



## Issue Brief

# Hanging On to Coverage? Millions of Californians Have Lost Jobs During the COVID-19 Pandemic. Did They Also Lose Insurance?

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## Summary

Millions of Californians lost jobs during the COVID-19 pandemic. But early information from California's insurance regulators suggests that — at least through June — the number of Californians with job-based health insurance has not changed as dramatically as feared. This may partially help explain why the state's Medicaid program, Medi-Cal, has not yet experienced a big surge in enrollment.

Specifically, employment levels in June were 13.9% below pre-pandemic levels, with 2.6 million Californians having lost their jobs.<sup>1</sup> But, contrary to worst-case scenarios, our analysis showed that enrollment in employer-sponsored insurance (ESI) was down only 1.0%, about 190,000 enrollees, as of June 30. Many projections earlier this year suggested we might see close to two to three million Californians losing employer-sponsored insurance by this time.<sup>2</sup>

## Background

Job-based coverage is the most common form of health insurance in California, with 18.0 million workers and family members enrolled at the end of 2019, according to figures reported by insurers to California regulators — the Department of Managed Health Care (DMHC) and the California Department of Insurance (CDI).<sup>3</sup>

To begin to assess the impact of the COVID-19 pandemic on insurance coverage, this analysis compared enrollment at the end of the second quarter (June 30, 2020) with enrollment at the end of the first quarter

(March 31, 2020). (While some workers lost jobs due to the pandemic in March, most coverage for this group would have remained in force until the end of the month.)

## Fewer Lose Job-Based Coverage Than Predicted

The ESI enrollment decline of 190,000 (1.0%) in the second quarter was a mere fraction — less than one-tenth — of the reductions in ESI that might have been expected given the massive job losses in the state. The rates of decline in small groups (1.2%) and large groups (0.9%) were similar. Enrollment in the individual market and in Medi-Cal rose during the period, offsetting job-based coverage declines. Medi-Cal enrollment rose by 242,000 (1.9%).<sup>4</sup> Individual market enrollment rose by nearly 50,000 enrollees (2.2%) over March.

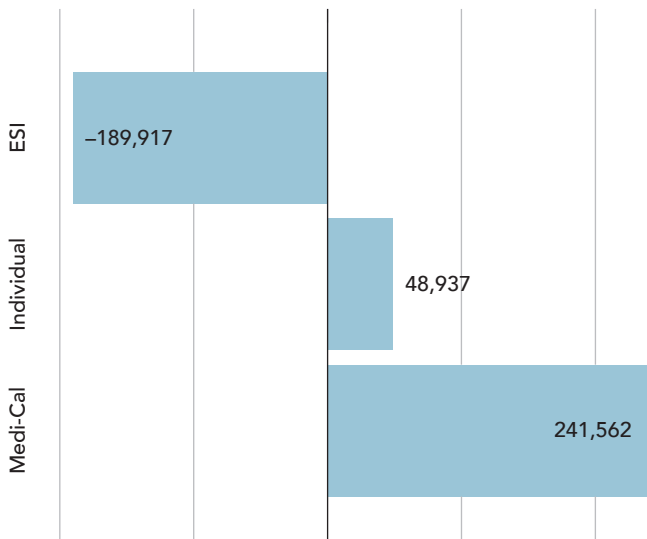
## Possible Factors

A collection of factors may explain why there has been relatively little decline in employer-sponsored coverage through June. Together they may help explain the gap between earlier projections and the actual enrollment decline to date. These factors include:

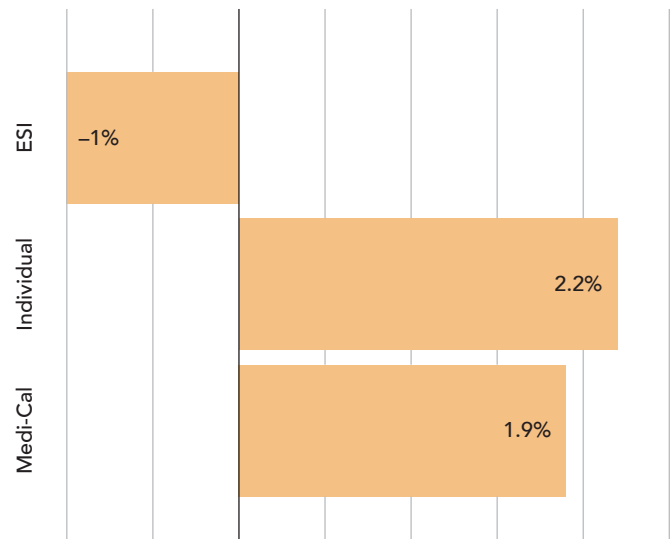
- ▶ **Health benefits extended:** Some employers reportedly continued health insurance benefits for workers when they furloughed them. National research published by The

## Chart. Changes in California Health Insurance Enrollment, Second Quarter 2020

ENROLLMENT CHANGE



PERCENTAGE CHANGE



Notes: ESI is employer-sponsored insurance (group coverage and self-insured coverage, where employers contract for administrative services only). Medicare not shown.

