

Helping Consumers Understand the New Premium Tax Credit

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ConsumersUnion

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Consumers Union sponsored the first phase of the study (literature review, initial design development and stakeholder interviews). We greatly appreciate funding from the Robert Wood Johnson Foundation who sponsored the second phase consisting of interactively completing the brochure design using feedback from three rounds of consumer testing and synthesizing the findings into this report.

We are also grateful to our key informants who provided the perspective of tax preparers and private insurance enrollment counselors who work with consumers on a daily basis. Our six “experts” were generous with their time and thoughtful in their comments.

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Kleimann Communication Group is a DC-based research and design firm focused on exploring how information can be made usable for targeted populations.

About the Robert Wood Johnson Foundation

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Executive Summary

Survey data show that the largest barrier to health coverage is difficulty finding a plan that families can afford. Beginning in 2014, the Affordable Care Act (ACA) introduces major reforms, including the start of a new advance payment Premium Tax Credit designed to lower the cost of coverage for qualified families purchasing in the new Health Insurance Marketplaces (exchanges).

While employer-provided coverage receives significant tax preferences, tax credits for individual or non-group health insurance have not been used in a broad way. What's more, the advanceable and refundable features of the new tax credits introduce new elements that most consumers haven't previously encountered. Taken together, these facts raise the possibility that consumer confusion might be a barrier to using this new program to enroll in affordable coverage.

Our Testing

To better understand how consumers will respond to the new tax credits, our study explores consumer responses to a new Premium Tax Credit “explainer” or brochure. Our findings reflect three rounds of consumer testing in Maryland, Oklahoma and Utah.

Our testing showed that the brochure successfully helped participants understand the important issues around the Premium Tax Credit. Specifically, the brochure was able to convey ten important ideas to ensure that consumers could understand sufficiently to apply for the tax credit and to avoid harm. (See “Critical Tax Credit Facts for Consumers.”)

Our testing showed that the brochure provided participants with a useable idea of whether they would qualify, and inspired them to take action if they did qualify. Further, participants readily understood the lengthy timeline for the tax credit:

- they knew when the enrollment period began and ended
- they generally understood when the tax credit would apply and when they had to select advance payment
- they understood when they would need to report the tax credit on their taxes

All participants understood the basic differences between the “Take It Now” (in advance) and “Take It Later” (at tax time) options—and were almost evenly divided in which they would choose.

The new brochure was able to convey ten important ideas about the tax credit.

Ten Critical Tax Credit Facts for Consumers

1. This is a tax credit program.
2. It will help you afford health insurance.
3. To participate, you must meet certain requirements. However, both lower and middle-income families can qualify.
4. You can use your tax credit only with insurance purchased from your state's new Health Insurance Marketplace.
5. You can take the tax credit in one of two ways with different benefits:
 - In advance, the tax credit lowers your monthly payments.
 - If not taken in advance, the tax credit lowers the amount of taxes owed or increases your refund at the end of the year.
6. Tax credit does not begin until 2014, but you can apply starting in October 2013.
7. If your income or family size changes, the amount of the final tax credit may change.
8. To ensure that any advance tax credit amounts are correct, you must immediately report income and family size changes to the Marketplace.
9. If you take the tax credit in advance and do not report changes, you may have to pay back overpayments.
10. You can get more information by contacting your state's Health Insurance Marketplace.

The Brochure Results

We wanted to create consumer understanding not just in a testing environment but also in the real world. Participants helped us craft a compelling cover and helped us to understand that—in order to invest in reading the brochure—participants wanted to know three things immediately:

- does the information relate to them (*i.e.*, were they eligible)
- who was the source for the information
- what was the “thing” being described (the tax credit)

To increase the utility of the brochure, we addressed each of these concerns. For instance, we noted on the cover that the program could help middle income families because their default assumption was that it wouldn't apply to them. We also used the first interior page of the brochure to clearly and simply describe

who was eligible, again emphasizing that middle income families might be eligible, which surprised and pleased participants.

Most of our participants told us that they viewed the government as a trusted source for information. In contrast, they questioned the objectivity of information coming from a health plan or related entity, and were less inclined to act on information from these sources. To address this, we included the Marketplace URL on the cover which in most states will have a “.gov” extension and repeated this throughout the brochure. This preference for a government source extended to both the state and the federal government and existed alongside preconceived notions that dealing with a government agency could be difficult and burdensome.

We found it challenging to quickly provide that initial informational anchor to the Premium Tax Credit program. While consumers were familiar with tax credits (even if they didn’t know how credits differed from tax deductions), they had little information about the Health Insurance Marketplace. Many thought it might have something to do with private health plans. In part because no major public information campaign has begun to educate consumers about the Marketplaces, participants wanted more information about the Health Insurance Marketplace and what it would do. Until we added text saying that there would be a variety of plans offering good benefits, they assumed only a few plans with limited benefits would be offered in connection with the tax credit.

An important piece of information we wanted to communicate was the possibility of repayment if the tax credit was taken in advance. We tried different approaches to find the balance between conveying the possibility of repayment without discouraging participation by families who would benefit. In fact, most participants believed that repayments were a natural consequence of failing to meet their responsibility to keep the Marketplace apprised of their personal circumstances. While they didn’t welcome the burden of reporting changes in family size and income, they felt it was a fair obligation. The idea of taking only a partial credit in advance (which can reduce the possibility of repayment) was more difficult to convey, in light of our goal to keep the brochure short and accessible.

Supplemental Products

In addition to the brochure, we tested two supplemental products: a stand-alone, alternative version of the tax credit time line and a worksheet that “assisters” (like brokers or navigators) would use with consumers.

The worksheet included information that was not in the brochure:

- The amount of tax credit is tied to family size, income and second lowest cost Silver plan

We noted right on the cover that the program could help middle income families.

- Once determined, the tax credit amount is fixed, but can be applied to a variety of plans with the consumer paying the difference.

Participants found the worksheet extremely helpful. They were able to get a concrete idea of what the tax credit would be for their family, something that can't be conveyed in an all-purpose brochure. They could see how the tax credit would be applied across plans with varying premiums, and a "bottom line" comparison between the "Take It Now" and "Take It Later" options.

Not one of our participants had previously heard of the new tax credit. Some had a vague awareness of the ACA, typically based on hearsay and sometimes colored by political views. But even those who were somewhat hostile to the ACA found the information in the Tax Credit brochure helpful. Because we crafted a compelling cover and addressed their top concerns, participants reported they would act on the information in the brochure because it would help their families—regardless of their pre-conceived notions of "Obamacare."

The tax credit brochure and the supplemental products are in the public domain and available for anyone's use (consumersunion.org/tax_credit_brochure). The report shares our insights about why the brochure worked and shares the lessons learned for enrollment assistors, such as navigators and brokers, and the new health plan Marketplaces.

We recommend that the new brochure or similar materials be widely used to raise consumer awareness of their new benefit. Successful communications will:

- address consumers' key questions first
- provide anchoring information
- use visual aids
- use personal stories
- indicate the "bottom line" import of the information

Our general findings on how to communicate the tax credit should also be incorporated into training curriculums, web-based information and other consumer communications that include information about the tax credit.

Even those somewhat hostile to the ACA found the information in the Tax Credit brochure helpful.

Chapter 1. Introduction

“Nearly three of five (57%) adults who had ever shopped for coverage in the individual market found it very difficult or impossible to find a plan they could afford.” *The Commonwealth Fund Biennial Health Insurance Survey, 2007*

Beginning January 1, 2014, the Affordable Care Act (ACA) introduces major health reform changes, including the start of new advance payment premium tax credits. These federal income tax credits will help families afford health coverage being sold in the new Health Insurance Marketplaces. Eligible families must have incomes between 100% to 400% of Federal Poverty Level (FPL) and be ineligible for other forms of coverage.

Research to date suggests that the concepts underlying the Premium Tax Credit may be difficult for consumers to understand.¹ For example, one survey found that only 37 percent of study respondents could correctly respond that a tax credit is deducted from total taxes.² Consultation with financial literacy experts and tax preparers also suggested that explaining these new tax credits to consumers may be challenging. Even more, the advanceable and refundable nature of the Premium Tax Credit are new concepts for most consumers, adding another layer of potential complexity.

Yet it remains critical for consumers to fully understand the new tax credit for two reasons:

1. A lack of understanding could be a deterrent to health insurance enrollment.
2. If households take too large a credit in advance, they may owe money to the federal government at the end of the tax year. Many tax credit eligible families have limited savings³ and this liability may be very difficult for them to afford. Families need to understand this potential liability and the steps they can take to avoid it.

Every state will have call centers, navigators, brokers, agents and others to help consumers understand their new rights and responsibilities under the ACA. However, there appears to be little to guide these “assistsors” in terms of

Three of five adults shopping for coverage in the individual market found it very difficult or impossible to find a plan they could afford.

¹Consumers Union conducted a literature review and contacted some financial literacy experts to understand the current state of knowledge with respect to consumer understanding of tax concepts and best practices in consumer-facing tax “explainers.” Please contact Consumers Union for a copy of a memo outlining the results of this scan.

² Pitts, R. E. and Wittenbach, J.L. (1981). Tax credits as a means of influencing consumer behavior: The residential energy tax credit. *Journal of Consumer Research*.

³ See survey of relevant studies in Adams, W., Einav, L., and Levin, J. (2007). Liquidity constraints and imperfect information in subprime lending, *National Bureau of Economic Research Working Paper 13067*.

consumer-tested explanations of the Premium Tax Credit. This study begins to fill this evidence gap.

Study Goals

The overall goal of this study was to develop and test a consumer brochure that explains the new Premium Tax Credit. The brochure is designed to be used by the consumers on their own and also can be used with in-person assistors. Further, findings from testing can inform training curricula for brokers and other assistors, as well as other consumer-facing materials that include a description of the tax credit.

The goals for the brochure were:

- consumers are tempted to pick it up
- the design elements and brevity make them willing to read it
- if they might be eligible, they will take action by contacting their state Health Insurance Marketplace or some other consumer assistor
- they understand basic facts about the tax credit

We also developed and tested two additional items to be used by brokers, navigators and other types of assistors: (1) a standalone timeline as an alternate to the timeline in the brochure and (2) a worksheet to explain the calculation of the tax credit to consumers.

The final versions of all these items (brochure, timeline and worksheet) are in the public domain and available for anyone's use (consumersunion.org/tax_credit_brochure).

Study Approach

The design approach to the brochure and the consumer testing reflect relevant findings from consumer behavior research and our understanding of the critical tax credit facts that consumers need to understand.

