

RESEARCH REPORT

Tax Preparation Services and ACA Enrollment

Potential Contributions and Challenges

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Executive Summary

The Patient Protection and Affordable Care Act (ACA) has yielded significant reductions in the number of uninsured. However, federal officials now project, for the coming year, much slower increases in enrollment. Since the previously uninsured who were most interested in coverage are likely to have already signed up, those who still lack coverage could be harder to enroll. Two additional major factors may limit further progress: funding is declining for application assistance, even though such assistance seems to make enrollment significantly more likely; and the perceived unaffordability of coverage appears to be stopping many remaining uninsured from signing up.

Prior research suggests that engaging tax preparation services to help with applications for insurance affordability programs (IAPs) could potentially address both of the latter factors. Roughly three-fourths of the IAP-eligible uninsured file federal income tax returns, usually with the aid of in-person tax preparers; and during tax-filing season, QHP coverage may seem more affordable, since consumer finances are in much better shape than during and soon after holiday season. However, some for-profit tax preparers have engaged in unethical or incompetent practices in the past.

This paper assesses the prospects of engaging tax preparation services to help with IAP applications while protecting consumers from risks of unethical and incompetent conduct. We estimate the prevalence of tax filing among key ACA target groups; describe tax preparation services' experience, to date, with IAP applications; and explore state and federal policy approaches for leveraging the potential of the "tax-filing moment" to increase enrollment into health coverage.

Tax-Filing Estimates for the ACA Target Population

This paper updates previous research by incorporating recent state decisions about Medicaid expansion, providing national tabulations of tax filing rates in key demographic groups, and estimating filing rates by state. We find that a large majority of people in ACA target groups file tax returns:

- 88 percent of the pre-2014 uninsured who became eligible for subsidies to buy qualified health plans (QHPs) filed returns, as did 63 percent of those who qualified for Medicaid.^{*} Filing rates are similar for uninsured, IAP-eligible Latinos and young adults.

^{*} Throughout this report, the term, "Medicaid," is meant to include the Children's Health Insurance Program (CHIP).

- Combining Medicaid and QHP subsidies, 73 percent of IAP-eligible uninsured filed returns.
- *In every state*, tax filers were at least (1) 84 percent of QHP-subsidy-eligible consumers who were uninsured before 2014 and (2) 56 percent of the Medicaid-eligible uninsured.

Tax Preparation Services' Role with IAP Applications

We interviewed 18 individuals. They included officials at four major national for-profit tax preparation firms, including both in-person professionals and tax software vendors, which together are responsible for more than 65 percent of all income tax returns filed in the US. We also interviewed several Volunteer Income Tax Assistance (VITA) programs that serve local residents and work with national VITA coalitions: a leading national VITA expert; two local tax preparers in California that qualified as certified enrollment counselors with the state's Marketplace; two leading national health consumer groups; and a California affiliate of a third major national consumer group. These interviews took place from December 2014 through June 2015. Key findings touch on multiple issues.

- **Nationally, most individual tax preparers do not routinely help their clients with IAP applications.** Few have seen the business case for transitioning into this new role, which could potentially impose a large opportunity cost during the height of tax season, when time spent not doing returns translates into lost revenue.
- **Some tax preparers have helped many of their clients apply for IAPs**, for several reasons:
 - » *Market share.* Preparers who help clients with health issues can earn them as tax clients. A preparer whose tax business increased by 20 percent—a typical result among IAP-engaged preparers, according to one national, for-profit firm—reported that IAP enrollment won more tax customers “than with any other marketing technique ever.”
 - » *Cost avoidance.* Helping tax clients with IAP enrollment can, on the next year's return, reduce the time preparers must take to address customers' tax penalties for uninsurance or reconciliation of advance credits.
 - » *Revenue.* Preparers can be paid by Marketplaces or Medicaid. Some preparers split fees with brokers,[†] who earn commissions by enrolling tax clients into insurance.

[†] In this report, we use the term, “brokers,” to include agents. Unlike brokers, agents are paid by one carrier only. We also use the term to include web-based brokers as well as those who serve clients in person.

Once clients consent to have return data used for IAP applications, five to six minutes of additional questions are needed, according to interviewees, to obtain all information required for IAP applications. Transferring that data into IAP application forms takes additional time.

- **The preparers we interviewed used several models of helping with IAP applications, including:**
 - » *Tax preparer as health application assister.* Some preparers became Navigators or certified assisters. One local tax preparation business submitted more than 5,900 IAP applications during a six week period in 2014, for example.
 - » *Partnerships between tax preparers and health application assisters,* through which preparers do the financial work-up and others handle health plan selection. For Medicaid-eligible customers, one national firm mailed completed applications to state Medicaid agencies, which finished the enrollment process. Customers eligible for QHP subsidies enrolled through a web-based broker that contracted with the tax firm. Clients could connect to brokers by phone, while still in the tax preparer's office, make appointments for brokers to call clients at home, or call brokers later.
 - » *Co-locating tax filing and health application assisters.* Some VITA programs had health assisters on site so consumers could file returns and apply for IAPs in one visit.

- **Most respondents reported that tax clients' interest in applying for IAPs increased greatly from 2014 to 2015.** According to several interviewees, in 2015 about half of QHP-subsidy-eligible tax clients wanted health coverage; most of the remainder consciously chose to pay penalties rather than premiums. Some respondents expected tax client interest to increase in future years, when penalties rise. A leader at one national firm was confident that, with higher penalties, the following argument could galvanize significant QHP enrollment: "You will already pay a \$400 penalty for being uninsured. With another \$600, you can cover your entire family."

- **Interviewees made recommendations for how policymakers could equip tax preparation services to make a larger contribution to IAP enrollment:**
 - » *Allow secure data transmission from approved tax preparation services to Marketplace portals.* Marketplaces could work with tax software developers to enable the electronic filing of IAP applications from within tax software, just as state and federal income tax returns can already be filed electronically.
 - » *Have the Marketplace and Medicaid pay approved preparers small amounts for IAP applications.* Many preparers are seasonal workers earning \$8 to \$10 an hour. Payments averaging even \$2 to \$5 per IAP enrollee could evoke a strong response,

according to many interviewees, since just five to six minutes of additional questions are needed to gather the information required for IAP applications. Medicaid payments are particularly important to fill preparer revenue gaps; broker fee-splitting, rather than Marketplace contracts, can fund the completion of applications that result in QHP enrollment, but 51 percent of IAP-eligible, uninsured tax filers qualify for Medicaid.

- » *Encourage the public to use approved tax preparers* as an option for IAPs enrollment.
- » *Allow QHP enrollment during tax filing season.* Most interviewees believed that such alignment would let tax preparation services contribute much more to enrollment.

- **Interviewees suggested two approaches to protect against unethical behavior and incompetence:**

- » *A “quid pro quo”* through which, to access valuable ACA-related resources, tax preparers must agree to a specified code of conduct.
- » *Limiting tax preparers’ role* to minimize potential conflicts of interest. Instead of filing IAP applications electronically, tax preparers could complete the tax return and, at the client’s request, share relevant return information electronically with the Marketplace, which would then contact the consumer and complete the enrollment process.

- **Some respondents recommended using tax refunds to pre-pay a portion of annual QHP premiums.** Policies that facilitate such use of refunds could increase apparent affordability (hence enrollment) by lowering later, monthly premium charges.

State and Federal Policy Options

Based on our interviews, we identified state and federal policy options that could increase tax preparation services’ involvement in helping uninsured clients apply for IAPs while guarding against risks of unethical and incompetent conduct:

- One or two state-based marketplaces could test tax preparation services’ potential contribution to ACA enrollment by implementing our respondents’ above recommendations. A carefully defined special enrollment period (SEP) could let the uninsured enroll throughout tax season. Since tax season doesn’t start until late January, one or two particularly nimble states may be able to implement some of the above recommendations for 2016.

- Federal officials are now deciding the timing of open enrollment periods (OEPs) in 2017 and potentially beyond. Several approaches would let QHP enrollment overlap with much of tax season, as suggested by interviewees, while keeping the QHP-plan year aligned with the calendar year. For example, the OEP for 2017 could run from November 15, 2016, through March 15, 2017; or the OEP could end in late December or January, followed by an SEP that lets the uninsured sign up during tax season if they pay their penalties for prior uninsurance. In evaluating such options, federal policymakers need to consider trade-offs that go beyond the potential contribution of tax preparation services to increased enrollment.[‡]

[‡] For example, increasing the engagement of tax preparation services could reduce the number of consumers who lose tax credit eligibility because of failure to file income tax returns. On the other hand, lengthening the period of time during which consumers can enroll, whether through an OEP or an SEP, risks adverse selection and higher individual market premiums as healthier consumers delay signing up for coverage.

Introduction: Setting the Stage

The Patient Protection and Affordable Care Act (ACA) has substantially reduced the number of uninsured Americans. Between the start of the first Open Enrollment Period (OEP) in October 2013 and the second OEP's conclusion in March 2015, the share of nonelderly adults without coverage fell by 42.5 percent as the number of uninsured declined by 15 million.¹ More than two-thirds (70.8 percent) of the remaining 20 million uninsured adults are potentially eligible for insurance affordability programs (IAPs).²

Now that many of the consumers most interested in coverage have been reached, policymakers could find it challenging to reach and enroll the remaining uninsured who qualify for IAPs. This paper analyzes the extent to which tax preparation services[§] could help accomplish that core goal while guarding against the potential of tax preparers' unethical or incompetent conduct.

A Roadmap to This Report

To explore tax preparation services' potential contribution to IAP enrollment, while simultaneously assessing possible risks, this report proceeds as following:

- We begin by providing information on the quantitative and qualitative research methods used in this report.
- We then present our research findings, starting with new estimates about the prevalence of tax filers among the target group for ACA enrollment—namely, consumers who were uninsured before the start of the 2014 OEP and who would qualify for IAPs under current law. These estimates go beyond previous results by incorporating more recent state decisions about Medicaid expansion. The new estimates also show the tax-filing status of IAP-eligible, pre-2014 uninsured consumers in each state as well as national estimates tabulated by race, ethnicity, and other demographic characteristics. We find that in every state and each key national demographic group, tax filers comprise the majority of IAP-eligible uninsured.
- Next, we describe the results of interviews of national and local stakeholders and experts conducted from December 2014 through June 2015. In those interviews, we asked how for-

[§] We use the term “tax preparation services,” to include both in-person tax preparers and tax software vendors.

profit and volunteer tax preparation services—both in-person preparers and software vendors—have been responding to the ACA, including by helping uninsured clients apply for IAPs. We find that, thus far, most local tax preparers are not helping their customers apply for IAPs; but that promising models of tax-preparer engagement have emerged, often with the support of national for-profit companies.

- We conclude by exploring the state and federal policy implications of our research findings, including possible next steps. We note that one or two states could test the potential impact of engaging the tax preparation community in a serious way, implementing suggestions made by our interviewees for facilitating tax preparation services' filing of IAP applications while guarding against potential unethical or incompetent conduct. We further observe that federal authorities could leave the door open for tax preparer engagement by structuring future open enrollment or special enrollment periods to overlap with tax filing season, using strategies that keep the QHP plan year aligned with the calendar year.

The remainder of this introduction sets the stage for our analysis by briefly describing the broader policy context.

The Challenge of Continued Enrollment Gains

The US Department of Health and Human Services (HHS) recently projected that QHP enrollment will rise from 9.1 million at the end of 2015 to 10 million by the end of 2016.³ The underlying analysis estimated that between 63 percent and 73 percent of the QHP-eligible uninsured will remain without coverage.⁴ This suggests that prospects for continued significant reductions in the number of uninsured are uncertain. Presumably most people with a serious health condition who were eligible for IAPs and uninsured prior to 2014 signed up during the first two OEPs. The uninsured who are hardest to reach likely constitute the bulk of those eligible consumers who remain without coverage.

At the same time, resources to support enrollment efforts are dwindling. Long before the ACA, considerable research showed that even small procedural burdens could greatly reduce participation levels for a range of public and private benefits;⁵ and when application assisters relieve those burdens by completing enrollment forms for consumers, participation can grow.⁶ It thus came as no surprise when early experience with the ACA showed the importance of application assistance:

- A study by Sommers and colleagues of ACA implementation in three states found, in a multivariate analysis, that “Application assistance was the strongest predictor of successful enrollment in coverage;” all else equal, application assistance had the effect of “increasing enrollment from 84.9 percent [of applicants] to 93.1 percent.”⁷
- A national survey sponsored by Enroll America found that, compared to those who received no help, uninsured consumers who received in-person application assistance were approximately twice as likely to receive coverage—31 percent, compared to 16 percent without assistance.⁸
- The Urban Institute’s Health Reform Monitoring Survey (HRMS) is a quarterly national survey tracking the ACA’s effects. HRMS data showed that, among previously uninsured adults who visited Marketplaces, 54 percent of those who enrolled by June 2014 used application assistance, compared with 32 percent of those who did not enroll.⁹

Notwithstanding the importance of application assistance, funding for that function is becoming constrained. For state-based marketplaces (SBMs), any remaining federal grant funding of administrative costs will soon be exhausted. Future spending for Navigators and other application assisters will require either offsetting reductions to other administrative accounts or higher total administrative spending. The latter step typically translates into higher QHP premiums, since most Marketplaces fund administrative costs by charging insurers a fee based on the number of QHP enrollees. Higher premiums for QHPs can reduce the sponsoring carriers’ ability to compete with other nongroup options available outside the Marketplace. Many Marketplace officials will hesitate to risk such results, which could limit total administrative funding.

A further challenge is highlighted by research identifying uninsured consumers’ belief that coverage is not affordable as probably the most important factor inhibiting enrollment:

- According to HRMS results for June 2014, financial barriers were the most frequently mentioned reason that uninsured adults who visited a Marketplace failed to enroll, with 58 percent citing unaffordable costs.¹⁰ Ineligibility for subsidies, the second-most-frequently-reported reason, was cited by 29 percent of respondents.
- A Kaiser Family Foundation (Kaiser) survey in fall 2014 found that 48 percent of all uninsured and 53 percent of the uninsured who qualified for IAPs said that the main reason they were uninsured was that coverage was “too expensive.” Unlike the HRMS survey, the Kaiser survey allowed just one response.¹¹ The second-most-frequently-cited reason was lack of access to employer-sponsored insurance, which was chosen by 12 percent of respondents.

