Date: March 22, 2018

From: Paul Spitalnic
Chief Actuary

Subject: Certification of Rates of Uninsured

Under section 1886(r) of the Social Security Act, which provides for an adjustment to the amount available to make uncompensated care payments based on changes in the rate of uninsured, the Chief Actuary of the Centers for Medicare & Medicaid Services (CMS) is required to certify reasonable estimates of the percentage of uninsured persons in both 2013 and 2019. Specifically, section 1886(r)(2)(B)(ii) stipulates that the prescribed formula for determining these estimates be based on the following (known as Factor 2):

For fiscal year 2018 and each subsequent fiscal year, a factor equal to 1 minus the percent change in the percent of individuals who are uninsured, as determined by comparing the percent of individuals—

(I) who are uninsured in 2013 (as estimated by the Secretary, based on data from the Census Bureau or other sources the Secretary determines appropriate, and certified by the Chief Actuary of the Centers for Medicare & Medicaid Services); and

(II) who are uninsured in the most recent period for which data is available (as so estimated and certified), minus 0.2 percentage points for each of fiscal years 2018 and 2019.

Based on data from the National Health Expenditure Accounts (NHEA), the applicable rates of uninsured are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate of Uninsured</th>
</tr>
</thead>
<tbody>
<tr>
<td>CY 2013</td>
<td>14.0%</td>
</tr>
<tr>
<td>CY 2018</td>
<td>9.1%</td>
</tr>
<tr>
<td>CY 2019</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

FY 2019* 9.5%

*Based on a weighted average of CY 2018 and CY 2019 data.

The projected 0.5-percentage-point increase in the rate of uninsured to 9.6 percent in calendar year (CY) 2019 largely reflects the expected impacts from the repeal of the penalty associated
with the individual mandate under the Affordable Care Act (as most people who would be responsive to the penalty are anticipated to make their coverage decisions shortly after the effective date of the repeal).

We note that it is a common practice to convert from a CY basis to a fiscal year (FY) basis by weighting together estimates for 2 calendar years, with the previous calendar year receiving a weight of 25 percent and the current calendar year receiving a weight of 75 percent. This method has been used by CMS in prior rules to convert from a CY uninsured rate to a FY uninsured rate. We have performed analyses regarding the reasonability of using the FY approximation method in estimating the rate of uninsured on a FY basis. Using quarterly data from the National Health Interview Survey on the under-age-65 population from 2010 through 2017, we found the average differential in comparing the estimates derived from the FY approximation method with those derived using actual FY data to have been 0.0 percent. Given this finding, we believe that the use of the FY approximation method is a reasonable approach to convert from the CY to the FY uninsured rate.

The figures in the table above are based on the latest publicly available projections of the NHEA produced by the CMS Office of the Actuary and published on February 14, 2018. The NHEA represent the government’s official estimates of health spending by type of good or service, as well as by source of funding. Comprehensive estimates and projections of health insurance enrollment for the total population are also produced and shown by various categories of coverage including uninsured, Medicare, Medicaid, private health insurance (direct and employer-sponsored), the Children’s Health Insurance Program, and other public coverage.1 Uninsured persons include all individuals not covered by any health insurance (including those who use the Indian Health Service) at a specific point in time (such as at the time of a health insurance survey interview or during a reference period covered by the survey) and, as such, represent an average of the number of uninsured for the estimation period (in the NHEA, this is a calendar year).

The full set of projections, as well as the methodology used to construct the estimates, can be found at the following link: https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html

I certify that the published CY and estimated FY rates of uninsured are reasonable and appropriate for use in satisfying section 1886(r)(2)(B)(ii) of the Social Security Act.

Paul Spitalnic, ASA, MAAA
Chief Actuary

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1 For the total population, estimates are from the U.S. Bureau of the Census and reflect a count of U.S. residents less armed forces overseas and population of outlying areas.