How Consumers Process Information

The final brochure reflects eight important research-based assumptions about consumers and how they process information. In fact, design decisions, content order and flow were dictated by these principles which describe how consumers skim documents, assess for relevance to themselves and their preferences for plain language and appealing design.

- **Readers decide quickly if a topic is of interest to them.** Readers need a “hook” to get them to pick up materials. With many choices of

reading materials, the material must use key messages, key words and design to attract attention.⁴

- **Readers don't read; they skim.** Readers look to confirm that a topic is relevant to them. They look at headers, emphatic techniques (such as bolding) and design elements (fonts, color, photos, illustrations) that allow them to capture key information and to confirm the material is relevant to them and that they should continue to expend effort.⁵
- **Readers look for narratives, rather than prose.** Readers often respond to read stories about people who illustrate an abstract concept. The stories make the abstract concrete and allow the reader to integrate information as well as see how it works in the real world.⁶
- **Readers approach a document by asking questions.** They look for answers. If the text fails to answer their questions, readers feel confused. If the text answers their questions, they believe the document is “easy” to understand.⁷
- **Readers think that documents that “look” hard to read are hard to read.** Readers react positively to plain language, good design and good information design. When these elements are missing, they assume that the content is difficult to understand.⁸
- **Readers prefer plain language.** Readers need language that reflects their own language patterns, not the technical language of experts. Thus, avoiding technical phrases, such as “advanceable tax credit” or ‘refundable tax credit,’ can help readers more easily understand the information.”⁹
- **Readers need to “know” to be able to build meaning.** Readers need to have information they “know”—an informational anchor—so they can add new information and understand it. When they are unfamiliar

*Readers don't
read; they skim.*

⁴ McGuire, W.J. (1976). Some internal psychological factors influencing consumer choice. *Journal of Consumer Research* 2 (March), 302–319. See also Russo, J.E. (1988). Information processing from the consumer's perspective. In E. Scott Maynes (Ed.), *The frontiers of research in the consumer interest*. Columbia, MO: American Council on Consumer Interests

⁵ Redish, Janice C. (1992). Understanding readers. In C.N. Barnum and S. Carliner (Eds.). *Techniques for technical communicators*. New York: MacMillan. See also Flower, L, Hayes, J.S. and Swarts, H. (1983). Revising functional documents: the scenario principle. In Paul V. Anderson (Ed.), *New essays in technical and scientific communication: research, theory, practice*. Fanningdale, NY: Baywood.

⁶ Adlin, T, and Pruitt, J. (2010). *The essential persona lifecycle. Your guide to building and using personas*. Burlington, MA: Morgan Kaufmann

⁷ Redish, Janice C. (1989). Reading to learn to do. *IEEE Transactions on Professional Communication*, 32 (4): 289–293.

⁸ Song, H., and Schwarz, N. (2008). Processing fluency affects effort prediction and motivation. *Psychological Science*, 19, 986–988.

⁹ Kimble, Joseph. (2006). *Lifting the fog of legalese*. Durham, NC: Carolina Academic Press.

with a concept, such as the Health Insurance Marketplace, they need to have basic information introduced before they can navigate and make sense of additional details.¹⁰

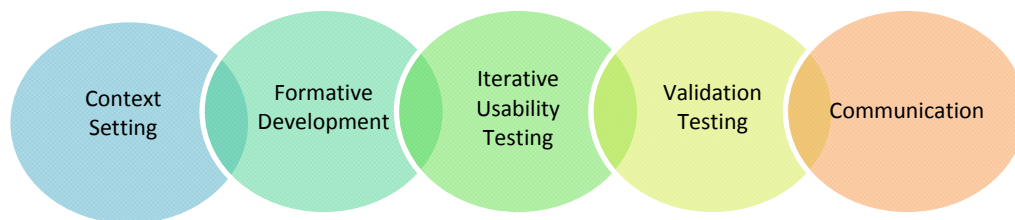
- **Readers read to do.** Readers are often active readers. They read to answer questions, but also to figure out what to “do” with the information they are reading. Explicit instructions and the numbering of each section to create steps can help readers move to action.¹¹

As a further design consideration, the brochure needed to be “customized” for each individual state, so a consumer could act on state specific information in the brochure.

User-Centered Design and Testing Process

We developed the brochure through a user-centered design process that has five phases—each of which serves to generate and confirm ideas being developed (Exhibit 1). This process is designed to elicit and test ideas about optimal design that meet the goals of the study.

EXHIBIT 1. USER-CENTERED DESIGN PROCESS



For this study, we focused on Context Setting, Formative Development and Iterative Usability Testing. For context setting, we used the literature review developed by Consumers Union¹² and interviewed several key informants who help consumers enroll in private health coverage or who are tax preparers.¹³ For the formative development, we conducted two focus groups in Towson, Maryland to explore reactions to initial designs of the draft brochures and reactions to the concept of an advance Premium Tax Credit. For the iterative usability testing, we conducted eight one-on-one cognitive interviews in each of two locations:

¹⁰ Kitchin R.M. (1994). Cognitive maps: What are they and why study them? *Journal of Environmental Psychology* 14(1), 1–19.

¹¹ Redish, J.C. (1989). Reading to learn to do. *IEEE Transactions on Professional Communication*, 32(4), 289–293.

¹² Consumers Union conducted a literature review and contacted some financial literacy experts to understand the current state of knowledge with respect to consumer understanding of tax concepts and best practices in consumer facing tax “explainers.” Please contact Consumers Union for a copy of a memo outlining the results of this scan.

¹³ Three of the experts are independent accountants and tax preparers. The three health enrollment counselors hold various positions at Health Care for All (Massachusetts).

Oklahoma City, Oklahoma and Salt Lake City, Utah (Exhibit 2). One-on-one testing typically involves fewer participants than a traditional focus group approach, but the results are more nuanced and useful for revising the tax credit materials. According to Virzi, 80% of usability problems are uncovered with five participants and 90% with ten participants.¹⁴

The testing was designed to elicit problems in design and understanding and to allow us to fine tune concepts, wording and presentation. (See **Appendix A** for more information on the testing.)

In addition, at each site, stakeholders from the local health insurance community were invited to observe testing and to discuss their reactions to the three tested products. These stakeholders included staff from the state's Marketplace, staff from the state's Department of Insurance (DOI), consumer advocates, IRS representatives and an insurance broker.

EXHIBIT 2. TESTING SITES

LOCATION	METHOD	MARKETPLACE TYPE	OBSERVERS
Towson, MD	2 focus groups	State-based	DOI, Marketplace, IRS, Advocates
Oklahoma City, OK	8 cognitive interviews	Federal-based	DOI, Broker, IRS, Advocates
Salt Lake City, UT	8 cognitive interviews	Federal-based	Marketplace, Advocates

80% of usability problems are uncovered with five participants and 90% with ten participants.

¹⁴ Virzi, R. (1992). Refining the test phase of usability evaluation: How many subjects is enough? *Human Factors* 34, 457–486.

Ten Critical Tax Credit Facts for Consumers

As we've indicated earlier, the Premium Tax Credit will help consumers pay for their health insurance, but it also carries the potential for financial liability. The brochure was design to convey ten important ideas to ensure that consumers could understand sufficiently to avoid harm.

The brochure was designed to convey ten important ideas.

Ten Critical Tax Credit Facts for Consumers

1. This is a tax credit program.
2. It will help you afford health insurance.
3. To participate, you must meet certain requirements. However, both lower and middle-income families can qualify.
4. You can use your tax credit only with insurance purchased from your state's new Health Insurance Marketplace.
5. You can take the tax credit in one of two ways with different benefits:
 - In advance, the tax credit lowers your monthly payments.
 - If not taken in advance, the tax credit lowers the amount of taxes owed or increases your refund at the end of the year.
6. Tax credit does not begin until 2014, but you can apply starting in October 2013.
7. If your income or family size changes, the amount of the final tax credit may change.
8. To ensure that any advance tax credit amounts are correct, you must immediately report income and family size changes to the Marketplace.
9. If you take the tax credit in advance and do not report changes, you may have to pay back overpayments.
10. You can get more information by contacting your state's Health Insurance Marketplace.

Participant Demographics

Participants were literate English speakers recruited because they appeared to be eligible for the new tax credits. They were non-elderly adults with family incomes of 100% to 400% of the federal poverty level (FPL) (Exhibit 3). Most participants did not have access to employer coverage and made health insurance decisions for their household. They were recruited to be evenly divided across:

- currently insured and uninsured,
- younger/older (young adults through 65)

We aimed for a diversity of gender, family size, race, ethnicity and education, but did not specifically recruit by these characteristics. (See **Appendix B** for detailed demographics.)

We did not recruit for attitudes toward the ACA nor did we mention the phrase in recruiting or the interview. However, many participants quickly surmised that the study was related to it. They tended to refer to it as “Obamacare” and typically knew few details of the law. That said, participants had a broad variety of attitudes with some warmly embracing the ideas in the ACA to some simply accepting its inevitability to some actively showing hostility to the new regulation. In many, but not all cases, participants became more positive about the ACA as they discovered the details of the breadth of its income inclusion and the depth of their potential cost savings.

