Covered California

Standardized Regulatory Impact Assessment

Proposed Regulations for the Eligibility and Enrollment in the Individual Market

---

Submitted to the California Department of Finance on January 14, 2016, in accordance with Senate Bill 617, chapter 496, statutes of 2011.

A. SUMMARY

1. Statement of the Need of the Proposed Regulations

In March 2010, President Obama signed federal health reform legislation called the Patient Protection and Affordable Care Act, or "Affordable Care Act" (ACA). That same year, California chose to operate its own exchange as the California Legislature enacted and the governor signed legislation establishing the California Health Benefit Exchange (now also known as "Covered California") and its governing Board.[1] The enacting legislation required that the Exchange,

- Provide the public with clear standards and eligibility requirements to qualify for federal tax subsidies through the Exchange.

- Establish the criteria and process for eligibility determination, enrollment, and disenrollment of enrollees and potential enrollees in the Exchange.

- Establish a fair and efficient appeals process for prospective and current enrollees of the Exchange. More specifically, this action creates clear guidelines for the public to request and receive a fair hearing.

The Eligibility and Enrollment in the Individual Market regulations establish the Exchange's policies and procedures for: (1) eligibility determination and redetermination; (2) enrollment in qualified health plans; (3) termination of coverage through the Exchange; and (4) an appeals process in the individual Exchange. They provide clear standards and eligibility requirements to qualify for federal tax subsidies through the Exchange and set out the standards and requirements for the qualified health plan issuers regarding enrollment of qualified individuals and termination of coverage for individuals who qualified through the Exchange.

2. Major Regulation Determination

The overall economic impact of these regulations will exceed $50 million each year beginning in 2014. The impacts are the result of changes in the shares of consumer spending devoted to health insurance, healthcare services, and all other categories as well as changes in health insurance company margins and state government spending.

3. Economic Baseline

The proposed regulations were not needed prior to federal health reform legislation passed in 2010. The Exchange opened in October 2013 and its first policies became effective January 1, 2014. Prior to January 2014, health insurance consumers had no access to a statewide health insurance marketplace nor were federal subsidies available. For a variety of reasons, including its prohibitive cost, approximately 5 million California residents lacked health insurance. Prior to the opening of the Exchange, health insurance was acquired by individuals from insurance companies directly or through agents, as a benefit of employment, or through a public program such as Medi-Cal.

4. Public Outreach and Input

In the process of developing these regulations, the Exchange met with the Department of Health Care Services and stakeholder groups. The regulations were discussed and approved in publicly held, duly noticed meetings of the California Health Exchange Board where interested members of the public were given the opportunity to offer suggestions and comments. In conjunction with these

[1] Stats. 2010, ch. 659, section 2, (SB 900, [Alquist, Steinberg]); Stats 2010, ch. 655 (AB 1602, [Perez].

meetings, the regulations were posted on the Exchange's web site. The proposed regulations reflect comments received from a variety of affected parties.

B. BENEFITS

The ACA has made it possible for millions of Americans to receive health care who could not previously afford it. The proposed regulations facilitate the purchase of qualified health plans through California's marketplace by individuals, most of whom are eligible for federal subsidies to offset a portion of their premiums. Expanded health coverage will improve access to quality health care for nonelderly California adults, thereby helping to save lives and increase the overall health of the public in California.

Expanding healthcare coverage through Covered California will decrease the cost for health care in California by increasing preventative care and providing health care access to more Californians. This will reduce health care costs overall and allow funds that would otherwise be spent on emergency room visits and sick patient care to be spent in other ways that benefit the health and welfare of California residents, worker safety, the environment, or on other state priorities.

1. Individuals

The financial benefit of these regulations for individuals who enroll for coverage through the Exchange is related to their prior health insurance status and their eligibility for federal subsidies. Enrollees who were previously uninsured will now have better and timelier access to healthcare. Enrollees who were previously insured and now receive a federal subsidy will spend less on health insurance, which allows them to spend more on non-health insurance goods and services. The spending shift is equal to the subsidies received. Spending by enrollees who were previously insured but did not receive a federal subsidy will be unchanged.

The implementation of the ACA is anticipated to significantly reduce the number of Californians who lack health insurance, both by increasing coverage by Medi-Cal and by enrollment through the Exchange. Table 1 below provides a detailed breakdown of the types of coverage used by Californians under the age of 65, which indicates that the use of employer sponsored insurance was, and is expected to remain, the dominant source of insurance coverage.

Table 1
Types of Coverage for Californians under Age 65 (millions)

Type of Coverage with the ACA	2014	2015	2016	2017	2018
Employer Sponsored Insurance (ESI)	19.14	19.12	19.08	19.02	18.96
Medi-Cal	7.71	7.84	7.96	8.02	8.08
Other Public[1]	1.22	1.23	1.24	1.25	1.25
Enrolled through Exchange with Subsidies	1.20	1.64	2.00	2.07	2.12
Individual Market/Exchange without Subsidies[2]	1.70	1.82	2.00	2.08	2.13
Uninsured - Eligible for Coverage	2.71	2.28	1.91	1.97	2.04
Uninsured - Not Eligible due to Immigration Status	0.98	0.97	0.95	0.97	1.02

Source: UC Berkeley/UCLA CalSIM version 1.8

Note: [1] Inclusive of TRI-CARE, Healthy Kids, Indian Health Services, and other military/veterans programs.

[2] Represent unsubsidized population w ho are enrolled either in or out of the Exchange.

2. Businesses

Health Insurance Carriers

Health insurance carriers that participate in the Exchange will have access to previously uninsured participants and associated premium revenue streams.

Healthcare Providers

Providers of healthcare goods and services will see increased revenue from the expansion of the number of individuals with health coverage.

C. COSTS

1. Individuals

Individuals who purchase insurance on the Exchange who were previously uninsured will reduce their spending on goods and services not related to health insurance and healthcare. The reduction will be equal to the amount of the unsubsidized portion of their premiums and their additional out-of-pocket healthcare spending based on the actuarial value of the policies purchased.

2. Businesses

The proposed regulations impose no direct costs on businesses. Indirectly, businesses outside of the health insurance and healthcare industries will see a reduction in spending on the part of newly insured individuals equal to their new premiums (net of subsidies) and additional out-of-pocket healthcare spending.

D. ECONOMIC IMPACTS

1. Economic Analysis Methodology

The REMI model of the California economy was used to assess economic impacts of the proposed regulations. The annual changes to consumer and healthcare spending beginning in 2014 were entered into the model. Multiple sectors are directly impacted: pharmaceuticals, health care, physician services, dental services, paramedical services, hospitals, nursing homes, health insurance, and state government. The spending impacts were apportioned to these sectors based on premiums paid, out-of-pocket healthcare spending, and federal subsidies paid.

