



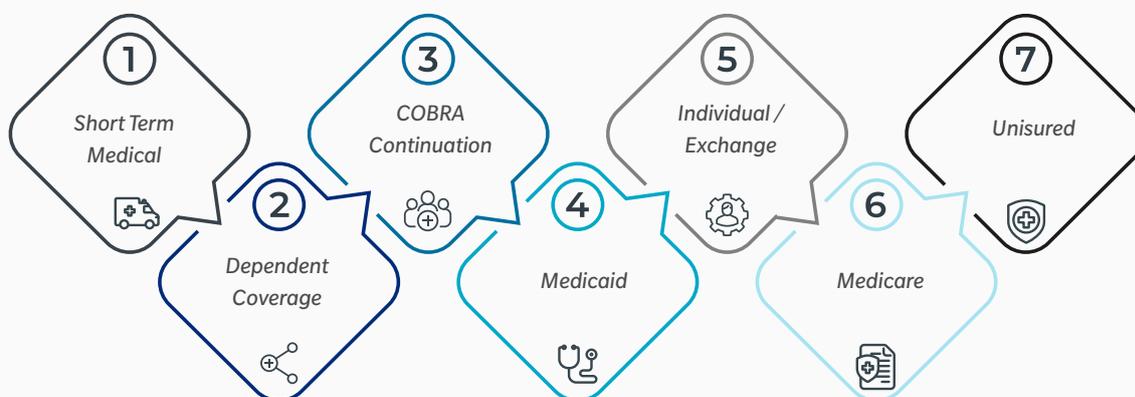
## A Changing Landscape

# How Unemployment Will Impact the Way We Access Health Insurance

Over 40 million Americans have filed for unemployment insurance since mid-March.<sup>[1]</sup> While the weekly number of new unemployment insurance filings continues to decline, the total number of job losses across the United States has already reached unprecedented levels and the labor market outlook is far from certain.

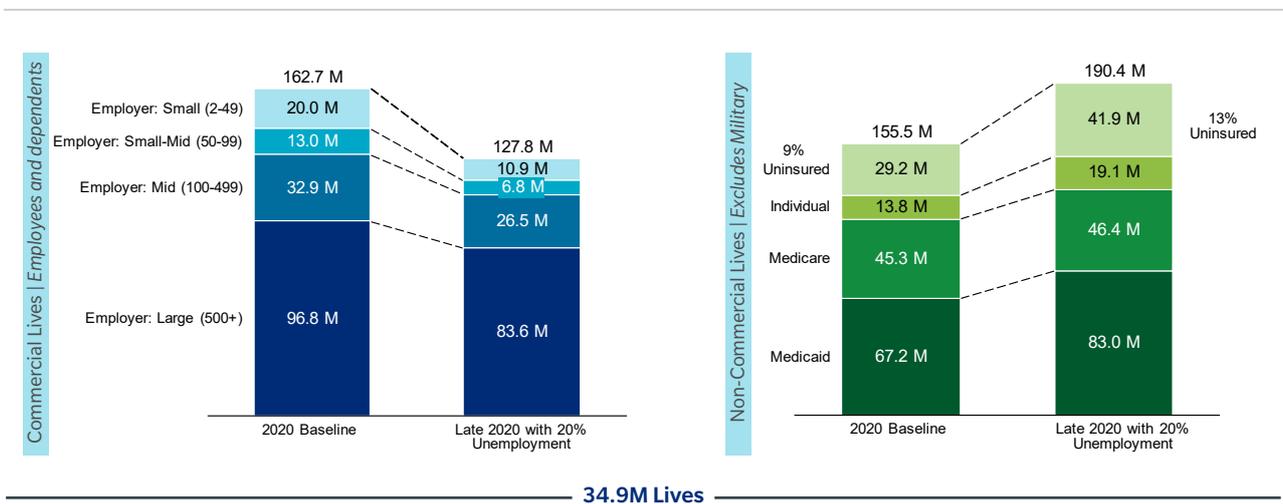
The economic impact of job losses relating to COVID-19 will create a dramatic shift in how individuals access health insurance. Approximately one in two Americans is currently covered under an employer-sponsored health plan, signaling that significant job losses have already resulted in millions of Americans losing their health insurance. A recent Kaiser Family Foundation report estimated nearly 27 million Americans had lost

employer-sponsored health insurance through May 2.<sup>[2]</sup> The next question to ask is how, and if, recently unemployed individuals will access the health insurance market going forward. As shown in Figure 1, individuals who lose their employer coverage will move into one of six coverage categories or decide to forego purchasing health insurance altogether.



