

# Upgrading from Bronze to Silver under the American Rescue Plan: Consumer Perspectives

Insights from In-depth Interviews with Consumers and Agents in California

June 11, 2021

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## Background

Covered California commissioned a rapid-cycle research project from NORC at the University of Chicago (NORC) and Slosar Research to inform implementation of the American Rescue Plan (ARP) provisions related to the health insurance marketplace. This memo summarizes 10 key insights from some of this research, focusing on how to help Covered California members currently enrolled in Bronze plans use the expanded subsidies under ARP to upgrade to a Silver plan. The insights stem from a series of in-depth interviews conducted with a diverse set of “Bronze members” and are also informed by interviews with health insurance agents from across the state.

## Ten Key Insights

- 1. Bronze members’ objective: find the plan with the lowest monthly premium.** Without exception, Bronze members chose their plan because it was the lowest-priced plan that seemed to meet their basic needs. Knowing they are covered in case of an accident is their primary health insurance need. Some consumers are also mindful of the legal requirement to have coverage and want to comply with that. Note that some were willing to pay a slightly higher price for a specific Bronze plan if they had strong preferences about provider networks or carriers.
- 2. Their focus on lower premiums is driven by priorities and/or budget constraints.** For some Bronze members, their focus on finding a lower-priced plan is driven primarily by budget constraints; they can’t currently afford to pay more – but if they could, they might. For others, the price focus reflects the priority they put on health insurance in light of their broader budget and needs; these consumers wouldn’t pay more for a better plan even if they could afford it. They will always seek to pay the least amount possible because they want or need to spend their budget on other things.

- 3. Most understand what they've signed up for, but some recent enrollees are less certain.** Most understand the general contours of their Bronze plan's benefit design. Generally, they recognize that they have higher deductibles (compared to other metal tiers) and describe their coverage as "basic." They don't expect their plan to help them get regular care but hope it will help them in case of an accident or major illness. Because these members see themselves as healthy and do not expect to need much care, they are OK with this. Note that some recently enrolled members, however, do not understand the level of coverage they've signed up for. They picked their Bronze plan because it had the lowest premium, and they either expect it will give them decent coverage or they haven't really thought about it yet. They figure they'll find out how their plan works if/when they need to use it. For the time being, these members are just relieved they were able to get a plan at a price they could afford.
- 4. Responses to a "magic wand" question reveal consumers' priorities.** We asked respondents what they would do if they had a magic wand and could change their coverage situation in one of two ways: (A) keep their same Bronze plan, but pay less for it; or (B) continue paying the same premium amount, but get a plan that offered more coverage for that price. The vast majority of people said they would rather keep their plan and pay less. Most simply wanted to save as much as possible today, discounting future financial risk and the potential for needing care.
- 5. Some are motivated to consider upgrading to another metal tier.** Among those who indicated interest in potentially upgrading plans, their motivations for doing so were twofold: (1) they would like a plan that makes it easier (read: more affordable) to access health care so that they can take better care of their physical and mental health; and (2) they would like it to seem like they're getting more value out of what they are paying for health insurance. Right now, many feel like they're "paying a lot for nothing" with their Bronze plans. If they could afford it, some would rather pay more and believe their money is going toward something that brings them value.
- 6. Enrolling in Silver is a "no-brainer" if it costs the same as Bronze.** When presented with the idea of enrolling in a \$1 Silver plan or a \$1 Bronze plan, it was a no-brainer for most to go with the Silver option. The key here is that the premiums for both plans were very low and equivalent. If Silver were offered at a very reduced rate but still cost more than Bronze, many would still opt for Bronze simply because they want to strictly minimize their monthly expenditure on health insurance.
- 7. They are not likely to upgrade plans without hands-on assistance.** Like most health insurance consumers, Bronze members follow the old adage of "if it ain't broke, don't fix it." As long as they haven't experienced a major issue with their plan (e.g., large premium increase, carrier exiting the market, claim disputes, etc.), they are unlikely to revisit plan options or actively shop and compare plans. This holds true even when prompted with a written notice from Covered California informing them that, thanks to ARP, they will likely receive more financial help. To learn about, understand, and seriously consider the opportunity to upgrade to

Silver under ARP, Bronze members would likely need active outreach and support from their health insurance agent (if applicable) or from Covered California's Service Center.

