



by Katherine Wilson, Wilson Analytics

Unexpected Growth in California Health Insurance During COVID-19 Recession

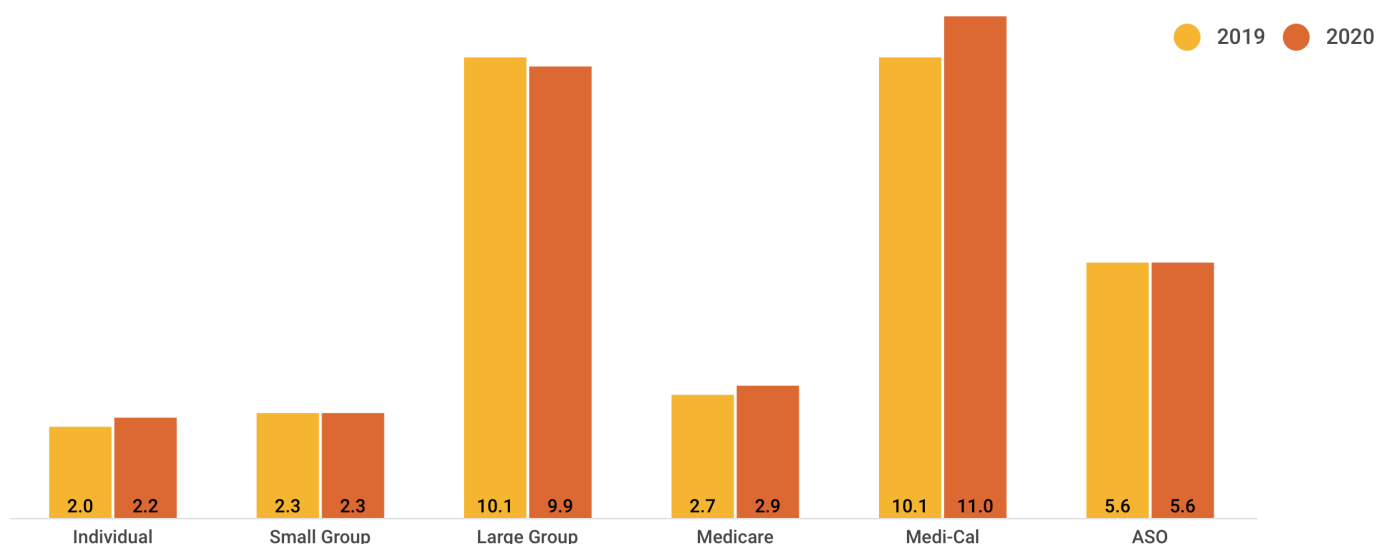
Medi-Cal and Individual Market Growth Led the Way, While Employer-Sponsored Coverage Dipped Only Slightly

New data released by the state’s Department of Managed Health Care and the California Department of Insurance show that — despite job losses — total health insurance enrollment in the pandemic year 2020 increased by over one million (3.3%) (see Figure 1).¹ These findings, based on figures through December 2020, confirmed and extended the midyear look at enrollment dynamics in *Hanging On to Coverage?*

The impressive 2020 enrollment gains were driven mainly by growth in Medi-Cal managed care and to a lesser extent by increases in individual coverage and Medicare managed care. State and federal policies designed to help people get and keep coverage during the pandemic were important factors in the growth in both the Medi-Cal and individual markets. Enrollment declines among employer-sponsored insurance were smaller than job losses might have predicted.

Detailed California enrollment resources, including a quick reference guide and a statewide California Health Insurance Enrollment data file, are available on the [California Health Insurance Enrollment Almanac](#) page.

Figure 1. California Health Insurance Enrollment, by Market, 2019 vs. 2020 (in millions)



Notes: Medicare and Medi-Cal enrollment reflect managed care only. ASO is administrative services only, provided to self-insured employers. Enrollment is as of December.

Sources: *Enrollment Summary Report (2019–20)*, Department of Managed Health Care (DMHC); and *Health Insurance Covered Lives Report (2019–20)*, California Department of Insurance (CDI).

Medi-Cal Managed Care Enrollment Surges as Feds and State Halt Medicaid Terminations During Public Health Emergency

In contrast to 2018 and 2019 declines, data from state regulators show that Medi-Cal managed care expanded in 2020 by 9.2% (927,300), reaching 11.0 million enrollees (see Figure 2). The Medi-Cal surge was also documented in California Department of Health Care Services (DHCS) reporting,² which showed that Medi-Cal’s 2020 growth began in April, the first month following the declaration of the COVID-19 public health emergency (PHE) on March 16, 2020.