2. Inputs and Assumptions

Enrollment in Exchange policies will have positive and negative impacts on spending on consumer goods and services and on spending in the healthcare and finance sectors. The overall economic impact of these regulations will be determined by the number and type of persons who enroll and pay for insurance coverage through the Exchange. Enrollees consist of those that are eligible for and received federal subsidies and those that do not. Within each of these groups are those that previously had health insurance and those that didn't. The direct economic impact of this enrollment is reflected in the value of the policies sold to these groups and depends on (1) the premiums paid for the policies, (2) the extent to which the people covered by these policies were previously insured and (3) what share of the premiums paid were offset by federal Advanced Premium Tax Credits (APTC).

i. Enrollment and Payments in 2014

The impact of these regulations is fundamentally determined by the level and nature of enrollment in health plans sold through the Exchange. After the completion of its second open enrollment, 1.3 million Californians had purchased health insurance through the Exchange. The vast majority of the enrollees reported income levels that made them eligible for financial assistance—earning from 138 percent to 400 percent of the federal poverty level. Silver tier plans were the most popular, accounting for nearly two-thirds of plans selected. Half of all enrollees range from 45 to 64 years of age. The geographic distribution of Exchange enrollees closely mirrors that of the California population as a whole. Appendices 1 through 4 on pages 10 through 13 contain more information on Exchange enrollees.

Table 2 details the Health Plan Premiums paid during 2014. During the first full year of operation of the Exchange, enrollees paid $4.7 billion for health insurance premiums, $4.2 billion of which was paid by those who received federal subsidizes. Of the latter amount, $3.2 billion was offset by APTC, with the remaining $1.0 billion paid directly by subsidized enrollees. In addition, $448 million was paid as Cost Sharing Reductions (CSR) to reduce out-of-pocket expenses paid by subsidized enrollees for expenses such as copayments and deductibles.

Table 2
2014 Covered California Healthplan Premiums
$Millions

	All	Previously Insured	Previously Uninsured
Subsidized	$4,242	$3,229	$1,013
Un-Subsidized	$427	$325	$102
Total	**$4,669**	**$3,554**	**$1,115**
APTC Recieved	$3,168	$2,412	$757
Net Subsidized Premiums	$1,074	$817	$256
CSR	$448	$341	$107

The Medical Loss Ratio provision of the ACA requires insurance companies to spend at least 80 percent of premium payments on medical care. Expenses such as administrative costs (including the PMPM) and profits, including executive salaries, overhead, and marketing must be paid out the remaining 20 percent. In 2014, health plans paid approximately $160 million to the Exchange in the form of a Per Member Per Month fee (PMPM).

ii. Modeling Impacts in REMI

Consumer spending not related to healthcare

Spending on goods and services not related to health insurance and healthcare in 2014 increased by $2,003 million. Enrollees who were previously uninsured reduced their spending by the amount spent on the unsubsidized portion of their premiums and the additional out-of-pocket healthcare spending[2] in 2014—$750. Enrollees who previously had health insurance could increase spending not related to health insurance and healthcare by the amount of subsidies received and cost sharing reductions paid—$2,753 million.

Healthcare and State Government Spending

Spending on health insurance increased by $1.1 billion, which was equal to the amount of premiums paid by enrollees who were not previously insured. In accordance with the ACA, 80 percent of those premiums, or $892 million, was spent on healthcare goods and services. The remaining premium

[2] Based on the actuarial value of the policies purchased

revenues could be used to pay for administration, marketing, and profits, which includes fees paid to marketplaces. After paying PMPMs to the Exchange, Net Insurance spending increased $63 million. An additional $391 million was spent on healthcare goods and services in the form of additional out-of-pocket healthcare spending by those who were not previously insured. Thus overall spending on healthcare goods and services in 2014 increased $1,283 million.

Table 3 shows the estimated annual spending impacts to the affected sectors using the REMI model. The total increase in spending on healthcare goods and services represents the total increase in healthcare spending resulting from the expansion of health insurance enrollment facilitated by the Exchange. This increase was distributed across the healthcare subsectors based on the relative size of these sectors according to REMI model baseline data for 2014.

Table 3
2014 Spending Impacts from Enrollment in the Exchange

Component	REMI Category	Amount $Millions
Net increase in consumer spending not related to health insurance and healthcare by individuals who were previously uninsured.[1]	Consumer Spending (excluding healthcare goods and services)	$2,003
Increased spending on healthcare goods and services	Consumer Spending (healthcare)	
	Physician services	$310
	Dental services	$69
	Paramedical services	$209
	Hospitals	$585
	Nursing homes	$109
	Total	$1,283
Per Member Per Month fees paid to the Exchange	State Government Spending	$160
Increased health plan spending on administration, marketing, and profits (less PMPM fees)	Net health insurance	$63

[1] Additional consumer spending by the previously insured who now receive subsidies net of reduction in non-health insurance spending by those previously uninsured.

These impacts were projected from 2014 through 2018 based on the assumptions that (1) total enrollment through the Exchange increase from 954,000 in 2014 to 1,814,000 in 2018[3], (2) that premiums increase 4 percent per year over the same period and (3) that the ratios of spending between these sectors remains constant.

3. Impact Assessment Results

i. Competitiveness

When comparing the competitive advantage of businesses outside of California to those in California, no direct impact is projected. All of the significant effects of enrollment in individual policies sold through the Exchange will apply to all states, even those that do not operate their own exchanges. The Eligibility and Enrollment regulations will align the policies and procedures of the Health Benefit Exchange with Federal standards and are designed in such a way to preserve competitiveness and market stability.

ii. Job Impacts in California

The implementation of these regulations will have both positive and negative impacts on employment in California, but will generate an overall net positive employment impact. As modeled,

[3] Appendix 5 describes the Exchange's forecast methodology used to derive these enrollment projections.

total employment increased 38,200 in 2014 and an increase of about 75,800 is expected in 2018. The cumulative total over the five years is an increase of about 299,700 jobs.

iii. California Business Impacts

Since the proposed regulations only pertain to enrollment in individual health insurance policies, they will not directly result in the creation or elimination of businesses. Indirectly however, the enrollment for health insurance through the Exchange, part of which will be subsidized by the federal government, will result in additional consumer spending overall. It will also alter the mix of spending between healthcare providers, health insurance carriers and providers of other categories of consumer goods and services. In addition, the establishment and growth of a health insurance exchange in the nation's most populous state will likely attract insurance carriers who did not previously sell policies in California.

iv. Investment and Incentives

These regulations do not require or mandate any additional investment from individuals or businesses. Any additional investment in the state would be an indirect effect of induced changes in medical care and consumer spending. As modeled, private investment in California increased $448 million in 2014 and is expected to increase $1,460 million in 2018. The cumulative total over the five years is an increase of $5,111 million.

