Congressional Oversight Hearing on the Impact of the Administration's Policies Affecting the Affordable Care Act

Testimony Submitted to the House Appropriations Subcommittee on Labor, Health and Human Services
The Honorable Rosa DeLauro, Chairwoman
The Honorable Tom Cole, Ranking Member
2358 Rayburn House Office Building

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Chairwoman DeLauro and Ranking Member Cole, thank you for convening today's hearing on the impact of the administration's policies affecting the Affordable Care Act.

My name is Joshua Peck. I am the Co-Founder of Get America Covered and I was the Chief Marketing Officer for the Health Insurance Marketplace during the Obama administration. I was responsible for Marketplace enrollment, retention and the $100 million outreach and advertising budget that the Trump administration cut by 90%. I am here today to testify to the impact that these cuts had on enrollment.

However, it's important to note that these cuts are just a single example of the current administration's efforts to undermine the Health Insurance Marketplace. They've cut navigator funding by 80%, shortened the Open Enrollment period, championed the repeal of the individual mandate, encouraged the introduction of junk plans, didn't engage with the news media to get out the word about the deadline and much more. For these reasons, it's no surprise that State-Based Marketplaces are reporting all time record enrollment, while the Trump administration has overseen three consecutive years of decline.

Importance of Outreach and Advertising: First, it's helpful to understand just how important outreach and advertising are to consumers. People who are sick or have a chronic illness are highly motivated to sign up for health insurance -- in many cases their life depends on it. But for most people, outreach and advertising are vital. It provides the needed reminder to apply before the deadline or to help people understand that coverage may be more affordable than they think. Providing basic information -- like when the deadline to enroll is or the cost of available plans -- is critical to the basic operation of the Health Insurance Marketplace. In mid-November last year, after the start of Open Enrollment, just 1 in 4 uninsured people or people who buy their own insurance knew that December 15 was the deadline to enroll according to the Kaiser Family Foundation.[1] Outreach and advertising not only increase the number of people who enroll, but improve the risk pool by helping younger and healthier people enroll -- thereby lowering prices for all people with coverage as well as the federal government. Cutting the outreach and advertising budget not only hurts the American people, but makes government less efficient.

Health insurance is a high value purchase. It's one of the most expensive purchases people make in a year. Demand for coverage is incredibly high, but it is also a process many people, even experts, dread, because of the complexity of our healthcare system. For many people in the federal Marketplace, signing up for coverage was the first health insurance they'd had in years and in some cases their entire lives. Like so many important, but complicated decisions in life, it's no surprise that people procrastinate or find reasons to avoid it entirely.

This dynamic makes the role of outreach and advertising even more important. Without it, many people simply go without coverage.

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[1] https://www.kff.org/report-section/kff-health-tracking-poll-november-2018-priorities-for-new-congress-and-the-future-of-the-aca-and-medicaid-expansion-findings/

It's common for private health insurance companies to spend between $250 and $1,000 dollars per customer acquisition. During my time at the Centers for Medicare and Medicaid Services (CMS), we were able to enroll or renew people for just $25 each. This kind of efficiency is unheard of. We achieved this, not because we had a hip brand, but because we were a trusted voice, providing basic information about an comparatively affordable product with strong consumer demand.

Most people assume quality health insurance costs them hundreds of dollars a month -- and it can. What they don't realize is that thanks to federal subsidies, 8 out of 10 Marketplace consumers can find a plan for $75 dollars or less. In fact, according to the Kaiser Family Foundation over 4 million uninsured people could find a plan with a $0 per month premium last year.[2]

Evidence that Marketing Works: There is no doubt that marketing is important to increasing the number of people who sign up for coverage. During my time at CMS, we challenged ourselves to do everything we could to make sure people had the information they needed to sign up. But it was vital that we spend every dollar wisely so not only did we run experiments to determine what worked and what didn't, we meticulously measured each tactic. The evidence that marketing directly drives enrollment is overwhelming.

There are numerous studies outside of the government that show the correlation between advertising and enrollment,[3] but the best evidence that exists is the multi-year study conducted by CMS. The study demonstrated the causal relationship between

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[2] https://www.kff.org/health-reform/press-release/4-2-million-uninsured-people-could-get-a-bronze-plan-in-the-aca-marketplace-with-0-premiums-after-tax-credits/

[3] https://www.ncbi.nlm.nih.gov/pubmed/30361198, https://www.healthaffairs.org/doi/10.1377/hlthaff.2017.1507, https://hbex.coveredca.com/data-research/library/CoveredCA_Marketing_Matters_9-17.pdf

advertising and enrollment telling us how many people enrolled who would not have if they hadn’t been exposed to a particular type of outreach.

