.

Many California policymakers have expressed a desire and commitment to resist federal sabotage of the ACA, control health care costs, and achieve universal health care coverage. As the state explores ways to fundamentally redesign our health care delivery system—including by adopting a single payer or other unified public financing approach—state policymakers are also considering near-term policies that do not require federal approval but address the immediate challenges of improving affordability and expanding coverage. Options currently being considered include:

- Expanding Medi-Cal to all low-income California adults regardless of immigration status;²
- Providing robust help with individual market premium and out-of-pocket costs for those already eligible for ACA subsidies and eliminating the ACA eligibility cliff at four times the federal poverty level (FPL), as depicted in Exhibits 1 and 2 and outlined in the recent Covered California report to the legislature;³ and
- Implementing a state individual mandate penalty that mirrors the federal ACA penalty that was eliminated starting in 2019.

While the effects of these policy elements have been analyzed separately,⁴ this brief is the first to look at the combined effects on affordability and coverage.

Exhibit 1: Comparison of premium contribution caps for benchmark plan premiums under proposed policy and ACA

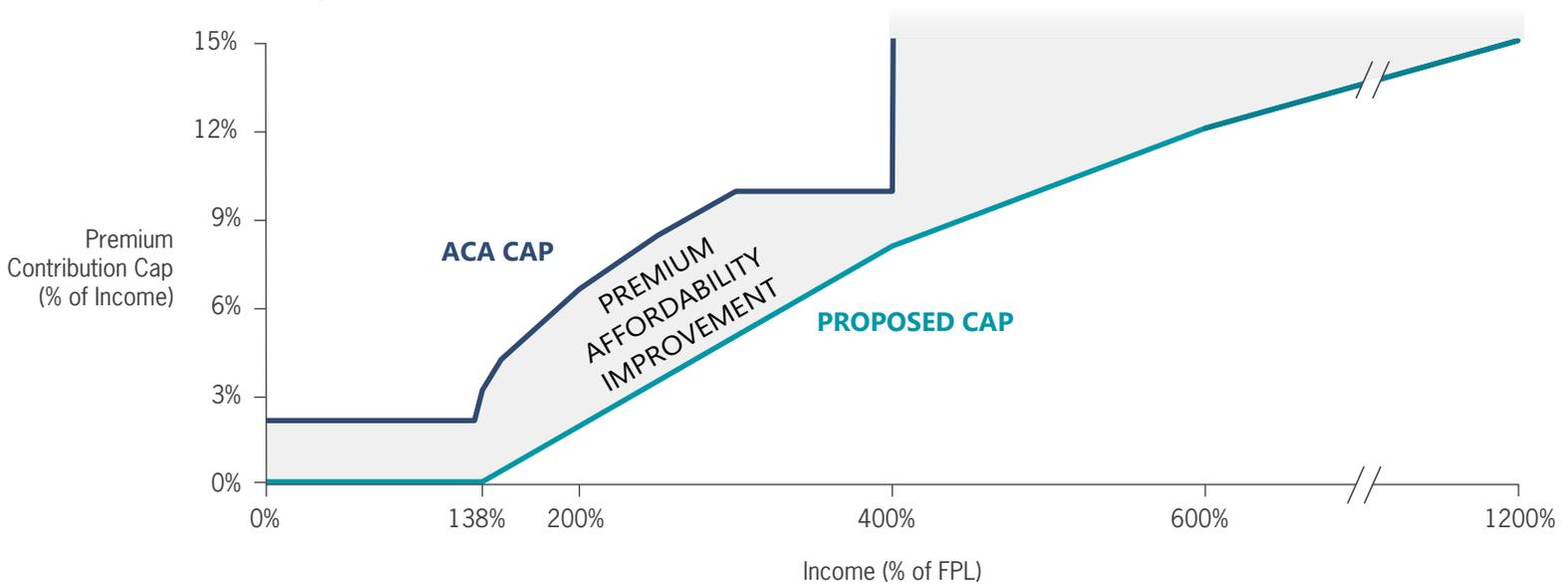
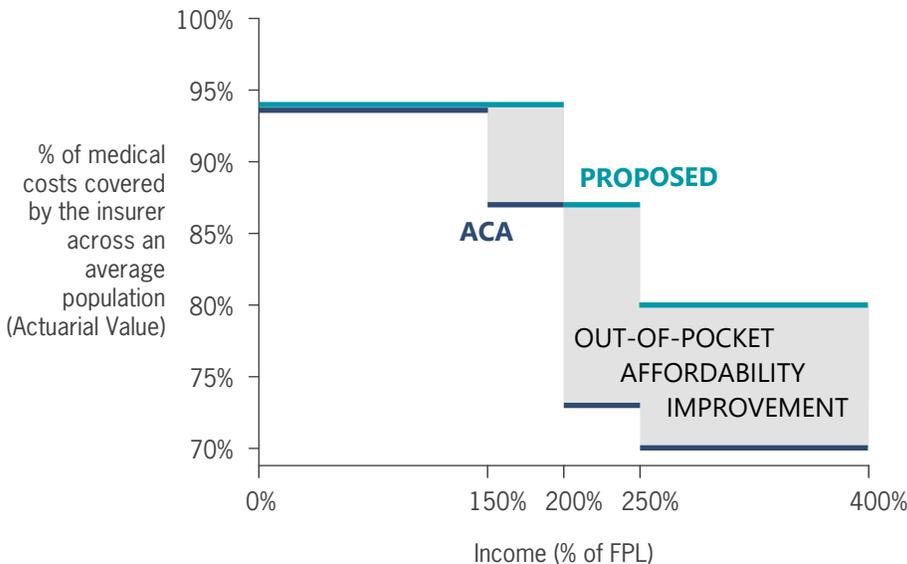