v. Personal Income

The direct and indirect impacts of the changes in the affected economic sectors also led to changes in personal income: an increase of $2,150 million in 2014 and an expected increase of $5,766 million in 2018. The cumulative total over the five years is an increase of $20,312 million.

vi. Gross State Product

Increased access to affordable health insurance in California had a positive impact on Gross State Product of $3,139 million in 2014 and an expected increase of $6,707 million in 2018. The cumulative total over the five years is an increase of $25,676 million.

vii. Incentives for Innovation in Products, Materials, or Processes

Improved access to affordable individual health insurance coverage will create a unique opportunities for individuals and businesses. Since healthcare will now be more readily available, the reluctance to leave a job due to uncertainties related to healthcare coverage will diminish. As individuals enjoy more employment mobility, opportunities for innovation, self-employment, independent contracting, and consulting will increase. Businesses will also be able to dedicate more dollars to research and development, innovation, and expansion. The reduction of healthcare costs and "job lock" will free up capital for individuals and businesses, allowing for more opportunities of expansion and innovation. [4]

4. Summary and Interpretation of Economic Impacts

As modeled, these regulations will likely improve the California economy. Significant increases in Gross State Product, investment and personal income will lead to positive impacts throughout the economy. Table 4 provides a summary of the impacts on employment, investment and incentives, personal income, and Gross State Product detailed above.

[4] The Economic Impact of the Affordable Care Act on California, May 2012, Bay Area Council, Micah Weinberg and Jon Haveman.

Table 4 Difference compared to Conforming California Forecast based on REMI Simulation Analysis						
Category	**2014**	**2015**	**2016**	**2017**	**2018**	**Cummulative**
Total Employment *1,000s of Jobs*	38.2	52.8	62.4	70.4	75.8	299.7
Gross Private Domestic Fixed Investment *Billions of Fixed (2009) Dollars*	$0.448	$0.811	$1.089	$1.303	$1.460	$5.111
Personal Income *Billions of Current Dollars*	$2.150	$3.241	$4.143	$5.013	$5.766	$20.312
Gross Domestic Product *Billions of Fixed (2009) Dollars*	$3.139	$4.404	$5.313	$6.113	$6.707	$25.676

E. ALTERNATIVES

State law created the California Health Benefit Exchange and the Health Benefit Exchange Board thereby codifying the establishment of a state-based exchange in California consistent with the federal Affordable Care Act. It also expressly requires the Exchange to adopt all of the requirements of the federal ACA and the requirements contained in federal guidance and regulations. With these mandates to adhere to federal law and regulations, the Exchange had no ability to implement alternative approaches in general, and had only limited opportunities to consider alternative approaches to specific provisions within the regulations.

Given these constraints, there are very few instances in these regulations where the Exchange could exercise its discretion to adopt requirements in the absence of strict federal guidance. Nearly all of these cases involve administrative requirements that have no effective impact on the value of policies offered and minimal impact the number of policies sold.

1. Alternative 1: Do not expand definition of Other Qualifying Life Event to include "Victims of domestic abuse and spousal abandonment"

The Exchange was given the option to expand the definition of Other Qualifying Life Event for enrolling during special enrollment periods to include "*Victims of domestic abuse and spousal abandonment.*" The Exchange adopted this option which will entitle more individuals to enroll through the Exchange than if it had not.

i. Costs and Benefits

Alternative 1 results in less enrollment through the Exchange which would reduce the benefits of expanded insurance coverage but would also enhance the stability of the insurance risk pool during special enrollment periods and reduce the number of applications processed by the Exchange and the carriers. According to U.S. Department of Justice Special Report Nonfatal Domestic Violence, 2003–2012, April 2014, "*serious violence by immediate family members fluctuated between 0.3 and 0.6 per 1,000 from 2003 to 2012.*" During the most recent Special Enrollment period, through August 2015, there were 20,147 enrollments allowed under Other Qualifying Life Event. Thus in 2015, between 600 and 1,200 enrollments may have occurred for this reason.

ii. Economic Impacts

As modeled, Alternative 1 would lead to a 0.13% reduction in enrollment and would thus lead to a very small reduction in the estimated economic impact. Compared to the baseline estimate, from 2014 through 2018, estimated employment gains would be reduced by 354 jobs, private investment gains by $6 million, income gains by $24 million, and state GDP gains by $30 million.

iii. Reason for Rejection

Alternative 1 was rejected because it would have led to less enrollment on the Exchange, whose mission is to increase the number of insured Californians. Lower enrollment would also lead to reduced economic benefits for California. The potential marginal additional stability for the risk pool and cost savings from processing fewer applications is far outweighed by the benefits of additional enrollment.

2. Alternative 2: Adopt Minimum Grace Period for Incomplete Applications

The Exchange was given the option to set the grace period for applicants who submit incomplete applications to provide the missing information. The regulations allow applicants 90 calendar days from the date they were notified that their application was incomplete to provide the missing information or until the end of the relevant enrollment period but no less than 30 days from the date of the incomplete application notice. Federal regulations allow the Exchange to set the grace period from as little as 10 calendar days to as much as 90 days from the date of the incomplete application notice.

i. Costs and Benefits

During 2014, an estimated 42,500 incomplete applications were received, of which 30,700 were completed within 10 days and another 18,900 were completed within 90 days. On average each application received in 2014 represented 1.3 enrollees. Thus, limiting the grace period to 10 days would have reduced enrollment by 24,600. Since potential enrollees who submit incomplete applications can ultimately be enrolled if the missing information is supplied, their applications must be retained and tracked during the grace period. Restricting the duration of the grace period could potentially reduce the quantity of incomplete application files the Exchange must store.

ii. Economic Impacts

As modeled, Alternative 2 would lead to a 2.6% reduction in enrollment and would thus lead to a very small reduction in the estimated economic impact. Compared to the baseline estimate, from 2014 through 2018, estimated employment gains would be reduced by 7,700 jobs, private investment gains by $131 million, income gains by $522 million, and state GDP gains by $660 million.

iii. Reason for Rejection

Alternative 2 was rejected because it would have led to less enrollment on the Exchange, whose mission is to increase the number of insured Californians. Lower enrollment would also lead to reduced economic benefits for California. The potential administrative cost savings from maintaining fewer incomplete applications is far outweighed by the benefits of additional enrollment.

F. FISCAL IMPACTS

1. Local Government

The proposed regulations do not affect local government.

2. Covered California

California chose to operate its own exchange (”marketplace”) thereby creating Covered California and its governing Board. The Exchange will be funded through a combination of federal grant funds and policy assessments on an ongoing basis. For enrollment on the Exchange in 2014, policy assessments on health plans totaled $159.8 million. No state California General Fund money can be used to support the Exchange. No liability incurred by the Exchange or any of its officers or employees may be satisfied using moneys from the General Fund.

