Who Goes Where Under Federal Healthcare Reform:
Rhode Island Population Insurance Status Projections, 2014 and Beyond

UPDATED FOR 2010 DATA and SHADAC HIU variables: Revised August 2012

Statement of Purpose

This analysis estimates the impact on the health insurance status of the population of Rhode Island due to the implementation of the Affordable Care Act and the establishment of a Rhode Island Health Benefits Exchange. These estimates are being used to assist in planning for the volume of individuals expected to use the Exchange to compare pricing, determine eligibility and enroll in insurance. These estimates are based primarily on survey data, which can be subject to bias and error. This analysis is also highly sensitive to assumptions of individual behavior in a future insurance market. More detail about the limitations of this analysis can be found on page 4.

Background

Federal reform, post 2014, envisions affordable coverage for virtually all Rhode Island residents, through a combination of the following elements:

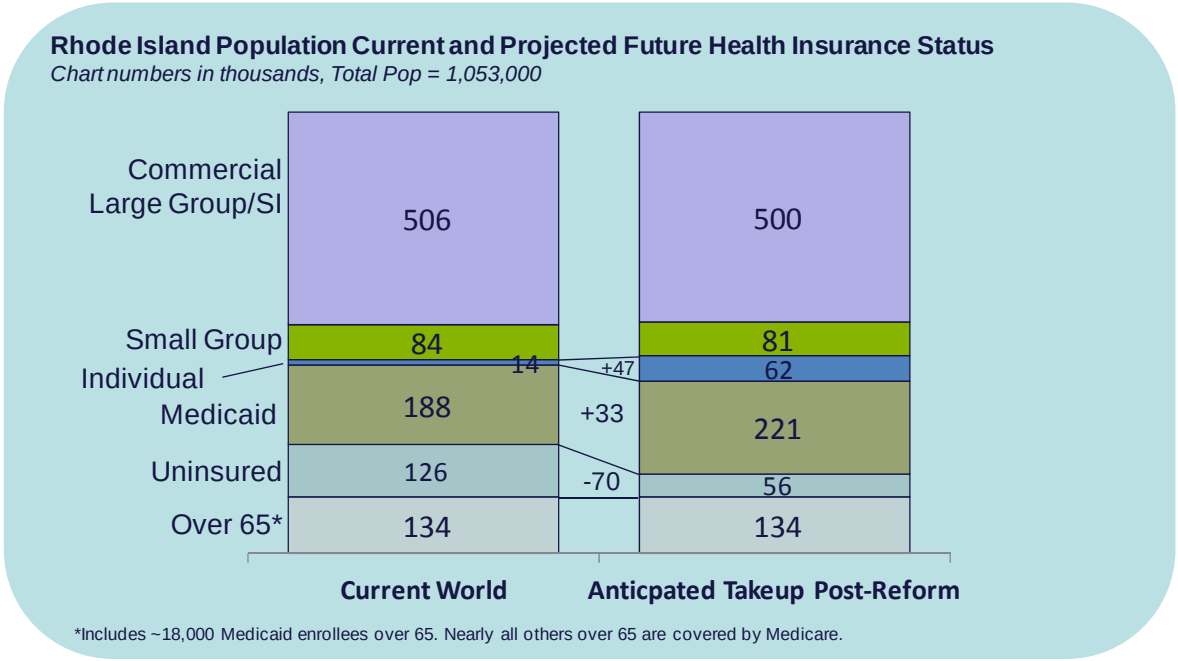
- **Individual Mandate** requiring that all Rhode Islanders purchase affordable health insurance
- **Medicaid Expansion** to all Rhode Island citizens under 138% FPL (childless adults under age 65)
- **Exchange** offering federally subsidized coverage for Rhode Island citizens under age 65 from 138-400% FPL[1]

Rhode Island intends to create a Health Benefits Exchange to provide a robust marketplace for all Rhode Islanders to identify health insurance options and for those eligible, to purchase coverage.

Part One: Who Goes Where

This analysis models the impact of the provisions of the ACA on the insurance status of Rhode Islanders based on current population characteristics and estimates of take-up into new and existing insurance options. The anticipated changes in insurance coverage are shown in Figure 1 below.