On a national level, we anticipate the largest share of Americans who lose employer-provided health insurance will move to Medicaid. Assuming the individual is eligible based on his or her income, Medicaid plans will offer the lowest premium option in the market. As shown in Figure 2, Oliver Wyman estimates nearly 16 million people may move from an employer-sponsored plan to Medicaid by late 2020 in a scenario where 20 percent of the national workforce is unemployed. However, there will be a significant discrepancy in Medicaid membership growth among states that have expanded Medicaid eligibility thresholds and those that have not. As noted by the Center on Budget Policy and Priorities, “In the 15 states that have not implemented the Affordable Care Act (ACA) Medicaid expansion (as of April 2020), adults over 21 are generally ineligible for Medicaid no matter how low their incomes are unless they are pregnant, caring for children, elderly or have a disability.”<sup>[3]</sup>

FIGURE 2: ESTIMATED SHIFT IN MEMBER MIX IN LATE 2020 UNDER 20% UNEMPLOYMENT <sup>[4]</sup>



Sources: US Census Bureau, Bureau of Labor Statistics, Kaiser Family Foundation, AHRQ, MarketScan, Medicaid.gov, Pew Research, Mercer, OW analysis

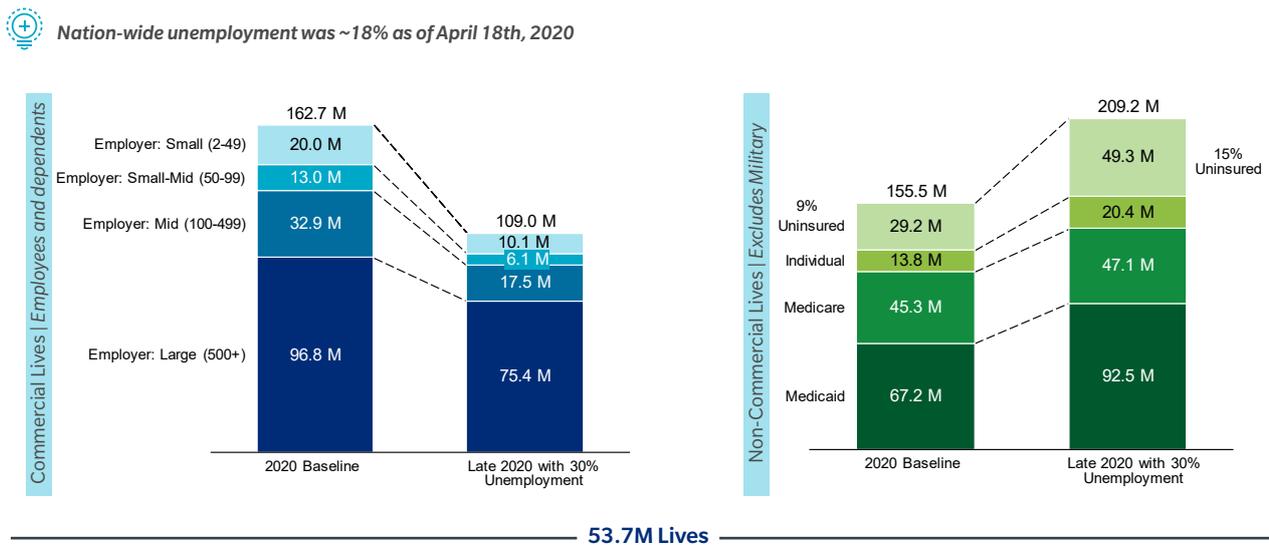
As shown above, another 4.8 million Americans could join Individual plans, accessed through ACA Exchanges. When compared to Medicaid, the heightened premium cost associated with purchasing Individual health insurance likely means that increased Exchange enrollment will come from those whose incomes prevent them from qualifying for Medicaid. Similar to Medicaid enrollment estimates, there are important state differences to consider when calculating the impact of job loss on Exchange enrollment. Primary among these differences is whether the

Exchange is managed by the State or Federal Government. As of this time, the federally-facilitated marketplaces have not instituted a special enrollment period for COVID-19 (unlike the majority of state-based exchanges). While job loss is considered a qualifying event in Federal exchanges, there is a 60-day window after job loss to select this option. As it currently stands, in states with federally-facilitated exchanges, individuals who lose their jobs will not be eligible to enroll on the Exchange unless they make that election within 60 days of job loss.

The more difficult question to answer is how many people will decide not to enroll in the Exchange and forego health insurance altogether. Oliver Wyman’s analysis predicts nearly 50 million Americans could be uninsured under a 30 percent unemployment scenario, driving significant implications for both health insurers and providers. One important consideration in this analysis is the degree of premium subsidy an individual will receive through the Exchange. The larger the anticipated premium subsidy the greater chance the individual will enroll in the Exchange. In calculating an individual’s premium subsidy, both state unemployment benefits and the new USD 600/week Federal Pandemic Unemployment Compensation count toward income. Especially in states with richer state-based unemployment insurance levels, individuals may be surprised by the low level of subsidy they calculate receiving, leading many to decide not to purchase the coverage.