The steady growth in Medi-Cal was not driven by an increase in new enrollments, as might be expected during an economic downturn. In fact, [new Medi-Cal enrollments in 2020 \(PDF\)](#) were lower than in 2019.³ Instead, overall Medi-Cal enrollment expanded because federal and state policies halted annual eligibility redeterminations during the PHE to ensure continuous Medicaid coverage.⁴ Ordinarily, in nonpandemic times, about 104,000 enrollees per month would lose Medi-Cal coverage during the annual renewal process, according to state budget documents.⁵ With this process halted, Medi-Cal enrollment climbed steadily during 2020.

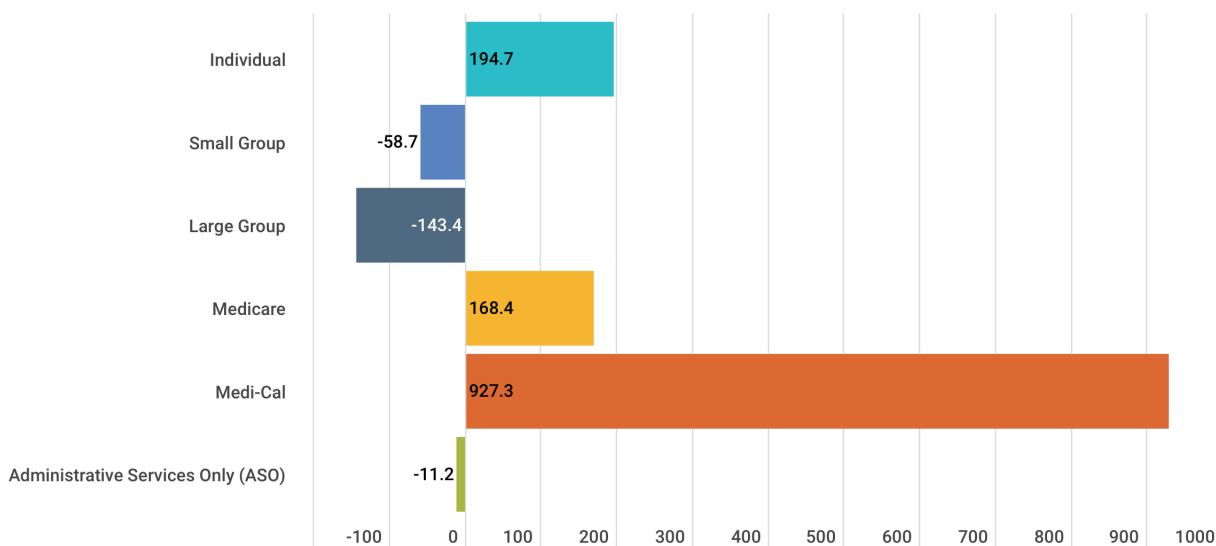
Individual Enrollment Up Nearly 10%, Boosted by State Action on Premium Assistance and Extended Enrollment Periods

Reversing a four-year decline, individual market enrollment increased 9.7% (195,000) in 2020, to end the year with 2.2 million enrollees (see Figure 3, page 3).

The growth in individual coverage was driven by a 19% enrollment increase (238,000) in Covered California, coinciding with three major developments. First, [new state-funded premium assistance](#) came online, bringing aid to 45,000 middle-income enrollees (400% to 600% of poverty) for the first time and adding to existing federal assistance for another half-million enrollees.⁶ Second, [special enrollment periods](#) linked to the pandemic, recession, and wildfires kept sign-ups open much of the year, avoiding attrition during the year. Third, sign-ups by people who had lost job-based insurance increased over prepandemic levels.⁷

Individual enrollment outside Covered California (so-called “off-exchange” enrollment), continued its long decline, decreasing by 5.7% (43,000) in 2020. Covered California now accounts for about two-thirds of the individual market, and most Covered California enrollees (88%) receive a premium subsidy.