Figure 1: Insurance Coverage Before and After Reform



[1] Rhode Island currently covers children up to 250% FPL and parents up to 175% FPL in Medicaid. Given maintenance of effort requirements in the ACA, the Exchange will cover adults 138-400% FPL and children 250-400% FPL. This analysis assumes that 10,000 parents 138-175% FPL currently in Medicaid move to the Exchange. Rhode Island has not made a final decision on whether the state will cover adults between 138% and 200% FPL under the Exchange or under a Medicaid-like expansion option called the Basic Health Plan.

Because not everyone eligible for insurance coverage will enroll, the model estimates the anticipated takeup of different insurance options by those eligible. In addition, some privately insured individuals with coverage deemed "unaffordable" according to ACA guidelines will be eligible for subsidized insurance. "Crowd-out rates" -- the rate at which privately insured individuals drop private insurance for subsidized options -- were therefore applied to the privately insured population based on income levels.

Based on this analysis, we have projected that post-2014, Rhode Islanders will transition into the following coverage options:

- **The number of uninsured will drop from 126,000 to 56,000, a decline of over 55%**. Those who remain uninsured will include 18,000 undocumented immigrants with no access to subsidized programs and another 38,000 who choose not to enroll in health insurance regardless of subsidy eligibility.
- **Medicaid enrollment will increase from 188,000 to 221,000 as eligibility rules expand**. We estimate 32,000 uninsured will enroll in Medicaid (28,000 newly eligible childless adults under 138% FPL plus 4,000 currently eligible but not enrolled parents and children). We estimate that 12,000 privately insured individuals will move from unaffordable private insurance to Medicaid. In addition, we assume that 10,000 parents over 138% FPL currently in Medicaid will move into the Exchange (or Basic Health Plan if offered).
- **Employer-based insured population is anticipated to decrease by 10,000,** with 16,000 uninsured expected to purchase employer-based coverage and 26,000 expected to drop private insurance for subsidized or Exchange options[2].
- **Rhode Islanders purchasing individual insurance coverage (subsidized or unsubsidized) will increase from 14,000 to 62,000[3].**
    - **40,000 will enroll in insurance using Exchange-based tax credits**. Of those, 18,000 are currently uninsured, 7,000 are privately insured through employers, and 4,000 are individually insured. Another 10,000 will be moved from Medicaid into Exchange-based insurance. About half of these 40,000 would be enrolled in the Basic Health Plan if offered.
    - **The number of Rhode Islanders covered by individual insurance (without using a tax credit) will increase from 14,000 to 22,000**. We estimate 4,000 currently uninsured and 10,000 privately insured will purchase unsubsidized individual insurance. Also 7,000 currently with individual insurance will move to subsidized options.

These movements are summarized in the Table 1 below:

Table 1: Insurance Status Before and After Reform

Insurance Status	Current World	Change in Insurance Status - Post 2014					Future World	*Proj Net Change*
		from Uninsured	(to)/from Medicaid	(to) Individual w/Tax Credit	(to)/from Individual unsubsidized	(to)/from Employer Based		
Over 65 *	**134**						**134**	*0*
Uninsured	**126**		(32)	(18)	(4)	(16)	**56**	*(70)*
Medicaid	**188**	32		(10)	3	9	**221**	*33*
Employer-based	**591**	16	(9)	(7)	(10)		**581**	*(10)*
Individual: w/Tax Credit	**0**	18	10		4	7	**40**	*40*
Individual: unsubsidized	**14**	4	(3)	(4)		10	**22**	*7*
TOTAL	1,053						1,053	

*Includes ~16,000 Medicaid enrollees over 65. Nearly all others over 65 are covered by Medicare.