- A survey that PerryUdem Research/Communication fielded in May 2015 found that, among consumers who remained uninsured after looking for health insurance, 79 percent reported that, “after considering everything,” they found coverage unaffordable.¹²

Potential Benefits and Risks of Linking ACA Enrollment to Tax Filing

Earlier research suggests that leveraging the tax-filing process to increase enrollment could provide additional resources for application assistance while addressing the perceived unaffordability of coverage options.

- **Tax preparation services are a potential source of application assistance.** Prior research found that more than 74 percent of consumers who were uninsured before 2014 and who would now qualify for IAPs file federal income tax returns, including more than 88 percent of those who qualify for QHP subsidies. These estimates are consistent with recent IRS reports about tax filing in 2015. By May 31, 2015, 84.3 percent of households who claimed APTCs in 2014 had filed either tax returns or requested automatic extensions of time to file. Among APTC recipients, 59.6 percent were tax filers who completed Form 8962 (the “Premium Tax Credit” form); 7.9 percent requested an extension; and 16.8 percent filed returns without Form 8962.¹³

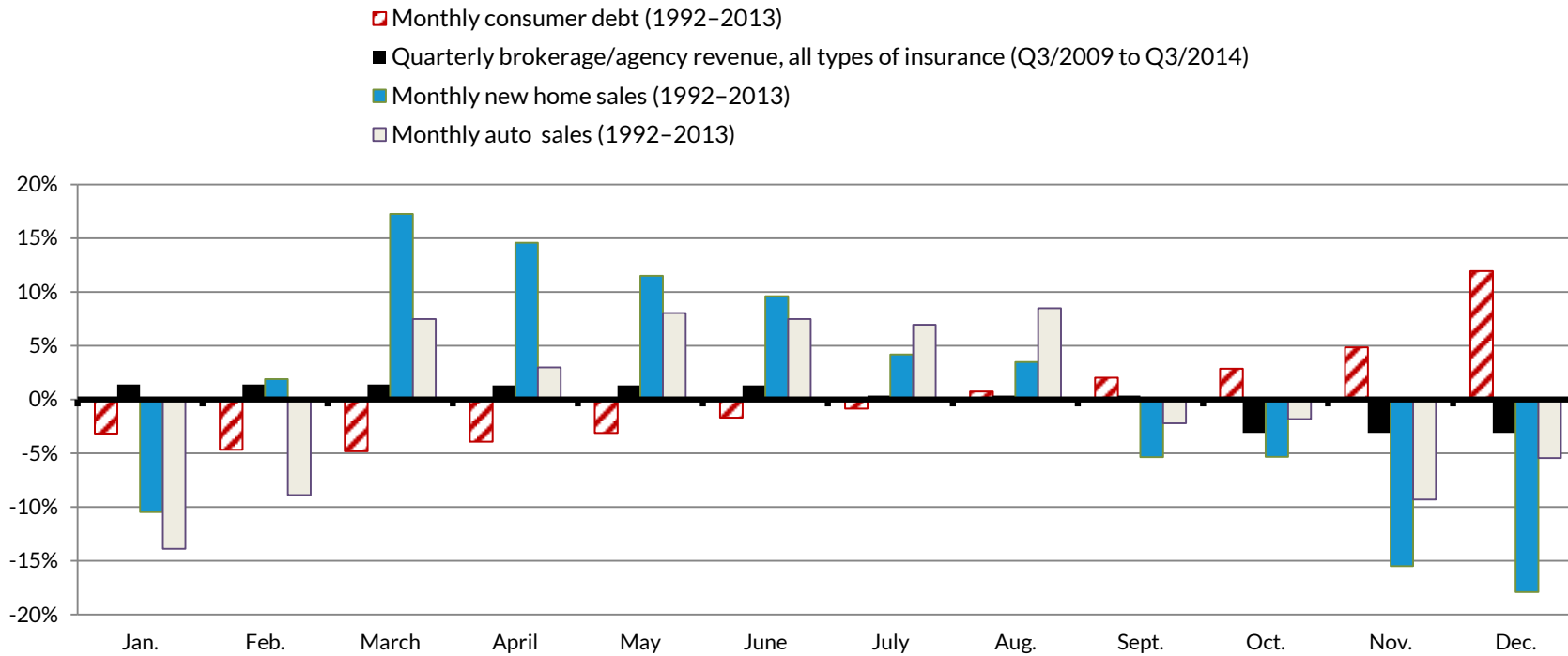
The “tax-filing moment” thus offers the potential to reach a large number of IAP-eligible uninsured.¹⁴ Most low-income taxpayers use in-person tax preparers, the bulk of whom are paid.¹⁵ Among taxpayers who claimed earned income tax credits (EITCs) in 2007–08, 68 percent used paid preparers, and 3 percent used volunteer or free tax preparation services;¹⁶ since 2007–08, the number using free services and the number filing on their own have modestly increased.¹⁷ Altogether, more than 700,000 people are registered tax preparers with the Internal Revenue Service (IRS),¹⁸ which is more than twenty times the 30,400 full-time-equivalent Navigators and other authorized health application assisters.¹⁹

- **Perceived affordability problems may pose less of an enrollment obstacle during tax-filing season,** for several reasons:
 - » **Consumer finances are in better shape** than in preceding months. The October through December period overlaps with the holiday season’s financial pressures, which could chill consumer’s willingness to pay QHP premiums. February and March, after those

pressures largely disappear, historically see higher sales of products like insurance. Consumer debt rises in October through December, falls in January, and reaches its lowest levels in February to April (figure 1). In the \$20,000 to \$50,000 income range typical of QHP subsidy eligibility, 85 percent of taxpayers receive tax refunds, averaging nearly \$2,700 (table 1); two-thirds of refunds arrive by the end of March (figure 2), further enhancing QHPs' apparent affordability. Sales of all kinds of insurance, as shown by broker revenue, are thus lowest in the year's final quarter, when consumer finances are most constrained, and highest in the year's first two quarters, when household balance sheets are more favorable. Sales of autos and new homes, which like insurance require regular monthly payments, peak in March through June, after recovering from annual lows during November through January (figure 1).²⁰

- » **Financial penalties for lacking coverage could more powerfully counteract concerns about QHP affordability.** Many uninsured could be prompted to enroll when the previous year's penalties are fresh in their minds—immediately after they have filed tax returns and lost tax refunds. Penalty amounts are being ramped up significantly, so consumer responses to the tax penalty during the 2015 OEP may not typify future actions. Much behavioral economics research suggests that the penalty could be more likely to trigger action soon after it has been imposed than during the final months before tax season, when the previous year's penalty will be a more distant memory.²¹

FIGURE 1
How Total Consumer Debt, Revenue for Insurance Brokerages and Agencies, and Sales of New Homes and Autos Varies from Average Levels in Particular Months or Quarters



Source: Board of Governors of the Federal Reserve System 2014; US Census Bureau, Quarterly Services Survey 2014, Monthly Retail Trade Survey 2014, Survey of Construction 2014.

Note: Bars falling below the 0 percent line indicate months with lower than average values while bars above the line indicate higher than average values. For each year: (1) average amounts per month (or quarter, in the case of brokerage/agency revenue) were calculated, and (2) the difference between that average and the amount for each specific month (quarter, in the case of brokerage/agency revenue) was estimated. The latter estimate, for each specific month (quarter, in the case of brokerage/agency revenue), was averaged for all years covered by the figure. Insurance revenue data are available only by quarter, shown here as identical monthly amounts within each quarter. For more information, see figures 2, 4, and 5 in Dorn 2015.²²

TABLE 1

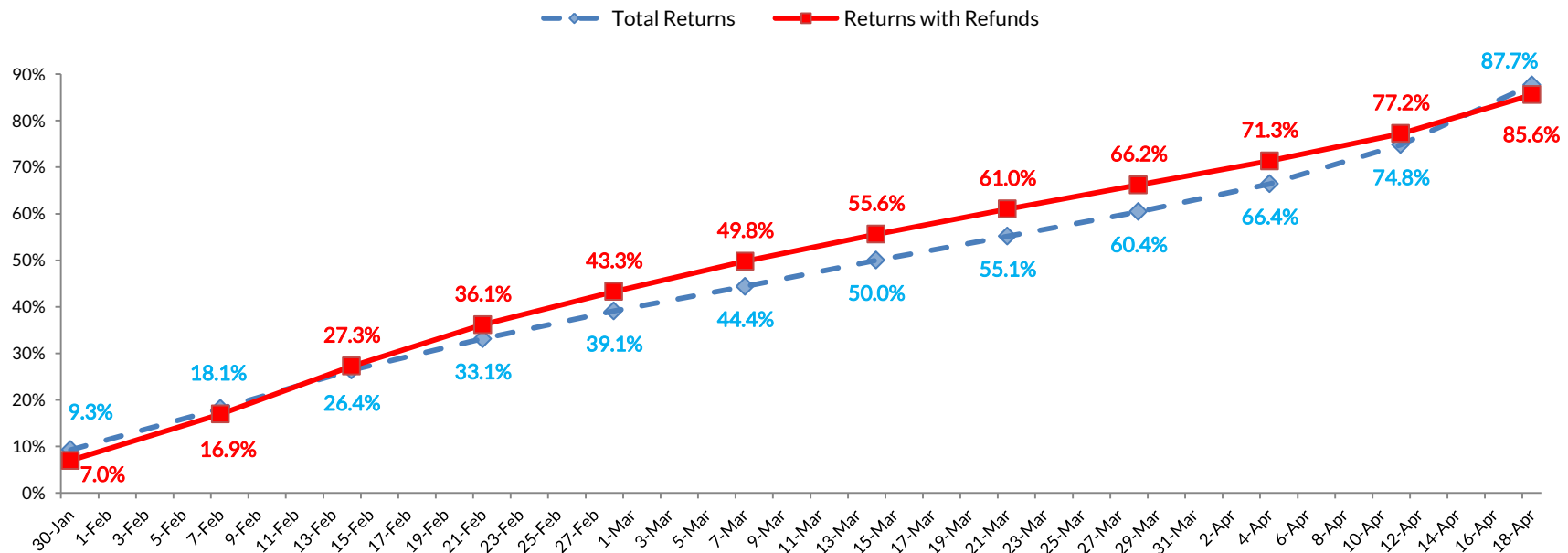
Percentage of Individual Income Tax Returns Filed in 2013 That Received Refunds and Average Refund per Return, by Adjusted Gross Income

Adjusted Gross Income	Percentage of returns with refunds	Average refund per return
<\$20,000	81%	\$1,918
\$20,000 to \$49,999	85%	\$2,690
\$50,000 to \$74,999	76%	\$2,852
\$75,000 to \$99,999	73%	\$3,354
\$100,000+	55%	\$5,762

Source: IRS, Statistics of Income Division, Publication 1304, July 2014.²³ Averages are for returns that claim refunds.

FIGURE 2

Percentage of Federal Income Tax Returns Filed by Various Dates, 2013–15 Average



Source: Internal Revenue Service, 2013–15 Filing Season Statistics.²⁴

Notes: Return filing information is shown only through the date immediately following the April 15 end of standard, non-extended federal income tax filing.²⁵ The displayed percentages represent averages of data from 2013, 2014, and an imputed average for 2015. As of this writing, the most recent available 2015 tax-filing data ends with May 15 filing. The numbers displayed assume that the same percentage of all returns filed in 2015 will be filed by May 15, 2015, as were filed in 2014 by May 16, 2014.

Tax preparer risks. Nationally, tax preparers are unregulated. Except for a few states that issue licenses, tax preparers are not legally required to have any specific qualifications. IRS attempts to regulate tax preparation services have been struck down by federal courts. Without regulatory oversight, some for-profit tax companies have committed major ethical lapses and provided incompetent tax preparation services.²⁶ Mistakes have been least frequent among volunteer tax preparers and most common among paid preparers who are not state-licensed attorneys or accountants, IRS-licensed enrolled agents, or affiliated with national tax preparation firms.²⁷ Efforts to increase for-profit tax preparation companies' role in IAP enrollment must incorporate strategies to limit the emergence of similar problems in the context of health care, examples of which have already been reported. The National Taxpayer Advocate received complaints that some preparers had uninsured, immigrant clients pay a tax penalty and pocketed those payments; such immigrants were exempt from penalty. Other preparers, without client knowledge, reportedly added tax credit claims to ineligible returns, pocketing the resulting increase in client tax refunds.²⁸

Previous information about the extent of tax preparation services' ACA involvement. According to reports from IRS and the Taxpayer Advocate, preparation services are deeply engaged in ACA issues. By April 30, 2015, commercial and volunteer preparers had filed 1.6 million returns claiming health insurance tax credits, 4.3 million returns that paid a tax penalty for uninsurance in 2014, and 5.7 million returns claiming an exemption from the individual coverage requirement²⁹—respectively 62 percent, 65 percent, and 53 percent of all returns in each category. Additional returns with these ACA-related features were doubtless filed by taxpayers themselves, using commercial tax software, without a preparer's help.³⁰

However, little evidence shows the extent to which tax preparers have performed the distinct function of helping their clients enroll into IAPs. As far as the authors are aware, only California has published data about application assistance with enough detail to identify the contributions of tax preparers. From October 1, 2013, through April 15, 2014, 319 tax preparation firms enrolled an estimated 7,219 Californians into QHPs and 15,154 into Medicaid**—7 percent of all consumers enrolled by the state's 5,688 certified application counselors.³¹

** Throughout this report, the term, "Medicaid," is meant to include the Children's Health Insurance Program (CHIP).

Timing

The first OEP ran from October 1, 2013, through March 31, 2014, which overlapped with most tax filing. Over the past three years, taxpayers filed an average of 60.4 percent of all returns and 66.2 percent of returns that claimed a refund by the end of March (figure 2). In 2014, special enrollment periods (SEPs) let consumers enroll after March 31 if their IAP applications began by then but had not been completed and processed.