3. Other State Agencies

These regulations, as proposed, only address the eligibility and enrollment procedures and standards by which the Exchange will operate. They are, though, a component of the rules of the California Healthcare Enrollment, Eligibility and Retention System (CalHEERS) which runs California's single, streamlined application for all insurance affordability programs, including Medi-Cal and the Exchange. Beginning in 2014, the ACA significantly expanded enrollment in Medi-Cal by broadening eligibility to adults without children, and parent and caretaker relatives with incomes up to 138 percent of the federal poverty level, which, by 2015 allowed approximately 2 million additional Californians to enroll in Medi-Cal coverage at a cost of approximately $14 billion in fiscal year 2015-16. The federal government will pay for all of this expansion through 2016. In fiscal year 2016-17, California will begin paying up to 10 percent of these costs.

G. APPENDICES

1. Covered California Enrollees by Metal Tier by County
2. Covered California Enrollees by Gender by County
3. Covered California Enrollees by Age by County
4. Covered California Enrollees by Federal Poverty Level by County
5. Covered California Enrollment and Revenue Forecast

APPENDIX 1: Covered California Enrollees by Metal Tier by County

County	Minimum Coverage	Bronze	Silver	Silver - Enhanced 73	Silver - Enhanced 87	Silver - Enhanced 94	Gold	Platinum	Grand Total
Alameda	440	17,650	9,270	6,170	14,680	7,120	3,060	3,040	**61,430**
Alpine	0	20	10	10	10	0	10	0	**60**
Amador	10	340	170	160	390	150	50	30	**1,300**
Butte	20	2,300	840	700	1,740	800	250	170	**6,820**
Calaveras	10	580	310	180	380	180	90	50	**1,780**
Colusa	0	410	100	80	250	160	20	10	**1,030**
Contra Costa	220	10,210	6,380	3,520	8,720	4,060	2,360	2,270	**37,740**
Del Norte	0	220	80	60	150	60	40	10	**620**
El Dorado	20	2,440	1,320	810	1,810	710	370	320	**7,800**
Fresno	90	5,630	2,030	1,960	6,310	3,670	640	630	**20,960**
Glenn	0	350	100	80	240	100	30	10	**910**
Humboldt	30	1,840	840	670	1,420	650	190	140	**5,780**
Imperial	10	3,310	280	300	1,020	640	80	30	**5,670**
Inyo	0	210	120	60	150	80	40	20	**680**
Kern	110	4,310	1,550	1,500	5,230	3,060	680	650	**17,090**
Kings	10	530	170	230	610	340	90	40	**2,020**
Lake	10	680	310	260	620	230	110	50	**2,270**
Lassen	0	120	70	60	110	30	10	10	**410**
Los Angeles	2,490	65,460	42,900	34,470	103,770	66,940	20,740	17,780	**354,550**
Madera	10	980	470	410	1,230	580	130	110	**3,920**
Marin	60	3,960	2,470	980	2,020	930	790	750	**11,960**
Mariposa	0	160	130	70	200	80	40	20	**700**
Mendocino	20	1,390	610	530	1,080	410	170	110	**4,320**
Merced	20	1,580	920	1,000	3,100	1,430	370	150	**8,570**
Modoc	0	80	30	30	70	50	10	0	**270**
Mono	0	350	120	100	210	80	30	20	**910**
Monterey	50	5,120	1,900	1,210	3,110	1,550	430	220	**13,590**
Napa	30	1,730	820	530	1,170	400	280	240	**5,200**
Nevada	20	2,220	930	620	1,440	580	250	140	**6,200**
Orange	710	26,010	17,540	12,260	34,820	21,090	8,090	6,440	**126,960**
Placer	70	4,180	2,230	1,280	2,970	1,520	730	510	**13,490**
Plumas	0	250	150	110	190	70	30	10	**810**
Riverside	330	14,410	7,470	6,240	18,720	11,010	3,660	3,410	**65,250**
Sacramento	250	12,750	4,810	3,940	11,120	6,210	1,480	1,610	**42,170**
San Benito	0	410	310	220	460	230	90	50	**1,770**
San Bernardino	260	11,550	5,390	4,930	15,080	9,290	2,460	2,490	**51,450**
San Diego	860	32,140	15,600	10,810	30,670	17,210	6,970	6,390	**120,650**
San Francisco	400	11,440	5,170	3,480	8,070	3,300	1,750	1,820	**35,430**
San Joaquin	110	5,350	2,640	2,350	7,390	3,720	970	820	**23,350**
San Luis Obispo	60	3,550	1,950	1,260	2,660	1,240	540	320	**11,580**
San Mateo	170	7,660	4,320	2,460	5,210	2,180	1,490	1,290	**24,780**
Santa Barbara	100	4,800	2,330	1,580	3,710	1,720	730	430	**15,400**
Santa Clara	550	19,830	8,900	5,370	12,810	6,930	2,690	2,270	**59,350**
Santa Cruz	40	3,660	2,540	1,500	3,350	1,390	840	450	**13,770**
Shasta	20	2,590	880	610	1,530	860	250	100	**6,840**
Sierra	0	30	10	10	30	10	10	0	**100**
Siskiyou	10	660	190	150	320	150	40	30	**1,550**
Solano	70	3,400	1,450	1,140	2,690	1,360	410	640	**11,160**
Sonoma	140	7,470	3,680	2,200	4,680	1,900	1,060	860	**21,990**
Stanislaus	60	3,800	2,190	2,050	5,500	2,690	740	770	**17,800**
Sutter	20	1,300	250	270	850	630	100	50	**3,470**
Tehama	0	670	230	170	470	240	70	30	**1,880**
Trinity	0	160	60	60	150	70	10	20	**530**
Tulare	30	1,710	1,060	1,300	3,750	1,790	390	160	**10,190**
Tuolumne	10	670	290	270	540	290	100	50	**2,220**
Ventura	150	9,140	4,950	3,260	7,920	4,350	1,580	1,140	**32,490**
Yolo	30	1,640	660	480	1,330	650	300	240	**5,330**
Yuba	10	480	170	170	520	230	50	50	**1,680**
TOTAL	**8,140**	**325,890**	**172,670**	**126,690**	**348,750**	**197,400**	**68,990**	**59,470**	**1,308,000**