EXHIBIT 3: INCOME LEVELS CORRESPONDING TO 400% OF FPL (FROM BROCHURE)

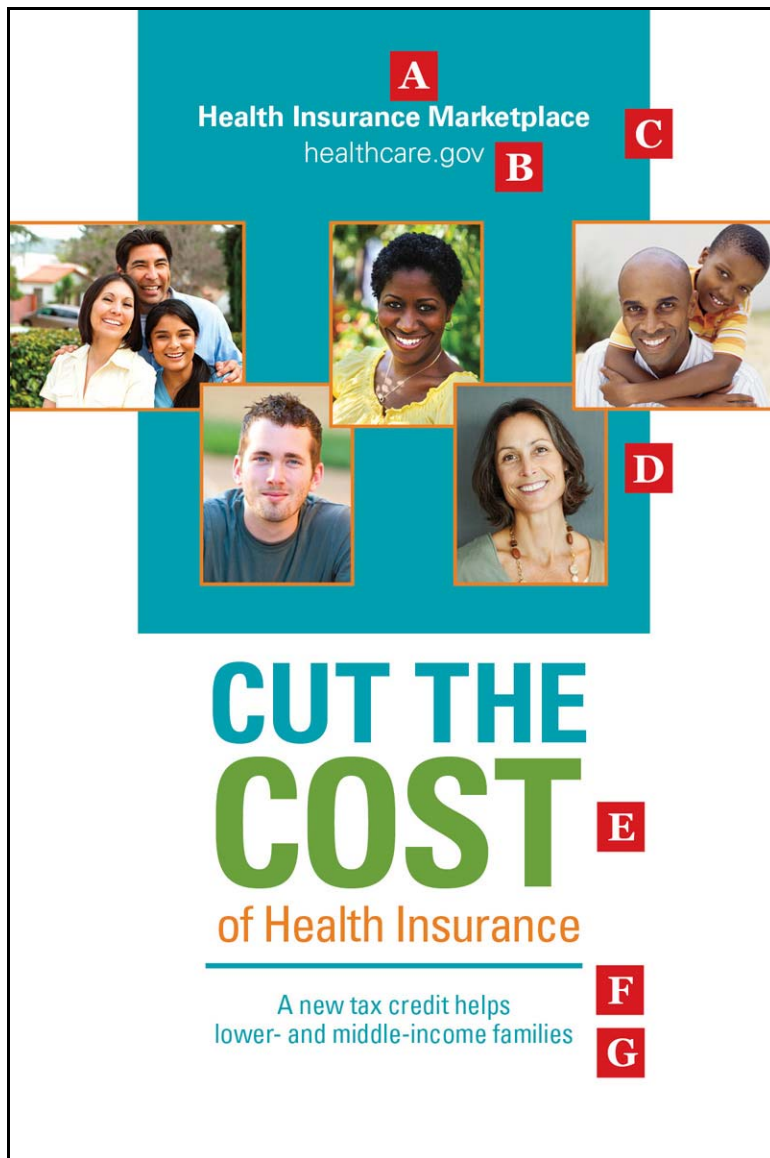
FAMILY SIZE	YEARLY INCOME
1	\$45,960
2	\$62,040
3	\$78,120
4	\$94,200
5	\$110,280
6	\$126,360

Chapter 2. The Final Brochure

The final brochure evolved over the two rounds of cognitive testing in Oklahoma City, Oklahoma and Salt Lake City, Utah. On the next pages, we present the final design of the brochure and identify the key elements of each section. The content and design elements help consumers more easily comprehend the information and the ten Critical Tax Credit Facts for Consumers.

- **The Cover** provides the hook—verbally and graphically, encouraging consumers to pick up the brochure and begin to read.
- **Section 1. Do I Qualify?** provides a simple quiz of three questions.
- **Section 2. How Does the New Tax Credit Work?** provides a brief explanation of the Health Insurance Marketplace and the tax credit.
- **Section 3. Two Ways to Take the Tax Credit—You Decide!** is the heart of the brochure. It compares the two options for the tax credit: “Take It Now” and “Take It Later.” This section also shows a photo of Jane, as an example, and shows how the two options differ for her.
- **Section 4. Taking Your Credit Now? Get the Right Tax Credit** explains the cautions and actions needed with the “Take It Now” option. The section also includes the story of Patrick and Claudia who forget to report a change of income and now must repay \$2,000.
- **Section 5. How Do I Get Started?** provides basic contact information for the Marketplace and others and indicates who has distributed the booklet.

Cover Page



- A** Places marketplace name in prominent position
- B** Includes url here because .gov suffix was trusted
- C** Uses position to show website address refers to marketplace
- D** Creates interest with photos of diverse, happy faces
- E** Emphasizes cutting health insurance costs
- F** Includes reference to tax credit
- G** Reinforces middle-income eligibility

Section 1. Do I Qualify?

1

Do I Qualify?

A

If you answer **NO** to ALL of these questions, you may qualify:

- Does your employer offer health insurance? ☐ YES ☒ NO
- Do you receive Medicare? ☐ YES ☒ NO


B
- Does your family make *more* than the yearly income below? ☐ YES ☒ NO

FAMILY SIZE	YEARLY INCOME
1	\$45,960
2	\$62,040
3	\$78,120
4	\$94,200
5	\$110,280
6	\$126,360

If your income is near these amounts, you may still qualify.

D

E



VISIT healthcare.gov

F

- A** Answers first question consumers have
- B** Uses simple checklist with correct answers emphasized graphically
- C** Includes chart that shows income and family size eligibility
- D** Indicates that income amounts are approximate
- E** Indicates that families may still qualify if income is a little higher
- F** Provides website address on each page

Section 2. How Does the New Tax Credit Work?

2 How Does the New Tax Credit Work?

What is this tax credit?

The Health Premium Tax Credit reduces the total amount of tax you owe the IRS. If you don't owe, you can get a bigger refund. You get the tax credit to help cut the cost of your health insurance.

Can I use my tax credit for any health plan?

NO. You MUST buy your health insurance from:

Health Insurance Marketplace
1-800-xxx-xxxx
Healthcare.gov

This new marketplace offers a wide variety of health plans with good benefits. All plans cover prescriptions, hospital stays, doctor visits and more. If you buy different coverage, you won't get the tax credit help.

How much help will I get?

The amount depends on your family income and your family size. Lower income families get the most help.

When does it start?

The tax credit begins with insurance that starts January 1, 2014 — or later.

CALL 1-800-xxx-xxxx

A

Names the tax credit program

B

Gives overview of the benefit of tax credit

C

States that health plan must be bought from Health Insurance Marketplace

D

Stresses that health plans are available with good benefits

E

Gives start date

F

Provides phone number on each page

Section 3. Two Ways to Take the Credit—You Decide!

3 Two Ways to Take the Tax Credit — You Decide! A

Take It Now!

October 2013 – March 2014	<ul style="list-style-type: none"> Sign up for health insurance at healthcare.gov Tell them you want the tax credit “in advance” C Choose to take all your credit in advance — or just part of it
During 2014	<ul style="list-style-type: none"> Pay a lower premium each month in 2014 — and now you are covered
January 2015 – April 2015	<ul style="list-style-type: none"> Get a statement from your Health Insurance Marketplace showing how much tax credit you received in 2014 File your 2014 taxes, including information about tax credit already taken

ADVANTAGE: Lower your health care premium each month!

Take It Later!

October 2013 – March 2014	<ul style="list-style-type: none"> Sign up for your health insurance at healthcare.gov
During 2014	<ul style="list-style-type: none"> Pay the full premium each month in 2014 — and now you are covered
January 2015 – April 2015	<ul style="list-style-type: none"> File your 2014 taxes Subtract your tax credit from the tax you owe — or get a bigger refund if you don't owe anything


ADVANTAGE: Lower the amount you pay at tax time!

E

Jane needs to decide which way works best for her. Either way, she gets the same total tax credit for the year.

Monthly Premium	\$300
Monthly Tax Credit	– \$240
New Monthly Cost	\$60

“If I take the tax credit now, I lower my monthly premium costs to \$60.”



E

“If I take the same tax credit later, I pay the full \$300 premium now but get a bigger refund next April.”

Tax Due	\$900
Yearly Tax Credit	– \$2,880
IRS Refund	\$1,980

“If I take the same tax credit later, I pay the full \$300 premium now but get a bigger refund next April.”

VISIT healthcare.gov

CALL 1-800-XXX-XXXX

- A
- Emphasizes there's a choice that consumer must make
- B
- Uses a table with strong parallel structure to compare the two options
- C
- Shows that partial tax credit advance is possible
- D
- Gives basic timeline and activities
- E
- Uses a personal story to provide an example and to emphasize the choice she has

Section 4. Taking Your Credit Now? Get the Right Tax Credit.

4

Taking Your Credit Now? Get the

Right Tax Credit.

A

If you take the tax credit in **advance**, changes to your family size or income — or even a new job that offers health insurance — could mean you're getting the wrong amount of tax credit. To make sure you get the right amount, call when you have changes:

Health Insurance Marketplace
1-800-xxx-xxxx
healthcare.gov

B **When can family size change?**

- You get married or divorced
- You have a baby
- You no longer claim your child on your tax return

↓ Family size goes DOWN	Call to recalculate your credit so you won't owe money.	C
↑ Family size goes UP	Call so you might get more credit.	

When can income change?

- You get a raise
- You lose your job
- You take a salary cut

↓ Income goes DOWN	Call so you might get more credit.	F
↑ Income goes UP	Call to recalculate your credit so you won't owe money.	

Remember: It's your responsibility to tell your state's Marketplace!

VISIT healthcare.gov

What if your income changes each month?
Talk to your Marketplace about taking a partial credit. Your monthly premiums will still be lower but not as much. By taking the rest at tax time, there is less chance of repayment.

E

What if your new job offers health insurance?
Call your state's Marketplace. You may no longer be eligible for your tax credit.


AVOID REPAYMENTS!

Claudia and Patrick's story

"In January, we decided to take the tax credit in advance. On August 1, I got a new job that increased our income so we no longer qualified for the tax credit. We forgot to tell our Health Marketplace. At tax time, we had to pay back \$2,000."

Tax credit they got over 12 months	\$4,800
Amount they should have gotten since credit ended in August	– \$2,800
Amount they must pay back	\$2,000

D



Remember: You control how much tax credit you use in advance.

CALL 1-800-xxx-xxxx

- A** Emphasizes extra considerations if tax credit taken in advance
- B** Links income or family size change to action needed
- C** Shows why one should call
- D** Uses a personal story to show the consequences of not calling
- E** Provides information about what to do if monthly income fluctuates
- F** Uses graphics to emphasize key information

Section 5. How Do I Get Started?

5 **How Do I Get Started?** **A**

B

- For details on whether you qualify and how much credit you will get, contact your state's Health Insurance Marketplace:

C **healthcare.gov**
or Call Center
1-800-xxx-xxxx

- Need more advice? Talk to local assistors, such as navigators, brokers or agents who are familiar with this new program at:
xxxx.org
or call
1-888-xxx-xxxx
or visit this local office:
123 Maple Avenue
Somewhere, ST 12345
- At tax time, talk to your tax preparer or find free tax preparation help at:
irs.treasury.gov/freetaxprep
or call
1-800-906-9887

D Distributed by [Your Organization]
Updated: 5/15/2013 **E**

A Provides a method for consumers to take action on the material

B Provides three basic resources for contact information

C Gives emphatic position to the Marketplace contact information—both website and phone number

D Identifies who is distributing the information

E Helps consumers assess currency of information

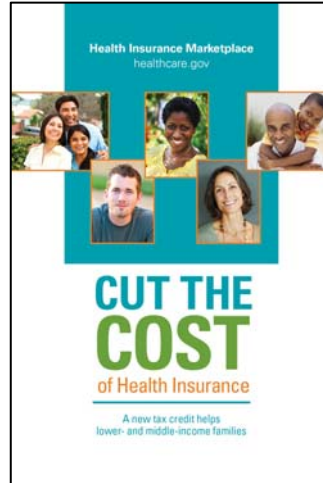
Chapter 3. Detailed Findings

The development of the brochure and supplemental products occurred over several rounds of consumer testing. The detailed findings below describe how we satisfied participants' immediate questions, as well as the steps we took to make the information usable, once they were willing to read further.