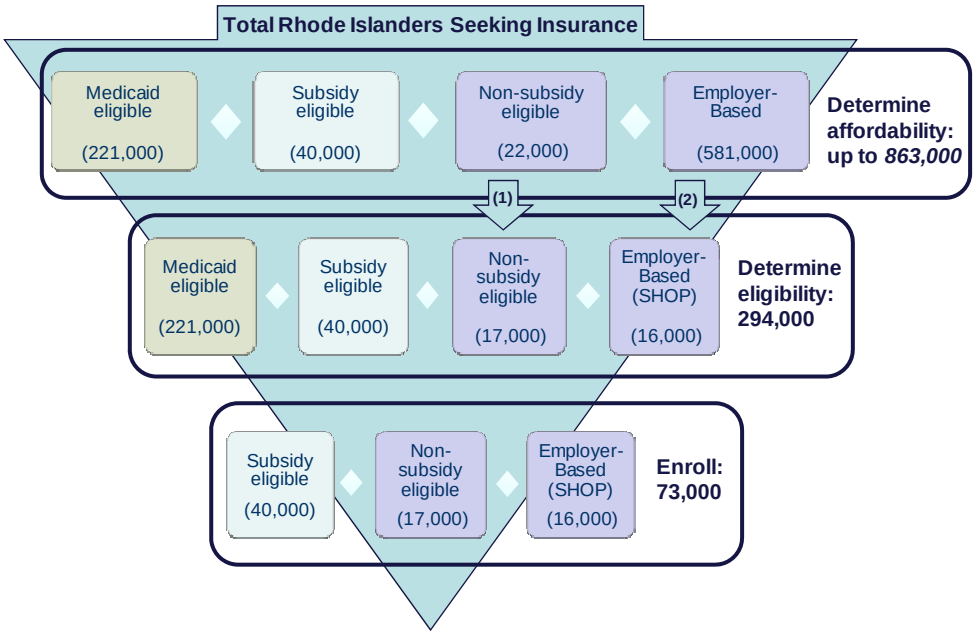
[2] This analysis does not assume significant changes in employer behavior in terms of offering ESI. This assumption is consistent with the experience in Massachusetts and is reflected in the low crowd-out rate estimate used for commercially insured Rhode Islanders at high income levels. See methodology appendix for details.

[3] Individual Insurance includes individuals and families enrolled in coverage by paying directly to Exchange or an insurer, with or without subsidy.

Part Two: Anticipated Exchange Use

Once we have modeled who goes where, in terms of market and coverage shifts, we can then layer in the anticipated Exchange use. Exchange use will depend on how the exchange is designed and implemented. Rhode Island's Health Benefits Exchange is intended to serve three purposes: First, a web-based portal where all Rhode Islanders with health insurance can go to compare pricing and check the affordability of their health insurance options; second, those without access to affordable employer-based insurance can use the Exchange to determine eligibility for Exchange-based tax credits or Medicaid; and finally those eligible individuals and small businesses can use the Exchange to enroll in subsidized and unsubsidized coverage. We have therefore modeled the anticipated Exchange use as follows:

Figure 2: Anticipated Exchange Use



(1) We assume 5,000 individuals will continue to purchase directly from carriers without going through the Exchange
(2) We estimate that 81,000 of the 581,000 Rhode Islanders with employer-based insurance are small group. Of those we estimate 20% will purchase through the SHOP Exchange.

- **Determine Affordability:** We estimate that up to 863,000 Rhode Islanders will benefit from the ability to use the Exchange portal to compare pricing of insurance options. The Exchange will display pricing in an interactive easy-to-understand web page. This is essentially the entire population with the exception of those who remain uninsured and those over 65.
- **Determine Eligibility:** We anticipate that 294,000 Rhode Islanders will use the Exchange portal to determine eligibility for subsidies, including 221,000 who will be routed to the Medicaid program for enrollment into public programs (RIte Care, RIte Share, etc).
- **Enroll in Exchange-based Insurance:** We estimate that 73,000 Rhode Islanders will enroll in insurance offered through the Exchange, including those eligible for tax credits, those who receive no subsidy, and those who enroll via SHOP.
    - 40,000 will enroll in insurance using Exchange-based tax credits. We estimate 20,000 of those would be eligible for a Basic Health Plan, if offered.
    - 17,000 will purchase insurance through the Exchange without a subsidy[4].
    - 16,000 employees of small businesses will enroll through the SHOP Exchange.

[4] The law requires that the Exchange be optional, therefore individual insurance could still be purchased directly from insurers. We estimate that 5,000 of the 22,000 non-subsidy eligible individuals/families will purchase insurance outside of the Exchange.