Source: Covered California Active Member Profile

APPENDIX 2: Covered California Enrollees by Gender by County

County	Female	Male	Grand Total
Alameda	32,070	29,300	**61,370**
Alpine	30	30	**60**
Amador	710	590	**1,300**
Butte	3,690	3,130	**6,820**
Calaveras	960	820	**1,780**
Colusa	530	480	**1,010**
Contra Costa	19,880	17,820	**37,700**
Del Norte	330	280	**610**
El Dorado	4,090	3,700	**7,790**
Fresno	10,660	10,260	**20,920**
Glenn	460	440	**900**
Humboldt	3,070	2,710	**5,780**
Imperial	2,760	2,890	**5,650**
Inyo	360	320	**680**
Kern	9,040	8,020	**17,060**
Kings	1,060	960	**2,020**
Lake	1,230	1,030	**2,260**
Lassen	220	200	**420**
Los Angeles	181,340	172,870	**354,210**
Madera	2,080	1,830	**3,910**
Marin	6,460	5,470	**11,930**
Mariposa	370	330	**700**
Mendocino	2,270	2,040	**4,310**
Merced	4,380	4,180	**8,560**
Modoc	150	120	**270**
Mono	440	460	**900**
Monterey	7,080	6,500	**13,580**
Napa	2,830	2,370	**5,200**
Nevada	3,340	2,840	**6,180**
Orange	66,650	60,220	**126,870**
Placer	7,200	6,280	**13,480**
Plumas	430	380	**810**
Riverside	34,180	30,970	**65,150**
Sacramento	21,730	20,410	**42,140**
San Benito	940	830	**1,770**
San Bernardino	27,250	24,110	**51,360**
San Diego	62,640	57,920	**120,560**
San Francisco	17,180	18,210	**35,390**
San Joaquin	12,120	11,200	**23,320**
San Luis Obispo	6,210	5,350	**11,560**
San Mateo	12,890	11,860	**24,750**
Santa Barbara	8,190	7,190	**15,380**
Santa Clara	30,710	28,580	**59,290**
Santa Cruz	7,190	6,580	**13,770**
Shasta	3,710	3,110	**6,820**
Sierra	40	60	**100**
Siskiyou	830	700	**1,530**
Solano	6,070	5,070	**11,140**
Sonoma	12,060	9,900	**21,960**
Stanislaus	9,380	8,420	**17,800**
Sutter	1,790	1,690	**3,480**
Tehama	1,010	880	**1,890**
Trinity	280	260	**540**
Tulare	5,300	4,880	**10,180**
Tuolumne	1,230	970	**2,200**
Ventura	17,290	15,180	**32,470**
Yolo	2,700	2,600	**5,300**
Yuba	900	770	**1,670**
TOTAL	**679,990**	**626,570**	**1,306,560**

Source: Covered California Active Member Profile

APPENDIX 3: Covered California Enrollees by Age by County

County	Age 0 to 18	Age 19 to 29	Age 30 to 44	Age 45 to 64	Age 65+	Grand Total
Alameda	4,100	11,190	16,410	28,820	910	**61,430**
Alpine	0	0	20	40	0	**60**
Amador	60	140	240	830	20	**1,290**
Butte	330	980	1,460	3,940	110	**6,820**
Calaveras	100	180	300	1,170	30	**1,780**
Colusa	40	140	220	600	20	**1,020**
Contra Costa	2,980	6,400	8,730	19,030	610	**37,750**
Del Norte	40	70	110	390	10	**620**
El Dorado	560	1,080	1,480	4,580	110	**7,810**
Fresno	670	3,850	4,740	11,350	330	**20,940**
Glenn	40	110	170	580	10	**910**
Humboldt	320	770	1,650	2,970	70	**5,780**
Imperial	120	940	980	3,450	150	**5,640**
Inyo	40	80	160	390	10	**680**
Kern	670	2,940	3,740	9,480	250	**17,080**
Kings	50	290	410	1,230	40	**2,020**
Lake	80	230	380	1,550	40	**2,280**
Lassen	20	50	70	280	0	**420**
Los Angeles	15,380	66,520	88,340	179,850	4,450	**354,540**
Madera	170	620	750	2,330	60	**3,930**
Marin	1,330	1,440	2,260	6,700	210	**11,940**
Mariposa	30	80	150	410	20	**690**
Mendocino	220	410	980	2,610	90	**4,310**
Merced	290	1,490	1,990	4,650	160	**8,580**
Modoc	20	20	40	190	10	**280**
Mono	50	140	250	460	10	**910**
Monterey	780	2,180	3,010	7,410	210	**13,590**
Napa	360	860	1,180	2,720	80	**5,200**
Nevada	420	680	1,390	3,600	100	**6,190**
Orange	7,940	23,230	28,220	65,890	1,680	**126,960**
Placer	1,120	2,130	3,180	6,880	170	**13,480**
Plumas	20	70	120	580	10	**800**
Riverside	3,210	10,570	14,240	36,270	960	**65,250**
Sacramento	1,940	8,130	11,060	20,440	600	**42,170**
San Benito	110	280	360	990	30	**1,770**
San Bernardino	2,030	8,910	11,240	28,490	760	**51,430**
San Diego	7,380	21,200	29,440	60,730	1,890	**120,640**
San Francisco	1,560	6,470	11,050	15,950	410	**35,440**
San Joaquin	1,090	4,200	5,530	12,100	420	**23,340**
San Luis Obispo	750	1,740	2,480	6,430	170	**11,570**
San Mateo	1,860	4,300	5,670	12,490	450	**24,770**
Santa Barbara	1,000	2,640	3,240	8,270	240	**15,390**
Santa Clara	4,010	10,520	13,380	30,390	1,040	**59,340**
Santa Cruz	920	2,160	3,080	7,380	250	**13,790**
Shasta	410	780	1,460	4,080	100	**6,830**
Sierra	0	10	10	70	0	**90**
Siskiyou	60	150	250	1,040	30	**1,530**
Solano	580	2,060	2,590	5,750	170	**11,150**
Sonoma	1,650	3,310	5,010	11,680	330	**21,980**
Stanislaus	870	3,080	4,170	9,470	230	**17,820**
Sutter	120	590	870	1,850	60	**3,490**
Tehama	100	200	360	1,200	50	**1,910**
Trinity	20	40	100	360	10	**530**
Tulare	300	1,600	2,010	6,090	190	**10,190**
Tuolumne	120	240	440	1,360	40	**2,200**
Ventura	2,340	5,580	6,790	17,330	460	**32,500**
Yolo	320	1,080	1,280	2,560	80	**5,320**
Yuba	70	230	320	1,030	30	**1,680**
TOTAL	**71,170**	**229,380**	**309,560**	**678,760**	**18,980**	**1,307,850**

Source: Covered California Active Member Profile

APPENDIX 4: Covered California Enrollees by Federal Poverty Level (FPL) by County

