



September 12, 2017

Ms. Seema Verma
Administrator, Centers for Medicare and Medicaid Services
U.S. Department of Health & Human Services
200 Independence Avenue, SW
Washington, D.C. 20201

RE: Promoting Stability and Lower Costs in the Individual Health Insurance Market through Investments in Marketing

Administrator Verma:

For five years, Covered California has sought to both make the individual market work for consumers in California and use our experience to inform national policy strategies. Tomorrow, we will continue in that track with the release of *Marketing Matters: Lessons from California to Promote Stability and Lower Costs in National and State Individual Markets*. We are providing you with this report in the hopes that it can inform the work of the Centers for Medicare and Medicaid Services (CMS) and of state-based marketplaces regarding the role and impact of marketing and outreach in promoting enrollment and stability in individual insurance markets.

The *Marketing Matters* report provides a comprehensive overview of California's experiences, strategy and tactics with marketing and outreach efforts, as well as a review of the best available evidence about the role of marketing in promoting enrollment and retention in the individual market. The report also includes findings on how these efforts have been crucial to promoting stability in the market through strong enrollment, a healthy risk mix and a strong return on investment. With the high-churn nature of the individual market, health insurance must be "sold" in order to maintain enrollment and ensure a healthy risk mix. As such, marketing and outreach are critical elements to preserving stability in the individual marketplace.

I have appreciated the opportunity to previously share with you the critical role the marketing has played in making the individual insurance market in California among the healthiest in the nation. The impact of California's investments in marketing and outreach are clear. The lessons from California, informed by leading national experts on marketing, sales and the individual health insurance market, are important to other states and the federal government.

In July we sent you a draft of this report, in response to Secretary Price's call for comments on efforts that could help stabilize the individual insurance market. Since that time we have updated the report, in particular to model the potential impacts on the 39 states supported by the federally-facilitated marketplace of either increased spending or if federal spending were reduced, as was recently announced. The evidence is that marketing does matter and insufficient investments for marketing and outreach are likely to have immediate and dramatic effects on retention and new enrollment which, in turn, could worsen the risk pool and destabilize the market. According to the analysis:

- If CMS reduces the marketing and outreach spending by the proposed 72 percent, to \$47 million, the results are likely to be stark:
 - One million fewer Americans enrolled in health insurance. This would include 660,000 subsidy-eligible consumers, which would reduce take-up of subsidy eligible consumers by 10 percent, from 58 percent in 2017 to 52 percent in 2018.
 - Premiums for 2019 would be, on average, 2.6 percent more than they would otherwise be due to the smaller consumer pool and less healthy risk profile of the remaining group.
 - \$1.3 billion in higher premiums in 2019 for the remaining 9.4 million insured consumers in the individual market. Of this group, unsubsidized consumers would pay \$465 million more in premiums.
- In contrast, the report models the impact of what would likely happen if the federal government invested in marketing at a comparable level to Covered California over the next three years. This would entail investing about \$480 million in 2018 with modest increases in spending in 2019 and 2020 and would likely result in:
 - 2.1 million more Americans would either enroll in or retain their health insurance.
 - Premiums over the three years would be on average 3.2 percent lower due to the improved risk profile that results from more enrollment.
 - The savings would be large; consumers would save \$6 billion over a three-year period translating to a five to one return on investment.

The California case, as detailed in *Marketing Matters*, demonstrates that extensive marketing and outreach helped the state's individual market have one of the highest take-up rates and lowest risk scores in the nation. As a result, premiums were between \$850 million and \$1.3 billion lower than they would have been if the state had the national average risk mix in 2015 and 2016.

Additionally, marketing and outreach have a uniquely large return on investment as robust investments in marketing and outreach bring more healthy people into the risk pool thus lowering premiums. We estimate that, in California, every marketing dollar yields more than a 3-to-1 return on investment; efforts to promote the value of coverage and the options available to consumers boosted the enrollment of healthy consumers and likely lowered premiums by 6 to 8 percent in 2015 and 2016.

As detailed in *Marketing Matters*, the evidence for the positive effects of marketing and outreach to the market are clear, and our report detail the potential impacts of investment choices that are before you as you are a steward for the millions served by the Federally-facilitated Marketplace. For the individual market to maintain enrollment and a sustainable and healthy risk mix, sufficient resources for marketing and outreach activities are necessary.

We believe that the *Marketing Matters* report provides timely and relevant evidence that we hope is useful to you and the Secretary as CMS continues to assess market stabilization and planning strategies for the coming years. As always, please do not hesitate to contact us if you have questions, or would like to further discuss the report findings or any other matter for which we may serve as a resource.

Sincerely,



Peter V. Lee
Executive Director

cc: The Honorable Tom Price, Secretary, U.S. Department of Health & Human Services

Randy Pate, Deputy Administrator and Director, Center for Consumer Information and Insurance Oversight
Diana S. Dooley, Secretary, California Health and Human Service Agency; Chair, Covered California Board of Directors

Attachments:

Full Report

Marketing Matters: Lessons From California to Promote Stability and Lower Costs in National and State Individual Insurance Markets

http://hbex.coveredca.com/data-research/library/CoveredCA_Marketing_Matters_9-17

Issue Brief

Marketing Matters: How Marketing and Outreach Builds Stable Marketplaces and Pays Off for the Federal Government

http://hbex.coveredca.com/data-research/library/CoveredCA_Marketing_Matters_Issue_Brief.pdf