The Cover

As we developed the brochure, we found quickly that participants wanted some up front answers to three basic questions before they were willing to invest the time in reading the brochure. These were:

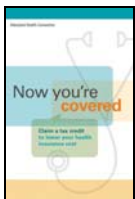
- Does this information apply to my specific family situation?
- Who is supplying this information? Is it a source I trust?
- What is the “thing” being described? (In this case, a tax credit that lowers the cost of health coverage.)



If participants could decide that the information was reliable and relevant to their personal situation, they were more willing to invest the time to read the brochure. They also needed to have some anchoring information about the program itself, in order to make sense of details inside the brochure.

Participants wanted the cover to create interest and to provide key information.

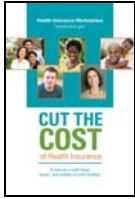
Our initial goal was to determine what messages and cover design would motivate participants to pick up the brochure and learn about the tax credit. We experimented with three cover messages and designs:



Now You're Covered; Claim a tax credit to lower your health insurance cost. This graphic presentation included the name of the Health Insurance Marketplace.



Get a Break! A New Way to Lower Your Health Insurance Costs and an additional sentence: “Many people can get a break with the cost of health insurance. See if you qualify.” This graphic presentation also included the name of the Health Insurance Marketplace.



A New Way to Cut the Cost of Health Insurance. This presentation used five photographs of people of different ages, family size and ethnicity. It included the name of the Health Insurance Marketplace.

Nearly all participants preferred the message of “Cut the Cost” because cost was important to them.

Many participants were concerned about the costs of health care and responded well to the emphasis on cost savings, which was an important consideration for them.

“Cut the costs, everyone can relate to cutting costs and saving money.”

Oklahoma 006

“Cost is the first thing I saw and then cut the cost...Cut the cost got me.”

Oklahoma 007

“The cut the costs is an attention grabber. It makes me want to pick it up and look at it, and see what they are talking about. Everyone wants to save money, especially the way the economy is doing nowadays.” *Utah 001*

“Also, it talks about cost right away, cutting costs. And I’m not working right now. Money is a problem, so that catches my eye.” *Utah 007*

Some participants wanted the “tax credit” mentioned.

Some participants also liked the mention of tax credit specifically on the cover. While cutting health insurance costs is compelling, for some it was too vague about how the cost was being cut unless a reference to the tax credit was included.

“Tax credit help—that has got my interest—that it’s a tax credit...It’s a lot better than a deduction.” *Oklahoma 001*

“I think two things should be emphasized, the tax credit and cutting the cost, I think there is some legitimacy to showing cost saving is due to some government program. I think that in itself makes it somewhat reliable...But tax credit is emphasized—I think it would be somewhat appealing.” *Utah 005*

Participants viewed government as a trusted source and wanted a reference to it on the cover.

Many participants felt that a reference to the government gave the brochure more credibility. Some were concerned that the brochure was being produced by a private company and would be a “sales pitch” as opposed to credible information. In all our testing sites, most participants felt the government would be the most credible source. In Maryland, where the name of the Marketplace is “Maryland Health Connection,” having the state’s name featured prominently in the

brochure helped anchor participants that this was a government program and the information could be trusted. In a few instances, participants wanted the source to be the state government and, for some, the federal government was preferred over the state government. Even though many participants felt it would be difficult to deal with a federal or state agency, they also felt that information provided from that source would be reliable and unbiased.

“Because we can trust the government more than private entities, especially where health care is concerned. Because private entities are more likely for profit, they are trying to get me to buy whatever they’re doing. I don’t think the government is doing that.” *Oklahoma 007*

“It [the government] is a trusted source. It seems like any time you open an email, there are like a hundred different insurance companies from out there, that you don’t really know who they are or where they are. So at least thinking that it says ‘.gov’, it adds credibility.” *Utah 004*

“I guess it matters to the extent that if it’s something coming from the government you sort of think of it as neutral whereas if it’s coming from a private company that’s giving you this, they might be biasing it towards ‘come work through our company to get this stuff.’ That you’re getting [it] from the government or something—that’s the place where I would see that it might matter.” *Utah 003*

“For the simple fact that if it is from the state, I would be more interested in it than if it is from a private place because the private places, they can up and go at any time.” *Oklahoma 003*

Participants responded well to the pictures of smiling people on the cover.

Nearly all participants liked the pictures of smiling people and the diversity that they represented. Most saw it as a way of showing that many people would be included and that regular people were the target for the brochure. In Salt Lake City, for one version, we substituted the photos for ones with medical personnel and patients, but participants still preferred the pictures of smiling people.

“Pictures in general are a little more engaging than just this [words].”
Oklahoma 006

“...it is more eye appealing. It has people, families and more colors.”
Oklahoma 005

“The pictures really stand out with me because I look at a picture before I pick it up to read it. My seeing there is a family and then cut the cost with that being so big and bold, that would be the eye-opener for me.”
Oklahoma 003

“I did like the pictures on this one better now. This is real people, and this is just doctors.” *Utah 004*

Reference to the government gave the brochure more credibility.

Sections 1 and 2

After picking up the brochure, participants wanted to know if they should read on. They wanted to see if they were eligible for the program, but they also needed some information about the program so they could anchor the information on eligibility.

Participants wanted to know immediately if they were eligible and could easily answer the three eligibility questions.

To assess eligibility, participants had to answer three questions; (1) did their employer offer insurance; (2) were they on Medicare; and (3) did their income for family size fall above the amounts listed in a table. If they answered “no” to each, they were prompted to move on to learn more. The three questions were easy for participants to answer, and most had little difficulty deciding if they might be eligible. A few commented on the unexpected approach of using a “no” answer for the income eligibility question, but no consumers had difficulty using the questions to decide if they were eligible.

1 Do I Qualify?

If you answer **NO** to ALL of these questions, you may qualify.

1. Does your employer offer health insurance? ☐ YES ☐ NO

2. Do you receive Medicare? ☐ YES ☐ NO

3. Does your family make more than the yearly income below? ☐ YES ☐ NO

FAMILY SIZE	YEARLY INCOME
1	\$40,000
2	\$50,000
3	\$75,000
4	\$94,000
5	\$112,000
6	\$136,000

If your income is near these amounts, you may still qualify.

2 How Does the New Tax Credit Work?

What is this tax credit?
The Health Premium Tax Credit reduces the total amount of tax you owe the IRS. If you don't owe, you can get a larger refund. You get the tax credit to help out the cost of your health insurance.

Can I use my tax credit for any health plan?
NO. You MUST buy your health insurance from Health Insurance Marketplace 1-800-xxx-xxxxx.

This new marketplace offers a wide variety of health plans with good benefits. All plans cover prescriptions, hospital stays, doctor visits and more. If you buy different coverage, you won't get the tax credit help.

How much help will I get?
The amount depends on your family income and your family size. Lower income families get the most help.

When does it start?
The tax credit begins with insurance that starts January 1, 2014 — or later.

CALL 1-800-xxx-xxxxx

“[I’m looking at] the first page, the first item being “do I qualify?” To me it comes across—that is nice in that I want to know immediately if it is something for me, so that works for me.” *Utah 005*

“It is nice to be able to see right away if I qualify...Also the ‘no’s’ are good and they are green, that is cool. That makes sense.” *Utah 007*

“That’s interesting—answering ‘no’ rather than ‘yes.’ That’s different than your average questionnaire...That might be confusing—you’re so used to answering yes. In Oklahoma we even passed a law for our ballots that if there is a proposal for a state question and you want it to pass, it has to be worded in such a way that in order for it to pass, the answer is ‘yes.’”
Oklahoma 001

Participants often confused Medicare and Medicaid.

The new tax credit is not available to people with access to other coverage, such as Medicare, Medicaid or employer coverage. As previous research has also shown¹⁵, many of our participants confused Medicaid and Medicare. The two programs sound very similar.

¹⁵ SHADAC, *Issue Brief 9*, January 2004, “Do national surveys overestimate the number of uninsured? Findings from the Medicaid undercount experiment in Minnesota”
<http://www.shadac.org/files/shadac/publications/IssueBrief9.pdf>

“It’s a program that the government has in place to help people with healthcare. People that qualify—old people and people that are disabled. I think that’s it.” *Oklahoma 007*

“Medicare is, I pay taxes and children and the elderly get medical through the taxes that me [sic] and other taxpayers pay at little or no cost to them. That is my idea of it.” *Oklahoma 005*

“It’s a governmental program that’s supposed to be set out to help provide health costs for people that are in certain levels of income...” *Utah 002*

“It is a program from the government. That is all I know.” *Utah 004*

“It is a federally run health insurance for children.” *Utah 005*

Even though people eligible for Medicaid are not eligible for the tax credit, we did not include this additional question for several reasons. Because people are confused by Medicaid and Medicare, in some ways, a single question sufficed for both programs. The normal technique for clarifying these two programs is to add explanatory material or the local name of the Medicaid program, but we didn’t have room for this. Second, we wanted to limit the number of questions in this section, so that completing the eligibility worksheet was simple to do. Third, if Medicaid-eligible persons misunderstood their eligibility for the tax credit, the worst outcome was that they would call the Health Insurance Marketplace for more information and then learn about their Medicaid option.

Most would call even if their income was a little higher.

We asked participants their views on the upper-income limit shown in Section 1. Many assumed that income would be counted in ways that had a bit of flexibility. When asked how much over the listed amounts they would think it still possible to qualify, most gave a number within 10% over what was listed. This was an important outcome because there are many reasons why a family with an income a bit over the limits might still qualify.¹⁶ In general, participants said they would call or would check the website if their income was near the listed amount. One participant wanted to call to see if he could negotiate to get his income within the limits. For Salt Lake City, one version of the brochure included the statement “If your income is near these amounts, you may still qualify.” It resolved the issue for these participants.

“I would probably still call to see if I qualify.” *Oklahoma 005*

“I would probably look [at website].” *Oklahoma 007*

“I guess I would try and call them and see what options I have available. If I could work a deal where I could pay more to supplement that gap...Is there

Participants said they would call even if their income was a little higher than the listed amount.