County	138% FPL or less	138% FPL to 150% FPL	150% FPL to 200% FPL	200% FPL to 250% FPL	250% FPL to 400% FPL	400% FPL or greater	Unsubsidized Application	Grand Total
Alameda	1,660	6,960	18,820	11,150	16,890	2,670	3,270	**61,420**
Alpine	0	10	20	10	20	0	10	**70**
Amador	30	150	450	250	350	30	50	**1,310**
Butte	150	790	2,300	1,350	1,870	150	210	**6,820**
Calaveras	20	200	490	320	600	60	90	**1,780**
Colusa	40	160	440	160	190	10	20	**1,020**
Contra Costa	1,060	4,020	11,170	6,560	11,370	1,480	2,100	**37,760**
Del Norte	20	60	190	120	190	10	20	**610**
El Dorado	150	740	2,320	1,420	2,550	240	390	**7,810**
Fresno	760	3,610	8,380	3,560	3,810	360	470	**20,950**
Glenn	20	90	360	190	210	20	30	**920**
Humboldt	100	680	1,870	1,160	1,640	170	180	**5,800**
Imperial	200	940	2,410	1,120	920	20	30	**5,640**
Inyo	10	90	200	120	210	30	30	**690**
Kern	780	2,910	6,950	2,800	2,960	260	420	**17,080**
Kings	80	330	820	400	330	30	30	**2,020**
Lake	40	230	800	420	630	70	70	**2,260**
Lassen	10	30	140	90	130	10	10	**420**
Los Angeles	11,620	67,230	126,390	56,680	63,510	11,540	17,570	**354,540**
Madera	120	580	1,550	680	880	40	80	**3,930**
Marin	350	960	2,700	1,880	4,170	660	1,230	**11,950**
Mariposa	20	80	240	130	180	20	20	**690**
Mendocino	110	430	1,380	870	1,240	160	150	**4,340**
Merced	300	1,290	3,610	1,500	1,640	110	130	**8,580**
Modoc	20	40	90	70	50	0		**270**
Mono	30	80	260	190	300	20	30	**910**
Monterey	400	1,550	4,350	2,590	3,950	300	460	**13,600**
Napa	120	420	1,590	980	1,640	180	280	**5,210**
Nevada	110	580	1,810	1,130	2,070	200	300	**6,200**
Orange	3,680	20,810	41,900	20,850	30,210	3,770	5,720	**126,940**
Placer	320	1,490	3,870	2,360	4,470	380	610	**13,500**
Plumas	10	70	240	180	270	30	10	**810**
Riverside	2,320	10,720	23,890	11,050	13,210	1,530	2,540	**65,260**
Sacramento	1,310	6,260	15,100	7,840	9,540	910	1,220	**42,180**
San Benito	50	210	550	330	550	40	40	**1,770**
San Bernardino	1,670	9,300	19,530	8,950	9,360	1,130	1,500	**51,440**
San Diego	3,700	17,490	40,230	20,520	28,960	3,780	5,960	**120,640**
San Francisco	930	3,360	10,640	6,780	9,020	1,980	2,720	**35,430**
San Joaquin	720	3,560	9,030	3,980	5,020	510	530	**23,350**
San Luis Obispo	210	1,260	3,360	2,160	3,830	370	370	**11,560**
San Mateo	750	2,170	6,830	4,490	7,780	1,090	1,660	**24,770**
Santa Barbara	440	1,760	4,700	2,850	4,480	490	680	**15,400**
Santa Clara	1,640	7,100	17,500	10,540	16,450	2,470	3,640	**59,340**
Santa Cruz	360	1,300	4,050	2,480	4,420	560	610	**13,780**
Shasta	140	890	2,110	1,230	2,140	140	180	**6,830**
Sierra	0	10	30	20	40	0	0	**100**
Siskiyou	20	160	480	310	470	30	70	**1,540**
Solano	330	1,340	3,580	2,140	3,120	300	330	**11,140**
Sonoma	550	1,950	6,360	4,040	7,320	750	1,020	**21,990**
Stanislaus	490	2,540	6,580	3,420	4,090	310	380	**17,810**
Sutter	140	630	1,320	620	640	60	70	**3,480**
Tehama	60	240	660	340	540	30	40	**1,910**
Trinity	10	70	180	120	130	10	10	**530**
Tulare	340	1,630	4,290	1,880	1,760	120	180	**10,200**
Tuolumne	50	270	660	440	670	70	50	**2,210**
Ventura	910	4,300	10,190	5,860	9,240	760	1,230	**32,490**
Yolo	190	640	1,840	970	1,240	170	280	**5,330**
Yuba	60	210	680	310	340	30	40	**1,670**
TOTAL	**39,730**	**196,980**	**442,480**	**224,960**	**303,810**	**40,670**	**59,370**	**1,308,000**

Source: Covered California Active Member Profile

Appendix 5: Covered California Enrollment and Revenue Forecast

The following describes the forecasting methodology used to develop the enrollment and revenue outlook to support the Exchange's fiscal year 2015-16 budget (source: *Covered California Fiscal Year 2015-16 Budget, June Budget Revision*, June 9, 2015).

V. Covered California Enrollment and Revenue Forecast

The Covered California enrollment projection used for this budget extends out through 2019 and incorporates the experience gained from the 2014 special enrollment (April to December 2014) and the second open enrollment (October 2014 to February, 2015). The outlook projects continued enrollment growth through 2018, followed by modest growth in 2019 as the program enrolls an increasing share of the California population that is eligible for financial assistance through Covered California.

Updating the Forecast and Comparing the 2015 and 2014 Enrollment Projections
Although the 2014 forecast was based largely on input from experts and on the performance of similar health care programs, the 2015 forecast relies to a much greater extent on Covered California's actual enrollment experience in 2014 through the end of the second open enrollment.

Although many of the key assumptions in the 2014 forecast were confirmed, the actual experience has informed assumptions in a number of areas. In particular: The renewal rates were close to those projected in the 2014 forecast; monthly disenrollment rates were slightly lower than forecast (with about 1.5 percent of those insured disenrolling each month, compared with the forecast rate of 2.5 percent, meaning higher retention); the realized effectuation rate of 80 percent was lower than the projected rate of 85 percent; and monthly new enrollment from consumers' loss of employer-supplied insurance and Medi-Cal coverage during special enrollment was lower than projected. These lower effectuation and monthly new enrollment rates were offset to some extent by better-than-expected retention and renewal rates. All of these trends are reflected in the 2015 forecast and help explain the difference between the two forecasts.

At the end of the second open enrollment, Covered California achieved a total enrollment of 1.4 million. This was above the "low estimate" projected in 2014 (1.3 million), but it was below the "medium estimate" (1.7 million). Informed by that experience, the 2015 "maximum" forecast assumes enrollment will reach market penetration of almost 2 million at the end of 2018.

Individual Market Forecast

Overview

This projection begins after the end of the second open enrollment and takes into account the following:

- The pace that new enrollees acquired coverage through Covered California during 2014 special enrollment
- The rate at which enrolled individuals leave Covered California through termination or by failing to renew coverage
- The likelihood that an individual who selects a plan will pay their premium
- The size of the California population eligible for subsidies

For the next several years, the most significant enrollment gains will occur during open enrollment. Enrollment growth is projected through 2018 open enrollment, at which point Covered California will likely have enrolled the greatest achievable share of those eligible for the Advance Premium Tax Credit (APTC). The basis for the projected level and timing are explained in Key Assumptions on the next page.

