Increasing Awareness of Health Insurance Options

Letters about tax penalties can increase health insurance coverage

Target a Priority Outcome Between 2014 and 2018, the Shared Responsibility Payment provision of the Affordable Care Act, or the individual mandate, required most individuals to have a minimum level of health insurance coverage or to pay a penalty when filing taxes. About 8 million families paid an average tax penalty of $210 for lack of coverage in 2014, the first year the provision was implemented. Many of the uninsured may be eligible for subsidized health insurance based on their income levels and/or their state of residence.[1]

Translate Behavioral Insights During the open-enrollment period for 2017 health insurance coverage, the Internal Revenue Service (IRS) sent informational letters to households who owed a positive tax penalty under the individual mandate when they filed their taxes for the tax year 2015 and appeared eligible for health insurance. The letters included information about coverage options, details on how to apply, and possible ways to enroll. The Office of Evaluation Sciences (OES) contributed to the design of these letters and a pilot test of their effectiveness.

Informational letters were sent to randomly selected households, and the letters varied in content and timing. The basic letter included a personalized estimate of the potential penalty the household might owe for 2017.[2] This letter was sent out either at the beginning of the open enrollment period, when individuals can purchase health insurance through their state's health insurance marketplace (November 2016), or close to the sign-up deadline (January 2017) like the other treatment letter variations.[3] A first variant of the basic letter included general penalty information but no personalized estimate of the potential penalty owed in 2017, and a second version of the letter included information about how to claim an exemption. Finally, the basic letters and each of the two variants included a Spanish translation or not.

Embed Evaluation Based on tax return characteristics from the 2015 tax year, 4,526,719 households (corresponding to 8,893,653 individuals) were included in the final sample. The households were randomly assigned to receive one of eight letter variants, or no letter at all.

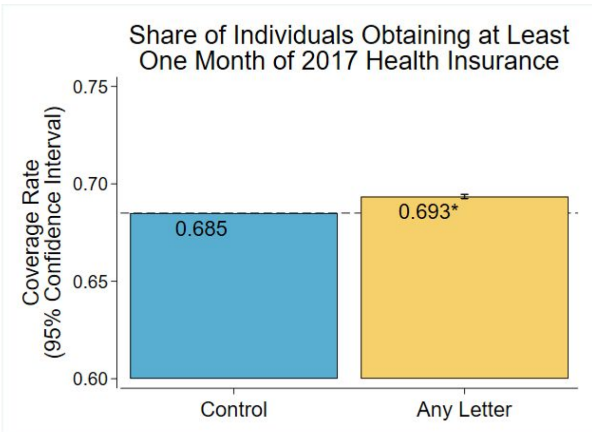
Analyze Using Existing Data The main outcome of interest was monthly health insurance coverage in 2017, as annually reported to the IRS on information returned by private and public insurers, self-insured employers, and health insurance marketplaces.[4]

Results Receiving any letter increased the probability of an individual obtaining at least one month of 2017 health insurance coverage by 0.85 percentage point (95% CI [0.74 , 0.96], p =0.000). This represents a 1.24% increase relative to 68.5% coverage among individuals in households that did not receive a letter. For these individuals, the effect persists for the two years following treatment — in 2018, coverage through a state health insurance marketplace and through Medicaid increased by 0.56 and 0.19 percentage points, respectively.

The most effective letter variant was the one sent early in the open-enrollment period which also included a personalized estimate; this letter led to a percentage point increase in enrollment (95% CI [1.00, 1.38], p=0.000). The letters had larger effects

[1] Ithai Z. Lurie and Janet McCubbin, "What Can Tax Data Tell Us About the Uninsured? Evidence from 2014," U.S. Department of Treasury, Office of Tax Analysis, July 2016, https://www.treasury.gov/resource-center/tax-policy/tax-analysis/Documents/WP-106.pdf.
[2] Jeffrey R. Kling, Sendhil Mullainathan, Eldar Shafir, Lee Vermeulen, and Marian Wrobel, "Comparison Friction: Experimental Evidence from Medicare Drug Plans," Quarterly Journal of Economics 127 (2012): 199–235.
[3] Dan Ariely and Klaus Wertenbroch, "Procrastination, Deadlines, and Performance: Self-Control by Precommitment," Psychological Science 13 (2002): 219–224.
[4] This project was designed and fielded before OES formalized the OES Evaluation Policy and standardized the six steps we now use to ensure our findings are relevant and reliable.

for certain subgroups, including those more likely to benefit from larger income-based premium taxes credits and those who were uninsured for all of 2015 or all of 2016.[5]



Build Evidence Letter campaigns about the tax penalty for lack of health insurance coverage are a cost-effective way to increase coverage. This is especially the case when the letters are sent early and include personalized penalty information. At a cost of $0.49 per letter for printing and postage, the average outreach cost was less than $12.94 per year of new health insurance coverage. However, policy uncertainty surrounding the Affordable Care Act—and specifically the tax penalty—make it difficult to draw programmatic conclusions for future years.

[5] For a full report, see the Working Paper: Goldin, Jacob, Ithai Z. Lurie, and Janet McCubbin. *Health Insurance and Mortality: Experimental Evidence from Taxpayer Outreach*. No. w26533. National Bureau of Economic Research, 2019.