¹⁶ Income for the purpose of tax credits is defined as modified adjusted gross incomes (MAGI). This is similar to adjusted gross income (AGI) on one’s tax return except that it includes certain foreign earned income and tax-exempt interest. Adjusted gross income can be lower than gross income because it excludes tax-deferred income, such as qualified contributions to retirement accounts.

some amount that I can pay more? Something that can fit within that yearly income range..." *Oklahoma 002*

"At that point, I would probably go to the website and just see what the ramifications [of having a higher income] would be...I've got a family of five, so if I made another \$10,000 above that—a \$120,000 a year, I probably wouldn't do anything at all." *Oklahoma 001*

Participants were pleased that the tax credit program covered middle-income levels.

Many participants had a pre-conceived notion that programs like this are not for middle-income families. It was important for the brochure and other consumer communications to counter-act this assumption. To do this, the cover specifically mentioned middle-income families. Further, the maximum income levels in the qualification table in Section 1 were visually very prominent.

Participants were surprised and pleased that these levels were higher than they expected. One participant even commented that it was good that the program was aimed at middle-income families.

"...the income is fairly high, quite honestly, for five or more people...I think the medium income in the United States is around \$54,000–\$55,000. So for people that is pretty...that is a fairly substantial income, I would say actually higher income as well. That is fairly substantial." *Oklahoma 002*

I think it will help lower middle-class and middle-class the most. The lower class, from what I am understanding, pretty much get free health care—like the disabled, people on SSI, disability, pretty much get free health care as it is, so this is for people who have to pay for it and it kind of makes it more cost-efficient for them." *Oklahoma 005*

"Then it gives income ranges. Once it's at \$45,000, \$62,000, \$78,000, \$94,000...it seems pretty big." *Utah 002*

Participants wanted more information about the Health Insurance Marketplace.

Because no major public information campaign had begun to educate consumers about the Health Insurance Marketplace, consumers were unfamiliar with the concept and the name "Health Insurance Marketplace." They were unclear if the Health Insurance Marketplace was a government or private entity. At least one person thought it might be a cooperative of private companies. As we had seen earlier, this ambiguity created a slight element of distrust.

"It doesn't seem like it has a clear-cut...is it a company? It seems very ambiguous." *Oklahoma 002*

"It wasn't clear whether this is through the federal government, like I said, or a state medium, or if this was a private company." *Utah 001*

Participants were unclear if the Health Insurance Marketplace was a government or private entity.

“Produced by Health Insurance Marketplace,’ I mean that should always be added, but, I mean, at the same time, I hate to say it, but it doesn’t really make it clear if it’s a lobbying group, if it’s a private corporation, et cetera.”
Utah 002

“It mentions a name that I am not familiar with...For me, I would like a little more information on what it is, maybe how it works, not necessarily how it works, but why it was setup, why it is in place.” *Utah 005*

“I think that it actually possibly could be, well say this is Aetna, the company has got some marketplace, so then you are actually going to log on, then you are going to find someone who is going to best suit your needs...It looks to me as if it is that group of things that they have come together and they have put this out.” *Utah 006*

Without a clear idea of what the Marketplace was, they were initially often confused about the relationship between the tax credit, the marketplace and health insurance plans. We needed to give them enough information about the marketplace that they felt sufficiently anchored and would continue to read. To address this, we added a simple explanation that the Health Insurance Marketplace offered several health plans with good benefits. Once they understood a rudimentary concept of the Health Insurance Marketplace, they more easily could place the information about the tax credit in context. With more consumer outreach on Marketplaces, this confusion may dissipate.

Participants wanted more information about plans and benefits.

Related to the issue of ambiguity about the Health Insurance Marketplace, many participants were concerned that the tax credit might be limited to plans with poor coverage, and so were reluctant to decide if they were interested without knowing more about the plan specifics. Oklahoma participants particularly thought that the Marketplaces would have limited plans with limited benefits. For Utah, we added a statement about “wide variety of plans” with “good benefits” and participants were more satisfied, although some continued to look for details about specific costs, benefits and coverage.

“It means, you know, automatically, I’m going to be limited because only qualifying plans are going to be offered. I may not like that. I already don’t like it and I’m in the free market for it [health plans]...I would be concerned I would have less choice, less flexibility...” *Oklahoma 001*

“[I want to know] stuff that’s not covered here [in the brochure]—what kind of coverage it is, what the copays are, how much it would actually cost because I know this is an example back here...if my doctors are going to be on the plan.” *Oklahoma 007*

“[I’m looking for] How much plans are, what the premiums are, there is no indication of what it would be....” *Utah 005*

Participants were concerned that the tax credit might be limited to plans with poor coverage.

“I would call. I would call the number [to find out] what it covered. First of all, I would say, of course, how much? What’s the premium? What does it cover? What’s excluded? What’s included?” *Utah 008*

When asked how many plans they thought would be in the marketplace, participants told us the brochure seemed to indicate several plans.

“It says it has a wide variety of health plans...But something I’ve always noted about health insurance. They did say they have a whole bunch of different plans. But there’s usually a range of three, total.” *Utah 002*

“[I’d expect] four or five probably.” *Oklahoma 007*

“I would say a medium amount. I don’t think it would be a few. I think they would give you quite a few options.” *Utah 006*

“How many plans? I would say probably like 20 or more. Twenty seems logical to me.” *Utah 004*

Section 3

Section 3 of the brochure provides a significant amount of information, including information that consumers are unlikely to have encountered before, such as the advanceable nature of the tax credit. We used simple terms to illustrate the choice a consumer would have to make: “Take It Now” or “Take It Later.” The phrase “You Decide” in the header alerted them that there’s something they must do. We also used a table-style timeline to illustrate, in a parallel way, the differences and similarities between activities associated with the two options. A personal story made the abstract concepts concrete.

3 Two Ways to Take the Tax Credit — You Decide!

Take It Now!	Take It Later!
October 2013 - March 2014 <ul style="list-style-type: none">Sign up for health insurance at healthcare.govGet the full \$2,000 premium tax credit in advance — or part of it	October 2013 - March 2014 <ul style="list-style-type: none">Sign up for your health insurance at healthcare.govPay the full premium each month in 2014 — and now you are covered!
During 2014 <ul style="list-style-type: none">Pay a lower premium each month in 2014 — and now you are covered!	During 2014 <ul style="list-style-type: none">Pay the full premium each month in 2014 — and now you are covered!
January 2015 - April 2015 <ul style="list-style-type: none">Get a statement from your Health Insurance Marketplace showing how much tax credit you received in 2014File your 2014 taxes, including information about tax credit already taken	January 2015 - April 2015 <ul style="list-style-type: none">File your 2014 taxesSubtract your tax credit from the tax you owe — or get a bigger refund if you don't owe anything
ADVANTAGE: Lower your health care premium each month!	ADVANTAGE: Lower the amount you pay at tax time!
Jane needs to decide which way works best for her. Either way, she gets the same total tax credit for the year.	Jane needs to decide which way works best for her. Either way, she gets the same total tax credit for the year.
Monthly Premium \$300 Monthly Tax Credit -\$240 New Monthly Cost \$60	Tax Due \$300 Yearly Tax Credit -\$2,400 Net Refund \$2,100

“If I take the tax credit now, I lower my monthly premium costs to \$60.”
“If I take the same tax credit later, I pay the full \$300 premium now, but get a bigger refund next April.”

©2013 healthcare.gov CALL 1-800-XXX-XXXX

Participants readily understood the timeline.

The timeline of selecting and using the tax credit is long and crosses three years: 2013 for enrollment, 2014 for coverage and 2015 for reconciling the tax credit on 2014 tax returns. Because of the multiple time periods, we expected that participants would have difficulty with the sequencing of events.

The table format for the timeline allowed participants to readily see the parallel activities for each option and highlighted the differences between the two options. The simple headings with dates further allowed consumers to skim and still identify the key points for each option. With one exception, nearly all participants could identify the time period for each key activity. Using a parallel structure made the important differences clearer. Nearly all participants could articulate the difference between the two options for taking the tax credit. The

A timeline showed the activities and highlighted the differences between the two options: Take It Now or Take It Later.

timeline also draws out the advantage of each option. Most could articulate the advantages, and some could infer the disadvantages of the two options.

For the most part, participants knew when they could apply for health insurance.

In general, participants understood that the period of enrollment for health insurance began in October 2013. Some understood that the enrollment period would continue until March 2014. They also understood that the tax credit would apply to insurance in 2014.

“October of this year.” *Oklahoma 001*

“You could do it after October of this year.” *Oklahoma 007*

“Sign up starting October 2013 to March 2014.” *Utah 003*

“I would need to be signing up by the end of the year between October to March.” *Utah 006*

Participants initially had some difficulty knowing when the insurance coverage began.

In early versions of the brochure, participants had some difficulty identifying the start of their insurance coverage—some thinking it would begin as soon as they applied. Participants could not infer the start date from the information in Section 3 which said that “During 2014” they would be paying a premium. In the final version of the brochure, we added language to make this more explicit.

“Should be January I would think.” *Oklahoma 001*

“I don’t know.” *Oklahoma 007*

“I don’t think that it says that anywhere.” *Utah 003*

“October 2014. No, it just says ‘during’ so it doesn’t actually have a date listed. Am I missing something?” *Utah 006*

Most participants knew which year’s tax return was affected.

Most participants understood that the tax credit would affect their 2014 tax return which would be filed in 2015. They also understood that if they chose the “Take It Now” option, their tax burden would remain the same, since they had already received the credit in advance.

“It [health insurance] would begin I guess it would start in 2014...You get the credit starting in 2014, but it doesn’t show up on your taxes until you file in 2015.” *Utah 004*

A single story showing both options worked better than two stories.

Despite the clarity of the timeline of activities, participants appreciated the personal story to make the information concrete. It gave them confidence that they were understanding the information correctly and that it applied to people

like themselves. The photo and short story seemed easier to read and it showed how the abstract tax credit would work in real life.

“...it gives you more of a humane connection other than here it is, black and white, this is what it is.” *Oklahoma 005*

In earlier versions, the bottom of each page used a separate story (about 3 sentences) to illustrate how the tax credit affected two people: one took the tax credit now and one took the tax credit later. When we used this approach, it was difficult for some participants to contrast the two situations. Unable to see the differences, it was hard for these participants to judge which was a better option. In the final version, the story used one character to show how the two different options would affect that one person.