These movements are summarized in Table 2 below:

Table 2: Anticipated Exchange Use

Post-2014 Insurance Status	Use Exchange to:		
	Determine Affordability	Determine Eligibility	Enroll
Uninsured			
Medicaid	221	221	
Individual: w/Tax Credit	40	40	40
Individual: Unsubsidized	22	17	17
Employer Based	581	16	16
Total	**863**	**294**	**73**

Sources and Notes

Our primary data source for population demographics was the IPUMS-USA dataset of the 2010 Census Bureau American Community Survey[5], which has a number of important limitations. This demographic data was derived from survey data, which may reflect response bias as well as other data limitations. Income was self-reported, and methods for calculating income and FPL may differ from methods that will be used under the ACA. Finally, though the ACS provides the largest sample size of the nationally available surveys, it may have less reliability at the more granular level required by our analysis. Additional data was taken from internal state sources and adjusted to match ACS population totals. Medicaid average eligibles was taken from the MMIS database, and commercial insurance enrollment was taken from data reported by the carriers.

A number of assumptions and estimates were made to model the expected behavior of Rhode Islanders when faced with new insurance options. These estimates were mainly based on a New England-based econometric model that predicts actions based on individual demographics and price developed by Jon Gruber at MIT. The model attempts to predict human behavior for given insurance choices, but cannot fully account for things like the impact of marketing and outreach efforts or program effectiveness. Also unforeseen changes in coverage costs or employer behavior could greatly impact these projections.

Results were found to be most sensitive to the volume of the uninsured population and the take-up of the uninsured population into the Exchange and Medicaid. If the uninsured population were modeled as 20% higher than the ACS data shows, the model would estimate Exchange enrollment as 6% higher than with the base scenario. Separately, increasing the take-up rate assumptions for the uninsured by 20% also resulted in a 6% increase in the expected Exchange enrollment volume. Varying other take-up and crowd-out estimates individually had a lesser effect on model results. If all takeup rate assumptions in the model were increased by 20%, the estimated Exchange enrollment would increase by 17%.

Given the limitations of the available data and the assumptions/estimates made, the conclusions of this analysis should be taken as directional and are not meant to be an exact representation of the future. Further discussion of the data sources, methodology, and basis for estimates and assumptions is included in the Appendices.

This material was prepared by Faulkner Consulting Group on behalf of The Rhode Island Health Benefits Exchange, the Office of the Health Insurance Commissioner, and the Executive Office of Health and Human Services. Questions? Contact Deb Faulkner at deb@faulknerconsultinggroup.com.

[5] Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. Integrated Public Use Microdata Series: Version 5.0 [Machine-readable database]. Minneapolis, MN: Minnesota Population Center [producer and distributor], 2010.

Appendix A: Methodology and Sources

Step 1: Assemble Current Insurance Detail

We started by assembling current insurance status detail: How ***do*** Rhode Islanders access insurance? For each insurance status we determined population by income level and family status (parents, children, childless adults).

Current Insurance Status of RI Population *(thousands)*

Insurance Status	Total Population	*Undocumented Immigrants*	Legal Residents	Source/Notes
Total Population	1,053	26	1,027	ACS 2010, Undoc Imm from Gruber, MIT, adjusted for 2010
Over 65	151			ACS 2010
Over 65 on Medicaid	18	*(Included with Medicaid <65)*		MMIS 2010, from K. Booth
Over 65 Non-Medicaid	134			Calculated
Uninsured (under 65)	126	18	100	ACS 2010, Undoc Imm from Gruber, MIT, adjusted
Insured (under 65*)	793	9	773	Calculated
Medicaid	188	0	188	MMIS 2010, from K. Booth, includes over 65
Privately Insured	605	9	596	Calculated
Small Group	84	0	87	Reported to OHIC by carriers, Dec 2010
Individual	14	0	13	Reported to OHIC by carriers, Dec 2010
Large Group/Other	506	9	497	Lg Group of 457,000 reported to OHIC by carriers, Dec 2010. Other 50,000 is difference between carrier total and ACS 2010 total