Exhibit 2: Comparison of assistance with out-of-pocket costs under proposed policy and ACA

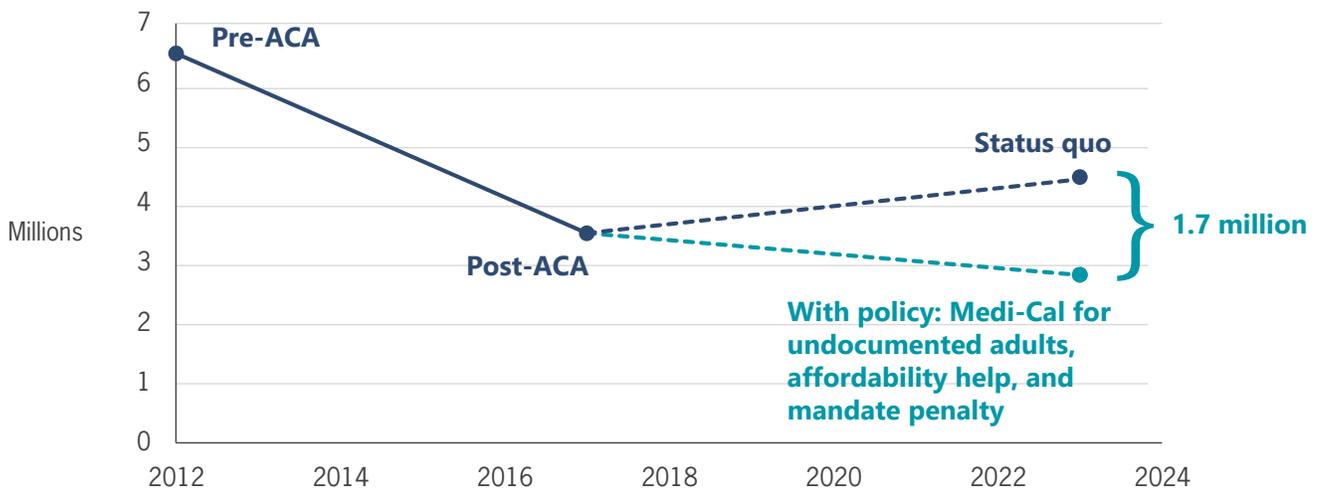


If these affordability improvements, along with Medi-Cal expansion and an individual mandate, were fully implemented by 2023, 3.6 million Californians would benefit, relative to projections if no action is taken. This includes 1.7 million Californians who would be enrolled in coverage instead of being uninsured in 2023, and 2.3 million people enrolled in the individual market who would either receive state assistance with health care costs or experience lower premiums. Approximately 400,000 Californians are counted in both totals—they would enroll in the individual market instead of being uninsured and would also benefit from lower costs, resulting in there being 3.6 million people who are better off relative to the status quo. These projections are based on version 2.4 of the UCLA-UC Berkeley California Simulation of Insurance Markets (CalSIM) model.⁵

State action would result in 1.7 million more Californians with insurance

- If the state took no action, we project the number of uninsured will rise to 4.4 million by 2023. If these policies were enacted, the number of uninsured Californians would fall by 1.7 million for a total of 2.7 million uninsured in 2023.