The second OEP ended on February 15, 2015, slightly more than three weeks after tax-filing began on January 20, 2015. However, in the federally facilitated marketplace (FFM) and many SBMs, an SEP let uninsured consumers sign up during tax-filing season if they (1) paid their penalty for lacking coverage in 2014 and (2) affirmed that, before filing a tax return, they were unaware of the penalty.

This SEP, which did not begin in the FFM until mid-March, received relatively little use. In the FFM and other states where residents enrolled in QHPs using the federal healthcare.gov platform, 147,000 consumers enrolled via the SEP,³² representing 2.0 percent of 7.5 million people who effectuated QHP enrollment.³³ Some SBMs achieved somewhat higher SEP take-up rates, relative to QHP membership: 42,000 enrolled in California's SEP, representing 3.0 percent of the state's total 1.4 million Marketplace participants; 3,000 enrolled in Kentucky, representing 3.3 percent of 92,000 QHP members; and 4,700 enrolled in Maryland, comprising 4.1 percent of the state's 114,000 consumers who effectuated QHP enrollment.³⁴

The third OEP, which runs from November 1, 2015, through January 31, 2016, is unlikely to overlap with tax-filing season for more than a few days. Several timing issues thus face policymakers interested in leveraging the potential of tax preparation services:

- Whether the almost complete lack of overlap between the upcoming OEP and tax-filing season leaves room for tax preparation services to make a major contribution to enrollment into health coverage; and if not
- Whether there are viable strategies to create an overlap in 2016 and later years. **This paper's analysis is limited to options that keep the QHP plan year aligned with the calendar year.**

Data and Methods

This paper describes two distinct analyses. One estimates the percentage of tax filers among various groups of pre-2014 uninsured who now qualify for IAPs. The other involves qualitative research into the involvement of tax preparation services with ACA implementation, based on key informant interviews. Here, we explain the methodology for each research component.

Tax-Filing Estimates

Our previous research estimated that more than 74 percent of the ACA's target population—people who were uninsured before January 2014 and would now qualify for IAPs—file federal income tax returns (or are dependents on such returns).³⁵ Here, we build on that previous work in several ways:

- We update the estimates to reflect state decisions about Medicaid expansion as of July 2015.
- Our national results are tabulated by race, ethnicity, age, and IAP for which consumers qualify.
- We provide estimates for each state and the District of Columbia.

As with previous studies, we estimate the characteristics of each state's non-elderly residents by pooling American Community Survey (ACS) data for calendar years 2009, 2010, and 2011. We use the Health Insurance Policy Simulation Model (HIPSM) to estimate eligibility for Medicaid and QHP subsidies in each state, under 2015 law. These estimates take into account each state's criteria for Medicaid eligibility, assuming expansion decisions as of July 2015.

To determine tax-filing status, we estimate each household's legal obligation to file federal income tax returns and EITC eligibility, based on 2011 tax rules. We identify two groups: (1) households legally required to file; and (2) households eligible for EITC that were not required to file. In each group, we estimate federal income tax filing based on research showing the characteristics and number of individuals who file returns. Our methodology is described in more detail elsewhere, with respect to both HIPSM-ACS³⁶ and our imputation of tax-filing status.³⁷

Two limitations are important to emphasize. First, our estimates understate the prevalence of federal income tax filing, since we do not include income tax filing by households who are neither legally required to file nor qualify for EITC; some of them file returns to obtain refunds or for other reasons. Second, and more important, our estimates are based on conditions before 2014. After the ACA's major

coverage provisions became effective in 2014, the number of uninsured fell more than 40 percent, according to HRMS data.³⁸ Our estimates thus do not show the prevalence of tax-filing status among people who are *currently uninsured*. Rather, we estimate tax-filing within the ACA's initial target population: the uninsured at the start of 2014 open enrollment who became eligible for IAPs.³⁹

Investigating Current ACA Involvement of Tax Preparation Services

We used semi-structured, open-ended protocols to conduct interviews, most of which occurred in two rounds: one in December 2014 and January 2015, before the start of tax-filing season on January 20, 2015; and another in May and June 2015, after the conclusion of tax-filing season. Promising confidentiality, we interviewed a total of 18 stakeholders in four categories:

- **Major national for-profit tax preparation firms:** We interviewed officials from three companies that served customers both on-line and through in-person employees or franchisees. We also interviewed one company that was a software vendor only. Together, these four firms prepared more than 90 million returns in 2015, out of 138 million total US returns filed by May 15, 2015—roughly two-thirds of all returns (65 percent).
- **Volunteer Income Tax Assistance (VITA) programs:** We interviewed the leadership of one non-profit that operates a highly successful, local VITA program and of another non-profit that operates multiple VITA programs in different locations; these interviewees also participate regularly in national VITA coalition efforts. We also interviewed one of the country's leading national experts on VITA programs, including their engagement with ACA.
- **Local tax preparers:** We interviewed two local preparers in California that were certified enrollment counselors, paid by the state's Marketplace; we identified them based on state records. Both preparers helped run small businesses that served the Latino community. One was a franchisee of a major national firm, and the other was in an independent company.
- **Health consumer groups:** To learn from health consumer groups about the promise and the risks of engaging tax preparation services, we interviewed two leading national health consumer groups and a California affiliate of a third leading national consumer group.

We asked about the following topics:

- **Preparer interest in ACA-related issues**, including helping uninsured clients apply for IAPs;
- **How preparers approached IAP applications** in 2014 and 2015, and what results were achieved;
- **Tax clients' interest in applying for IAPs** and their willingness to consent to the use of tax return information for such purposes;
- **The cost to preparers** of helping with an IAP application;
- **National preparers' perspectives** on federal officials' work on ACA tax issues; and
- **Interviewees' perspectives** on
 - » The 2015 SEP that let uninsured consumers enroll after (2) paying tax penalties for 2014 and (2) affirming that, before filing returns, they were unaware of such penalties;
 - » The time needed for tax preparation services to fully transition into playing a new role of helping their uninsured clients apply for IAPs; and
 - » How policymakers could increase tax services' contribution to IAP enrollment.

Several limitations apply. We interviewed 18 respondents—a relatively small number (even though they included officials at companies that file the majority of US tax returns). Our research was qualitative, based on key informant interviews, not a nationally representative survey of tax preparers.

Findings

Here, we describe the results of research described in the previous section.

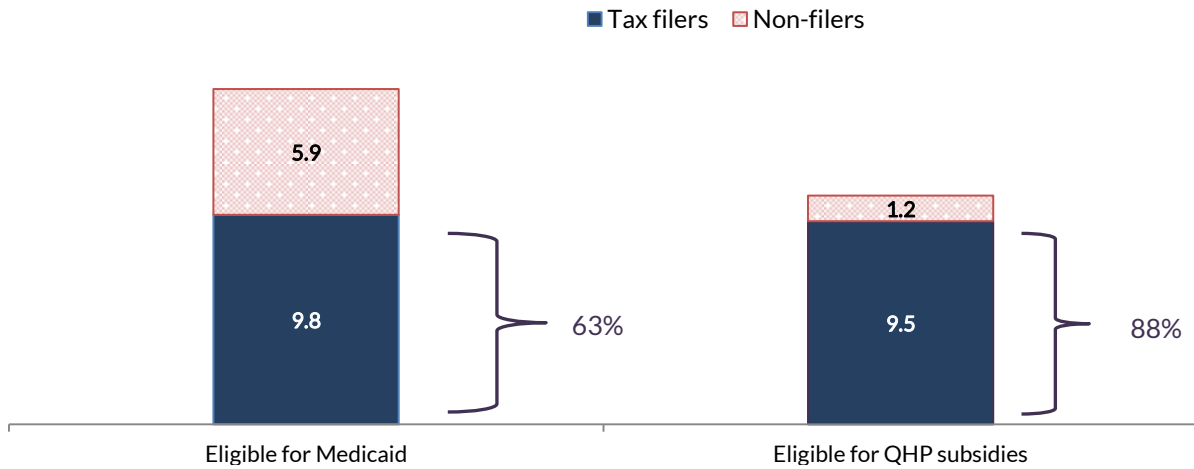
The Prevalence of Federal Income Tax Filing among the ACA's Target Populations

National Estimates

Among the uninsured before 2014, 63 percent of those who would qualify for Medicaid under current law filed federal income tax returns, as did 88 percent of those who would qualify for QHP subsidies. Those two groups of tax filers included 9.8 million and 9.5 million people, respectively (figure 3). Combining Medicaid and QHP subsidies, 73 percent of IAP-eligible uninsured filed tax returns (table 3).

FIGURE 3

The Uninsured Nonelderly before 2014, by Federal-Income-Tax-Filing Status and IAP Eligibility under Current Law (millions)



Source: HPSM-ACS 2014.

Note: Estimates understate the prevalence of federal income tax filing as compared to administrative data. Assumes state decisions on Medicaid expansion are as of July 2015. IAPs are insurance affordability programs.

Table 2 provides information about subgroups within these two populations:

- Among the uninsured before 2014 who would qualify for Medicaid under current law:
 - » Children are the most likely to be included in tax-filing households (72 percent), probably because children’s financial eligibility for Medicaid extends well above that for adults. Older adults, age 55-64, are least likely to file returns (45 percent). Adults under age 55 have similar rates of income tax filing within all displayed age ranges (age 19-34, 61 percent filed returns; age 35-44, 63 percent; and 45-54, 56 percent).
 - » Tax-filing rates among Medicaid eligibles does not differ much based on race or ethnicity (White, Non-Hispanic, 64 percent; Asian/Pacific Islander, non-Hispanic, 63 percent; Hispanic, 62 percent; Black, Non-Hispanic, 60 percent).⁴⁰
 - » Only 54 percent of non-high-school graduates filed returns, compared to about two-thirds of those with other education levels (high school graduates, 65 percent; some college, 67 percent; college graduates, 65 percent).

- Similar patterns apply to consumers who were uninsured before 2014 and would qualify for QHP subsidies under current law:

- » Children have the highest rate of inclusion in tax-filing households (94 percent), presumably because family incomes for the QHP-subsidy eligible tend to be higher for children than adults. In all but two states, children with incomes below an eligibility threshold of 200 percent of the federal poverty level (FPL) or higher are now eligible for Medicaid, rather than QHP subsidies.⁴¹ By contrast, the lower limit of financial eligibility for adults is generally 138 or 100 percent FPL, depending on whether the state expanded Medicaid eligibility.⁴²

Adults age 55–64 have by far the lowest rate of tax filing (77 percent). Roughly nine out of ten adults in younger income groups file tax returns (age 19–34, 90 percent; age 35–44, 91 percent; age 45–54, 90 percent).

- » Nearly eight in ten non-Hispanic, Asian-Pacific Islanders file tax returns (79 percent). For all other racial and ethnic groups, approximately nine in ten file returns (American Indian/Alaskan Native, 91 percent; White, Non-Hispanic, 89 percent; Black, Non-Hispanic, 89 percent; Hispanic, 88 percent; other races or ethnicities, 88 percent).
- » As with Medicaid eligibles, QHP-subsidy eligibles with less than a high school education are least likely to file returns (85 percent). At other levels of educational attainment, roughly nine in ten file returns (high school graduates, 89 percent; some college, 90 percent; college graduates, 87 percent).

State Estimates

The most important finding from our state-level estimates is that tax filers represent the bulk of the IAP-eligible, pre-2014 uninsured in every state. Tax filers make up at least 56 percent of those who qualify for Medicaid and at least 84 percent of those who qualify for QHP subsidies (tables 4 and 5).

Tables 3 through 5 show estimated tax filing among various groups of pre-2014 uninsured who would qualify for IAPs under current law: Medicaid-eligible children; Medicaid-eligible adults; Medicaid-eligible adults and children combined; and QHP-subsidy-eligible children and adults combined. Table 3 summarizes results in states that have expanded Medicaid and those that have not. Tables 4 and 5 set out state-specific totals.

Two groups of IAP eligibles differ little between states that have expanded Medicaid and those that have not (table 3):

- Among Medicaid-eligible children, 72 and 73 percent are included on tax returns in non-expansion and expansion states, respectively.⁴³
- Tax filers comprise 88 percent and 89 percent of QHP-subsidy-eligible individuals in non-expansion and expansion states, respectively.

However, expansion and non-expansion states differ greatly in terms of Medicaid-eligible adults. Only 49 percent of those in non-expansion states file returns, compared to 60 percent in expansion states (table 3). This is not surprising, since Medicaid-eligible adults have much lower incomes in non-expansion states:

- In non-expansion states, median income-eligibility for parents ends at 45 percent of FPL; and in all but one such state, childless adults under age 65 are ineligible for Medicaid, regardless of income, unless they are pregnant or have a severe disability.⁴⁴
- In expansion states, nonelderly adults (with or without children) qualify for Medicaid up to at least 138 percent of FPL.

In terms of all IAP-eligible uninsured, combining Medicaid and QHP subsidies, a higher proportion file taxes in non-expanding states (80 percent) than in expanding states (70 percent) (table 3). One contributing factor is the higher percentage of tax-filers among Medicaid-eligible uninsured in expansion states, as noted earlier. However, the more important cause is the far greater proportion of Medicaid-eligible uninsured in expansion states. In non-expansion states, the QHP-subsidy-eligible uninsured outnumber the Medicaid-eligible uninsured by 84 percent (5.89 million vs. 3.20 million). In expansion states, the situation is reversed: the population of pre-2014 uninsured who now qualify for Medicaid uninsured is more than two and a half times the number of those who qualify for QHP subsidies (12.51 million vs. 4.82 million).