Sources: Author estimates of statewide ESI and individual enrollment. Estimates based on DMHC enrollment at first- and second-quarter ends, 2020, and extrapolation of CDI December 2019 enrollment forward, by applying the rates of change from DMHC enrollment. (Additional details in Methods section.) *Health Plan Financial Summary Report (2019–20)*, DMHC; *California Health Insurance, Enrollment, 2020 — Data*, CHCF; and *Statewide Medi-Cal Certified Eligibles (2010 to August 2020)*, DHCS.

Commonwealth Fund found that, of those who said they or a spouse or partner had coverage through a job that was lost or from which they were furloughed during COVID-19, more than half (53%) said they or their spouse still had job-based coverage through a furloughed job as of late May.<sup>5</sup> In interviews with researchers at the Urban Institute and Georgetown University in mid-April through early June, “insurers described a ‘hold-on mentality,’ with some of their employer clients having a ‘degree of optimism that the lock down will lift and there will be a return toward normalcy....’ Many employers have embraced the concept of ‘furloughing’ staff, meaning they are no longer on payroll but are allowed to maintain benefits, including eligibility for the group health plan.”<sup>6</sup> Similarly, the impact of the Paycheck Protection Program (PPP) is not yet fully understood but could have played a role in maintaining ESI among some businesses.<sup>7</sup> As unemployment drags on, furloughed workers currently receiving benefits remain at risk for losing coverage.

- ▶ **Workers paying for COBRA coverage extensions:** Workers may have elected to enroll in COBRA coverage when laid off. Fear of the virus and access to additional federal employment benefits (\$600/week) may have enabled some who lost jobs to pay their COBRA premiums and retain their group insurance. Nationally, of those who said they or a spouse or partner had coverage through a job that was lost or from which they were furloughed during COVID-19, approximately 10% reported they or their spouse or partner had enrolled in COBRA or planned to enroll in COBRA in late May.<sup>8</sup>
- ▶ **Job loss more concentrated among sectors less likely to provide coverage:** While all sectors of the economy lost jobs,<sup>9</sup> job loss has been more prevalent in sectors and occupations less likely to provide ESI. While projections for ESI losses made earlier this year sought to take this into account, it is possible that actual job loss may have been even more concentrated in sectors and occupations less likely to have job-based coverage than

assumed. While this may account for some of the difference between the projections and the current numbers, the magnitude of difference suggests this cannot be the sole reason.<sup>10</sup>

- **Workers retaining coverage through spouse/partner:** Some workers losing their own job-based coverage could get coverage through their partner’s or spouse’s job-based coverage. While some projections also sought to account for this, the number of workers who could retain coverage this way may have been underestimated.

## Medi-Cal Trajectory Reversed as Enrollment Offsets Job-Based Insurance Loss

Medi-Cal’s second-quarter expansion, though moderate, was noteworthy because it followed eight straight quarters of enrollment declines. The size of the second-quarter Medi-Cal increases roughly offset the ESI enrollment reductions. California’s policy of delaying annual eligibility redeterminations until the end of the public health emergency likely contributed to the Medi-Cal enrollment growth in the second quarter.<sup>11</sup>

However, California’s percentage increase in Medicaid enrollment between February and June was one of the lowest rates of increase observed among states, with some states experiencing enrollment increases as high as

10% during this time period.<sup>12</sup> At the same time, the available data indicate that the lower-than-projected decline in ESI enrollment has been a national trend,<sup>13</sup> suggesting the need to continue to better understand all of the factors affecting recent Medi-Cal enrollment totals in this state.

