

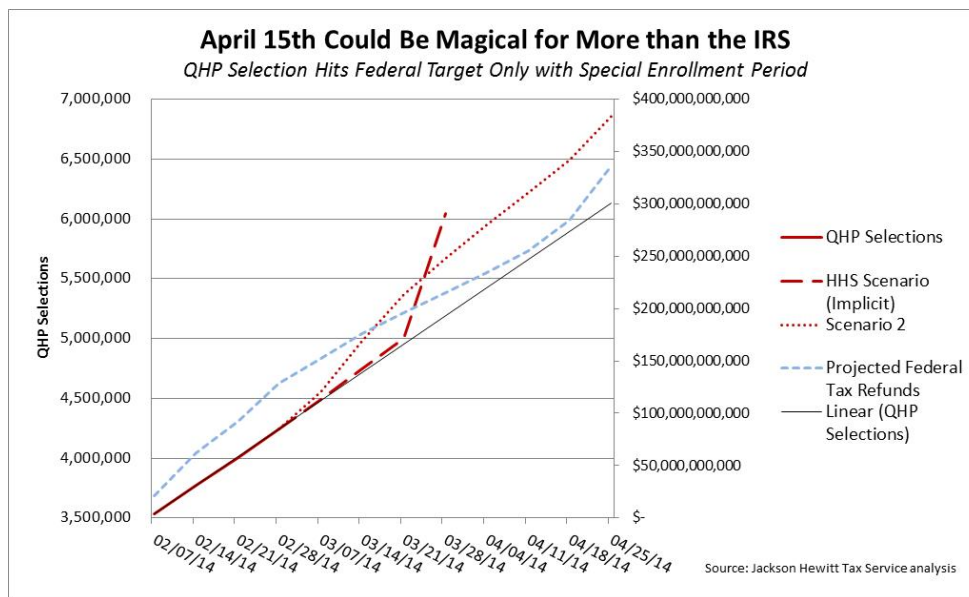
## What a Difference April 15<sup>th</sup> Could Make!

March 17, 2014

Since HHS released its enrollment report last week,<sup>1</sup> we've had some fun with a lil' late night modeling. And we've come to one conclusion: if we can't sleep until April 15<sup>th</sup>, neither should HHS. Here's why: a special enrollment period to April 15<sup>th</sup> is the only way that HHS will be able to meet its revised enrollment goal of six million.

**How do we figure that?** On p. 4 of the enrollment report, HHS argues that it will see an "action-forcing" enrollment spike in the last weeks of the program. However, that spike would have to equate to about 20% of the QHP selections for the entire open enrollment period – and you'd have to assume that 100% of folks signing up would pay their premiums. As the rosy "HHS Scenario" in the figure below indicates, these assumptions just barely get them across the six million-threshold by the current end of the open enrollment period on March 31<sup>st</sup>. That's just a mite ambitious, which is likely a reason that HHS didn't put out any detailed projections.

**We believe HHS's "spike" assumptions are flawed.** The examples that HHS cites for an "action-forcing" surge (i.e., Medicare Part D and the federal employee health plan) occurred in a fundamentally different context. Both examples involved (a) individuals who wanted to enroll in coverage and (b) an easy way for insurers to collect premiums. Persons age 65 and older in Medicare typically wanted Part D coverage, and federal employees generally seek insurance coverage for their families. (Conveniently, the federal government could also use a Social Security or payroll deduction to collect what's due.) In contrast, the consumption behavior of the uninsured is unlikely to conform to this pattern (and premium payment is much more uncertain). Further, something else may explain the purchasing delay those who want coverage: they are waiting for their tax refund!



**Which is why we believe that HHS still has a shot at its goal.** As reflected in the figure below, recent enrollment correlates with the disbursement of tax refunds. This makes intuitive sense: people will buy health insurance only when they have the funds to do so. So, we did an

exercise: if we assume that the projected increase in tax refund disbursements will generate enrollment a few days after the checks are cashed (as shown in Scenario 2), then we see QHP selections hitting about 5.8 million enrollments by March 31<sup>st</sup> – and rising to 6.3 million if enrollment is allowed to continue through the tax filing deadline on April 15<sup>th</sup>. Our projections are conservative: we do not assume a rush to enroll at the end of March, and we assume that enrollment will only increase half as much as tax refunds. If we are wrong about a March-end spike or we underestimate the effect of tax refunds, then enrollment will shoot even higher.

**Extending the open enrollment period through April 15, 2014 makes eminent sense.** The federal government itself is the major supplier of liquidity to families during this period: the IRS issued roughly \$36 billion in federal refunds between March 29, 2013 and April 19, 2013. And with 41.6 million Americans filing their returns during the last three weeks of the tax season,<sup>2</sup> the federal government may find no better opportunity to sell them insurance. Under HHS's own rules, families who sign up and pay premiums either on March 31<sup>st</sup> or April 15<sup>th</sup> will have exactly the same effective date of coverage: May 1, 2014.<sup>3</sup>

**So, what should HHS do?** Well, it can start by acknowledging that the Secretary has all the statutory authority she needs to allow enrollment to continue through April 15, 2014. All she has to do is announce a special enrollment period or “SEP” from April 1<sup>st</sup> to 15<sup>th</sup> pursuant to her authority under § 1311(c)(6)(C) of the ACA.<sup>4</sup> Second, HHS can work with the insurance industry to facilitate this two-week continuation of enrollment, thereby allowing Americans to apply for the ACA programs when they file their taxes. In so doing, we expect that HHS will exceed its goal of six million enrollees. And third, we in the tax business always recommend a bit of prayer this time of year. Even so, ours is strictly a data-driven rather than faith-based policy recommendation.

**Will HHS use its special enrollment authority to achieve its goal?** Hard to say, but doing so might do more than just meet a numerical target; it may induce younger and healthier individuals to sign up by allowing them to do so when they get their biggest paycheck of the year (in the form of a tax refund). If this comes together as we think it would, then April 15<sup>th</sup> really does become the most important day in health care!

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<sup>1</sup> U.S. Department of Health and Human Services, “Health Insurance Marketplace: March Enrollment Report,” ASPE Issue Brief, March 11, 2014, available at [http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/MAR2014/ib\\_2014mar\\_enrollment.pdf](http://aspe.hhs.gov/health/reports/2014/MarketPlaceEnrollment/MAR2014/ib_2014mar_enrollment.pdf).

<sup>2</sup> IRS Tax Season Filing Statistics, 2013, available at <http://www.irs.gov/uac/2013-and-Prior-Year-Filing-Season-Statistics>, accessed October 21, 2013

<sup>3</sup> 45 CFR § 155.410(c)(1)(ii).

<sup>4</sup> See also 45 CFR 155.420(d)(9) (allowing individuals to enroll during a special enroll period if they demonstrate to the exchange that they meet other “exceptional circumstances”).