Exhibit 3: Millions of uninsured in California, 2012 - 2023



- The largest group gaining coverage would be low-income undocumented adults who would become eligible for full-scope Medi-Cal coverage. In addition, more people would enroll in individual market coverage due to improved affordability and the stabilizing effect of the individual mandate penalty. Reinstating a penalty is also expected to stabilize Medi-Cal enrollment, which is otherwise expected to decline.⁶
- These 1.7 million Californians would be disproportionately low-income (77% estimated to have income at or below 200% FPL) and Latino (67%). Continuing to close the coverage gaps for these groups would build on the ACA’s success in reducing coverage disparities in the state.⁷
- Health insurance matters: research has shown the value of health insurance for health, access to care, and financial security.⁸

2.3 million individual market enrollees would spend an average of 35% less on premiums

Premium contributions for the 2.3 million Californians projected to enroll in the individual market by 2023 under these policies would be, on average, 35% lower than individual market premium contributions for this group if no action were taken. Many would also have lower out-of-pocket costs for care. These 2.3 million include:

- **1.45 million** individual market enrollees who are eligible for federal subsidies (earning up to 400% FPL) but who still struggle with costs would get additional relief.
 - This group would pay no more than 0% to 8% of family income on premiums for a benchmark plan, compared to no more than 2.08% to 9.86% of income under current policy. **Premium contributions would decline an average of 48%**, a decrease averaging approximately \$70 per person per month for this group.⁹
 - Out-of-pocket costs would go down as everyone in this group would pay no more than the Gold-level out-of-pocket costs, approaching the norms for those with employer-sponsored insurance.¹⁰
 - This group would pay an average of 5% of family income in premium and out-of-pocket costs in the individual market, compared with an average of 9% of family income in the absence of these policies.
- **300,000** individual market enrollees with income above the ACA eligibility cliff (400% FPL) would receive financial help from the state so that they pay no more than 8% to 15% of family income on premiums for a benchmark plan.

A single full-time minimum wage worker in Los Angeles earning \$33,250 annually would go from paying approximately \$220 per month (8% of income) for a plan with a \$2,200 deductible to paying \$90 per month (3% of income) for a plan with no deductible.

A 60-year old married couple from San Mateo County earning \$84,000 (approximately 450% FPL in 2023) would go from having to pay \$3,350 in total premiums per month (close to 50% of income) to paying \$630 per month (9% of income) toward premiums for the benchmark plan.

- **Premiums for this group would decline by an average of 59%**, creating savings of approximately \$440 per person per month.
- Improved premium affordability is expected to increase enrollment in plans that require less out of pocket spending.¹¹
- This group would pay an average of 9% of family income in premium and out-of-pocket costs in the individual market, compared with 19% in the absence of these policies.

- **560,000** individual market enrollees would benefit from lower premiums due to a healthier risk mix in the individual market, even though they would not be eligible for federal or state subsidies in 2023.¹²
 - **Premiums are projected to be 10% lower** than they would be without the individual mandate penalty and without the extra affordability help as both policies would entice more healthy individuals to enroll.
 - Given lower premiums, some enrollees are expected to opt for more generous, higher value plans with lower out-of-pocket costs. As a result, we project that premiums for this group would on average be \$35 lower per month.

A single 40-year old in Sacramento earning \$83,000 (approximately 600% FPL in 2023) would go from paying \$680 in premiums per month to \$610 in premiums per month for a benchmark plan, a savings of over \$800 per year.