## Individual Enrollment Grew, with More Enrollees Coming from Job-Based Coverage

The individual market’s second-quarter expansion of nearly 50,000 enrollees (2.2%) was an unusual event. Typically, individual enrollment declines gradually throughout the year because special enrollments (permitted outside of the usual fall open enrollment season, for life events such as employment loss or relocation) are outpaced by ongoing attrition. California’s health exchange, Covered California, which enrolls more than 60% of the state’s individual market participants, has maintained a COVID-19 special enrollment period (SEP), providing expanded opportunities to enroll outside the standard open enrollment period. Covered California examined new enrollments and terminations during the SEP and found that reduced availability of job-based coverage was behind many enrollment shifts.<sup>14</sup> Covered California reported that the majority of signups were now due to loss of job-based coverage, that fewer signups came from Medi-Cal, and that when individuals left Covered California, fewer left for job-based coverage than before and more went uninsured or to Medi-Cal.

**Table. Statewide Health Insurance Enrollment: Second-Quarter 2020 Changes in Enrollment, March 31 to June 30**

	Enrollment Levels		Quarterly Change (March to June)	
	March 31	June 30	Enrollment	Percentage
<b>Employer-Sponsored Insurance (ESI)</b>	18,360,157	18,170,240	(189,917)	-1.0%
- Group ESI	12,501,578	12,380,579	(120,999)	-1.0%
- Self-Insured ESI (ASO)	5,858,579	5,789,661	(68,918)	-1.2%
<b>Individual</b>	2,269,165	2,318,102	48,937	2.2%
<b>Medi-Cal</b>	12,447,514	12,689,076	241,562	1.9%

Notes: ASO refers to administrative services only provided to self-insured employers. Not shown: Medicare enrollment.

Sources: Author estimates of statewide ESI and individual enrollment. Estimates based on DMHC enrollment at first- and second-quarter ends, 2020, and extrapolation of CDI December 2019 enrollment forward, by applying the rates of change from DMHC enrollment. (Additional details in methods section.) *Health Plan Financial Summary Report (2019–20)*, DMHC; *California Health Insurance, Enrollment, 2020 — Data*, CHCF; *Statewide Medi-Cal Certified Eligibles (2010 to August 2020)*, DHCS.

## Looking Ahead

These data suggest that by the end of June, California had not experienced reductions in ESI coverage of the magnitude predicted by many. While it is a relief that losses were not as large as predicted, more losses may lie ahead.

Californians losing coverage through their jobs may face many difficulties at a time when access to affordable health care is critical, and while they face many other COVID-19-related hardships. The Affordable Care Act and California state policies have improved coverage options for those without employer-sponsored coverage, but potential difficulties for those losing coverage could include disruptions to care and provider relationships, barriers to eligibility based on immigration status, challenges enrolling in or affording other sources of coverage, or even becoming uninsured.

More research and different data points are needed to help us better understand more about Californians losing their job-based coverage; for example, among which occupations, geographies, racial and ethnic groups, and income levels are losses most concentrated? What was their experience in seeking other types of coverage, and if they remain uninsured, which are the largest barriers to coverage? This research and data will be particularly important for understanding transitions to Medi-Cal given that the increase in Medicaid enrollment in California has not been as large as in most other states.

These data reflect one point in time during an evolving situation, with health coverage levels dependent on how the pandemic and the economic repercussions continue

to unfold, employer responses, and the extent to which the federal government provides support for workers, businesses, and states. This data project will continue to track insurance levels, examining quarterly enrollment data as they become available. Other measures, as they emerge, will also help explain enrollment dynamics.

## Methods and Data Sources

To gauge midyear enrollment levels in job-based and individual insurance, the quarter-end enrollment figures for DMHC-regulated health plans in 2020 were reviewed.<sup>15</sup> Enrollment is a snapshot as of the quarter-end date, typically March 31, June 30, September 30, and December 31. In this discussion, enrollment is referred to either by these dates or respectively as the first-, second-, third-, and fourth-quarter enrollment.

While CDI does not publish quarterly enrollment, its enrollment levels for March 31 and June 30 were estimated by applying the DMHC market-specific rates of change to CDI's year-end enrollment.<sup>16</sup> In the final step, DMHC and CDI enrollment were summed by market (group, ASO, and individual) to yield statewide enrollment estimates for the end of the first and second quarters of 2020.

Medi-Cal enrollment reflects the California Department of Health Care Services, Research and Analytic Studies Division, [Statewide Medi-Cal Certified Eligible Individuals](#), 2010 to August 2020 series, which includes both fee-for-service and managed care enrollment.