- 8. Consumers are open to the idea of auto-enrollment in Silver but want to retain some agency.** By and large, consumers seem open to the idea of Covered California auto-enrolling them in a Silver plan if it is with the same carrier and at the same price as the Bronze option. They anticipate switching to be a burdensome process that they want to avoid unless absolutely necessary, so the idea that Covered California would do it for them is very appealing to many. That said, many consumers also expressed discomfort with the idea that they might not have any influence over the process; they want to be informed *before* the fact and given the opportunity to learn more or make a different decision.
- 9. What about HSAs?** One Bronze member had specific questions about what switching to Silver would mean for the health savings account (HSA) that she uses in conjunction with her high-deductible Bronze plan. This might be a topic worth addressing explicitly with consumers in high-deductible health plans (HDHPs). Note, however, that not all Bronze members who have HDHPs have HSAs or understand how these plans work; indeed, some consumers select an HDHP simply because the premiums are lower. Some also have the impression that the copayment rates are lower with HDHPs.
- 10. Be mindful of the potential for increased tax liability.** To get the Silver plan at a premium rate comparable to Bronze, some members would receive a larger Advanced Premium Tax Credit (APTC) than if they had stayed in Bronze. This would then increase their tax liability when their premium tax credit eligibility is reconciled at the end of the year. While this issue is not top of mind for consumers, that is primarily because most do not understand how financial help actually works. Only one respondent raised this as a reason that he would not want to switch to Silver. As a freelancer, he never knows what his end-of-year income will be and wants to minimize the amount of money he might owe back. Whether they recognize it or not, this would likely be an issue for many consumers. Many know that the income currently reported to Covered California is not likely the income they'll report at tax time (due to uncertainty, not malintent), but they do not understand the implications of this.

## Looking Ahead to Possible Auto-enrollment in \$1 Silver Plans

With expanded subsidies under ARP, Covered California has the potential to help some Bronze members access more health care and save on out-of-pocket costs by auto-enrolling them into \$1 Silver plans (many of which would be cost-sharing reduction plans). The findings from this research suggest that consumers would generally welcome this initiative as long as they are informed in advance and have the opportunity to decline the offer or make needed changes to their account. As Covered California considers how to communicate with consumers about this initiative, it will be important to address issues that go beyond what consumers explicitly express as concerns. Consumers don't know what they don't know, so it is up to Covered California to give them the information they need in order to make informed decisions and feel confident in doing so.

Some examples of information consumers might need help understanding in this context include the following:

- Why Covered California is doing this (What is the motivation? Why now?);
- How financial help works as an advanced tax credit that is reconciled at the end of the year depending on their income and other factors;
- What switching to Silver means for their HSA if they have one;
- The main changes to their benefit design and implications for how they access care;
- What happens to their coverage situation at the end of 2022 when the additional financial help is scheduled to discontinue;
- What (if anything) they need to do and how to do it; and
- As always, how to learn more and get answers to their questions.

These insights are based on in-depth interviews with 16 consumers who were enrolled in Bronze plans through Covered California for 2021.

Consumer respondents represented a diverse background in race, ethnicity, age, and household income (Asian American, African American, Hispanic, and non-Hispanic white; 27 to 63 years old; 139% to 500% of FPL). Of the 16 respondents, 10 were currently receiving a subsidy, and five were eligible for Silver plans with cost-sharing reductions before ARP implementation. Note that the concept of auto-enrollment was only explored with the 10 respondents who are currently subsidized.

All interviews lasted 60–90 minutes and were conducted online via a video conference platform in April and May 2021. Two of the interviews with subsidized members were conducted in Spanish; all others were conducted in English. Respondents were given gift cards as tokens of appreciation for their time.

Consumer insights are supplemented by learnings from additional in-depth interviews with eight health insurance agents from across the state. All agent respondents had certification to enroll consumers in coverage through Covered California. They represented a mix of large-scale agencies and independent brokers who serve clients from brick and mortar locations. Five of these agents serve a general population clientele, but one focuses on the Chinese American population and two focus on Spanish-speaking, Hispanic populations.

For more information about this research, please contact Rebecca Catterson at NORC at the University of Chicago ([catterson-rebecca@norc.org](mailto:catterson-rebecca@norc.org)) or Mary C. Slosar at Slosar Research ([mary@slosarresearch.com](mailto:mary@slosarresearch.com)).