A causal relationship is the gold standard for evaluating impact and something that’s not possible in most analysis of marketplace performance. Our knowledge of the specific impact of marketing is unique, because we could design our outreach program to allow us to evaluate a single variable at a time (e.g. we could show TV ads in some cities and not others). That simply is not possible with other factors, because no single entity controls the market dynamics (e.g. premiums, network size, or the number of plans offered for a single market).

We understand the relationship between outreach and enrollment because a team of government and private sector data scientists spent years developing, executing, and analyzing the impact of outreach using individual and market-level randomized control trials. These experiments were combined with econometric modeling which factors other variables such as demographics into the analysis.

Hundreds of experiments were conducted, but I want to share two:

We evaulated the impact of email outreach during the fourth Open Enrollment period. CMS randomly selected a small percentage of the Marketplace email list to not receive ANY email from the start of Open Enrollment through the first enrollment deadline -- this was our control. Following the December 19 deadline, we compared the enrollment rate of this control population with the enrollment rate of those who received email. We found that people who received email were 18% more likely to enroll -- and roughly 900,000 more people enrolled or renewed who would not have because of email outreach alone. Sending an email is free, so this outreach is highly effective.

We also evaluated the impact of Television: TV advertising requires a more sophisticated approach, because we don't know who actually watched a TV ad. During third Open Enrollment period, we setup a randomized control trial to evaluate the impact of Television. We prioritized sixty target markets breaking them into fifteen groups of four. Within each group of four, two markets were randomly selected to not receive regional Television. We varied the intensity and timing of the ads in the other two markets. Then we evaluated enrollment each week throughout the course of Open Enrollment. We used modeling that factored in fundamental differences between markets like demographics to further enhance our findings. This experiment not only taught us that 500,000 people enrolled or renewed who would not have because of TV ads, but that it costs $29 to enroll someone using TV.

As a reminder, the private sector typically spends between $250 and $1,000 per enrollment.

From these and other experiments, we were able to establish approximately how many people enrolled or renewed because they saw a TV ad, received a phone call, a piece of mail, an email, saw a search engine advertisement, display advertising, an ad on social media, an outdoor sign and more. We also know how much we spent on each of those of types of outreach. Combining these two numbers, we got a cost per acquisition for each type of outreach -- an incredibly powerful tool when designing a marketing budget if your goal is to help people enroll in coverage.

Or as it turns out, an equally helpful guide to an administration trying to do harm to the Marketplace.

Evidence that the Administration Knew How Its Cuts Would Affect Enrollment:
Thanks to a Freedom of Information Act request submitted by Democracy Forward[4] we have a window into what information the administration considered before it made some key decisions.

Prior to taking office, the new administration did not reach out or request any information from me about the marketing plan that was in place for the final days of Open Enrollment. That didn't stop them from halting all Marketplace outreach, both paid and unpaid, on January 26, 2017. This decision created such a backlash from career staff and the media that, in addition to triggering an inquiry by the HHS inspector general[5], they were compelled to resume non-paid outreach the next day.

And in the lead up to the 2017 Open Enrollment Period, it is clear from the Democracy Forward FOIA request that the administration started to learn about the positive impact of marketing. They explored shifting the TV budget to other types of outreach -- and they discovered eliminating TV would be especially harmful to enrollment. Thanks to this same FOIA request, we know that CMS Administrator Seema Verma's Chief of Staff discussed these results with career staff on August 10, 2017 and received a powerpoint deck with the results of the expansive multi-year study on August 11, 2017, just 3 weeks before their August 31, 2017 announcement that they were cutting the budget by 90%.

The same day the administration announced the cut, they released an official fact sheet stating: "No correlation has been seen between Obamacare advertising and either new

[4] https://www.huffingtonpost.com/entry/trump-verma-obamacare-advertising-cut_us_5c115061e4b084b082ff8dba

[5] https://oig.hhs.gov/oei/reports/oei-12-17-00290.pdf

enrollment or effectuated enrollment."[6] The administration hasn't disagreed with the findings of the study, instead they deny that any of this evidence even exists.

Additionally, the Trump administration has virtually eliminated CMS's work measuring and predicting enrollment. Despite the GAO specifically calling on them to set an enrollment target each year, they've publically declined to do so.[7] Additionally, it is clear from the FOIA documents that they have halted the multi-year study on the impact of enrollment. The administration has dismantled the prediction and measurement apparatus that existed -- blinding themselves to the impact of the taxpayer dollars they are spending.

I respectfully suggest this committee call on CMS to make all of the results and underlying data available to the public so it can be publicly reviewed and evaluated.

Consequences of the Administration's Decision: Despite the continued resilience of the Marketplace, the impact of the Administration's actions have been severe.