- Uninsured and Privately Insured data:
  - Source: Census Bureau American Community Survey, 2010, based on Integrated Public Use Microdata Series: Version 4.0. Minneapolis, MN: Minnesota Population Center
  - Breakdown by income level and family status based on ACS data using SHADAC-defined variables for household insurance unit (HIU) to determine family income level
  - Breakdown of privately insured into large group, small group, and individual based on data reported by Carriers, December 2010. For each income level, breakdown into large/small/individual is based on 2009 estimates from Jon Gruber, then adjusted to calibrate with aggregate 2010 totals.
  - Estimate of undocumented immigrants based on data from Jon Gruber for 2009. Estimate adjusted to 2010 by same ratio as decrease in ACS noncitizens. For purposes of model, these undocumented immigrants are assumed to stay on private insurance.
- Medicaid data:
  - Source for Medicaid population: DHS CY2010 summary of eligibles by aid category code, Numbers are average eligibles and exclude early intervention.
  - Breakdown of Medicaid enrolled by income level and family status from MMIS data

Step 2: Apply Eligibility Rules

Next we applied eligibility rules anticipated post-2014: How ***will*** Rhode Islanders access Insurance?

- Uninsured and privately insured adults <138%FPL and children <250% FPL will be eligible for Medicaid
- Uninsured individuals with access to affordable insurance will be required to purchase from their employers
- Uninsured and privately insured individuals without access to affordable insurance will be eligible to purchase insurance through the Exchange.

Income Level	Medicaid Enrolled	Uninsured		Privately Insured		Individually Insured
		Access to Affordable Ins	NO Access	Access to Affordable Ins	NO Access	
Adults 0-138% FPL, Children 0-250% FPL	Stay on Medicaid	Eligible for Medicaid		Eligible for Medicaid		Eligible for Medicaid
Adults 138-400% FPL, Children 250-400% FPL	Move to Subsidized Exchange	Required to purchase from employer	Eligible for subsidized Exchange/BHP*	Stay on Private Insurance	Eligible for subsidized Exchange/BHP*	Eligible for subsidized Exchange/BHP*
All 400%+	NA	Required to purchase from employer	Eligible for Exchange (no subsidy)	Stay on Private Insurance		Eligible for Exchange (no subsidy

* Only adults 138%-200%FPL are eligible for BHP (Basic Health Plan), if offered.

Step 3: Apply Take-up and Crowd-out Assumptions

Not all individuals eligible for subsidized insurance options will enroll. In order to capture the rate of individuals choosing to remain uninsured or choosing to remain with private insurance even though subsidized options are available, we apply take-up and crowd-out rates to the various populations.

- **Take-up**: rate at which uninsured individuals choose to enroll in Medicaid or Exchange
- **Crowd-out**: rate at which privately insured individuals drop private insurance for Medicaid or Exchange options

The take-up and crowd-out assumptions used in this analysis are based on a New England-based econometric model that predicts actions based on individual demographics and price developed by Jon Gruber at MIT.

Uninsured Take-up Rate Assumptions

Income Level	Take-up to Exchange/Medicaid			Take-up to private insurance
	Children	Parents	Childless Adults	
<138% FPL	28.2%	28.2%	69.0%	5%
138-200% FPL		42.6%		23.36%
200-250% FPL		48.5%		23.09%
250-300% FPL	42.5%			24.91%
300%+ FPL	35.7%			24.10%

- Childless adults <138% are newly eligible for Medicaid, so a relatively high take-up rate is expected.
- Children <250% and parents <138% are currently eligible but not enrolled so a lower take-up rate is expected.
- The take-up rate to private insurance takes into account the fraction of uninsured population at each income level that is anticipated to have access to affordable insurance but is not currently enrolled.

Group Private Insurance Crowd-out Rate Assumptions

Income Level	Percent Dropping Private Insurance
<138% FPL	14.6%
138-200% FPL	10.9%
200-250% FPL	8.6%
250-300% FPL	5.5%
300%+ FPL	2.6%

- Model assumes some portion privately insured individuals have insurance that is not affordable.
- This is the percent of these individuals who will drop commercial insurance to move to subsidized coverage through the Exchange, BHP or Medicaid.

Individual insurance Take-up: The Gruber model also estimates that 67% of those with individual private insurance (not employer-based) will drop private insurance to move to the Exchange or subsidized options.