A range of enrollment estimates was developed based on different assumptions about the share of the subsidy-eligible population that ultimately will be enrolled. The Low enrollment forecast reflects enrolling 70 percent of this population after the 2018 open enrollment; the Medium projection, 75 percent; and the High, 80 percent. These are displayed in **Figure 1**.

Figure 1
Individual Market Enrollment and Revenue Scenarios

Key Assumptions

Enrollment of the Subsidy-Eligible Population

By the end of its second open enrollment, Covered California had enrolled approximately 53 percent of California's estimated subsidy-eligible population. The Low, Medium and High alternative assumptions used in the forecast are that Covered California will enroll 70, 75 or 80 percent of those eligible for subsidies who do not already have coverage by 2018. We believe these are reasonable in light of outside estimates and examples of participation in similar programs.

- The Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) provides food, nutrition education, breastfeeding support and referrals to health care and social services to low-income pregnant women, new mothers, infants and children. In 2015, California's WIC program served 82 percent of those eligible.
- The Healthy Families program was created in 1998 to provide low-cost health insurance to children of families whose incomes are too high to qualify for Medi-Cal but are below 250 percent of the federal poverty level. In 2003, five years after its creation, the program had enrolled 75 percent of those eligible. Covered California's five-year mark will be reached in 2018.
- Version 1.91 of the University of California Simulation of Insurance Markets (CalSIM) model estimates the subsidy-eligible population in California to be approximately 2.5 million, increasing to 2.7 million by 2017. This includes 470,000 individuals who are offered unaffordable policies by their employer but are unlikely to switch to a subsidized policy. The simulation estimates that 78 percent to 81 percent of the subsidy-eligible population, excluding those who don't switch from unaffordable policies, will enroll in Covered California by the end of 2018.

To the extent possible, actual enrollment trends during 2014 were used as the basis for the major assumptions used in forecasting. It should be noted, however, that 2014 was the opening year for the marketplace and two notable events complicate the interpretation of these trends. There was a last-minute surge of enrollment on the eve of the March 31, 2014, deadline to satisfy the individual mandate and avoid the shared responsibility penalty. For many, this meant that their policies did not become effective until May. Secondly, Covered California worked with consumers who had started an application, but had not completed it by the end of the inaugural open enrollment. These applicants were able to enroll as late as April 15, which also led to coverage starting in May 2014. As a consequence, strong month-over-month gains averaging almost 200,000 were made through May 2014 — well after the original end of open enrollment. A slower pace was assumed in this forecast that is comparable to enrollment after May.

Monthly enrollment rate during special enrollment
Outside of open enrollment, the loss of minimum essential coverage due to the loss of employer-supplied insurance or loss of Medi-Cal coverage will be the most significant reasons for people to enroll in Covered California through a special-enrollment period. The 2014 forecast projected average monthly gains of approximately 46,000 associated with these two reasons. The current model considers the average pace of monthly new enrollment achieved from June through November in 2014 — approximately 31,000 — to represent gains for these and other qualifying events. Because the actual month-to-month pace slowed notably after July 2014 and because there is some uncertainty about the future pace of Medi-Cal redeterminations, a conservative assumption of 25,000 monthly gains was used (the 2014 forecast assumed an average of 52,000 new monthly enrollments overall).

Monthly Disenrollment Rate
From January through November 2014, there were a total of 1.35 million effectuated enrollments. Over the same period, 218,000 effectuated enrollments were terminated, which means that of all the new policies started, 16.2 percent were terminated at some point, or an average of 1.47 percent per month. A disenrollment rate of 1.5 percent was used in the forecast. The previous forecast assumed that 2.5 percent of enrollees would disenroll each month.

Nonrenewal Rate
Of all enrollees who went through the renewal process at the end of 2014, 11.9 percent were either found ineligible or did not renew for 2015. Therefore, a nonrenewal rate of 12 percent was used. The 2014 forecast projected that 15 percent would not renew their coverage.

Effectuation Rate
The projection used the effectuation rates achieved in 2014 as the basis for subsequent years.

- Open enrollment: From January through May 2014, 80.3 percent of the enrollees who completed an application and selected a qualified health plan paid at least their first month's premium.
- Special enrollment: From June through December 2014, the payment rate was 75.4 percent.

Covered California is projecting an 80 percent effectuation rate during open enrollment and a 75 percent effectuation rate during special enrollment. The previous forecast applied an overall effectuation rate of 85 percent, which increased to 90 percent starting in May 2015.

Subsidized and Unsubsidized Enrollments

The model uses the ratio of subsidy-eligible individuals to individuals not eligible for subsidies based on 2014 enrollment, of which 83 percent were qualified for financial assistance. The previous forecast assumed a subsidized rate of 88 percent. The latest forecast assumes 85 percent.

The assumptions detailed above will be consistently updated and informed by new information as it becomes available. The exact mix of people who enroll during special enrollment and open enrollment will be adjusted as the exchange learns, and will be affected by the mix of people who come in and out of Covered California due to gaining job-based insurance, moving, transitioning from other health insurance programs or disenrolling.

According to this enrollment outlook, annual individual plan assessments will increase steadily in upcoming years. On a budgetary basis, Covered California projects $233 million in individual market revenues will be generated in FY 2015-16; $264 million, in FY 2016-17; $292 million, in FY 2017-18; and $319 million, in FY 2018-19. These estimates will differ from the revenues expressed in the multi-year forecast in **Table 5,** which are for the combined individual and small-business markets and are expressed on a cash basis. These assessments should be modest in comparison to the total book of business they represent for participating health plans. Assessments for 2014 coverage totaled approximately $160 million for an enrolled membership that generated approximately $4.7 billion in premiums — including $3.1 billion in APTC. Assessments for 2015 coverage are based on an enrolled membership that is estimated to generate approximately $6.5 billion in premiums — including $4.3 billion of Advanced Premium Tax Credits.

Sensitivity Analysis

Covered California has modeled updated Low, Medium and High enrollment forecasts. The High enrollment alternative estimates from $6 million to $23 million (2.5 percent to 7 percent) more annual revenue over the Medium alternative. The Low alternative projects from $10 million to $21 million (4 percent to 6.5 percent) less revenue. For the purpose of this analysis, revenues are calculated on a budgetary basis, in contrast to the cash basis revenue calculation used in the multi-year financial forecast displayed later in this document.