TABLE 2

The Uninsured before 2014, by Tax-Filing Status, IAP Eligibility under Current Law, and Other Characteristics (Millions of Nonelderly)

	Eligible for Medicaid			Eligible for Subsidies		
	Total Tax Filers	% Filing		Total Tax Filers	% Filing	
Total IAP-eligible uninsured	15.7	9.8	63%	10.7	9.5	88%
Age						
0 - 18	4.3	3.1	72%	0.4	0.3	94%
19 - 24 years	2.7	1.5	56%	1.5	1.4	88%
25 - 34 years	3.3	2.2	66%	3.0	2.7	91%
35 - 44 years	2.1	1.3	63%	2.2	2.0	91%
45 - 54 years	1.9	1.1	56%	2.0	1.8	90%
55 - 64 years	1.3	0.6	45%	1.6	1.2	77%
Race/Ethnicity						
White, Non-Hispanic	7.2	4.6	64%	6.0	5.4	89%
Black, Non-Hispanic	2.2	1.3	59%	1.5	1.3	89%
Hispanic	4.8	3.0	62%	2.3	2.0	88%
Asian/Pacific Islander, Non-Hispanic	0.8	0.5	63%	0.6	0.4	79%
American Indian/Alaskan Native	0.5	0.3	64%	0.2	0.2	91%
Other, Non-Hispanic	0.2	0.1	69%	0.1	0.1	88%
Education						
Less than High School	3.9	2.1	54%	1.7	1.5	85%
High School	6.6	4.2	65%	4.8	4.3	89%
Some College	3.5	2.4	67%	2.7	2.5	90%
College Graduate	1.7	1.1	65%	1.4	1.3	87%

Source: HIPSM-ACS 201. 4.

Note: Estimates understate the prevalence of federal income tax filing as compared to administrative data. Assumes state decisions on Medicaid expansion as of July 2015. Totals may not add because of rounding. IAPs are insurance affordability programs.

TABLE 3

The Uninsured before 2014, by Tax-Filing Status, IAP Eligibility under Current Law, and State Decisions on Medicaid Expansion (Millions of Nonelderly)

	Eligible for Medicaid, Adults			Eligible for Medicaid, Children			Eligible for Medicaid, Total			Eligible for Subsidies			Eligible for Insurance Affordability Programs, Total		
	Total	Tax Filers	% Filing	Total	Tax Filers	% Filing	Total	Tax Filers	% Filing	Total	Tax Filers	% Filing	Total	Tax Filers	% Filing
States Not Expanding Medicaid	1.08	0.52	49%	2.13	1.54	72%	3.20	2.06	64%	5.89	5.18	88%	9.09	7.24	80%
States Expanding Medicaid	10.30	6.17	60%	2.21	1.61	73%	12.51	7.78	62%	4.82	4.29	89%	17.33	12.07	70%
Total	11.38	6.70	59%	4.34	3.15	72%	15.72	9.84	62.6%	10.70	9.47	88%	26.42	19.31	73%

Source: HIPSAM-ACS 2014.

Note: Estimates understate the prevalence of federal income tax filing as compared to administrative data. Totals may not add because of rounding. Assumes state decisions on Medicaid expansion as of July 2015. IAPs are insurance affordability programs.

TABLE 4

In States Not Expanding Medicaid Eligibility, the Uninsured before 2014, by Tax-Filing Status and IAP Eligibility under Current Law (Thousands of Nonelderly)

	Eligible for Medicaid, Adults			Eligible for Medicaid, Children			Eligible for Medicaid, Total			Eligible for Subsidies			Eligible for Insurance Affordability Programs, Total		
	Total	Tax Filers	% Filing	Total	Tax Filers	% Filing	Total	Tax Filers	% Filing	Total	Tax Filers	% Filing	Total	Tax Filers	% Filing
Alabama	22	7	30%	49	37	75%	71	44	62%	177	152	86%	248	196	79%
Alaska	19	14	74%	14	11	81%	32	25	77%	46	42	91%	78	67	85%
Florida	169	76	45%	362	272	75%	531	348	66%	1,127	986	87%	1,658	1,334	80%
Georgia	83	39	47%	186	129	69%	269	168	62%	478	425	89%	747	592	79%
Idaho	9	4	47%	27	20	76%	36	25	69%	79	70	89%	115	95	83%
Kansas	14	7	51%	38	29	76%	52	36	69%	100	89	89%	152	125	82%
Louisiana	23	9	38%	50	38	78%	73	47	65%	235	208	88%	308	255	83%
Maine	10	7	68%	8	7	88%	18	14	76%	60	53	89%	78	67	86%
Mississippi	19	7	39%	47	35	74%	66	42	64%	127	111	87%	193	153	79%
Missouri	26	10	39%	80	64	81%	106	75	71%	236	208	88%	342	282	83%
Montana	8	4	55%	23	19	82%	30	23	75%	68	62	92%	98	85	87%
Nebraska	13	9	68%	19	14	76%	32	23	73%	63	55	88%	95	79	83%
North Carolina	96	49	51%	125	93	75%	221	142	64%	418	365	87%	639	508	79%
Oklahoma	32	17	55%	70	52	74%	102	70	69%	183	162	89%	284	231	81%
South Carolina	47	27	58%	73	54	74%	120	81	68%	216	185	86%	336	266	79%
South Dakota	6	3	52%	10	7	74%	16	10	66%	33	30	90%	48	40	83%
Tennessee	89	65	73%	62	46	74%	151	111	73%	266	226	85%	417	337	81%
Texas	167	54	32%	690	475	69%	856	529	62%	1,398	1,234	88%	2,254	1,763	78%
Utah	16	8	50%	65	42	65%	81	50	62%	113	102	90%	193	152	79%
Virginia	40	23	59%	73	48	66%	113	72	64%	278	243	88%	390	315	81%
Wisconsin	167	81	49%	53	42	79%	220	123	56%	158	141	89%	378	265	70%
Wyoming	4	3	70%	6	4	69%	10	7	69%	29	26	92%	39	33	86%
All non-expanding states	1,077	524	49%	2,127	1,541	72%	3,205	2,064	64%	5,887	5,176	88%	9,091	7,240	80%

Source: HIPSM-ACS 2014.

Note: Estimates understate the prevalence of federal income tax filing as compared to administrative data. Totals may not add because of rounding. Assumes state decisions on Medicaid expansion as of July 2015. IAPs are insurance affordability programs.

TABLE 5

In States Expanding Medicaid Eligibility, the Uninsured before 2014, by Tax-Filing Status and IAP Eligibility under Current Law (Thousands of Nonelderly)

	Eligible for Medicaid, Adults			Eligible for Medicaid, Children			Eligible for Medicaid, Total			Eligible for Subsidies			Eligible for Insurance Affordability Programs, Total		
	Total	Tax Filers	% Filing	Total	Tax Filers	% Filing	Total	Tax Filers	% Filing	Total	Tax Filers	% Filing	Total	Tax Filers	% Filing
Arizona	370	215	58%	120	71	59%	490	286	58%	213	189	89%	702	475	68%
Arkansas	239	145	61%	26	19	72%	266	164	62%	93	83	90%	358	248	69%
California	2,673	1,619	61%	651	448	69%	3,325	2,067	62%	1,171	1,035	88%	4,495	3,102	69%
Colorado	276	171	62%	93	64	70%	368	235	64%	159	146	91%	527	381	72%
Connecticut	123	76	62%	17	13	76%	140	89	64%	64	57	89%	204	146	72%
Delaware	32	21	65%	6	4	69%	38	25	66%	18	15	88%	56	41	73%
District of Columbia	23	14	59%	2	1	55%	25	15	59%	6	5	94%	31	20	65%
Hawaii	48	26	54%	8	6	77%	56	32	57%	20	17	84%	76	49	64%
Illinois	692	403	58%	101	74	73%	793	477	60%	293	258	88%	1,087	734	68%
Indiana	410	249	61%	110	90	81%	521	339	65%	182	165	88%	703	503	72%
Iowa	120	74	62%	27	20	75%	146	94	64%	58	52	91%	204	146	72%
Kentucky	324	187	58%	43	32	75%	368	219	60%	114	101	89%	482	320	67%
Maryland	222	135	61%	45	32	71%	267	166	62%	120	107	89%	387	273	71%
Massachusetts	104	60	58%	16	12	75%	120	72	60%	70	60	86%	190	132	70%
Michigan	627	366	58%	68	51	75%	695	417	60%	235	211	90%	930	628	68%
Minnesota	231	166	72%	61	51	83%	292	217	74%	67	61	92%	359	279	78%
Nevada	195	114	59%	89	55	61%	285	169	59%	103	93	90%	388	262	68%
New Hampshire	55	34	61%	9	7	81%	64	41	64%	39	37	93%	103	78	75%
New Jersey	379	223	59%	91	64	70%	470	286	61%	232	204	88%	702	490	70%
New Mexico	177	104	59%	39	28	71%	216	132	61%	76	70	92%	292	202	69%
New York	867	531	61%	174	131	75%	1,041	662	64%	491	433	88%	1,532	1,094	71%
North Dakota	28	18	64%	7	6	83%	35	23	68%	19	17	92%	53	41	76%
Ohio	652	377	58%	124	101	81%	775	477	62%	278	251	90%	1,054	728	69%
Oregon	265	155	58%	61	47	78%	326	202	62%	127	114	90%	452	316	70%
Pennsylvania	568	341	60%	120	101	84%	689	442	64%	273	245	88%	962	688	71%
Rhode Island	46	28	60%	8	5	69%	54	33	62%	28	25	90%	82	58	71%
Vermont	18	11	62%	3	2	79%	20	13	64%	20	18	90%	40	31	77%
Washington	387	227	59%	80	60	75%	466	287	61%	197	177	90%	663	464	70%
West Virginia	146	85	58%	16	12	77%	162	97	60%	52	46	88%	214	143	67%
All expanding states	10,299	6,173	60%	2,215	1,607	73%	12,514	7,780	62%	4,817	4,293	89%	17,330	12,073	70%

Source: HIPS-M-ACS 2014.

Note: Estimates understate the prevalence of federal income tax filing as compared to administrative data. Totals may not add because of rounding. Assumes state decisions on Medicaid expansion as of July 2015. IAPs are insurance affordability programs.

Key Sub-populations

In key groups for outreach and enrollment in 2015, tax filers predominate.

LATINOS

Several surveys identify Latinos as a population that disproportionately remains uninsured. According to HRMS results, Latinos comprised 37.1 percent of the country’s uninsured as of June 2014—up from 33 percent at the start of the first OEP.⁴⁵ Kaiser surveys found that, in fall 2014, Hispanics made up 30 percent of the uninsured nationally.⁴⁶ After the conclusion of the second OEP in 2015, 29 percent of California’s remaining uninsured were IAP-eligible Latinos, and 41 percent were undocumented Latinos.⁴⁷

Most in this target subpopulation file tax returns. Among Latinos who were uninsured before 2014, 62 percent of those who would now qualify for Medicaid and 88 percent of those who would now be eligible for IAP subsidies file tax returns.

YOUNG ADULTS

Young adults have also been flagged as a key target group. The Kaiser national survey, for example, found that adults age 19–34 comprised 50 percent of all the uninsured as of fall 2014. Most young adults file returns. Among 19-to-34-year-olds who were uninsured before 2014, 61 percent of those who are now Medicaid-eligible filed tax returns, as did 90 percent of those qualifying for QHP subsidies.

Targeting tax filers for outreach and enrollment efforts could thus bring more young adults to Marketplaces, potentially improving risk pools. Adults under age 35, who tend to be less costly than older adults, make up 43 percent of the tax-filing, subsidy-eligible, pre-2014 uninsured.⁴⁸ By contrast, such adults comprise just 28 percent of Marketplace enrollees.⁴⁹

Tax Preparation Services and IAP Enrollment: Experiences to Date

This section of the paper describes how tax preparation services—both those that operate in person and those that offer software for “do-it-yourself” filing—have approached ACA enrollment.

Preparer Interest in Helping with IAP Applications

According to interviewees, most tax preparers have not been routinely helping with IAP applications. Two of the four national firms we interviewed had made a major effort to help uninsured clients apply for IAPs, but implementation depended on choices by individual franchisees or local offices, most of which have not taken on this new role. The four local tax preparers we interviewed, both commercial and VITA, were chosen as respondents because they helped tax clients apply for IAPs.

Many factors reportedly limited preparers' involvement. Covered under traditional tax preparer models are ACA issues of (1) reconciling advance payment of premium tax credits (APTC) with premium tax credit (PTC) amounts claimable on year-end tax returns; (2) applying for exemptions from the coverage requirement; and (3) calculating tax liability when clients are penalized for prior uninsurance. These steps are needed to file accurate returns that are favorable to clients. However, helping clients use tax return information to apply for health coverage assistance is a new role, which may require changing previous business models. Moreover, this change could require mastering new bodies of knowledge—namely, information about health coverage, QHP subsidies, and Medicaid eligibility.

Many local for-profit preparers have not seen a business case that justifies the effort and potential opportunity cost of helping with IAP applications. Preparers would lose revenue for each tax return left unfiled because of IAP enrollment assistance. It is particularly challenging to take on any non-tax-filing work during the height of tax season, when many preparers work long hours, and “time is money.”

Many if not most VITA programs were likewise hesitant to expand their portfolio to include health coverage. Before the ACA, efforts to leverage tax filing for enrollment into public benefit programs faced significant challenges. Most clients came to VITA programs seeking tax refunds. After waiting to see the tax preparer, clients typically wanted to leave after filing for their refund, without spending time on other matters.⁵⁰ In addition, VITA volunteers are trained and knowledgeable about tax issues, not health issues. One respondent observed that a minority of VITA programs use tax filing as an entrée to other public benefits, suggesting that the ACA's IAPs are likely to fit into that minority model.

On the other hand, some tax preparers became deeply involved in IAP enrollment. Some commercial preparers saw it as an opportunity to grow their tax practices. The two California preparers we interviewed, for example, widely marketed their health enrollment expertise by giving presentations; highlighting their role as certified enrollment counselors in parades, fairs, and other community events; and joining in broader health outreach events. Consistent with national impact estimates from one for-profit firm, a California preparer affiliated with a different national company experienced a 20 percent increase in tax clientele due to IAP enrollment efforts. She explained: “Once

someone sees that you can help them with complicated health coverage problems, they are more willing to ask you to help with their tax problems.” She concluded, “We won more people with Covered California [the state’s Marketplace] than with any other marketing technique ever.”

