The Determinants of Health Insurance Take-up and Plan Choice in the United States

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**Location:** California, United States

**Sample:** 125,000 uninsured households with at least one adult eligible for coverage in Covered California

**Timeline:** 2015 to 2016

**Partners:** Covered California

While the Affordable Care Act in the United States aimed to expand insurance coverage, insurance take-up rates remain fairly low, and many individuals purchase plans that are sub-optimal for their needs. In order to understand the underlying factors preventing individuals from both purchasing insurance plans and choosing better plans, a researcher is studying the impact that different types of information have on insurance take-up and plan choice.

**Policy Issue:** The Affordable Care Act (ACA), passed in 2010, aims to improve the affordability and efficiency of health care delivery in the United States. Under the ACA, most U.S. residents are required to purchase health insurance, and nonexempt adults who choose to remain uninsured have to pay a penalty when they file their taxes. The ACA subsidizes health insurance premiums to help lower-income households access health insurance purchased through private marketplaces. In theory, the expansion of access to markets for private insurance should increase take-up rates and foster efficiency, as consumers should be able to choose plans that meet their preferences for cost, generosity (what percentage of medical expenses the plan pays), and provider quality. In practice, despite the availability of premium subsidies, insurance take-up rates are fairly low. Moreover, many of the individuals who decide to purchase insurance do not choose a plan that minimizes cost and maximizes benefit. Previous research in other insurance markets suggests that these sub-optimal choices may be due to the complexity of the options available to consumers.

**Context of the Evaluation:** States across the U.S. have tackled health care expansion through a variety of strategies. In California’s health insurance marketplace, Covered California (CC), about 45 percent of individuals eligible for premium subsidies do not take-up coverage, and take-up rates are even lower among Latinos and African Americans. Low take-up rates may reflect a number of factors, including low demand for insurance, lack of awareness about subsidies and penalties, or political preconceptions about the ACA.

Preliminary evidence also suggests that many individuals in California do not choose the plan that best suits their needs. CC offers five plan types, which vary in cost and generosity. Typically, plans increase in cost as they increase in generosity, but “enhanced silver plans” offer additional cost-
sharing subsidies on top of premium subsidies, so that they offer eligible individuals the benefits of more expensive plans for the price of a “silver plan”. Thirty-five percent of individuals who are eligible for enhanced silver plans fail to purchase them, and 11 percent of those individuals instead purchase costlier, less generous plans.

**Details of the Intervention:** In partnership with Covered California, the researcher is conducting a randomized evaluation studying individuals' choice to take up insurance, and their choice of insurance plans.

The researcher aims to identify the key determinants of insurance take-up and plan choice by estimating the impact of providing information about the benefits of purchasing a plan, eligible subsidies, financial penalties of remaining uninsured, and how plans compare to each other in terms of price and quality. Approximately 125,000 individuals who have initiated the enrollment process, and have been determined eligible to purchase insurance through Covered California, but have not yet enrolled in a plan prior to the end of open enrollment, were assigned into one of the following five arms:

1. **Control:** Individuals receive no marketing material. (25,000 individuals)
2. **Reminder:** Individuals receive two letters reminding them about the value of insurance and the enrollment deadline. (25,000 individuals)
3. **Subsidy + Penalty:** Individuals receive two letters with reminders of the value of insurance, the enrollment deadline, and their personalized estimated subsidy and penalty, calculated based on administrative data. (25,000 individuals)
4. **Plan Comparison (Plan Prices):** Individuals receive two letters with reminders of the value of insurance, the enrollment deadline, their personalized estimated available subsidy and penalty, and their net-of-subsidy premium for plans available to them, to allow for easy comparison across plans. (25,000 individuals)
5. **Plan Comparison (Plan Price and Ratings):** Individuals receive two letters identical to the Plan Comparison treatment, except that plan comparison information includes both net of subsidy price and quality star rating of plans available to them. (25,000 individuals)

The study will use CC's administrative data, including information on plan choice, consumer income, and individual demographics. The researcher will also have access to plan premium and quality rating information for all plans sold in 2015 and 2016. These data will allow the researcher to calculate individual-specific inputs (e.g. estimated subsidy, penalties, and changes in available plan premiums for each individual) used in some of the treatment arms.

**Results and Policy Lessons:** Project ongoing; results forthcoming.

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