

The New Jersey Health Insurance Market: Volatility Anticipated Due to COVID-19

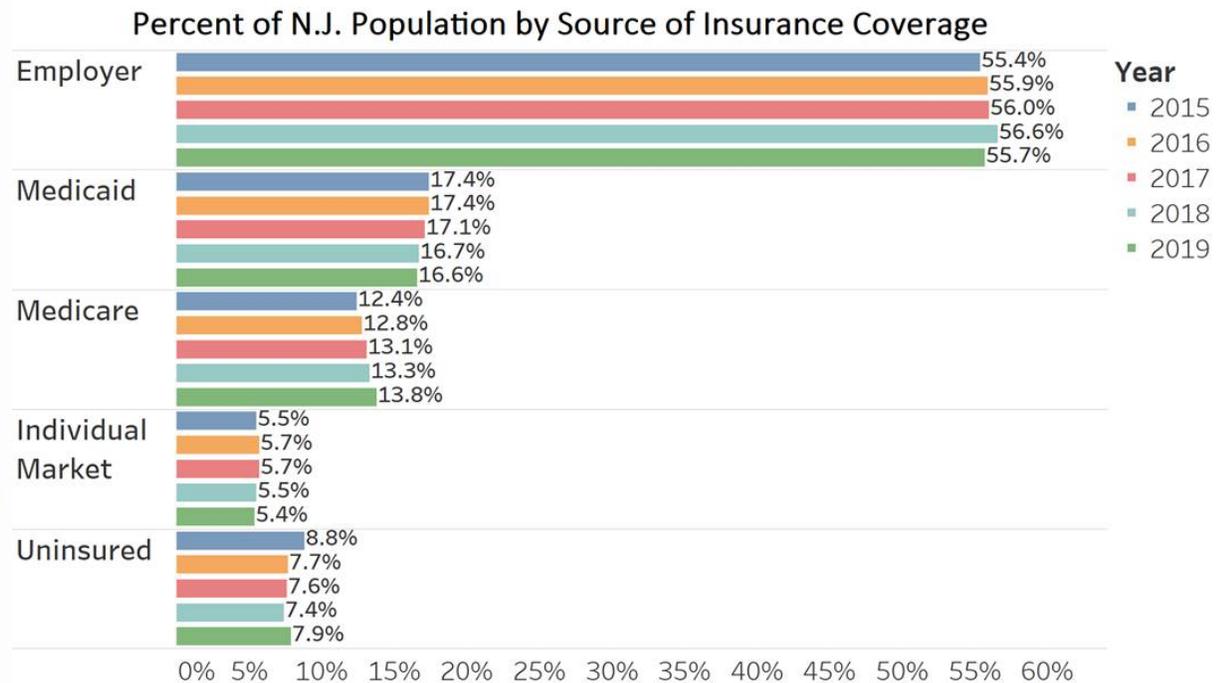
Much attention is being paid to the impact of the novel coronavirus on provider finances. With the healthcare sector comprising the second largest source of jobs in New Jersey, the attention is appropriate. Throughout the state, hospitals, nursing homes and other providers are integral to the economy within their communities. The unforeseen costs of additional supplies, drugs and staff to properly treat patients and prevent the virus' spread, along with significant declines in revenue associated with elective procedures, [hospital](#) and [nursing home](#) admissions present significant challenges to the current and ongoing financial viability of New Jersey's provider community.

Another area that is expected to have a significant impact on providers' financial forecast is the anticipated volatility in the source of individuals' health insurance coverage, whether it is Medicare, Medicaid, employer-sponsored or individual plans. Given the devastating effects of COVID-19 on the nation's economy, it is fair to expect significant enrollment shifts in the insurance markets.

These shifts in enrollment directly affect the mix of patients seen by the state's providers. Payer mix can provide valuable insight into a provider's anticipated revenues and is an important metric to track heading into 2021.

In this bulletin, NJHA's Center for Health Analytics, Research & Transformation (CHART) aggregates five-year trends in health insurance enrollment in New Jersey. In addition, factors that have the potential to influence these trends are identified and discussed in the broader context. This information will contribute to a better understanding of the current and future insurance market.