One respondent at a large national firm pointed to another market-share advantage. If tax preparers help with IAP applications, incomes are presumably likely to be estimated more accurately, some additional clients will enroll into coverage, and those who remain uninsured will receive clear advance warning of the applicable tax penalty. That could reduce the number of repeat clients who, the following year, experience a dissatisfying tax-filing experience because of problems with reconciliation or surprising penalties for lacking coverage. Increasing customer satisfaction improves client retention, according to multiple respondents.

Interviewees also reported other reasons why some for-profit tax preparers helped their clients with IAP applications:

- *Preventing “future messes” with repeat customers.* By helping a client obtain coverage, with appropriate APTC amounts for those who qualify, a tax preparer can cut the time needed to help that client the following year. With insured clients, preparers are spared the work of dealing with penalties for lacking insurance. Moreover, APTC amounts that are calculated correctly, with a tax preparer helping project income, are less likely to require a significant reconciliation work-up.
- *Obtaining revenue.* IAP enrollment became a source of revenue in several ways:
 - » Some tax preparers made fee-splitting contracts with insurance brokers. When brokers enrolled into commercial coverage clients sent by tax preparers, the brokers shared a portion of whatever commissions they were paid by insurance companies.
 - » Tax preparers in California qualified for Marketplace payments as application assisters, along with community groups, health care providers, and others.
 - » Some state Medicaid programs pay organizations that enroll consumers into coverage. In California, tax preparers were among the many groups that could qualify for Medicaid payments of \$58 per successful enrollee.

We could not ascertain whether states other than California funded tax preparers.

Operational efficiency was an important factor prompting some tax preparers to assume this new role. IRS has provided guidance about how tax preparers can obtain client consent to use tax return information in completing an IAP application.⁵¹ Several interviewees reported that, once preparers

obtained such consent and could use tax information for the IAP application, only five to six additional minutes of questions were required, on average, to obtain all remaining facts needed to complete the application. Supplemental questions addressed topics such as client expectations about income changes during the coming year. Additional time was needed to transfer all relevant information to the IAP application form. Except at the absolute height of tax season, the prospect of even modest financial gains was sufficient to justify investing this small amount of additional time, according to respondents. By contrast, assisters that must start gathering information from scratch typically require one to two hours to complete the application and enrollment process.⁵²

For VITA programs, the advantage of providing IAP-enrollment services on-site was customer service. Those engaging in this work saw themselves as advancing their organizations' underlying mission to serve low- and moderate-income taxpayers. To illustrate, a VITA program that received a Navigator grant for 2015 helped some low-income taxpayers apply for IAPs in 2014, without funding.

Models of Tax Preparer Involvement

Our interviewees described four basic approaches through which tax preparers helped uninsured clients enroll into IAPs. For clarity, we describe these approaches as distinct models, but in practice, some tax preparers used more than one model, depending on the circumstances.

MODEL ONE: TAX PREPARER AS HEALTH APPLICATION ASSISTER

In this first model, tax preparers served as health application assisters. In California, as noted earlier, tax firms could become certified enrollment counselors. This required training in health issues, which our interviewees said “took work,” primarily to learn health insurance terminology.

After training, IAP enrollment was not difficult, according to respondents. One described the Medicaid application process as particularly straightforward, saying that “we got it down to a science.” One local California interviewee reported that her small business, serving several locations, completed more than 5,900 IAP applications over a six-week period during 2014 open enrollment.

In 2015, some tax preparers undertaking their second year helping with IAP applications reorganized operations for increased efficiency. One interviewee, for example, explained that her small company created specialized staff and parallel processes for tax returns and IAP applications. Out of 16 employees who received Marketplace training for the first OEP, only 10 continued in this role. More efficient procedures meant that, by the time a client's tax return was completed and filed, the IAP

application was “teed up” and ready for completion. With specialization, fewer employees needed to have both tax and health expertise, and parallel processing cut waiting time for clients. Faster customer service increased both client satisfaction and the number of completed IAP applications.

Along similar lines, one VITA program in an FFM state qualified for a Navigator grant. From the program's volunteer tax preparers, the agency recruited staff to serve as Navigators and volunteers to serve as Certified Application Counselors.⁵³ The program applied to health coverage its longstanding tax-based infrastructure and approach, including methods of community education and outreach. Our interviewee explained, “We took our tax model, applied it to health insurance, and were very successful.” During the 2014 OEP, this organization enrolled approximately 5,700 individuals into QHP coverage, and additional children into Medicaid.

The final variant of this approach was used by some for-profit tax preparers, who qualified as licensed insurance brokers. The broker training and licensing process is much more time-consuming than is qualifying to serve as a Navigator or enrollment counselor. The cost of qualifying as a licensed broker prevented this option from being widely used. However, some larger tax firms found it effective to have one licensed insurance agent on staff to serve multiple offices.

Our interviewees from both for-profit and VITA contexts reported that offering tax and health coverage expertise within a single organization yielded important gains. Health staff could turn to tax experts when an IAP application triggered a complex tax question, and tax staff could obtain help from health experts if difficult ACA questions came up in preparing a tax return.

MODEL TWO: PARTNERSHIPS BETWEEN TAX PREPARERS AND HEALTH APPLICATION ASSISTERS

One national for-profit firm contracted with a web-based, national insurance brokerage. To let tax clients seamlessly enroll into health coverage, the firm used the following approach:

- When the tax preparer learned that a client was uninsured, the preparer would offer to ask five or six minutes worth of additional questions in order to assess the client's IAP eligibility.
- If the client gave consent to using tax information for IAP purposes, the tax preparer would ask supplemental questions about such things as expected income during the remainder of the calendar year. Based on both the tax return data and this supplemental questioning, the preparer's company-supplied software would assess the client's IAP eligibility.

- If the client appeared to qualify for Medicaid, the preparer would offer to print out a complete application, have the client sign it, and then mail in the application on behalf of the client.⁵⁴ In most states, the Medicaid agency would complete the enrollment process by offering consumers a choice of managed care organizations (MCOs) and, if consumers did not select a plan by a specified deadline, they would be enrolled into state-selected MCOs. Interviewees described the strategy as “highly successful;” the vast majority of clients were reportedly very receptive to zero-cost health coverage. This approach generated significant Medicaid enrollment, according to respondents.
- If the client appeared to qualify for QHP subsidies, the tax preparer would explain the approximate APTC amount, the potential premium cost after applying the APTC, and the likely penalty for going without coverage. The preparer would give the client the option to be connected to an insurance broker, who would then complete the enrollment process.

Many clients declined this option, as premiums (even with APTCs) often exceeded the penalty amount. They consciously chose to “save money” by paying the penalty, rather than premiums.

However, this option worked well when clients accepted it, according to interviewees. With the client’s consent, the tax firm gave the broker information from relevant portions of the return and supplemental questions. Data were conveyed via a highly tested, secure interface that, according to our interviewees, met rigorous standards of data protection.

A client could choose to be connected to the broker by phone, while still in the tax preparer’s office; to make an appointment to have the broker call the client at home; or decide to contact the broker later. Very few clients “fell through the cracks” at this stage; most who wanted to be connected to the broker finished the application process, with the broker’s help.

MODEL THREE: CO-LOCATION OF TAX FILING AND HEALTH APPLICATION ASSISTANCE

A number of VITA programs had health application assisters (and, in some cases, insurance brokers) operate in VITA offices so clients could file tax returns and apply for IAPs during one visit. If that visit was insufficient, an appointment could be made to finish enrolling into health coverage at a second visit.

According to a respondent who follows VITA practices, the amount of such co-location roughly doubled from 2014 to 2015. Even though tax filing had a much smaller overlap with the OEP, VITA programs tended to be more familiar with the ACA by 2015, in part because of the impact of ACA provisions on income tax filing in 2015. To circumvent the above-noted problem of VITA clients wanting

to leave immediately after claiming their tax refunds, some programs helped clients complete the IAP application form while the clients were waiting to meet with the tax preparer.

Some for-profit firms used this model as well, inviting insurance agents into their offices to help tax clients enroll in health coverage. Interviewees from those firms explained that, after they told customers that an insurance agent was available “up the hall,” many customers were not interested. As with the company using the previous model, these consumers consciously chose to pay the penalty, since it was less than the cost of insurance, even taking APTCs into account.

This model featured some data conveyance to the health application assister, albeit by hard copy. Some VITA programs used a common intake form to gather client information for both IAP applications and tax returns. They felt this avoided the need to get client consent to using tax return information for non-tax purposes. However, one VITA expert suggested that tax intake forms are commonly viewed as protected tax return information and recommended that VITA programs obtain consent. One for-profit firm contracted with on-site brokers who, with client consent, were given relevant information from the client’s return; such information was printed on a piece of paper, which the client handed to the broker.

MODEL FOUR: REFERRAL TO HEALTH APPLICATION ASSISTANCE

When a tax client is interested in health coverage, this final approach has the tax preparation service refer the client to another organization for IAP enrollment. The latter organization can be:

- A Marketplace website;
- A state Medicaid program; or
- A web broker or community-based application assister. In some cases, the web broker had a partnership agreement with the tax preparation firm.

No interviewee using this model assessed how many consumers reached the organization to which they were referred, how many IAP applications resulted, or how many received coverage.

A distinguishing feature of this model that no client data moved from tax preparation services to the health application assister. Marketplaces, Medicaid agencies, application assisters, and web brokers had to seek information the IAP applicant had already provided for tax preparation purposes.

Tax Client Interest in IAP Enrollment and Willingness to Consent

Our interviewees from national for-profit firms and national VITA experts reported a significant difference between tax client interest in 2014 and 2015. In 2014, according to these interviewees, tax clients showed minimal interest in applying for health coverage. Few consumers saw any connection between tax and health issues. Moreover, glitches with Marketplace websites and adverse publicity about the ACA chilled interest on the part of many clients and for-profit tax preparers.

In 2015, according to these interviewees, many tax clients became interested in health coverage. Those who qualified for Medicaid typically were pleased when tax firms helped with applications. However, although the connection between tax and health became apparent in 2015, and 2015 saw a significant decline in Website glitches and adverse publicity, several respondents from national for-profits estimated that only about half of QHP-subsidy-eligible tax clients wanted health coverage. The rest chose to save money in the short run by paying penalties rather than premiums.

On a countervailing note, local tax preparers in California reported significant client interest in health issues during both 2014 and 2015. This experience may reflect that, for both years, these preparers qualified as certified application counselors with the state's Marketplace and marketed their services accordingly. As a result, customers came to them specifically seeking help with health coverage. This was not observed in 2014 by companies that marketed themselves as tax preparers only.

Several respondents at national firms expected more client interest in future years, when penalties for uninsurance will increase and hostility to the ACA is likely to decline. One official at a national tax firm was confident that local offices could achieve great success with the following argument: "You will already be paying \$400 in penalties for going without insurance. For another \$600, you can insure your entire family." Another official suggested that, for many families, this "pitch" would be even stronger if tax preparers noted the availability of free or very-low-cost Medicaid for children.

In terms of client consent, respondents reported that, once clients expressed an interest in exploring health coverage options, they readily agreed to have their tax information used to apply for IAPs. Such consent was important for reasons that go beyond facilitating short-term enrollment. As a general rule, tax firms cannot use return information to communicate with clients about matters other than tax preparation. However, client consent allows proactive and individually-tailored communications about non-tax topics. Two national for-profit firms accordingly regularly sought client consent to the firms' later outbound calls about health coverage. This was viewed as a key marketing strategy to help clients learn about health coverage assistance offered by tax preparers. Also, at least one firm used such outreach methods to inform clients about the 2015 tax-period SEP.

Interviewees' Suggestions for Policymakers

EQUIPPING TAX PREPARATION SERVICES TO SUBSTANTIALLY AID IAP ENROLLMENT

Respondents identified five basic steps through which state and federal policymakers could increase tax preparation services' involvement in IAP applications:

1. **Allow secure data transmission from approved tax preparation services to Marketplace portals.** Our interviewees mentioned two possible approaches to such data sharing. First, Marketplaces could work with tax preparation services (including software developers) to enable the secure filing of IAP applications from within tax software packages. Today, a consumer can file federal and state income tax returns electronically using tax software or working with a preparer who uses tax software. That consumer experience could be replicated if uninsured taxpayers and their preparers could use a new module in tax software to file an IAP application electronically through a Marketplace portal. That IAP application would be based on taxpayer consent to use return information for this non-tax purpose, plus the taxpayer's answers to additional questions.

Alternatively, software could let taxpayers consent to having relevant tax information sent from the return to the Marketplace to initiate an IAP application, without asking the taxpayer any additional questions. Either Medicaid or the Marketplace would then follow-up with the taxpayer to complete the enrollment process.

Such data linkages would help, not just consumers who use tax software to file "do-it-yourself" returns, but also those who use in-person tax preparers. Approved preparers could use Marketplace-approved software to submit their clients' information directly to Marketplace portals. Respondents noted that highly confidential tax return data are already being sent, safely and securely, from tax preparation services to federal and state income tax agencies; secure data transmission could likewise be arranged for IAP applications, they suggested.

Letting approved software developers build IAP application modules that link to Marketplace portals could significantly increase tax preparers' interest in helping clients apply for IAPs, according to multiple interviewees. Currently, IAP applications waste tax preparers' time with duplicate key data entry; tax preparers must enter the same client information twice, once on the tax return and again on the IAP application. A portal for e-filing of IAP applications would eliminate that inefficiency, cutting the time and effort needed for tax preparers to submit IAP applications. That could significantly lower the opportunity cost of tax preparers assuming this new role.

Respondents expressed doubts about the FFM's near-term capacity to create such a portal and to collaborate with software developers to develop effective, efficient, secure data linkages.

Interviewees expressed more optimism about the ability of leading SBMs to take such steps.