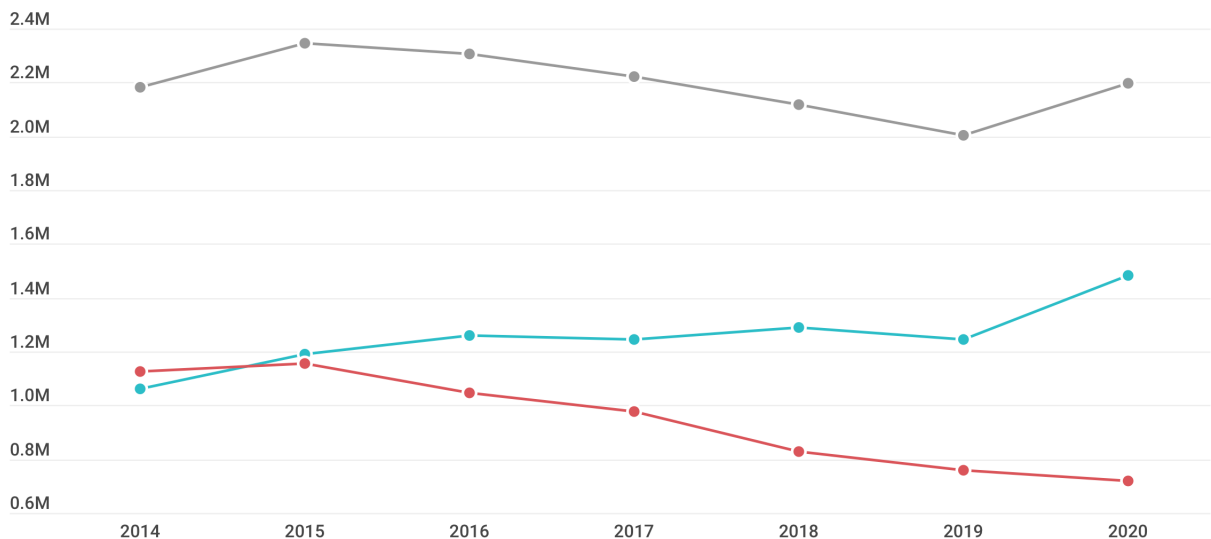
Figure 2. California Health Insurance Enrollment Change, 2019 to 2020 (in thousands)



Notes: Medicare and Medi-Cal enrollment reflect managed care only. ASO is administrative services only, provided to self-insured employers. Enrollment is as of December. See [interactive chart](#) for percentage changes.

Sources: *Enrollment Summary Report (2019–20)*, DMHC; and *Health Insurance Covered Lives Report (2019–20)*, CDI.

Figure 3. Individual Market Enrollment, Covered California and Non-Covered California, 2014 to 2020



Notes: Non-Covered California individual enrollment is calculated as total individual market (from regulators) minus Covered California individual enrollment (from Covered California). Enrollment is as of December. See interactive chart for number and percentage changes.

Sources: Enrollment Summary Report (2014–20), DMHC; Health Insurance Covered Lives Report (2014–20), CDI; and Active Member Profile (2014–20), Covered California.

Job-Based Enrollment Declined, but Less Than Job Losses and Expectations

Employer-sponsored insurance (ESI), which consists of small group, large group, and administrative services only (ASO) enrollment, declined 1.2% (213,000) to 17.8 million in 2020. In that same period, nonfarm job losses were far greater, plunging 8.0% (1.4 million jobs) year over year (see Figure 4). Early predictions of massive ESI losses did not materialize, in part due to a tendency for job losses to have occurred among people who did not have health insurance through their job and for some employers to have extended health benefits to furloughed workers. For example, nationwide, among establishments receiving a coronavirus-related loan, 70% paid a portion of health insurance premiums for some or all employees in the summer of 2020. In addition, some losing ESI coverage may have enrolled in COBRA (Consolidated Omnibus Budget Reconciliation Act) or in job-based coverage through another employer.⁸

All components of ESI declined: large group (1.4%), small group (2.5%), and ASO provided to self-insured employers (0.2%). The growth in individual coverage (195,000) nearly offset the declines in ESI.

Figure 4. Jobs vs. Employer-Sponsored Insurance, California, 2020

Job declines far exceeded employer-sponsored (ESI) insurance declines.



-8.0% (-1.4 million)

Decline in Nonfarm Jobs



-1.2% (-213,000)

Decline in ESI

Sources: California Employment Development Department, press release, January 22, 2021; Enrollment Summary Report (2019–20), DMHC; and Health Insurance Covered Lives Report (2019–20), CDI.

Medicare Managed Care Enrollment Continued Its Steady Climb

Medicare managed care grew by 6.3% in 2020 to 2.9 million enrollees. Consistent with recent years, it expanded due both to increases in the age 65+ population and faster growth in Medicare Advantage than in fee-for-service Medicare.

In Summary, Enrollment in the 2020 Pandemic Year

The year 2020 finished with 1.1 million more California health insurance enrollees than 2019. Growth in Medi-Cal managed care and individual market enrollment drove the expansion, along with increased enrollment in Medicare managed care. These enrollment gains far outweighed the small declines in group and ASO enrollment.

Growth in insurance enrollment during a recession stands in contrast with historical trends. During the recession in the early 2000s and in the Great Recession, the [number of Americans with insurance fell \(PDF\)](#). These recessions preceded the Affordable Care Act coverage expansions in 2014, which contributed to the net enrollment gains in 2020, in addition to factors that may be unique to this pandemic, such as many employers continuing to offer coverage to furloughed workers.