Small Employers Take-up: The SHOP Exchange will be the only way for small employers to access available tax credits for providing health insurance. Industry experts have estimated that approximately 20% of small employers in Rhode Island will be eligible for the maximum employer tax credit[6]. For the purposes of this model we have used a simplifying assumption that 20% of small employers will use the SHOP Exchange to purchase insurance for their employees.

[6] A Helping Hand for Small Business, Health Insurance Tax Credits, July 2010 by Families USA. Analysis by Lewin Group.

Appendix B: Maximum Enrollment Projections

For some purposes, it is helpful to know the maximum potential enrollment in various insurance options. These estimates will help Rhode Island prepare for the operational and technical requirements of implementing the Exchange.

Who Goes Where: We can predict future insurance status eligibility using income level, family status, and whether or not a person has access to affordable insurance. This analysis assumes that everyone purchases insurance and that anyone eligible for subsidized insurance will enroll in a subsidized option. There is no assumption of take-up and crowd-out rates.

Table 3: Insurance Status Before and After Reform with Maximum Potential Enrollment

Insurance Status	Current World	Change in Insurance Status - Post 2014					Future World	Proj Net Change
		from Uninsured	(to)/from Medicaid	(to) Individual w/Tax Credit	(to)/from Individual unsubsidized	(to)/from Employer Based		
Over 65 *	**134**						**134**	*0*
Uninsured	**126**		(54)	(36)	(9)	(10)	**18**	*(109)*
Medicaid	**188**	54		(10)	4	61	**296**	*109*
Employer-based	**591**	10	(61)	(12)	<1		**527**	*(64)*
Individual: w/Tax Credit	**0**	36	10		4	12	**63**	*63*
Individual: unsubsidized	**14**	9	(4)	(4)		<1	**15**	*1*
TOTAL	**1,053**						**1,053**	

*Includes ~18,000 Medicaid enrollees over 65. Nearly all others over 65 are covered by Medicare.

- Uninsured consists only of the estimated 18,000 undocumented immigrants with no access to subsidized insurance.
- All of those eligible for Medicaid will enroll with a projected total of 296,000
- 78,000 will enroll in Individual insurance with an estimated 63,000 of those receiving a tax credit.

Maximum Potential Exchange Usage: The implications for Exchange usage are that a possible 901,000 Rhode Islanders could use the Exchange to determine affordability of insurance options. In addition 441,000 could use the Exchange to determine eligibility and 145,000 could enroll in insurance. This volume is driven in part by the assumption that all employees of small employers utilize the SHOP Exchange to purchase insurance, estimated at 67,000 individuals.

Table 4: Maximum Potential Exchange Usage

Post-2014 Insurance Status	Use Exchange to:		
	Determine Affordability	Determine Eligibility	Enroll
Uninsured			
Medicaid	296	296	
Individual: w/Tax Credit	63	63	63
Individual: Unsubsidized	15	15	15
Employer Based	527	67	67
Total	**901**	**441**	**145**

Methodology: Instead of using take-up rates to determine who will enroll in subsidized options, we use a formula to calculate access to affordable insurance by income level. Anyone without access to affordable insurance at eligible income levels is assumed to enroll in subsidized insurance.

*Access to affordable insurance = Percent Employed by income level * Percent Eligible for ESI but not enrolled * Percent for whom insurance would be affordable by income level*

Employment rate by income level is taken from the ACS dataset. The percentage of employees who are eligible for employer-based insurance but are not enrolled is available from the MEPS dataset[7]. That number is then adjusted down for an assumption of those who are not enrolled due to being on their spouse's insurance. Affordability by income level is based on ratio of average contribution (also from MEPS dataset) to the maximum affordable premium as defined in the ACA.

[7] Rhode Island Medical Expenditure Panel Survey, 2010. Table 2: Private Sector data by firm size.

Appendix C: Medicaid Projections Detail – Anticipated Takeup Scenario

Our model anticipates Medicaid enrollment will increase from 188,000 to 221,000 average eligibles after the implementation of reform. We estimate 32,000 uninsured and 12,000 privately insured Rhode Islanders will enroll in Medicaid. In addition, we assume that 10,000 parents over 133% FPL will move from Medicaid into the Exchange (or Basic Health Plan if offered).