2. **Have the Marketplace and Medicaid pay tax preparers small amounts for IAP applications**, along with payments to other application assisters. Several respondents suggested that payments averaging \$2 to \$5 per enrollee would lead to substantial tax preparer engagement in IAP applications. Most front-line tax preparers are seasonal workers who earn approximately \$8 to \$10 an hour. As noted earlier, five to six minutes of additional questions are enough, on average, to supplement tax return information and enable filing of an IAP application. Even if ten minutes of work was required to fully complete the average IAP application for a particular preparer, per capita payments of \$2 to \$5 would compensate most preparers above their current pay. However, interviewees also observed that such incentive payments will not be effective unless they reach front-line tax preparers.

California currently pays tax preparers the same amount as other enrollment counselors, averaging more than \$50 per successful enrollee, according to respondents. Other states may be able to secure tax preparer involvement at less cost. Federal regulations prohibit a Marketplace from explicitly varying Navigator payment based on enrollment results. However, Medicaid programs like California's have long made payments to assisters based on enrollment results, and brokers that are not funded to serve as Navigators can receive commissions from insurers.

3. **Encourage the public to use approved tax preparers.** For example, Marketplaces could list approved tax preparers on Marketplace websites, along with brokers, Navigators, and other assisters. One national firm suggested this step would solve the problem of many uninsured tax clients believing that IAP applications must go to healthcare.gov, not to tax preparers.
4. **Facilitate the use of tax refunds to pay insurance premiums.** Most low- and moderate-income taxpayers get sizable refunds. For example, in the \$20,000 to \$50,000 income range typical of QHP subsidy recipients, 85 percent of all taxpayers claim refunds, which average \$2,690 per household (table 1). Respondents observed that if some or all of a consumer's tax refund was used for partial pre-payment of annual QHP premiums, the enrollee's remaining premium costs would fall, making monthly payments seem more affordable. For example, if \$600 from a \$2,000 tax refund paid half of \$1,200 in annual premiums charged to a particular consumer, the consumer's monthly payments would fall from \$100 to \$50. Several interviewees suggested that, unlike the very lowest-income taxpayers, who often rely on tax refunds to pay for necessities other than health coverage, those

with slightly higher incomes who qualify for subsidies may be willing to direct some of their refunds to a lump-sum payment that lowers monthly QHP costs.

Some respondents observed that health plans have been resistant to such steps because they are not set up administratively to accept advance, lump-sum payment. Some carriers have also argued that monthly premium payments help them stay in touch with members, keeping current with contact information and the like. The latter concern would not be triggered if refunds are used as partial rather than full pre-payment of a consumer's annual QHP premium share. A partial annual payment would lower, not eliminate the consumer's later monthly payments.

To address carriers' concerns about administrative costs, one respondent suggested that Marketplaces facilitate the creation of bank accounts to which refunds can be directed. Such accounts would make automatic, monthly payments to insurers. That would lower consumer premium costs without asking insurers to build new systems for lump-sum, annual payments. IRS already splits refunds via direct payments to multiple bank accounts, at taxpayer request.⁵⁵

5. **Allow QHP enrollment during tax filing season.** As noted earlier, the OEP for 2016 ends on January 31, 2016. If the 2016 tax-filing season begins on January 20—tax filing's start date in 2015—the overlap between tax filing and the OEP will be less than two weeks. Some interviewees did not see this as a major problem. California preparers already serving as application assisters envisioned continuing to play that role, whenever the OEP was scheduled. The Marketplace and Medicaid would compensate them for their time, and these preparers anticipated continuing to build their tax business by helping customers enroll into IAPs. Some interviewees unhappy with the lack of overlap nevertheless noted a “silver lining”: without an OEP overlap allowing for IAP applications during tax-filing season, the season would be simpler and less stressful.

Most respondents saw the upcoming lack of overlap as a serious problem. Precluding QHP enrollment during tax season would miss an important opportunity to reach and enroll eligible consumers, according to our interviewees. Tax filing is when client income information is already gathered, when the penalty for uninsurance is being applied and so is most salient, and when refunds strengthen consumer finances. One respondent at a national for-profit firm explained that, with the 2016 OEP, “There are still things we can do in the fall, but the tax preparation ecosystem will make much less of a contribution.”

Our interviewees suggested that, in addition to increasing health coverage, these approaches would improve IAP accuracy. Currently, APTC eligibility determination begins with tax returns from two years before the subsidy period. If tax return filing coincided with applications for subsidies, credits

could reflect more recent tax returns. Consumers could more accurately project income with help from preparers, using household information already compiled for tax purposes.

MITTIGATING RISKS INVOLVING ETHICS AND COMPETENCE

Respondents suggested two approaches to minimizing risks of problematic ethics and incompetence:

- **A “quid pro quo.”** For tax preparers to benefit from the above IAP enrollment mechanisms—portals to submit client data to Marketplaces, payments to preparers for IAP enrollment, and favorable publicity—preparers could be required to commit to an enforceable code of conduct. The respondent who suggested this approach believed that it would not be a panacea. As explained in more detail later, voluntary commitments by tax preparers cannot prevent all problems with ethics and competence. However, this respondent concluded that a carefully constructed a “quid pro quo” arrangement could prevent egregious abuses.
- **Limiting tax preparers’ role.** Several interviewees suggested that, to prevent potential ethical problems, tax preparers’ role could end with sending information from the tax return to the Marketplace, after which the Marketplace or Medicaid would complete the enrollment process.

Other Observations by Tax Preparation Services

Interviewees shared their perspectives on several other topics.

CMS PERFORMANCE

After the 2014 OEP, national tax preparation firms observed a substantial increase in the engagement of the Centers for Medicare & Medicaid Services (CMS) on tax issues. Communications are ongoing and clear, with CMS officials proving forthcoming and cooperative, according to multiple interviewees. On the other hand, firms noted challenges that CMS faces transitioning to digital operations. To illustrate:

- Tax preparers had to mail hard copies of completed exemption applications to CMS. CMS was not even equipped to accept those documents as pdf files.
- Tax preparers could not access information from 1095A forms on-line.⁵⁶ Marketplaces use these forms to inform IRS and taxpayers about QHP coverage received the prior year.

Similar limitations do not affect tax systems, according to respondents: “IRS is more than a decade ahead of CMS” in allowing electronic filing and conducting transactions digitally, rather than on paper.

THE 2015 SPECIAL ENROLLMENT PERIOD (SEP)

Respondents had varying perspectives on the 2015 SEP (described in the introduction) that, during tax-filing season, let uninsured consumers who paid their penalty for lacking coverage in 2014 enroll if they attested to their prior ignorance of such penalties. One California preparer described this SEP as “business as usual;” with only minor adjustments, her office continued its prior approach to helping tax clients enroll into IAPs.

All other interviewees expressed concerns about this SEP’s implementation. Presumably to discourage consumers from delaying enrollment, the SEP was not announced until after the OEP ended on February 15. Neither preparers nor Navigators were ready to use the new enrollment opportunity. One Navigator interviewee, for example, had staff contracts and facility rental agreements that ended shortly after February 15, retaining inadequate capacity to help consumers during the SEP.

Respondents reported that the FFM and most states conducted little public education or outreach, leaving consumers and even many tax preparers unaware of the SEP. For the FFM, CMS did not permit the SEP to start until March 15, leaving a one-month gap after the OEP’s end. In theory, tax preparers could have warned clients, during that gap, to apply for IAPs after the new SEP began. In practice, interviewees explained that, once customers file returns, most “move on” and do not want to revisit tax-related issues, including the tax-related SEP. Compounding this problem was the legal prohibition against tax preparers reaching out to former clients to discuss non-tax issues, including the SEP. Except for clients who previously gave permission for preparers to communicate about health issues, preparers could not communicate about the SEP to their clients who stood to benefit.

THE TIME REQUIRED FOR TAX PREPARATION SERVICES TO TRANSITION INTO A NEW ROLE

Even our interviewees who were optimistic about the eventual prospects of tax preparation services making a major contribution to IAP enrollment cautioned that time would be needed for the industry as a whole to assume this new role.⁵⁷ Comments like the following were common:

“We’re all learning.”

“This will be a standardized part of the tax process in three years.”

“With time, consumers will increasingly understand how the tax process works together with health care.”

Policy Implications

Based on key informant interviews, we identified state and federal policy options for increasing tax preparation services' engagement in helping uninsured clients apply for IAPs while guarding against risks of unethical or incompetent conduct. A logical next step would test the potential offered by such services through implementing a “proof of concept” in one or two technologically advanced SBM states. Officials could work intensively with the tax preparation community, establishing systems that facilitate IAP applications by uninsured tax clients. Federal policymakers could also take steps to facilitate tax preparation services' contributions to IAP enrollment.

A Near-Term “Proof of Concept” in One or Two SBM States

Our findings suggest that tax preparation services have the potential to significantly boost IAP enrollment. Their clients include the vast majority of the ACA's target population. Tax returns already provide most information needed to submit IAP applications. Tax preparers have used several models to help uninsured clients submit IAP applications and receive coverage.

This potential has gone largely unharnessed, however. As a whole, the tax preparation industry has not transitioned into a new role of helping clients apply for IAPs. Most tax preparers have not seen the business case for making that shift. Moreover, involving tax preparers in IAP applications creates risks, given past examples of incompetence and problematic ethics.

To see whether the potential of tax preparation services can be effectively and safely realized, a logical next step would have one or two leading SBM states provide a “proof of concept,” closely collaborating with tax firms and VITA programs to help uninsured tax clients apply for IAPs. Such a test would also assess the effectiveness of strategies to prevent problems of ethics and incompetence.

Using the state level for a proof-of concept has advantages, including the ability to test and assess this enrollment approach on a scale smaller than the entire country. Moreover, some measures that appear important to equipping tax preparers for making a major contribution to IAP enrollment require information technology changes that might be managed more easily by some SBMs than by the FFM.⁵⁸

The state-based proof of concept would include two components: an SEP that overlaps with tax-filing season; and policies that equip tax preparation services to file IAP applications on behalf of their

clients while guarding against risks of unethical and incompetent practice. Tax preparers' work would not begin until the late January start of tax filing, so it is conceivable that one or two states might take some of the steps described below in time for the 2016 tax season.

An SEP That Overlaps with Tax Filing

A state interested in using tax preparation services to increase enrollment would need to address the limited overlap between the OEP and tax filing season. For example, the 2016 OEP ends on January 31, less than two weeks after tax filing begins. To allow QHP enrollment during a longer portion of tax season, states could establish an SEP that goes beyond federally-required SEPs.⁵⁹

Much like the 2015 SEP recognized by the FFM and most SBMs, a tax season SEP for 2016 and later years could be limited to uninsured consumers who pay their tax penalty for lacking coverage the previous year. To promote ease of administration and program credibility, that could be the SEP's only requirement. Such an approach makes objective and verifiable criteria—namely, the filing of a tax return with a penalty payment—the basis of granting an SEP, without any need to evaluate consumers' knowledge. To qualify for the SEP, consumers could be required to upload tax returns showing payment of the prior year's penalty. IRS would be unable to verify the accuracy of such returns when they are uploaded, but the prospect of later selective audits would likely deter fraudulent SEP claims, based on prior experience with tax filing.⁶⁰

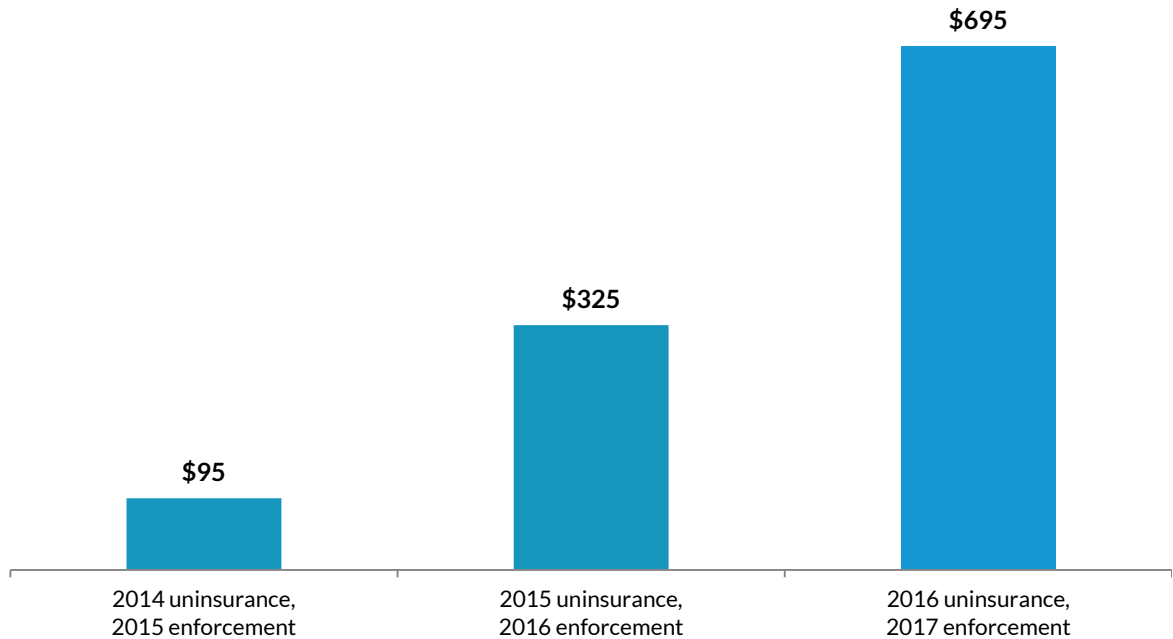
A state could broaden such an SEP by allowing enrollment if consumers (1) document they were uninsured but exempt from penalty and/or (2) were previously covered but not through QHPs. A state could narrow this SEP by both limiting it to the uninsured and requiring attestations to some prior unawareness of tax penalties. Such ignorance could plausibly involve the penalties' increased amounts. Uninsurance penalties are rising rapidly, with minimum costs more than doubling annually (figure 4). The penalty for lacking coverage in 2014, enforced in 2015, was the greater of \$95 and 1 percent of household income above the tax-filing threshold; the penalty for lacking coverage in 2015, enforced in 2016, is the greater of \$325 and 2 percent of income above the threshold; and the penalty for lacking coverage in 2016, enforced in 2017, will be the greater of \$695 and 2.5 percent. Penalties for subsequent years will continue at the latter level. The average payment for 2014 uninsurance was roughly \$200,⁶¹ suggesting that many uninsured are being penalized based on percentage of income, rather than the minimum, flat dollar amount.