Looking Ahead: Road Bumps and Opportunities in 2022

The 2020 enrollment dynamics — characterized by policy-driven growth in Medi-Cal and the individual market — could stay in play through the end of 2021. But in 2022, the environment could change, including a plunge in Medi-Cal enrollment.

Impact of PHE's end on Medi-Cal. The national PHE declaration may remain through the entirety of 2021, keeping the Medi-Cal continuous coverage requirement in place. Once the PHE ends, counties must resume renewals and redeterminations, which are expected to take place [gradually over the following 12-month period \(PDF\)](#).⁹ These enrollment actions could lead to an unprecedented number of Californians being disenrolled from Medi-Cal. Help transitioning to other sources of coverage will be critical for them.

Impact of policies and new laws on the individual market. The year 2020 showed that longer sign-up periods and additional special enrollment periods lead to steadier enrollment and coverage in the individual market. Given financial premium support and California's coverage mandate, could extended sign-up periods remain available in 2022 without excessive risk to insurers? In 2021, [additional federal premium assistance for marketplace purchasers](#) became available through the American Rescue Plan. This has already boosted early 2021 Covered California enrollment, and should also contribute to strong individual market performance in 2022. Extension of the additional federal premium assistance beyond the current expiration date at the end of 2022 will be important for maintaining the enrollment gains.

The economy and employer-sponsored insurance. The extent of the economic recovery will shape the recovery of ESI and its long-term health.

The pandemic year of 2020 provided important lessons on how policy can affect enrollment levels and coverage in the state, and California will need to navigate the coming changes with care.

About the Author

Katherine Wilson is an independent consultant specializing in health insurance markets and health care costs.

About the Foundation

The **California Health Care Foundation** is dedicated to advancing meaningful, measurable improvements in the way the health care delivery system provides care to the people of California, particularly those with low incomes and those whose needs are not well served by the status quo. We work to ensure that people have access to the care they need, when they need it, at a price they can afford.

CHCF informs policymakers and industry leaders, invests in ideas and innovations, and connects with changemakers to create a more responsive, patient-centered health care system.

Endnotes

1. Total enrollment consists of individual, group, Medi-Cal and Medicare managed care, and administrative only services provided to self-insured employers.
2. Department of Health Care Services reporting of Medi-Cal Certified Eligibles Tables, by County from 2010 to Most Recent Reportable Month (April 2021). Figures showed 2020 expansion of 897,000 and 917,000 in Medi-Cal managed care and total Medi-Cal (which includes FFS), respectively.
3. *Stakeholder Advisory Committee Meeting* (PDF), DHCS, February 11, 2021, p. 40. The number of new Medi-Cal enrollees (with no prior enrollment) in the April to December 2020 period was 90,000 fewer than for the same period in 2019. Similarly, total new enrollments (newly enrolled + re-enrollments) were 297,000 lower in the April to December period of 2020 than in the same period in 2019.
4. The federal government, in its Families First Coronavirus Response Act, provided a 6.2 percentage point increase in the federal share of Medicaid spending and tied it to a requirement to maintain eligibility (MOE) through the end of the public health emergency (PHE). Specifically, states must provide continuous eligibility through the end of the month in which the PHE ends for those enrolled as of March 18, 2020, or any time thereafter during the PHE period. To comply, the state, through executive order (PDF) and directives (PDF) to counties, ordered delays in annual eligibility reviews — so-called “redeterminations” or “renewals” — which would otherwise have dropped some beneficiaries.
5. “COVID-19 Caseload Impact: Regular Policy Change Number: 251,” in *Medi-Cal May 2020 Local Assistance Estimate for Fiscal Years 2019–20 and 2020–21* (PDF), California Dept. of Health Care Services.
6. *Active Member Profiles* (Dec. 2020), Covered California.
7. *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.
8. “As the Pandemic Eases, What Is the State of Health Care Coverage and Affordability in the U.S.?: Findings from the Commonwealth Fund Health Care Coverage and COVID-19 Survey, March–June 2021,” Commonwealth Fund, July 16, 2021. Nationally, in the March–June 2021 period, 40% of those who lost employer coverage because of job loss related to the pandemic enrolled in either COBRA or other ESI coverage.
9. *Updated Guidance Related to Planning for the Resumption of Normal State Medicaid, Children’s Health Insurance Program (CHIP), and Basic Health Program (BHP) Operations Upon Conclusion of the COVID-19 Public Health Emergency* (PDF), Centers for Medicare & Medicaid Services, August 13, 2021.