Section 4

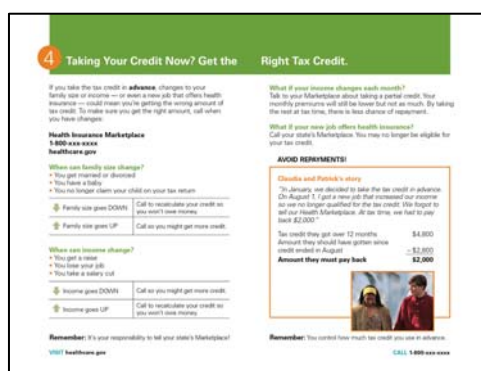
An important goal for the brochure was to introduce the possibility of repayment if participants took the credit in advance. Many consumers may not have the savings needed to repay the IRS, if they get too much credit in advance. Because of the risk of an unexpected financial burden, we wanted to be sure that participants would read this section so we initially used the phrase “Avoid Penalties!” prominently displayed.

Early rounds of testing showed that a highly visible warning did ensure participants would explore the rather dense information of this section, but it also created a negative reaction to the advance tax credit. Not only was the word “penalty” too strong, it was also inaccurate. Switching to the more precise word “repayment” allowed participants to see the repayment not as a punishment, but as a simple consequence.

Participants understood why they should notify the Health Insurance Marketplace of changes in their income or family size.

Participants understood that changes in income and family size could increase or decrease the amount of their tax credit. Participants understood the need to call the Health Insurance Marketplace when these things changed. In addition, they understood that the consequence of an overpayment would require a repayment at tax time.

Although a few saw the reporting as burdensome, nearly all saw the reporting as simply a part of their own responsibility. While they wished the added burden of reporting to the Marketplace wasn’t necessary, they felt it was a fair requirement, in keeping with getting a benefit like the tax credit.



Nearly all participants saw reporting income or family changes as simply a part of their own responsibility.

“So if any of this happens you probably won’t owe money, but telling the health plan marketplace might mean a larger payment now. It doesn’t hurt to call and find out. It’s your responsibility to keep them informed.” *Utah 008*

“...because you are getting the tax credit based off of certain things, like income, family size and things like that. And if those things change, what it [tax credit] is based off changes, and you are going to call...if you receive more, then you would definitely have to call them unless you wanted to pay more back at the end of the year.” *Oklahoma 005*

“It’s a consequence for your actions. So by not telling the insurance people that you got a raise, you have a consequence for your actions.” *Oklahoma 007*

“It is your responsibility to tell the Health Insurance Marketplace...People just need to be reminded they need to be accountable for...Tell you, if I had another kid or this, that, or the other...and I pay too much or too little, I suffer. It’s not you guys that suffer. It’s me.” *Utah 004*

Participants read the repayment story as appropriate and reinforcing their own sense of responsibility.

Most participants reacted neutrally to the story about Claudia and Patrick not informing the Marketplace and saw it as an appropriate consequence of not reporting changes as required. At the same time, the story served to reinforce the potentially expensive consequence of failing to report changes.

“You informed them, they took the money and were in possession of that credit, that money, and they have to pay it back...It is like you forgot, but you really need to be the adult and take responsibility that you are doing it. You need to see it through and if you default on your end, there is going to be a consequence.” *Utah 001*

“Just really keeping you aware that if there are any changes in your life, you need to be contacting them...because that way you are aware that you are not going to get some crazy \$2000 [repayment bill] or something at the end of the year. *Utah 006*

“...this is very important because a lot of people don’t...you want someone to hold your hand and take care of you. You have to be responsible for yourself. You have to take the initiative and avoid penalties or whatever. Your life change [sic] and you have a baby, you have to take care of it yourself and let them know.” *Oklahoma 002*

“It’s not a penalty. It is just more making things whole. Making things square.” *Utah 004*

We tried two approaches to Section 4.

To make the information in this section actionable, we described the types of changes that could cause a family to receive the wrong amount of tax credit in

advance (too much or too little). In our testing, we tried two approaches to listing these changes.

For the final brochure, we listed these changes by what happens to the family: “When can family size change?” or “When can income change?” We included a small table that showed what to do when either of these went up or down.

The alternate method, which also worked well, was to organize the changes in terms of what would give a consumer too much or too little credit (Exhibit 4).

EXHIBIT 4. ALTERNATE VERSION FOR SECTION 4

Changes that might leave you with TOO MUCH tax credit taken in advance:

- You get a big raise
- You get married, raising family income
- You can no longer claim your child on your tax return
- You get a new job that offers you health insurance
- Your income goes up and down each month and is hard to predict

Changes that might leave you with TOO LITTLE tax credit taken in advance:

- You have a baby
 - You get divorced and family income goes down
 - You get married but one spouse doesn’t work
-

Participants usually strongly preferred one version or the other. However, we observed that participants who seemed more knowledgeable about taxes tended to prefer the Alternate Section 4. These same participants often selected the “Take It Later” option and were more comfortable with the more abstract concept of “tax credit.” For many other participants, the tables were more concrete by referring to income and family size, not “tax credit.” They were more explicit in stating the results of notifying the Marketplace, and they were slightly more graphic with the use of arrows. For these reasons, we did not use the Alternate Section 4 in the final version.

That said, Alternate Section 4 did work for many consumers. Based on testing results, this alternate approach could be useful in other tax credit communications.

The advantage of using a partial credit when income fluctuates was difficult to convey.

Another concept for consumers is that a partial credit is available. In this option, they take part of the advance tax credit to reduce their premium payments, but take the remaining portion at tax time. This combined option may be a good alternative for families with unpredictable incomes and few resources to repay any overpayments at tax time.

In the interviews, we asked a specific question about which option would be better with a fluctuating income. Participants overwhelmingly chose the “Take It Now” option as the best solution, primarily so that monthly expenses would be more affordable, but rarely mentioned the partial credit. Many in Oklahoma skimmed over the statement about partial credit in Section 3. To address this, our revisions created a separate section about partial credits in Section 4. After that change, more (but not all) participants commented that the partial credit was safer than taking all of the credit in advance.

“I would see if there is any way to take a partial credit, not use the full credit that they allow, maybe just half of it and that way if it [your tax credit] does fluctuate you still have \$1,440 put away towards it [any overpayment] and that way, if you don’t qualify for the same amount, you didn’t use it all.”
Oklahoma 005

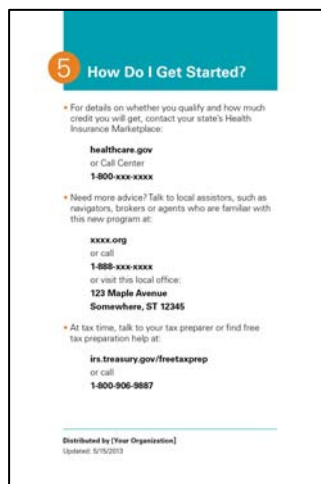
“And this is saying you can mix it, which is good to know. I think a lot of people will be open to that. It is kind of the best of both worlds, lowering your monthly cash outflow and not risking at the end of the year. So it is nice to see that this is an option.” *Utah 005*

Section 5

Participants could correctly determine that they were likely to qualify and they told us they would act on the information. To help them act, the final page of the brochure included three sources for further help: the Health Insurance Marketplace information, in-person assistors (like a navigator or broker) and a tax preparer or the IRS website and phone number.

Participants said they would contact the Health Insurance Marketplace.

Of the options presented in Section 5, almost all said they would start with the Health Insurance Marketplace information. A few said they would call the Marketplace and more than half said they would visit its website. Reasons for the preference were varied, often reflecting a personal style. Some were simply more comfortable asking questions and getting answers through another person. Of those who chose the website, some wanted to avoid the wait times on a phone



call, and others found it more efficient to start with websites. These people were often confident in their ability to make use of the information they expected to find there. At least two participants suggested a “chat” option be provided on the website.

“I would call. I would call the number.” *Utah 008*

“I’m disinclined to call any number where I have to push buttons to talk to a person, especially multiple buttons to talk to a person. If I’m going to send 10 minutes beeping through to something, I would rather (a) go on a website and (b) go on a website. I have to be on hold. It’s the worst thing ever.”

Oklahoma 007

“I would probably go to the website and just see what the ramifications would be. I probably wouldn’t take the time to place a phone call and risk being on hold for 30 minutes, 45 minutes and that kind of things. Not to be on hold, but [to] commit myself to a 30 to 45 minute conversation.”

Oklahoma 001

“Probably look online about it because I think looking online about it, I would get more information than I would from talking to some people. To me, if you are talking to customer service, they are probably reading what I can read myself.” *Oklahoma 003*

“...on the website, if I did have time, I would do a chat if they do that as well. That’s easier too.” *Utah 004*

Very few participants thought they would contact the other options. A few were simply unclear about the second option, and the IRS was poorly perceived as a source of information.

We identified the distributor of the brochure.

Reflecting participants’ concerns about the source of the brochure, we increased credibility for the brochure by adding a line on the final page intended to designate who had paid to print the brochure they were reading. This was only modestly successful. Some participants did feel that the “distributed by” information was helpful, but many did not notice it. Nonetheless, we recommend keeping the reference in for those participants who are looking for such information.

Impact of Brochure

As participants worked through the entire brochure, they were able to integrate the information from individual sections into a more complete understanding of the key messages. This integration allowed nearly all participants to understand the basic differences between the two options, identify the advantages and disadvantages of both options, weigh which option would be a better choice for their personal situation and make a selection.

After reading through the brochure, most participants understood the key messages.

Most participants understood the purpose of the brochure—to inform them about a tax credit that could be taken in two ways.

“To give people information about choices for their healthcare, so that if you don’t have it from your employer, or if the government is not already paying for it, then this is a place to go to, to possibly get it cheaper than you may at other places, out in the free market. Or at least the government will give you a tax assistance when you file your income taxes. That’s what it looks like to me.” *Oklahoma 004*

“To let people know that there is a tax credit that will go along with it [required health care].” *Oklahoma 008*

“It is letting you know right away...that you are going to get a tax credit if you qualify so that you can afford to take better care of yourself and your family.” *Utah 001*

“The purpose seems to be that they’re trying to let you know about what’s out there in the way of tax credits that you could qualify for either taken two ways—either take it now and lower your premium or take it later and get a refund back at tax time.” *Utah 003*

“Options that are available to me. That if I go in, that I could lower what I am paying every month. Or, get my insurance and then have a nice refund at the end of the year.” *Utah 006*

All eligible participants said they would take action.

Regardless of their preconceived notions about “Obamacare,” nearly all participants who appeared eligible for the tax credit said they would take action. They felt it would help their families and they would call the Marketplace or go to the website.

“..it [the brochure] does at least take me to the steps to go online and to further my knowledge of the program a little bit more. It gets me interested and makes me think—what am I missing out on, what am I getting here.” *Utah 001*

“I might call.” *Utah 002*

“Like I said, I would go probably to healthcare.gov and see more information.” *Utah 003*

“I would look at the website.” *Oklahoma 007*

“It gives me a little more thinking that there is something out there trying to help us out.” *Oklahoma 008*

Nearly all participants who appeared eligible for the tax credit said they would take action.