Numerous uninsured are likely unaware of the forthcoming penalty increase, given their general lack of knowledge about the ACA. A May 2015 national survey found that, among the uninsured:

- 59 percent had not heard of health insurance tax credits or did not understand how they work;
- 60 percent either had not heard about options for obtaining coverage other than during the OEP or were not sure whether they had heard about such options; and
- 60 percent had not heard about the SEP that let the uninsured enroll after paying their tax penalty or were not sure whether they had heard about it.⁶²

FIGURE 4

Minimum Penalties for Annual Periods of Uninsurance: 2014–2016



Note: Penalties are the greater of the amounts shown in the figure and the following percentages of income above the tax filing income threshold: 1 percent for 2014 uninsurance; 2 percent for 2015 uninsurance; and 2.5 percent for 2016 uninsurance.

To increase enrollment substantially above levels during the 2015 SEP, a state would need to equip tax preparation services and application assisters to use the SEP effectively, beginning that outreach well before tax season. However, providing advance information about this SEP could worsen risk pools. Even without any publicity for the SEP, a number of relatively healthy uninsured consumers

would learn about it, and some of them could delay enrollment. As a result, healthy QHP enrollees would be underrepresented during the first few months of the year.

However, such enrollment procrastination is unlikely to affect many healthy, uninsured consumers who would otherwise have enrolled during the OEP. Few such consumers are likely to follow ACA developments closely and learn about this SEP. Most uninsured did not know about the 2015 tax-filing SEP, as noted earlier. Further illustrating consumers' inattention, in early November 2014, despite publicity about the OEP, only 11 percent of uninsured adults knew it began that month.⁶³ Also, delaying sign-ups until late in the SEP would create coverage gaps of at least three months, subjecting uninsured consumers to tax penalties. Consumers who are unaware or unmotivated by such penalties are unlikely to follow ACA developments closely enough to learn about the SEP.⁶⁴ Most important, a state-based "proof of concept" could illustrate risk-pool effects when a Marketplace furnishes prior notice about a tax-based SEP to tax preparers, brokers, Navigators, and other application assisters. .

Equipping Tax Preparation Services to Complete IAP Applications while Guarding against Potential Risks to Consumers

One possible approach to simultaneously engaging tax preparation services while protecting consumers involves the "quid pro quo" suggested by our respondent. SBMs would offer valuable resources for helping tax clients enroll into IAPs, but to access those resources a firm would need to commit to an enforceable code of conduct that reduces the odds of unethical or incompetent practice.

EQUIPPING TAX PREPARATION SERVICES TO HELP WITH IAP ENROLLMENT

As explained earlier in connection with our interviewees' recommendations, an SBM could take several steps to facilitate tax preparation services helping their uninsured clients apply for IAPs:

- **Create a Marketplace portal through which approved tax preparation services could file IAP applications by submitting client data.** The SBM's information technology staff or contractors would need to work with tax firms' software developers. Such collaboration might allow, among other things, the electronic filing of IAP applications from within tax software packages.
- **Pay approved tax preparers who help their clients apply for IAPs.** Through fee-splitting arrangements with brokers, preparers can be paid for tax clients who enroll into QHPs. However, without reimbursement for the many tax clients who qualify for Medicaid, preparers would face a significant revenue gap; roughly half of return-filing, IAP-eligible uninsured qualify

for Medicaid, rather than QHP subsidies (9.8 million IAP eligibles, or 51 percent, qualify for Medicaid; table 2). Medicaid payments for successful Medicaid enrollment could thus be important to strengthening the business case for tax preparer involvement.

To assure reimbursement when tax clients enroll in QHPs, a Marketplace could pay preparers as Navigators, rather than have preparers to split fees with brokers. As explained earlier, payments to tax preparers could likely be lower than to other Navigators, since preparers often have a base of client information that reduces the volume of work needed to apply for IAPs.

- **Encourage the public to use approved tax preparation services for IAP applications.** At a minimum, Marketplaces could provide contact information for tax preparers along with information about brokers, Navigators, and other application assisters. Steps like news conferences with tax firms and VITA programs are also possible. Such efforts would supplement, not replace public education about other health application assisters.

SAFEGUARDS AGAINST UNETHICAL AND INCOMPETENT CONDUCT

To access the forms of assistance described above, a tax preparation firm would need to agree to a code of conduct with elements like the following:

- **Competent tax preparation.** Despite limits on federal oversight, several options are available for a code of conduct that encourages competent tax preparation:
 - » In states that regulate preparers, the code could require compliance with state rules.
 - » In other states, the code of conduct could require preparers to be either
 - State-licensed attorneys;
 - State-licensed certified public accountants;
 - IRS-licensed “Enrolled agents;” or
 - Participants in the “Annual Filing Season Program,” which requires continuing education and agreement to duties governing appearances before IRS.⁶⁵
- **Limited charges for low-income clients.** To prevent Marketplace public education from leading low-income people to preparers who charge excessive amounts for tax returns, the code would require preparers to limit tax return charges for low-income clients. The preparer would also need to agree not to charge for IAP applications or other health enrollment services.
- **Marketplace certification to help with health coverage.** IAP applications consist mainly of financial questions that fit with tax preparers’ traditional skill set. However, other tasks involve

enrollment into health coverage. Tax preparers would thus need to agree that specified acts requiring health expertise will be done by a Marketplace-certified Navigator, broker, or application assister. The tax preparer could either employ or affiliate with such assisters. Brokers serving in this capacity could be required to show tax clients all relevant plan options, without preference based on broker compensation, and to act in clients' best interests.

- **Helping clients apply to all IAPs for which they may qualify.** Preparers could not complete forms for tax-credit-eligible clients while referring Medicaid-eligible clients to the Medicaid program.
- **IAP assistance and enrollment could not be used to facilitate loans,** securitization, or any other monetization of premium payments that could potentially benefit the tax preparer financially, including monetization of refund-based insurance payments (if any).

Such a voluntary code of conduct would limit potential abuses, but it would not be a panacea, as noted earlier. To make the code enforceable, it could be part of preparer representations to clients, hence incorporated into contracts between clients and preparers. However, enforcing such contracts may be difficult, particularly given frequency of binding arbitration clauses in commercial contracts.

Specific features of such a code could provide useful but not unlimited protection:

- The Annual Filing Season Program, referenced above, does not provide iron-clad assurance of competence and ethics. It is likely, however, to lessen the severity of tax-filing problems that might otherwise result from some completely unqualified preparers furnishing assistance.
- The complexity of tax billing makes it possible to circumvent limits on client charges. However, caps on tax preparation charges for low-income clients and prohibitions against charges for ACA-related services could prevent blatant problems.
- Limitations on brokers may prove hard to enforce. A broker who steers clients to the carriers that most generously pay the broker could claim to have shown all options equally and acted in clients' best interests. However, the bulk of brokers would likely be deterred from egregious and easily detectable misconduct.

As noted earlier, some respondents suggested a different approach to avoiding potential ethical problems: namely, ending preparers' role after the completion of tax returns and the electronic submission of relevant items from the tax return to the Marketplace. The Marketplace or Medicaid would then follow-up with the client to complete the IAP application and enroll the client into coverage. One problem with this approach is its creation of additional steps during which applicants could "fall

through the cracks” and remain uninsured. Notably, if the Marketplace or Medicaid fails to connect with the client, the IAP application would not be finished. To address this problem, Marketplaces could ask tax preparers to send, not only relevant from tax returns, but also additional information needed for the IAP application. That step could be particularly helpful with Medicaid-eligible consumers, since once consumers are found Medicaid-eligible, Medicaid programs typically complete the enrollment process without further consumer action; if a consumer fails to select a managed care plan by a specified date, most Medicaid programs auto-select the plan into which the consumer is enrolled.

Federal Facilitation of Tax Preparation Services’ Involvement with IAP Applications

Federal officials could consider options to facilitate tax preparer involvement in helping uninsured clients apply for IAPs. The FFM could take steps like those described above for states. However, one specifically federal issue involves the timing of OEPs after 2016, which current regulations leave unresolved.⁶⁶ Earlier proposed regulations had OEPs in 2017 and beyond run from October 1 through December 15. A key question facing CMS is thus whether, as recommended by most of our interviewees, to provide for a significant overlap between QHP enrollment and tax filing. Federal officials are likely now deciding their proposed schedule for the 2017 OEP.⁶⁷

Two different approaches would permit such an overlap while keeping the QHP plan year aligned with the calendar year:⁶⁸

- The OEP could run from November 15 through March 15 (with measures to limit adverse selection).⁶⁹ As illustrated by figure 2 above, in recent years an average of 50 percent of all returns and 55.6 percent of refunds claiming refunds have been filed by March 13.
- Alternatively, the OEP could end in December or January. After that, an SEP during tax season could allow enrollment by uninsured consumers who pay penalties for lacking coverage the prior year, as discussed earlier in connection with state policy options.⁷⁰

The above-described state test could help federal official sort through these options. However, factors other than tax preparation services’ potential contribution to enrollment are relevant. An OEP or SEP that allows QHP enrollment during tax season would have other positive effects:

- As noted earlier, factors other than tax preparer involvement could increase enrollment, and eligibility for QHP subsidies could be determined more accurately.⁷¹

- Fewer consumers are likely to lose APTCs because of failure to file prior-year tax returns. As of May 2015, one-third (33 percent) of households who claimed APTCs in 2014 either had not filed tax returns (16 percent) or had filed returns without required reconciliation forms (17 percent). An additional 8 percent requested automatic extensions of time to file. Many of these consumers could lose premium tax credits during the coming OEP unless they file tax returns that reconcile APTCs with year-end tax credit amounts.⁷² If QHP enrollment overlaps with tax season, tax preparation services can ensure that clients' tax returns are filed to preserve APTC eligibility. Moreover, because of legal restrictions on sharing tax-return information, APTC termination notices cannot explain that credits ended because the consumer did not file a tax return.⁷³ Notices will instead list multiple factors that might have ended APTCs, one of which is failure to file a tax return. Understanding the cause of APTC termination, which is essential to restoring credit eligibility, may require communicating with IRS, which is more likely to occur successfully with a tax preparer's help.

Other effects of a modified OEP or additional SEP would be problematic:

- Adverse selection would likely increase. With more time to enroll, some healthy consumers could delay signing up; and during any extended enrollment period, some uninsured consumers would obtain coverage in response to injury or newly diagnosed illness.⁷⁴
- To gain coverage by January 1, uninsured consumers would, under a revised OEP, have only 30 days of open enrollment in which to sign up for insurance (namely, from November 15 to December 15). Failure to act quickly would thus subject uninsured consumers to pro rata tax penalties and create initial coverage gaps early during the year.

Related Policy Options

A final policy option suggested by respondents involves the use of tax refunds to pre-pay part of consumers' annual QHP premium obligations. This would lower later monthly premium costs, potentially making coverage seem more affordable. Marketplaces could require carrier acceptance of refund-financed premium payments. CMS regulations already require QHPs to accept payments from government programs and tribal entities.⁷⁵ Washington State has gone farther, requiring acceptance of third-party premium payments from private entities registered with the state.⁷⁶

Alternatively, policymakers could facilitate the creation of bank accounts that (1) receive partial tax refunds, as directed by the taxpayer, and (2) make regular, monthly payments to insurers. This would avoid the need for carriers to change administrative systems to accept annual, lump-sum payments.

A second and broader issue involves SEPs. Any SEP could create opportunities for adverse selection and even gaming, since those who develop health problems mid-year are particularly likely to seek coverage outside the OEP. One approach to limiting these risks would require documentation of SEP eligibility, as discussed earlier. Policymakers also could consider modifying the formula for risk adjustments. If carrier data verify the intuition that SEP enrollment, independent of other factors, is associated with higher claims costs, risk-adjustment formulas could change accordingly.⁷⁷

Conclusion

Tax preparation services have the potential to boost enrollment into Medicaid and Marketplace plans. However, the tax preparation community has played a small overall role in IAP enrollment thus far. As a logical next step to test the potential contribution of tax preparation services, one or two technologically sophisticated SBMs could collaborate with the tax preparation community to help their uninsured clients apply for IAPs, while guarding against potential abuses. The federal Marketplace could make similar partnerships. However, the most important federal step would define future OEPs or SEPs to allow QHP enrollment during tax season, which could be done without changing the current QHP plan year. A state-level “proof of concept” could inform these federal decisions, but other factors are also important for policymakers to consider.

Endnotes

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³⁴ Higher percentages in SBM states than in other states could reflect lower overall enrollment in SBM's QHPs rather than higher utilization of the SEP.

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³⁹ The authors are unaware of any compelling reason to believe that the percentage of tax filers has gone down. The least gains in insurance coverage have been experienced by the employed, who are presumably most likely to file returns. See Shartzter A, Kenney GM, Long SK, Hempstead K, and Wissoker D. "Who Are the Remaining Uninsured as of June 2014?" Washington, DC: Urban Institute, 2014, <http://hrms.urban.org/briefs/who-are-the-remaining-uninsured-as-of-june-2014.html>. It seems plausible that the percentage of tax filers may be higher than the already high percentages we estimated among the pre-2014 uninsured.

⁴⁰ However, among those who did not fit into any other racial or ethnic category, 69 percent filed returns.

⁴¹ Brooks T, Tuschner J, Artiga S, Stephens J, and Gates A. "Modern Era Medicaid: Findings from a 50-State Survey of Eligibility, Enrollment, Renewal, and Cost-Sharing Policies in Medicaid and CHIP as of January 2015." Menlo Park, CA: Kaiser Family Foundation, 2015, <http://kff.org/medicaid/report/modern-era-medicaid-findings-from-a-50-state-survey-of-eligibility-enrollment-renewal-and-cost-sharing-policies-in-medicaid-and-chip-as-of-january-2015/>.

⁴² As an exception to this general rule, lawfully resident non-citizens who are ineligible for federal Medicaid funding because they are not classified as "qualified aliens" can receive QHP subsidies if their income is in the Medicaid range.