Table 5: Crosswalk of Current to Future Medicaid/BHP Enrollment

	Medicaid	BHP
Current Insurance Status Total	187,598	-
Transfer to BHP	(10,181)	10,181
Additional Uninsured	31,696	7,077
Additional Privately Insured	11,735	3,219
Future Insurance Status Total	220,848	20,478

The 2010 ACS estimates an uninsured population of 64,000 that is income eligible for Medicaid. However, we also estimate that 11,000 of those uninsured are undocumented immigrants and therefore not eligible for Medicaid[8]. Of the 54,000 uninsured assumed to be legal residents, 13,000 are currently eligible but not enrolled in Medicaid and the remaining 41,000 are newly eligible childless adults. Those who are currently eligible but not enrolled are projected to have a rather low take-up rate into Medicaid of 28%, resulting in ~4,000 additional Medicaid eligibles. The 41,000 newly eligible childless adults are estimated to have a higher take-up rate of 69%, resulting in 28,000 additional Medicaid eligibles. Another 12,000 privately insured income-eligible Rhode Islanders are estimated drop private insurance for Medicaid.

Table 6: Take-up Detail of Future Medicaid/BHP Enrollment

	Total (ACS 2010	Undocumented Immigrants	Legal Residents	Anticipated Take-up	Additional Medicaid Enrollees	Additional BHP Enrollees
Uninsured Children <250%FPL	8,346	1,697	6,649	28%	1,875	
Uninsured Parents <133%FPL	8,863	2,479	6,384	28%	1,800	
Uninsured Childless Adults <133%FPL	47,127	6,517	40,610	69%	28,021	
Total	**64,336**	**10,693**	**53,643**		**31,696**	
Uninsured Parents 133-200% FPL	4,566	1,481	3,085	43%		1,314
Uninsured Childless Adults 133-200% FPL	15,383	1,854	13,529	43%		5,763
Total	**19,949**	**3,335**	**16,614**			**7,077**
Privately Insured Children <250%FPL	-	-	-	-	-	-
Privately Insured Parents <133%FPL	-	-	-		-	-
Privately Insured Childless Adults <133%FPL	67,867	2,300	65,567	18%	11,735	-
Total	**67,867**	**2,300**	**65,567**	**18%**	**11,735**	**-**
Privately Insured Parents 133-200% FPL	-	-	-	-	-	-
Privately Insured Childless Adults 133-200% F	24,654	1,727	22,927	14%	-	3,219
Total	**24,654**	**1,727**	**22,927**	**14%**	**-**	**3,219**

[8] Undocumented immigrant estimates from Jon Gruber, MIT. Breakdown of uninsured by family status was assigned to Gruber estimates based on breakdown of family status of non-citizens in similar income levels in ACS data. Gruber's estimate of "publicly" insured undocumented immigrants are assumed to be uninsured because Rhode Island does not cover undocumented immigrants in Medicaid, with the exception of a very small number of pregnant and postpartum women.

Appendix D: Key Changes in Source Data and Results from Previous Versions

The Who Goes Where analysis was initially released based on the ACS 2009 dataset. Since then there have been two major updates to the analysis:

1 – Updated to use 2010 data from ACS and other datasets

As soon as ACS data from the 2010 IPUMS USA dataset was available we updated the model to use the 2010 data as the basis for future projections. Medicaid enrollment data was updated to use 2010 Medicaid MMIS enrollment data as a base as well.

In addition we changed our definition of Medicaid enrolled to include dual eligibles over 65. This gives a more complete picture of the number of Medicaid users in the system.

2 – Revised to use SHADAC variables of household insurance unit

The State Health Access Data Assistance Center (SHADAC) conducted a study of the way household relationships are represented in the ACS dataset and created new definitions of households more relevant to the way insurance is purchased and insurance subsidy eligibility will be assessed. This new measure – called Household Insurance Unit (HIU) – was then used to calculate the federal poverty level of each household.

The HIU measure on average made household sizes smaller, which results in more households with lower incomes These revised definitions of household poverty level were then used in the Who Goes Where analysis.

Impact on Projections

The updated and revised data resulted in higher projections of post-reform Medicaid enrollment and lower projections of privately insured, and a small decrease in Exchange enrollment. There was essentially no change in the estimate of the remaining uninsured. The key data and projections from the three versions of Who Goes Where are summarized below.