All could articulate a decision about when they would take the credit

To test their comprehension, we asked participants which option (Now or Later) they would choose. Almost all participants were able to articulate how the advantages and disadvantages related to their particular situation.

About half of the participants chose the “Take It Now” option.

Over half of the participants selected the “Take It Now” option as a way to make the health premium costs more affordable. Participants were aware of the possible drawback of this option (repayment), but saw this as the most advantageous for their personal financial situation. Some participants saw this option as a way of coping with insufficient income—the reduced health premium payment would give them greater flexibility with monthly expenses.

“I would probably take it now. It would seem like helping the monthly bills would be more advantageous than getting a refund.” *Oklahoma 001*

“I would probably take it now because it would be a lower premium, and I like lower premiums...It is basically like you take it now and that is \$2,880 that you will receive less on your income taxes. If you take it later, that is \$2,880 that you will receive more possibly...You receive less in their income taxes and if you take it later, you will receive more because you paid full price for it [health care premiums], so you get the full refund back.”

Oklahoma 005

“...I would love to have the tax credit at the end of the year and have all that money at one time because it would be a tax savings, but just financially that [monthly premium] would be too much of a burden on someone to be able to pay that much.” *Oklahoma 005*

“Not knowing what the monthly health plan, what I’m actually going to have to pay out of pocket that just decreases my margin on what happens if my car breaks or my current favorite thing to have break is my central heat and air system. I had a little board that was replaced last month to the tune of \$650.” *Oklahoma 001*

“Whatever I can get in my pocket now would be more important to me than what I could get on my refund.” *Oklahoma 007*

“Well, you would need the tax credit probably to afford the health insurance anyways.” *Utah 002*

About half of the participants chose the “Take It Later” option.

About half of the participants preferred the “Take It Later” option for various reasons. For some, it was a matter of controlling their money—they wanted it as a way to force savings or to have a larger, lump sum refund. Some wanted to avoid the possibility of repayment. In response to our specific question about fluctuating income, only a few saw the “Take It Later” option as a way of dealing with that particular situation. At least one wanted to see how the initial year of the tax credit would work before risking the “Take It Now” option.

About half of the participants told us they would prefer the “Take it Now” option and half would “Take it Later.”

“[I would be] probably taking it later. Because then you have a chance to have it [tax credit] assessed all at once rather than bringing it out. Some people would probably want to take it every month. I would rather do it in a lump.” *Oklahoma 002*

“I would be inclined to take it later because my income fluctuates too much.” *Oklahoma 003*

“Personally I would take it later because I prefer to have a good surprise [the refund] at the end of the year...from my understanding, if you do the yearly, month to month changes might not necessitate you having to contact the appropriate authorities every time something happens, but with the month to month something happens you need to let them know asap...” *Oklahoma 006*

“I would be more inclined to take it later and see how everything pans out because really right now our government has not enacted any of the health care laws and we are not going to see a change or a difference until this year and this tax season, so I would see and go from there how these are rolling down the hills.” *Utah 001*

Chapter 4. Findings on Supplemental Products

In addition to the brochure, we developed and tested an alternate timeline and a worksheet to be used by assistors. These products were tested with participants to determine if the products offered any additional clarity about the tax credit.

The Timeline

Most participants did well with the timeline included in Section 3 of the brochure. However, because that timeline was stacked with one date under another, we developed a timeline that used the traditional linear arrangement for time (Exhibit 5). A few participants preferred this option and no participant had difficulty understanding it.

The alternate timeline is not customizable, so it can be used by consumer assistors “as is.” However, it is insufficient to explain the Premium Tax Credit on its own.

EXHIBIT 5. ALTERNATE TIMELINE

New Health Premium Tax Credit for Lower- and Middle Income Families

Take it Now or Take it Later: Your Tax Credit is the Same



Last updated: 5/15/2013

The Worksheet

We also developed a worksheet that assistors could use with an individual to show the basic calculation of his or her specific amount of the tax credit (Exhibit 6). In our study, the moderator assumed the role of the assistor to “walk” the participant through the worksheet, customized for a hypothetical family of four with an income of \$50,000.

The worksheet included new information about the tax credit (compared to the brochure), specifically:

- how the amount of tax credit is tied to family size, income and the second lowest cost Silver plan; and
- how the tax credit amount is fixed, but can be applied to a variety of plans with the consumer paying the difference.

The worksheet showed how the tax credit—taken now and taken later—would work for up to three plans. A second page included a table that showed the expected premium contribution (as a percentage) based on family size and income.

EXHIBIT 6. WORKSHEET

How Much Tax Credit Do I Get?

		Example	Your Family
A. Cost of an Efficient Plan for this Family			
Second Lowest Cost Silver Plan		Silver Lo Plan	
Yearly Cost of this Plan		\$8,400	
B. Expected Family Contribution			
Family Size		2	
Yearly Income		\$48,000	
Expected Family Contribution	as a percentage from Income Table	9.5%	
	in dollars	\$4,560	
C. Tax Credit Amount			
Yearly Tax Credit (A – B = C)		\$3,840	
Monthly Tax Credit		\$320	

Whether you take the tax credit now or later, you pay the same amount for your health plan by the time you file your taxes.

How Does the Tax Credit Affect My Premium?

If You Take It Now		Plan 1	Plan 2	Plan 3
Monthly Health Plan Cost		\$ 700		
Minus Monthly Tax Credit <i>This amount is the same for any plan you choose</i>		– \$ 320		
Your Monthly Payment		\$ 380		
Yearly Cost of Coverage <i>Monthly Payment x 12</i>		\$ 4,560		
If You Take It Later		Plan 1	Plan 2	Plan 3
Monthly Health Plan Cost		\$ 700		
Full Cost of Yearly Coverage <i>Monthly Cost x 12</i>		\$ 8,400		
Minus Yearly Tax Credit <i>This amount is the same for any plan you choose</i>		– \$ 3,840		
Yearly Cost of Coverage		\$ 4,560		

Ready to enroll? Call or visit your state's Health Insurance Marketplace.

The worksheet reinforces the “Take It Now” or “Take It Later” choice.

Nearly all participants were able to follow the moderator’s verbal explanation and worksheet illustration. More importantly, they were able to compare the differences when the tax credit was applied to plans with varying premiums. Where the brochure had provided a general sense of the tax credit, participants were very eager to know exactly how much the tax credit would be for their family and what their final premium payment would look like.

With the worksheet, participants could get a concrete idea of the amount of tax credit they would receive, how the tax credit would be applied against a choice of three specific plans and the difference between the “Take It Now” and “Take It Later” options. For example, many participants were surprised by how much the tax credit lowered the monthly premium payment. As a result, a few who earlier in the interview had preferred the “Take It Later” option, now wanted to choose the “Take It Now” option.

“I think we would probably take it now. I changed my position. I was leaning this way at first [take it later] and now I’m leaning this way [take it now] because it is hard to pay the bills already and it is a bit better to pay \$163 than it is \$900 every month. If the cost is really no different, then it seems a no-brainer to me.” *Utah 007*

Perhaps, even more importantly, participants had a clearer sense that—over time—the tax credit was the same whichever option they chose. They also saw that their costs would change depending upon the plan they chose, but not the tax credit.

“I would probably change my mind...I guess in black and white, it’s the same amount of money either way....” *Oklahoma 004*

“You still pay the same amount, but you don’t pay the same amount at the same time. The tax credit, you would pay less monthly but at the end of the year, it would come out to the same.” *Oklahoma 005*

“Even though my family size is the same and my income is the same, my monthly [premium] may not be the same because Plan Five may be totally different from Plans One, Two, or Three.” *Oklahoma 003*

“Overall, I pay the same amount. I either get the money credited back to me—what I would have paid if I do the take it later. If I take it now, I still get the same amount.” *Utah 004*

When asked about adding a new family member and the impact on their tax credit, nearly all were able to correctly respond that the tax credit would go up. All participants were able to use the table on the back of the worksheet to look up the expected family contribution (as a percentage) based on family size and income.

***Participants
were very eager
to know exactly
how much the
tax credit would
be and what
their final
premium
payment would
look like.***

“I understand how this works now I think. The table is perfect. I love the table. That’s easy cheesy. I can go —“Oh, that’s me right there, I pay 4%.”
Oklahoma 007

“Depending on household size and your monthly income is how they can compute how much your credit is. It’s your choice to take what money they give you in the credit to choose what your plan is, what you want.”
Oklahoma 008

Response of Enrollment Counselors and Tax Preparers

During the formative design stage, we conducted six interviews with experts in the fields of consumer tax assistance and health plan enrollment to inform the development of the tax credit brochure.¹⁷

- **Consumer Tax Counselors.** From these interviews, we wanted to learn the difficulties individuals have understanding tax concepts as well their suggestions for the best way to frame the Premium Tax Credit information for taxpayers.
- **Health Enrollment Counselors.** From these interviews, we wanted to learn the types of issues consumers may have with the advanced health care tax credit and hear their recommendations for explaining the concept to consumers.

During the usability testing phase, we sent these stakeholders an early draft of the brochure, timeline and worksheet, asking for their comments and if they would use these products with their clients. We also sent them a set of draft instructions describing how to customize and print the brochure.¹⁸

Brochure

On a scale of 1–5 with “1” being very confusing and “5” being very clear, all of our stakeholders rated the brochure a “4.” Overall, they responded positively to the brochure and all said they would use it with their clients.

Elements they liked included:

- Good use of white space
- Colors
- Concrete steps
- Personal stories

Experts in the fields of consumer tax assistance and health plan enrollment said they would use the brochure with their clients.

¹⁷ Three of the experts are independent accountants and tax preparers. The three health enrollment counselors hold various positions at Health Care for All (Massachusetts).

¹⁸ These instructions are on the brochure website: consumersunion.org/tax_credit_brochure.

Elements they did not like included:

- Too much information
- Too many words
- Terms and phrasing could be simpler

Our testing showed that the brochure achieved a useful balance of information and we opted not to reduce the basic information in the brochure. Following up on their suggestions, we continued to edit the brochure to reduce the text and simplify phrasing whenever we could.

Timeline

Stakeholders liked the visual nature of the timeline and felt it would be a good, basic piece of information to hand out to consumers.

Worksheet

Stakeholders saw the value of the worksheet but indicated that they would like a set of instructions in order to use it effectively. These instructions will be posted on consumersunion.org/tax_credit_brochure along with the other materials.