Exhibit 4. Average individual market premium contribution reductions under proposed policy, 2023

Individual market enrollees grouped by type of assistance	Average premium contribution reductions
1.45 million would receive state premium assistance that builds on ACA subsidies, many would also get help with out-of-pocket costs	48%
300,000 with income above the ACA eligibility cliff would receive state assistance that limits premium spending based on income	58%
560,000 not eligible for state assistance would see lower premiums due to a healthier risk mix in individual market	10%
Total: 2.3 million individual market enrollees	35%

California has the opportunity to build on its successes implementing the ACA by continuing to cover more Californians and providing greater relief from the high costs that some still experience with individual market coverage. If the state takes no action, we project that the number of uninsured will increase to 4.4 million by 2023 and the lack of an individual mandate penalty will increase premiums by an additional 8%.¹³ If, however, the set of policies being proposed were fully implemented by 2023, the state would be able not only to maintain the progress realized under the ACA, but also to make substantial improvements in both coverage and affordability, providing relief to 3.6 million Californians. Furthermore, these policies would reduce coverage disparities that exist for undocumented immigrants, Latinos, and the lowest income Californians.

While other states have implemented some elements of this set of policies,¹⁴ California could be the first to expand full-scope Medicaid coverage to undocumented adults and the first to cap premium contributions based on income for *all* individual market enrollees. Even as California explores options for more extensive health system reforms, including how to attain federal approval, the Golden State can be a model for other states by helping more Californians gain more affordable coverage now.

Technical Appendix: Modeling assumptions and details

- We assume that the effect of a state mandate penalty on enrollment is the same as if the federal penalty had been in place. While the effect may phase in over time, we assume that by 2023 the full effect on enrollment would be evident. We model the effect of the mandate on enrollment as mostly psychological and only partially related to the actual dollar value of the penalty that a person would owe, or even whether that person would technically owe a penalty at all.
- Our model suggests that eliminating the individual mandate penalty results in approximately 8% higher premiums in the individual market than if the penalty had not been eliminated—the 3.5% average increase in premiums due to penalty elimination that is already reflected in 2019 rates,¹⁵ plus an additional 4.5% in future years. With a reinstated individual mandate penalty, the policies to provide state premium and cost sharing support that we model in this report result in an additional reduction in premiums in the individual market of approximately 2%.
- Calculations of individual market savings compare what individual market enrollees are projected to pay in 2023 under the policy to what they are projected to have paid had they been enrolled in the individual market under the status quo scenario.
- CalSIM does not project macroeconomic changes like recessions, but we do model scheduled increases in state and local minimum wages. We do not model the chilling effect on Medi-Cal enrollment from the proposed federal public charge rule, though this effect could substantially decrease enrollment.¹⁶
- Our model focuses on the non-elderly population (under age 65). However, there are very few elderly uninsured; the California Health Interview Survey (CHIS) suggests 1% or less of the elderly population in California is uninsured—fewer than 50,000 people. Therefore, our total projections for the number of non-elderly uninsured are roughly equivalent to projections for the total number of uninsured.
- CalSIM numbers of uninsured are different from survey-based estimates of the uninsured.
 - Undocumented California adults with restricted-scope Medi-Cal may report being uninsured or having Medi-Cal to CHIS and other surveys. Undocumented adults who report having Medi-Cal are presumed to have restricted-scope Medi-Cal because they are generally not eligible for full-scope Medi-Cal under current policy. For this reason, CalSIM considers all undocumented adults who currently report having Medi-Cal on surveys as uninsured. For more details, see Appendix C of Dietz et al., November 2018.
 - Survey totals for Medicaid are always lower than administrative totals, in large part because many people who are recorded as having Medicaid fail to report it to surveys.
- Who are the 1.7 million more Californians who would gain insurance coverage? How does this compare with earlier analyses of each policy separately?
 - There would be 700,000 fewer uninsured because of reinstating the individual mandate penalty. This consists of 250,000 covered in the individual market, 380,000 in Medi-Cal, and 70,000 in employer coverage. These numbers are slightly different from those reported in our November 2018 report (which used an older version of CalSIM).
 - 800,000 otherwise uninsured undocumented adults would gain coverage through Medi-Cal. Another 100,000 undocumented who would otherwise be enrolled in employer or individual market coverage are projected to enroll in Medi-Cal, for a total of 900,000 enrolled undocumented adults. This projection of enrollment is lower than other estimates that rely heavily on administrative data,¹⁷ in part because survey totals for Medicaid are almost always lower than administrative totals. We do not incorporate any reduction in enrollment due to the proposed public charge rule.
 - 200,000 would take up coverage in the individual market as a result of state premium and cost sharing support, assuming the individual mandate penalty is in place. Our estimate for the effect of this extra affordability assistance in the absence of an individual mandate penalty is 240,000—close to the estimates from Covered California under a similar scenario (290,000 increase in the individual market under option 1).