As illustrated below, enrollment in different sources of insurance coverage in New Jersey has remained largely stable over the last five years. The following graph shows the portion of the state's population with health insurance coverage through Medicare or Medicaid, the individual's employer, or purchased directly, as well as the portion without coverage, for each year from 2015 through 2019.

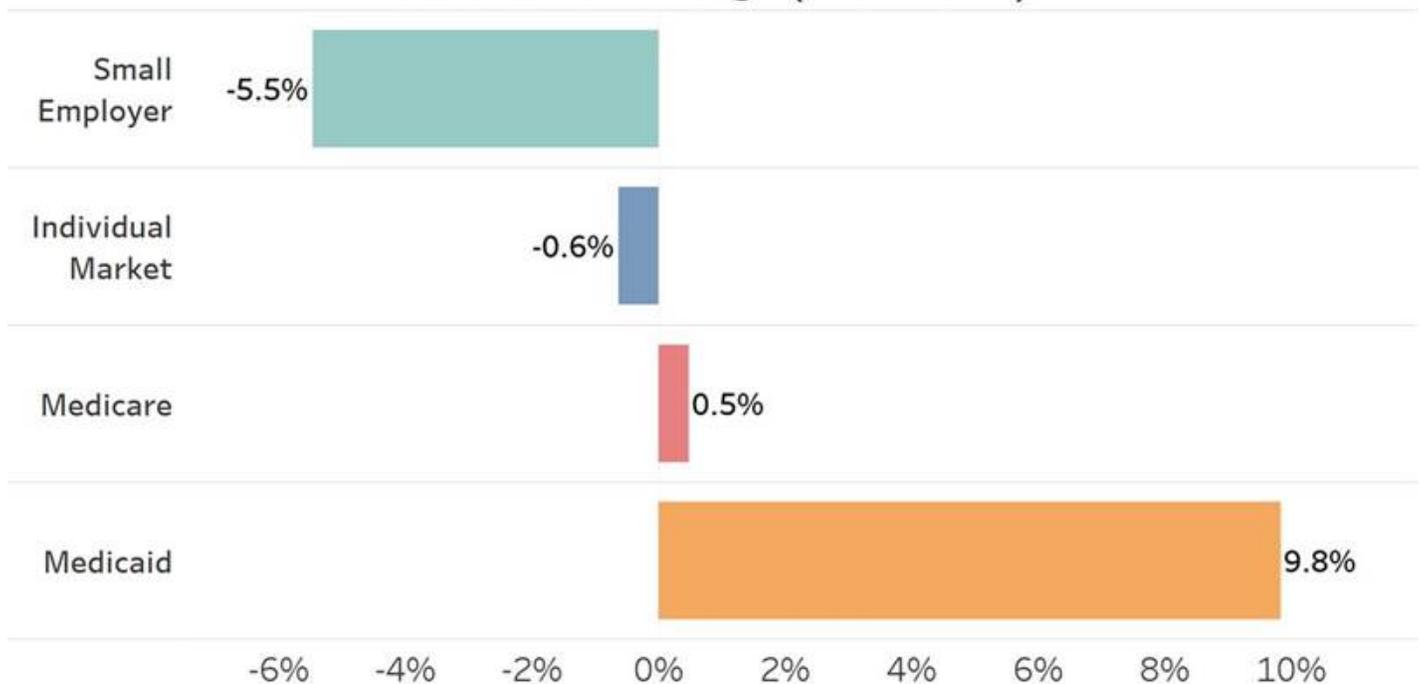


Enrollment Data

Individuals with insurance coverage offered through their employer make up more than half of the state's population – an average of 56 percent over the five-year period. One in six (or 17 percent) are enrolled in Medicaid or NJ FamilyCare, while the federal Medicare program covers approximately 13 percent of all New Jerseyans. Individually purchased coverage constitutes an average of 5.6 percent from 2015 to 2019. By comparison, roughly 7.9 percent of residents are uninsured and lack any form of healthcare coverage.

Enrollment data for 2020 is not available for all sources of insurance coverage, such as for insurance offered in the large employer category. However, data on available sources of coverage show that the number of enrollees has begun to shift since 2019. The percent change in enrollment from 2019 to 2020 by source of coverage is summarized in the graph below.