⁴³ Children's median income-eligibility limits are currently 215 percent of FPL in non-expansion and 305 percent of FPL in expansion states. However, this difference does not greatly change the prevalence of income-tax filing among children who were uninsured before 2014, perhaps because most uninsured children (59 percent) had incomes at or below 200 percent FPL. See Kaiser Commission on Medicaid and the Uninsured. "The Uninsured: A Primer (Supplemental Tables)," Menlo Park, CA: Kaiser Family Foundation, 2014, <http://files.kff.org/attachment/the-uninsured-a-primer-key-facts-about-health-insurance-and-the-uninsured-in-america-supplemental-tables>

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⁴⁵ Shartzter A, Kenney GM, Long SK, Hempstead K, and Wissoker D. "Who Are the Remaining Uninsured as of June 2014?" Washington, DC: Urban Institute, 2014, <http://hrms.urban.org/briefs/who-are-the-remaining-uninsured-as-of-june-2014.html>.

⁴⁶ Garfield R and Young K. "Adults Who Remained Uninsured at the End of 2014." Menlo Park, CA: Kaiser Family Foundation, 2015, <http://files.kff.org/attachment/issue-brief-adults-who-remained-uninsured-at-the-end-of-2014>.

⁴⁷ DiJulio B, Firth J, and Brodie M. "California's Previously Uninsured after the ACA's Second Open Enrollment Period," Menlo Park, CA: Kaiser Family Foundation, 2014, <http://kff.org/report-section/californias-previously-uninsured-section-4-the-remaining-uninsured/>.

⁴⁸ Our earlier analysis found that adding QHP-subsidy-eligible consumers who had nongroup coverage before 2014 to those who were uninsured would reduce the proportion of young adults from 43 percent to 40 percent. These data are unpublished results from Dorn S, Buettgens M, and Dev J. "Tax Preparers Could Help Most Uninsured Get Covered," Washington, DC: Urban Institute, 2014, <http://www.urban.org/sites/default/files/alfresco/publication-pdfs/413029-Tax-Preparers-Could-Help-Most-Uninsured-Get-Covered.PDF>.

⁴⁹ Office of the Assistant Secretary for Planning and Evaluation. "Health Insurance Marketplaces 2015 Open Enrollment Period: March Enrollment Report," Washington, DC: US Department of Health and Human Services 2015, http://aspe.hhs.gov/health/reports/2015/MarketPlaceEnrollment/Mar2015/ib_2015mar_enrollment.pdf.

Uninsured, subsidy-eligible tax filers include a smaller percentage of older adults than are currently enrolled in Marketplaces. Adults age 55 to 64 make up 13 percent of the tax-filing group. They are roughly twice as prevalent among QHP enrollees, comprising 25 and 27 percent of FFM and SBM participants, respectively.

⁵⁰ Dorn S, Minton S, and Huber E. "Examples of Promising Practices for Integrating and Coordinating Eligibility, Enrollment and Retention: Human Services and Health Programs under the Affordable Care Act," Washington, DC: Urban Institute, 2014, <http://www.urban.org/sites/default/files/alfresco/publication-pdfs/413231-Examples-of-Promising-Practices-for-Integrating-and-Coordinating-Eligibility-Enrollment-and-Retention-Human-Services-and-Health-Programs-Under-the-Affordable-Care-Act.PDF>.

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⁵² Pollitz K, Tolbert J, and Ma R. "2015 Survey of Health Insurance August 2015 Marketplace Assister Programs and Brokers." Menlo Park, CA: Kaiser Family Foundation, 2015, <http://files.kff.org/attachment/report-2015-survey-of-health-insurance-marketplace-assister-programs-and-brokers>.

⁵³ Certified Application Counselors provide application assistance without payment. Navigators, by contrast, receive payment from the Marketplace.

⁵⁴ Clients were also given the option to mail completed Medicaid applications themselves.

⁵⁵ "Frequently Asked Questions about Splitting Federal Income Tax Refunds," Internal Revenue Service, last modified August 4, 2015, <http://www.irs.gov/Individuals/Frequently-Asked-Questions-about-Splitting-Federal-Income-Tax-Refunds>. In 2014, 77 percent of all individual income tax returns claiming refunds had refunds paid via direct deposit to taxpayers' bank accounts. That information is based on the author's calculations using "2014 Filing Season Statistics, Cumulative statistics comparing 12/27/13 and 12/26/14," Internal Revenue Service, last modified January 12, 2015, <http://www.irs.gov/uac/Dec-26-2014>. However, of 155.5 million refund returns in 2014, fewer than a million (913,577) asked IRS to split refund payments among multiple bank accounts. Internal Revenue Service Office of Research, Analysis and Statistics. "Publication 6187: Spring 2015, Calendar Year Projections of Individual Returns by Major Processing Categories," Washington, DC: Internal Revenue Service, 2015, <http://www.irs.gov/pub/irs-pdf/p6187.pdf>.

⁵⁶ Consumers, in many cases, can access these records on-line.

⁵⁷ Several respondents expressed concerns that by the time tax preparation services are fully equipped to play a significant role in IAP enrollment, the bulk of the uninsured will already be signed up for coverage. However, coverage may increase more slowly than anticipated; under renewal procedures in many Marketplaces, QHP members may need to re-enroll; and the filing of tax returns could enable mid-year APTC corrections that lessen reconciliation risks.

⁵⁸ Other factors that could be associated with a successful test, according to some interviewees, include state regulation of tax preparers, state Medicaid expansion, and state supplementation of the federal EITC. The latter gives low-income taxpayers additional incentives to file tax returns. California, Maryland, and New York meet these criteria. The most fundamental criterion, of course, is willingness to implement such a "proof of concept" test. Other respondents suggest that a state-level test might be easier to conduct in a state without an income tax.

⁵⁹ Patient Protection and Affordable Care Act; Health Insurance Market Rules; Rate Review; Final Rule. 78 Fed. Register 13406, 13417-13418 (February 27, 2013); Giovannelli J, Lucia KW, and Corlette S. "Implementing the Affordable Care Act: State Action to Reform the Individual Health Insurance Market." New York: The Commonwealth Fund, 2014;

⁶⁰ The Government Accountability Office explained: "The extent to which individual taxpayers accurately report their income is related to the extent to which the income is reported to them and IRS by third parties or taxes on the income are withheld. For example, for types of income for which there is little or no information reporting, such as business income, individual taxpayers tend to misreport over half of their income. In contrast, employers report most wages, salaries, and tip compensation to employees and IRS through Form W-2. Also, banks and other financial institutions provide information returns (Forms 1099) to account holders and IRS showing the taxpayers' annual income from some types of investments. Findings from IRS's study of individual tax compliance indicate that nearly 99 percent of these types of income are accurately reported on individual tax returns." Government Accountability Office. *Tax Gap: Sources of Noncompliance and Strategies to Reduce It*. GAO-12-651T, Apr 19, 2012. <http://www.gao.gov/products/GAO-12-651T>.

⁶¹ Koskinen, J., Letter to members of Congress on preliminary results from the 2015 filing season related to Affordable Care Act provisions.

⁶² PerryUdem, "Understanding the Uninsured Now." Princeton, NJ: Robert Wood Johnson Foundation, 2015, http://www.rwjf.org/content/dam/farm/reports/surveys_and_polls/2015/rwjf420854.

⁶³ Hamel L, DiJulio B, Firth J, and Brodie M. "Kaiser Health Tracking Poll: November 2014." Menlo Park, CA: Kaiser Family Foundation, 2014, <http://kff.org/health-reform/poll-finding/kaiser-health-tracking-poll-november-2014/>.

⁶⁴ To avoid such coverage gaps, improve the risk pool, and lessen the extent of taxpayers' disappointment at incurring penalties through late enrollment, public education would need to encourage IAP applications by December 15.

⁶⁵ Preparers can receive an Annual Filing Season Program Record of Completion by meeting specified education requirements and agreeing to comply with various provisions within Treasury Department Circular No. 230, including 31 CFR 10.51. The latter prohibits such ethical violations as, "[g]iving false or misleading information, or participating in any way in the giving of false or misleading information" on "Federal tax returns;" "willfully evading, attempting to evade, or participating in any way in evading or attempting to evade any assessment or payment of any Federal tax;" "[w]illfully assisting, counseling, encouraging a client or prospective client in violating, or suggesting to a client or prospective client to violate, any Federal tax law, or knowingly counseling or suggesting to a client or prospective client an illegal plan to evade Federal taxes or payment thereof;" and "[g]iving a false opinion, knowingly, recklessly, or through gross incompetence, including an opinion which is intentionally or recklessly misleading, or engaging in a pattern of providing incompetent opinions on questions arising under the Federal tax laws." For a more detailed explanation of the Annual Filing Season Program, see "Annual Filing Season Program, Rev. Proc. 2014-42." Internal Revenue Service, accessed October 1, 2015, <http://www.irs.gov/pub/irs-drop/rp-14-42.pdf>.

⁶⁶ Centers for Medicare and Medicaid Services. "Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2016." *Federal Register* 79 (228): 70674–760, 2014, <http://www.gpo.gov/fdsys/pkg/FR-2014-11-26/pdf/2014-27858.pdf>.

⁶⁷ The 2017 Notice of Payment and Benefit Parameters (NPBP) is currently under development, according to the Unified Agenda of Federal Regulatory and Deregulatory Actions. Office of Management and Budget, Office of Information and Regulatory Affairs, "RIN Data: HHS/CMS, CY 2017 Notice of Benefit and Payment Parameters (CMS-9937-P), Publication ID Spring 2015," *Unified Agenda of Federal Regulatory and Deregulatory Actions*, <http://www.reginfo.gov/public/do/eAgendaViewRule?pubId=201504&RIN=0938-AS57>. Previous years' OEPs have been released through NPBPs. The 2016 OEP, for example, was proposed on November 26, 2014, in the draft 2016 NBPP, and modified in the final 2015 NBPP, published on February 27, 2015. 79 FR 70674, "Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2016; Proposed Rule," November 26, 2014; 80 FR 10750, "Patient Protection and Affordable Care Act; HHS Notice of Benefit and Payment Parameters for 2016; Final Rule," February 27, 2015.

⁶⁸ Some earlier discussion of this issue proposed having OEPs run from January 20 or February 1 through March 31, followed by QHP plan years that begin in May or June. Dorn S. "Enrollment Periods in 2015 and Beyond: Potential Effects on Program Participation and Administration." Washington, DC: Urban Institute, 2015, <http://www.urban.org/research/publication/enrollment-periods-2015-and-beyond>. See also Swartz K and Graves JA. "Shifting the Open Enrollment Period for ACA Marketplaces Could Increase Enrollment and Improve Plan Choices." *Health Affairs* 33: 1286–93, 2014. Changing the QHP plan year would create significant trade-offs, including system-wide transition costs. For example, federal officials would need to make rules for transitional periods that are not 12 months long, and carriers would need to develop insurance products to fit those rules—all for a form of insurance slated to quickly end. Some observers have also expressed concerns about consumer confusion and potential conflicts with the calendar-year schedule used for QHP-subsidy eligibility. The approaches discussed in the text avoid those trade-offs by keeping the QHP plan year aligned with the calendar year.

⁶⁹ To limit enrollees' ability to change plans based on health events after the coverage year starts, this OEP could bar movement between QHPs after January 15. This would separate two traditionally joined OEP functions: (1) existing members changing plans and (2) new people enrolling.

⁷⁰ Policymakers could allow enrollment by other consumers, such as the uninsured who demonstrate an exemption from an otherwise applicable penalty for prior-year uninsurance; and/or people who may have been insured throughout the prior year but were not enrolled in QHPs.

⁷¹ Enrollment could take place after holiday season financial pressures have receded and consumer finances have improved; many consumers would receive tax refunds during the OEP, which could be used to pre-pay a portion of annual QHP premiums, making coverage seem more affordable by lowering later monthly costs; uninsured consumers

filing returns by March 15 could enroll into coverage immediately after the tax penalty for prior-year uninsurance delivers a “wake-up call” that could prompt action; and brokers could help with more QHP sign-ups after open enrollment for Medicare Advantage and most employer plans ends in December. See Dorn S. “Enrollment Periods in 2015 and Beyond: Potential Effects on Program Participation and Administration.” Washington, DC: Urban Institute, 2015, <http://www.urban.org/research/publication/enrollment-periods-2015-and-beyond>.

⁷² Authors’ calculations, Koskinen, J., Letter to members of Congress on preliminary results from the 2015 filing season related to Affordable Care Act provisions. See endnote 11.

⁷³ More broadly, the Office of the National Taxpayer Advocate reported: “We are concerned that the letter does not adequately warn taxpayers that they need to file returns by the end of August to avoid a cumbersome process to continue receiving APTC. The letter also fails to specifically tell taxpayers that if they do not file and reconcile their APTC, they will have to undergo additional steps to receive the APTC for 2016.” National Taxpayer Advocate, Fiscal Year 2016 Objectives Report to Congress: Volume One.

⁷⁴ Adverse selection would be reduced, to some degree, because uninsured consumers would have incentives to enroll early during the OEP. Each month without coverage can generate a pro rata tax penalty. To illustrate, a consumer’s January gap in coverage would be added to November and December periods of uninsurance in determining whether the consumer is exempt from penalty because the gap in coverage lasted less than three months. Such consumers uninsured in January would pay 1/12 the full annual penalty; those uninsured in January and February would pay 1/6 the annual penalty; etc.

⁷⁵ 45 CFR 156.1250.

⁷⁶ Washington Healthplanfinder. “WAHBE Premium Sponsorship Program for 2015 Coverage Year.” Olympia, WA: Washington Health Benefit Exchange, 2014, https://wahbexchange.org/files/5214/2240/5630/HBE_Tribal_012715_Premium_Sponsorship_Program.pdf.

⁷⁷ To further sharpen this new risk-adjustment factor, it could be limited to consumers with plans at higher metal tiers; those who enroll because of new health problems are presumably unlikely to choose high-deductible QHPs if more generous plans are available.