Endnotes

- 1 This projection uses the latest version of our CalSIM model, version 2.4. Prior projections published in November 2018 using version 2.2 were in a similar range. Miranda Dietz et al., "California's Health Coverage Gains to Erode Without Further State Action" (UC Berkeley Center for Labor Research and Education and UCLA Center for Health Policy Research, November 27, 2018), <http://laborcenter.berkeley.edu/ca-coverage-gains-to-erode-without-further-state-action/>.
- 2 Laurel Lucia, "Towards Universal Health Coverage: Expanding Medi-Cal to Low-Income Undocumented Adults" (UC Berkeley Center for Labor Research and Education, February 5, 2019), <http://laborcenter.berkeley.edu/medi-cal-undocumented-adults/>.
- 3 A full description can be found in the description of "Option 1" in Covered California, "Options To Improve Affordability In California 's Individual Health Insurance Market," February 1, 2019, https://hbex.coveredca.com/data-research/library/CoveredCA_Options_To_Improve_Affordability.pdf.
- 4 For analysis of the individual mandate, see Dietz et al., 2018. For analysis of the individual market affordability policies, see option 1 of Covered California, 2019. For analysis of expanding Medi-Cal to undocumented adults, see Lucia, 2019. Comparison between this analysis and these separate analyses can be found in the technical appendix to the brief.
- 5 CalSIM version 2.4. More information on CalSIM can be found at <http://calsim.org>.
- 6 For more on the projected effect of the individual market penalty, see Dietz et al., 2018.
- 7 Tara Becker, "ACA Reduces Racial/Ethnic Disparities in Health Coverage," Issue Brief (California Health Care Foundation and UCLA Center for Health Policy Research, October 2018), <https://www.chcf.org/wp-content/uploads/2018/10/ACAReducesDisparities.pdf>.
- 8 See pages 7-8 in Lucia, 2019.
- 9 Actual decreases would vary based on consumer income and plan selection. This is the average benefit to projected enrollees, both those enrolled in the individual market under both scenarios, and the benefit to new enrollees compared to what they would have paid had they been enrolled in the same individual market plan under the status quo.
- 10 Additional cost-sharing-reduction subsidies would make the benchmark plan Gold (rather than Silver for the population under 400% FPL). More than 90% of Californians with a fully-insured employer-sponsored insurance plan have a Gold plan or better. California Department of Managed Health Care, "Public Meeting on Large Group Aggregate Rates and Prescription Drug Costs," (March 12, 2019), <https://www.dmhc.ca.gov/Portals/0/Docs/DO/SB546SB17publicmeetingpresentation.pdf>.
- 11 Covered California, 2019.
- 12 Most would be ineligible for subsidies because their premium costs for a benchmark plan fall below the threshold to get subsidies. Others may be ineligible for subsidies because they have another offer of coverage, or because they are undocumented.
- 13 Dietz et al., 2018.
- 14 Massachusetts, New Jersey, Vermont, and Washington DC have a state-level individual mandate penalty; Massachusetts and Vermont offer additional premium and cost sharing subsidies to lower-income individual market enrollees.
- 15 Covered California, "Covered California Releases 2019 Individual Market Rates: Average Rate Change Will Be 8.7 Percent, With Federal Policies Raising Costs," July 19, 2018, <https://www.coveredca.com/newsroom/news-releases/2018/07/19/Covered-California-Releases-2019-Individual-Market-Rates-Average-Rate-Change-Will-Be-8-7-Percent-With-Federal-Policies-Raising-Costs/>.
- 16 Ninez A. Ponce, Laurel Lucia, and Tia Shimada, "Proposed Changes to Immigration Rules Would Cost California Jobs, Harm Public Health" (UCLA Center for Health Policy Research, UC Berkeley Labor Center, and California Food Policy Advocates, December 2018), <https://healthpolicy.ucla.edu/publications/search/pages/detail.aspx?PubID=1789>.
- 17 See, for example, scenario 1 in Lucia, 2019.

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