Table 2

Individual Market

Comparison of Low, Medium & High Enrollment and Revenue Projections

Alternative	Year End Effectuated Enrollment				PMPM Revenue ($millions)*			
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
High	1,542,380	1,807,166	1,953,172	2,101,643	$239.1	$282.0	$316.2	$341.1
Medium	1,476,342	1,666,617	1,809,095	1,977,792	$233.2	$264.3	$292.2	$318.6
Low	1,366,329	1,548,359	1,689,065	1,854,521	$223.5	$245.0	$272.1	$298.0

** $13.95 PMPM in all years.*

Covered California for Small Business Forecast

Overview

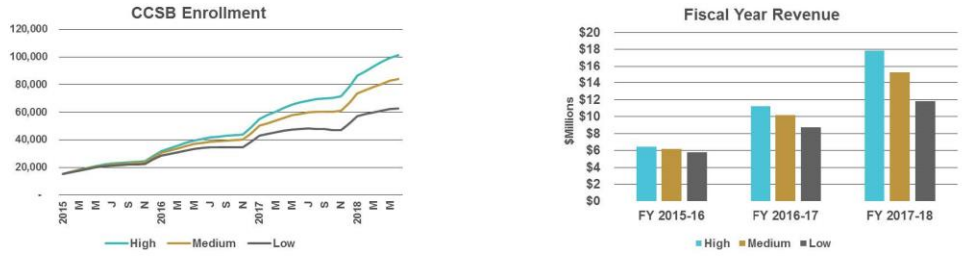
The enrollment outlook for Covered California for Small Business (CCSB) (previously identified as the Small Business Health Options Program, or SHOP), is based on the assumption that the program addresses many of the challenges encountered since its launch in 2014. Principal among these was a widespread expectation among employers who offer their employees insurance coverage that premiums were going to increase sharply when the Affordable Care Act took effect, which led many to renew their existing policies early at the end of 2013. In addition, the delay of the requirement for employers to offer minimum essential coverage allowed many non compliant small-group health plans to remain in effect through 2015. Although the program originally offered a competitive mix of health plans, enrollment system functionality problems and higher demand for agent support led to limited promotion of the plans and greater-than-expected cancellations. All of these developments contributed to lower-than-forecast enrollment in 2014.

A number of developments should contribute to better participation over the next several years. Small-group employers will need to transition to Affordable Care Act-compliant plans at the beginning of 2015. Currently, employers with one to 50 eligible employees can access the CCSB marketplace. This ceiling is scheduled to change to 100 in January 2016, which will expand the potential market. Finally, the improvements in Covered California's agent support should improve agent participation and the promotion of CCSB policies.

As with the individual enrollment projections, Low, Medium and High enrollment estimates have been developed based on different assumptions about new sales growth, cancellations and renewal rates. These projections begin after January 2015, which was the anniversary and first annual renewal point for the first CCSB policies sold at the launch of the program.

The pace of new sales growth and the cancellation rate have the most significant impact on projected enrollment. The Medium enrollment estimate assumes that the pace of new enrollment growth accelerates from 2014 to 2016 and then moderates somewhat thereafter. It assumes a slightly better renewal rate than occurred with 2014 policies and that the 2014 cancellation rate holds steady going forward. Compared with the Medium estimate, the High estimate assumes that new sales growth is 5 percent stronger in each year, that the cancellation rate moderates to the small-group market norm of 2 percent, and the renewal rate improves somewhat through 2017. Alternately, the Low estimate assumes weaker new enrollment growth, a higher cancellation rate and a renewal rate that does not improve from 2014.

Figure 2
Covered California for Small Business, Market Enrollment and Revenue Scenarios



Key Assumptions

- **New sales growth —** The Medium enrollment estimate assumes that new sales in each month of 2015 increase 30 percent over the same months in 2014, which results in 21,000 new policies in 2015, compared with 17,000 new policies written in 2014. The rate increases to 40 percent in 2016, 35 percent in 2017 and 30 percent in 2018.
- **New sales increase factor —** To account for the requirement that small-group employers move to Affordable Care Act-compliant plans, and for the expansion to include larger employers, a sales increase factor is added to the pace of sales during the final months of 2015 and the first month of 2016.
- **Cancellation rate —** From February 2014 through January 2015, an average of 2.6 percent of the policies in effect during the prior month were canceled.
- **Renewal/nonrenewal rate —** Of the 3,766 policies effective in January 2014 and still in effect at the end of December, 344, or 9.1 percent, were not renewed. The forecast assumes an 8 percent nonrenewal rate for 2015 and beyond.

Table 3
Projected Gains and Losses

Medium Alternative Year-to-Year Enrollment Gains and Losses

	FY 2015-16	FY 2016-17	FY 2017-18
Beginning	21,399	37,859	58,830
New Sales	26,460	37,363	49,251
Cancellation	(8,624)	(14,275)	(21,258)
Nonrenewal	(1,376)	(2,117)	(2,989)
Year End	37,859	58,830	83,834

Sensitivity Analysis

The High enrollment alternative estimates $200,000 more annual revenue over the Medium alternative for FY 2015-16. Alternately, the Low alternative estimates $400,000 less revenue. For the purpose of this analysis, revenues are calculated on a budgetary basis, in contrast to the cash basis revenue calculation used in the multi-year financial forecast displayed later in this document.

Table 4

Covered California for Small Business Market
Comparison of Low, Mid & High Enrollment and Revenue Projections

Alternative	Fiscal Year End Effectuated Enrollment			PMPM Revenue ($millions)*		
	FY 2015-16	FY 2016-17	FY 2017-18	FY 2015-16	FY 2016-17	FY 2017-18
High	40,634	67,085	101,312	$6.4	$11.3	$17.9
Medium	37,859	58,830	83,834	$6.2	$10.2	$15.2
Low	33,942	47,910	62,586	$5.8	$8.8	$11.8

Forecast Uncertainties

A number of potential developments could lead to more or less revenue or enrollment than anticipated by these forecasts. Most directly, the forecast assumes that few people will lose Medi-Cal coverage in the near future and enroll in Covered California. An early return to the standard Medi-Cal redetermination process could result in additional enrollment, which would result in enrollment levels comparable to the High enrollment outlook.

While the national and state economic outlooks remain positive, the current recovery is nearly six years old. Since the most recent recoveries have lasted almost five years on average, it's possible that another economic slowdown could occur in the next few years. A modest economic slowdown could lead to a noticeable, albeit temporary, increase in enrollment, and a very severe economic slowdown could lead to a temporary dip in enrollment. The severity of the slowdown would determine whether the number of enrollees who become qualified for Medi-Cal coverage is counterbalanced by new enrollment of people who lose employer-supplied insurance.

The biggest uncertainty is the pace at which Covered California enrolls subsidy-eligible Californians. Given the importance of the subsidy to promoting enrollment, policy changes that would increase or decrease the size of the subsidy and who is eligible for it would have the biggest impact on enrollment.