“Nearly 50 million Americans could be uninsured under a 30 percent unemployment scenario”

FIGURE 3: ESTIMATED SHIFT IN MEMBER MIX IN LATE 2020 UNDER 30% UNEMPLOYMENT [4]



Sources: US Census Bureau, Bureau of Labor Statistics, Kaiser Family Foundation, AHRQ, MarketScan, Medicaid.gov, Pew Research, Mercer, OW analysis

Another option is for individuals to secure coverage through the Consolidated Omnibus Budget Reconciliation Act (COBRA), which provides recently unemployed individuals and their families an option to continue coverage after job loss. Recently, the federal government extended various deadlines related to COBRA election, premium payment and notification of qualifying events. These timeframes have been extended to 30 days after the end of the COVID-19 National Emergency, providing some modest

relief for individuals considering this option. However, the premium associated with COBRA is less affordable than Medicaid or Exchange market options. It should be noted that a growing number of industry leaders, including the Blue Cross Blue Shield Association, are calling for the Federal Government to provide a premium subsidy in support of COBRA. Should that subsidy be granted, increases in Medicaid and Exchange enrollment will be muted as individuals elect to secure health insurance through COBRA.

Finally, a limited number of Americans will obtain health insurance through one of the following options. While enrollment increases are not likely to be as significant in these categories, they nonetheless represent important options for those who find themselves without coverage:

 <p><b>MEDICARE</b> Health insurance coverage for individuals 65 and older.</p>	 <p><b>DEPENDENT COVERAGE</b> Provides an option for those that can obtain coverage through a spouse or parents' employer-sponsored health insurance.</p>	 <p><b>SHORT-TERM MEDICAL</b> These plans provide a lower premium option while providing fewer benefits than ACA compliant coverage.</p>
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Analyzing coverage shifts at a national level is an important exercise but misses key elements that will generate differences in impact between health insurers. Importantly, when health insurers review the impact of shifts in member mix to their portfolios, additional consideration must be given to anticipated membership shifts within each industry and the types of industries most prevalent in each state. As an example, employers in the accommodation and food services industry have been hit particularly hard by the pandemic. Louisiana, Hawaii, Nevada and other tourism-reliant economies have experienced significant job loss in this employment sector. However, when estimating the impact of layoffs on the number of workers losing employer-sponsored health insurance, it is important to consider the share of workers in a particular industry who obtain health coverage through their employer. When examined through that lens, while the accommodations and food services sector has experienced significant layoffs, it is estimated that only 23.9 percent of employees in this industry have employer-provided health insurance. In contrast, the manufacturing industry, which has not experienced as large a share of layoffs, has 69.3 percent of its workers accessing health insurance

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through their employers, likely leading to a larger shift in member mix in this industry and those states whose economy are supported by manufacturing-related jobs. <sup>[5]</sup>

In summary, as many as 54 million Americans could lose their employer-sponsored health insurance during the COVID-19 Pandemic, creating an unprecedented shift in how health insurance is accessed. Importantly, the degree of membership shift is extremely nuanced and driven by each health insurer's unique mix of business by state, industry, and coverage type. Guy Carpenter, in collaboration with our colleagues throughout the Marsh & McLennan Companies, stands ready to help our clients answer this and other challenges presented by COVID-19.

## References

[1] <https://www.washingtonpost.com/business/2020/06/04/unemployment-claims-coronavirus/>

[2] <https://www.kff.org/coronavirus-covid-19/issue-brief/eligibility-for-aca-health-coverage-following-job-loss/>

[3] <https://www.cbpp.org/research/health/policy-basics-introduction-to-medicaid>

[4] [https://health.oliverwyman.com/2020/04/is-there-a-new-normal-in-commercial-health-insurance.html?utm\\_source=exacttarget&utm\\_medium=email&utm\\_content=2020-april-3\\_jobid\\_41790334&utm\\_campaign=ow-health-newsletter](https://health.oliverwyman.com/2020/04/is-there-a-new-normal-in-commercial-health-insurance.html?utm_source=exacttarget&utm_medium=email&utm_content=2020-april-3_jobid_41790334&utm_campaign=ow-health-newsletter)

[5] <https://www.epi.org/blog/9-2-million-workers-likely-lost-their-employer-provided-health-insurance-in-the-past-four-weeks/>

Should you have any questions or would like to discuss this topic in more detail, please reach out to your Guy Carpenter representative or **Ryan Keith** at [Ryan.Keith@guycarp.com](mailto:Ryan.Keith@guycarp.com)

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