## Endnotes

1. Local Area Unemployment Statistics, California, Statewide, Series ID LASST060000000000003, Bureau of Labor Statistics (BLS), extracted on September 17, 2020. Of these, 1.9 million were non-farm payroll jobs, which were more likely to have included employer-sponsored health insurance. State and Area Employment, Hours, and Earnings, California Statewide, Total Nonfarm, 2010 to July 2020, Series ID SMS0600000000000001, BLS. Unemployment includes both lost and furloughed jobs.
2. See, for example: Rachel Garfield et al., [“Eligibility for ACA Health Coverage Following Job Loss,”](#) Kaiser Family Foundation, May 13, 2020; Bowen Garret and Anuj Gangopadhyaya, [How the COVID-19 Recession Could Affect Health Insurance Coverage,](#) Robert Wood Johnson Foundation, May 2020; Ezra Golberstein et al., [Estimates of the Impact of COVID-19 on Disruptions and Potential Loss of Employer-Sponsored Health Insurance \(ESI\) \(PDF\),](#) State Health Access Data Assistance Center, April 2020; and Laurel Lucia et al., [“Health Coverage of California Workers Most at Risk of Job Loss Due to COVID-19,”](#) UC Berkeley Labor Center and UCLA Center for Health Policy Research, May 8, 2020.
3. Katherine Wilson, [“Data Show 2019 California Health Insurance Enrollment Struck a Balance,”](#) *The CHCF Blog*, July 31, 2020.
4. To provide a more complete picture, change in total Medi-Cal enrollment is based on DHCS reporting, which includes both fee-for-service and managed care enrollment. Regulators report only managed care Medi-Cal enrollment. Note that DHCS and regulator data were relatively consistent in that both reported modest increases in Medi-Cal managed care.
5. Sara R. Collins et al., [“An Early Look at the Potential Implications of the COVID-19 Pandemic for Health Insurance Coverage,”](#) The Commonwealth Fund, June 23, 2020.
6. Kevin Lucia et al., [The COVID-19 Pandemic: Insurer Insights Into Challenges, Implications, and Lessons Learned,](#) Robert Wood Johnson Foundation, June 2020.
7. Leemore S. Dafny et al., [“How Has Covid-19 Affected Health Insurance Offered by Small Businesses in the U.S.? Early Evidence from a Survey,”](#) *New England Journal of Medicine Catalyst Innovations in Care Delivery*, August 14, 2020.
8. Sara R. Collins et al., [“An Early Look at the Potential Implications of the COVID-19 Pandemic for Health Insurance Coverage,”](#) The Commonwealth Fund, June 23, 2020.
9. [“Economy at a Glance: California,”](#) Bureau of Labor Statistics, extracted September 18, 2020.
10. Lucia et al., “Health Coverage.” For example, a study by the UC Berkeley Labor Center and UCLA Center for Health Policy Research estimated that 35% of California workers in industries at highest risk of job losses had coverage from their own jobs before the pandemic, and that 9 dependents would lose coverage for every 10 workers losing job-based coverage, yielding an estimate of 1.7 million losing coverage with 2.6 million Californians losing jobs. If, for example, only 20% of people losing jobs had job-based coverage, closer to 1 million Californians would be expected to lose coverage, still significantly more than the 190,000 reduction in enrollment by the end of June.
11. Sandra Williams (chief, Medi-Cal Eligibility Division) to all county welfare directors and administrative officers and Medi-Cal program specialists/liaisons, Information Letter I 20-14 (PDF), May 29, 2020.
12. [Medicaid and CHIP Enrollment Trends Snapshot through June 2020 \(PDF\),](#) Centers for Medicare & Medicaid Services, September 2020.
13. Anuj Gangopadhyaya et al., [“As the COVID-19 Recession Extended into the Summer of 2020, More Than 3 Million Adults Lost Employer-Sponsored Health Insurance Coverage and 2 Million Became Uninsured \(PDF\),”](#) Urban Institute, September 2020.
14. [Coverage When You Need It: Lessons from Insurance Coverage Transitions in California’s Individual Marketplace Pre and Post the COVID-19 Pandemic \(PDF\),](#) Covered California, September 22, 2020.
15. [“Health Plan Financial Summary Report” \(2019–20\),](#) DMHC, n.d.
16. At year-end 2019, DMHC accounted for 11.5 million (92%) of all group enrollees and 0.8 million (14%) of all ASO enrollees, for a total of 12.3 million (68%) of the state’s 18.0 million ESI enrollees; CHCF, [2020 Edition — California Health Insurance Enrollment,](#) July 2020.