Chapter 5. Conclusions and Recommendations

Not one of our participants had previously heard of the Health Premium Tax Credit. In addition, participants had little information about the Health Insurance Marketplace as a concept or as a reality. They had some awareness of the ACA with much of it based on hearsay and colored by political views. But even those who were somewhat hostile to ACA found the information in the Premium Tax Credit brochure helpful. By providing a minimal explanation of the Health Insurance Marketplace and indicating the source for the information, the brochure successfully helped participants understand the basic issues around the Premium Tax Credit.

Our testing demonstrated participants understood the Ten Critical Tax Credit Facts for Consumers, a key goal for the brochure.

The brochure successfully helped participants understand the basic issues around the Premium Tax Credit.

Ten Critical Tax Credit Facts for Consumers

1. This is a tax credit program.
2. It will help you afford health insurance.
3. To participate, you must meet certain requirements. However, both lower and middle-income families can qualify.
4. You can use your tax credit only with insurance purchased from your state's new Health Insurance Marketplace.
5. You can take the tax credit in one of two ways with different benefits:
 - In advance, the tax credit lowers your monthly payments.
 - If not taken in advance, the tax credit lowers the amount of taxes owed or increases your refund at the end of the year.
6. Tax credit does not begin until 2014, but you can apply starting in October 2013.
7. If your income or family size changes, the amount of the final tax credit may change.
8. To ensure that any advance tax credit amounts are correct, you must immediately report income and family size changes to the Marketplace.
9. If you take the tax credit in advance and do not report changes, you may have to pay back overpayments.
10. You can get more information by contacting your state's Health Insurance Marketplace.

Participants could correctly determine that they were likely to qualify and told us they would act on the information, most commonly by calling the Health Insurance Marketplace or visiting its website.

In addition, the worksheet, customized to their circumstances, provided additional information about the Premium Tax Credit and made it concrete for them. The worksheet also reinforced the notion that once taxes are filed, the tax credit is the same whether you take the credit in advance or at tax time.

Some of our participants assumed that our testing was connected to ACA or “Obamacare.” As they moved through the booklet, the focus moved quickly away from the pre-conceived notions of “Obamacare” to the facts at hand. Although some remained resistant to the idea of the ACA, many people saw the Premium Tax Credit as a good thing and said they would apply. Most were surprised that the tax credit included an option that could help them lower the premium each month.

All of the documents we developed and tested were paper documents. However, many participants said that they would go to the web to find additional information. The worksheet was of particular interest to them as a tool they could use on their own on the Health Insurance Marketplace website.

Recommendations

Our recommendations are primarily derived from the experience of interacting with consumers in two states that will be using the federally-facilitated Health Insurance Marketplace. Participants insights, opinions and understanding of the Premium Tax Credit are of value to Marketplaces and assistors (such as brokers and navigators), as well as state Departments of Insurance.

Our first three recommendations are primarily for the state and federal Health Insurance Marketplaces.

1. **Identify yourself as a government source.** Participants wanted to know the source of the information. They seemed to trust government more than private entities, even if they felt it was burdensome to deal with a government agency.
2. **Incorporate the key take-away points into navigator and broker training.** Our interactions with consumers were small, but telling. Consumers’ pre-conceived notions, points of confusion and understanding of the Premium Tax Credit are likely to be repeated for assistors and others who interact directly with the consumers. Promoting the program as a middle-class program, using graphical timelines to augment verbal discussion, and other study findings to increase the value of these consumer interactions. Emphasizing an inclusive approach to consumer interactions, (*i.e.*, assume that consumers *will* qualify) will help ensure a positive consumer experience.

*Participants
were surprised
that the tax
credit included
an option that
could help them
lower the
premium each
month.*

3. **Have a user-friendly and interactive website, featuring worksheet tools.** Participants expressed a desire to have tools, like the Tax Credit worksheet, as self-calculators. Some suggested a “chat” feature so that they could avoid calling but have the convenience of immediate assistance.

Our remaining recommendations apply broadly to all involved in conveying information about the new tax credits to consumers.

4. **Broadcast that the Premium Tax Credit is for middle-income families as well as lower-income.** Many participants were surprised by how high income could be to qualify. This fact alone often mitigated some of the hostility that some participants expressed toward health care reform.
5. **Emphasize that the Marketplace offers plans with good benefits and various premiums.** In the absence of this information, many participants assumed that few plans would be available and feared they would feature high deductibles and limited benefits.
6. **Be prepared for some confusion between Medicare and Medicaid.** In your consumer communications, don’t assume that consumers can tell the difference between Medicare and Medicaid. Add explanatory text, if space permits. However, be aware that many key ACA concepts can be conveyed despite that confusion, as this brochure illustrates.
7. **Manage expectations regarding consumer burden.** Many participants liked the advanceable option for the tax credit for affordability reasons. But they worried that applying for it will be burdensome and that income changes might require a monthly check-in—also burdensome. If it can be truthfully reported that using the advance feature is not administratively burdensome, this fact should be highlighted to ease consumers’ fears.
8. **Ensure a positive experience for consumers.** Participants want to have a positive experience when they enroll. At one level, this experience will come from friendly voices, accurate information and helpful assistance. At a deeper level, this experience will be driven fundamentally by whether the assistor who is helping is inclusive (*i.e.*, interacts with the consumer on the assumption that many consumers qualify) or exclusive (*i.e.*, interacts with the consumer on the assumption that many consumers do not qualify).
9. **Distribute the brochure widely.** The brochure was well-received by consumers. Based on our testing, the brochure explains the Premium Tax Credit in a clear and accessible way. Many thought it would be useful to have it in doctor’s offices, but also suggested alternate locations, ranging from social services centers, libraries to grocery stores and gas stations.

We recommend using the brochure widely and incorporating key lessons into training curriculums for navigators and brokers.

10. **Promote the brochure, worksheet and timeline to brokers, navigators and others.** The products from this study can help brokers, navigators and other types of assistors in their work with consumers. The worksheet, in particular, was very helpful in getting participants to understand how the tax credit was calculated and reinforced that the combination of income and family was the basis for the contribution they would need to make. The worksheet also allowed participants to compare how the two options would affect their costs across different plans. Thus the tool not only explains, but can serve as a decision tool for them.
11. **Have accurate information available by phone and online.** Participants were mixed in terms of whether they would call or go online, but they would all want additional information about how to apply and what the bottom line numbers would be for their family. Participants expressed some concerns about interactive voice systems that could require excessive time on the phone to get information. Other participants wanted to be sure that online information was accurate and up to date. They expected tools like the worksheet to be on the website, so they could derive the bottom line numbers on their own.

Appendix A: About Testing

We used two types of consumer testing in Phase 2 and Phase 3.

Phase 2 Testing. We conducted two focus groups in Towson, Maryland. We grouped the participants by level of education. Each group answered general opinion questions about health insurance. They were then shown one of the two designs for the tax credit information and led through a series of debriefing questions. They then were shown the alternate design and debriefed on that design. Each group saw a different initial design. Their feedback was used to adjust the design and rethink aspects of it.

Phase 3 Testing. Two rounds of one-on-one cognitive interviews were used to obtain nuanced feedback on the two designs. One round was in Oklahoma City, Oklahoma and the other in Salt Lake City, Utah. We incorporated feedback into the designs between rounds. These cognitive interviews were organized around an unstructured “think-aloud,” followed by a series of structured questions and comparisons of two different designs. In the final part of the interview, participants first reacted to a timeline option. Then the moderator used the worksheet to explain how the tax credit was calculated and to see the effect of the two tax credit options on three different plans. Participants then answered a series of questions about the worksheet.

In the think-aloud portion, the participant provided feedback based on what he or she noticed, but without questions on the part of the moderator. “Think alouds” allow the capture of the participants’ inner dialogue as they interact with the tax credit products for the first time. The goal is to capture participants’ reactions before they can “learn” from the testing situation and from the moderator’s questions. In the structured portion, the moderator follows up with probes to answer specific, predetermined research questions and performance tasks, such as choosing which option to use for the Premium Tax Credit and articulating the logic behind the choice.

Appendix B: Detailed Demographics for Participants

Participants were literate English speakers recruited because they appeared to be eligible for the new tax credits. They were non-elderly adults with family incomes of 100% to 400% of the federal poverty level (FPL). Most participants did not have access to employer coverage and made health insurance decisions for their household. They were recruited to be evenly divided across:

- currently insured and uninsured,
- younger/older (young adults through 65)

We aimed for a diversity of gender, family size, race, ethnicity and education, but did not specifically recruit by these characteristics. Table B-1 shows additional detail.

TABLE B-1: DETAILED DEMOGRAPHICS

Gender	Male	10
	Female	6
Marital Status	Single	5
	Married or Partnered	8
	Separated or Divorced	3
	Widowed	0
Race	Black or African American	2
	White	12
	Asian	0
	Native Hawaiian or Pacific Islander	0
	American Indian or Alaskan Native	0
Hispanic/Latino	Yes	2
	No	14
Hispanic or Latino Origin	Cuban	0
	Mexican	2
	Puerto Rican	0
	South or Central American	0
	Other	0

TABLE B-1: DETAILED DEMOGRAPHICS (CONTINUED)

Age	19–25	2
	26–30	1
	31–40	9
	41–64	4
	65 and over	0
Education	Less than high school, high school or GED	5
	Some college or a 2-year college program	6
	College graduate	2
	Post-college education	3
Household Income	Less than \$30,000	6
	\$30,000–\$39,999	1
	\$40,000–\$50,999	6
	\$60,000–\$79,999	2
	\$80,000–\$99,999	0
	Over \$100,000	1
If you were buying health insurance, how many people in your household would you put on a family plan?	1	5
	2–3	3
	4–6	8
How many people in the household all together?	1	1
	2–3	6
	4–6	11

TABLE B-1: DETAILED DEMOGRAPHICS (CONTINUED)

What is your employment status?	I operate my own business	3
	I am employed full time outside the home	6
	I am employed part time outside the home	1
	I am a full time homemaker	1
	I am currently not employed, but I am looking for work	3
	I am not employed and I am not looking for work at the present time	1
	I am a full time student	1
	I am retired	0
Do you currently have health insurance?	Yes	8
	No	8
If you answered yes, how do you get your health insurance?	Through my employer	1
	Through my spouse's employer	1
	I purchase it myself	4
	Other	2
How do you typically prepare your taxes?	I use a paid tax preparer	9
	I use tax preparation software	3
	I use a free tax preparation/assistance program	1
	I get informal help from others	0
	Other	3

Appendix C: References

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