Percent Change in Enrollment by Source of Insurance Coverage (2019-2020)



Note: The comparison point is Sept. to Sept. for Medicaid and Medicare; June to June for Individual Market and Small Employer.

Medicaid's 9.8 percent increase in enrollment from September 2019 to September 2020 represents the largest percent increase and, at 165,944, the highest number of new enrollees. However, as discussed in the following section, there may be unique circumstances behind this increase.

Not all of these shifts are necessarily the result of COVID-19. For example, every year the individual market typically experiences a decrease in enrollment throughout the year. In fact, the decline in enrollment from 2019 to 2020 is lower than the coverage loss experienced from 2018 to 2019.

Considerations Moving Forward

There are also a number of factors that may impact the different insurance markets in 2021 and in the years to come.

Medicaid Market Coverage

New Jersey's Division of Medical and Health Services – the agency that oversees the state's Medicaid program – has indicated that the increase in enrollment this year is largely a result of the halt in eligibility redeterminations for existing beneficiaries, not the result of new applications. This halt took effect in April 2020 with CMS approval and continues at this time. Once the redetermination process resumes, many individuals may remain eligible as a result of changes in employment status or other reasons.

Further, the [Kaiser Family Foundation](#) has indicated some individuals who may be eligible to enroll in Medicaid are not currently doing so due to unemployment benefits affecting their financial circumstances. While these individuals may be precluded from enrolling now, they may become eligible when those benefits expire.

Medicare Market Coverage

As the data shows, Medicare enrollment has increased year-over-year. Given the changing demographics of the state, this is not surprising. Further, the portion of total Medicare beneficiaries enrolled in one of the managed care, or Medicare Advantage (MA) plans, has also increased. This growth has been driven in recent years by state and school retirees' enrollment into MA plans, as well as an increase in general awareness of this option.

There are several ways in which COVID-19 could impact Medicare Advantage enrollment for 2021. There is anecdotal evidence that, nationally, enrollees have been satisfied with their current plan during the pandemic, and therefore are not shopping around for another plan to the extent they did in 2020. While this may indicate that the majority of Medicare Advantage enrollees will continue to receive their benefits from their current carrier, enrollees in Original (or fee-for-service) Medicare may react differently. For some, the enhanced benefit options from Medicare Advantage plans and \$0 premium payments may be sufficient reasons to change coverage.

The Centers for Medicare and Medicaid Services' (CMS) ongoing efforts to give MA plans more flexibility has led to product offerings that include numerous supplemental benefits. These enhanced benefits may be very enticing to Original Medicare enrollees and lead to even more penetration into the MA market. However, the [Better Medicare Alliance](#) has found that eligible individuals continue to find it challenging to compare different plans, with personalized assistance and education lacking on various health plan options. As a result, Original Medicare enrollees may maintain the status quo regarding their coverage.

Individual and Employer Market Coverage

It is possible that the commercial health insurance market will experience the most volatile dynamics, especially in light of rising unemployment rates. According to the [U.S. Bureau of Labor Statistics](#), the number of unemployed individuals in New Jersey increased by more than half a million in April, raising the state's unemployment rate to 16.3 percent from 3.7 percent in March. However, which alternative source of coverage unemployed individuals become eligible for (Medicaid, the individual market, etc.) cannot be determined. This will also be affected by whether additional financial support is offered to individuals receiving unemployment benefits through future stimulus efforts.

Increased awareness of New Jersey's individual mandate and the new state-based insurance exchange may mitigate increases in the number of uninsured. The state mandate, however, may not be enough to substantially change the numbers, as individuals face increasingly difficult decisions between paying for food and shelter and paying for health insurance coverage.

Given that New Jersey small businesses have been among the most negatively impacted by COVID-19 restrictions, this market is the most likely to experience adverse impact. It remains to be seen where employees of these small businesses obtain health coverage going forward.

It is impossible to know with certainty what the landscape for insurance coverage will look like in 2021. As open enrollment begins for many segments of the insurance market, an assessment of current enrollment levels by payer will establish a baseline from which providers can model the impact of potential increases or decreases in enrollment on future finances.

Visit www.njha.com/chart/ for additional resources.