The harm has been most acute for new enrollment, because people who don't currently have coverage or any kind of a relationship with the Marketplace, are much less likely to be aware of deadlines or availability of affordable coverage without some type of paid outreach.

During the final days of the 2016-2017 Open Enrollment period, the Trump administration cut all outreach and advertising for the final week of Open Enrollment. Using three different methodologies, Charles Gaba estimated[8] that 500,000-600,000

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[6] https://www.huffingtonpost.com/entry/trump-verma-obamacare-advertising-cut_us_5c115061e4b084b082ff8dba
[7] https://www.gao.gov/products/GAO-18-565
[8] http://acasignups.net/17/09/04/trump-slashing-healthcaregov-advertising-fall-90-heres-what-looks

people lost coverage, David Anderson estimated 4.29%[9] of people (400,000) who enrolled did not, and I estimated 500,000 fewer people enrolled in the final week of Open Enrollment due to the cuts.[10]

Before the start of the 2017 Open Enrollment period, I estimated, based on past the work CMS had conducted, that these cuts would lead to 1.1 million fewer people being enrolled.[11] Contrasting State-Based Marketplace enrollment with the enrollment of the Federally Facilitated Marketplaces appeared to confirm this number.[12] Of that 1.1 million, 900k were likely new enrollments.

The further we get from the 2016-2017 Open Enrollment period, the less confidence we have in the data, but for the 2018 Open Enrollment period, the cost to enrollment was in all likelihood even higher -- the impact of advertising cuts accumulate over time as awareness continues to fade. But conservatively we can make the same estimate, another 900k new enrollments were likely lost.

In total, a minimum of 2.3 million new enrollments have been lost on the Trump administration's watch due solely to cuts to outreach and advertising. That's 2.3 million people some of whom have unfortunately gotten sick or unexpectedly had an accident. And without insurance, some of these people have gone bankrupt or foregone needed care.

The administration would be quick to point out that federal marketplace enrollment isn't down 2.3 million people so surely the marketing budget didn't matter. And they'd be

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[9] https://www.balloon-juice.com/2017/02/07/4-25-enrollment-loss-is-the-cost-of-trumps-first-day-eo/

[10] https://medium.com/get-america-covered/trumped-blocked-nearly-500-000-people-from-getting-coverage-70317eedaaa4

[11] https://medium.com/get-america-covered/trumps-ad-cuts-will-cost-a-minimum-of-1-1-million-obamacare-enrollments-9334f35c1626

[12] https://medium.com/get-america-covered/why-marketing-matters-for-healthcare-gov-46d19534a287

right if marketing was the only factor that impacted enrollment, but it's not. Ignoring for just a moment, the overwhelming evidence to the contrary, common sense tells us this is wrong. We know that, just like any other product, multiple factors play an important role in consumer decision making - marketing is not the only thing a consumer considers.

For HealthCare.gov, we know from extensive public polling and I'm sure you've heard from your own constituents that the cost of healthcare is a major factor in their decision making. The very same year that the administration cut outreach by 90%, the administration also halted payments for Cost Sharing Reductions (CSRs). It's evident that their intention was to cause a disruption and raise prices for consumers. What they didn't anticipate is that it would result in the largest decrease of monthly premiums in Marketplace history for the 8 out of 10 consumers who qualify for tax credits. The Congressional Budget Office (CBO) estimated that reinstating CSRs would result in up to 500,000 more uninsured people in 2019[13] (up to 1.5 million through 2021). Looking at only these two factors, we can see that the roughly 900,000 fewer people who enrolled due to advertising cuts would be offset by the 500,000 additional enrollees predicted by the CBO due to lower premiums. This would result is 400,000 fewer enrollees -- effectively the 400,000 person drop in enrollment we saw in 2017 and the 400,000 person drop we saw in 2018.

Policy Implications: Every year that Open Enrollment continues with virtually no paid advertising, the decline in new enrollment will continue. It is vital to the stability of the Marketplace that action be taken by Congress to check this administration's cuts to outreach and advertising.

I'd suggest the committee consider requiring that CMS conduct a basic outreach and advertising campaign for the Health Insurance Marketplace setting a minimum budget

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13 https://www.cbo.gov/system/files?file=115th-congress-2017-2018/reports/53664-costsharingreduction.pdf

for outreach, guidelines for national television and search advertising, and offer some basic guidelines for the information they provide consumers. I ask this committee to call on CMS to make all of the results and underlying data from the econometric model and individual-level experiments available to the public so it can be publicly reviewed and evaluated.

I'd also ask this committee to consider requiring CMS to meet a minimum level of navigator funding.

Thank you for the opportunity to testify and I look forward to answering your questions.