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15 UNITED STATES DISTRICT COURT
 16 NORTHERN DISTRICT OF CALIFORNIA,
 17 SAN FRANCISCO/ OAKLAND DIVISION

18 THE STATE OF CALIFORNIA *et al.*,
 19 Plaintiffs,
 20 v.
 21 DONALD J. TRUMP, *et al.*,
 22 Defendants.

Case No: 3:17-cv-05895

23 **BRIEF OF *AMICI CURIAE***
 24 **FAMILIES USA *ET AL.* IN**
 25 **SUPPORT OF THE**
 26 **PLAINTIFFS' MOTION FOR A**
 27 **TEMPORARY RESTRAINING**
 28 **ORDER AND ORDER TO SHOW**
CAUSE WHY A PRELIMINARY
INJUNCTION SHOULD NOT
ISSUE

Hearing Date: October 23, 2017

Time: 2:00 p.m.

CORPORATE DISCLOSURE STATEMENT

1
2
3 The undersigned counsel certifies that the *amici curiae* Families USA,
4 National Health Law Program, Asian & Pacific Islander American Health Forum,
5 Asian Americans Advancing Justice – Los Angeles, California Pan-Ethnic Health
6 Network, Center for Medicare Advocacy, Colorado Consumer Health Initiative,
7 Community Catalyst, Community Health Councils, Consumers for Affordable
8 Health Care Foundation, Disability Rights California, Health Access California,
9 Justice in Aging, Legal Aid Society of Orange County, Maryland Citizens’ Health
10 Initiative Education Fund, Inc., Michigan League for Public Policy, Neighborhood
11 Legal Services of Los Angeles County, National Partnership for Women & Families,
12 North Carolina Justice Center, Northwest Health Law Advocates, South Carolina
13 Appleseed Legal Justice Center, TakeAction Minnesota, Tennessee Justice Center,
14 The Western Center on Law and Poverty, Universal Health Care Action Network of
15 Ohio, Utah Health Policy Project (UHPP), Vermont Legal Aid’s Office of the Health
16 Care Advocate, West Virginians for Affordable Health Care, and Young Invincibles
17 are not subsidiaries of any other corporation and no publicly held corporation owns
18 10% or more of any *amici curiae* organization’s stock.
19
20
21

22 /s/ Abigail K. Coursolle
23 Abigail K. Coursolle
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STATEMENT OF INTEREST¹

1
2 The *amici curiae* are Families USA, National Health Law Program (NHeLP),
3 Asian & Pacific Islander American Health Forum, Asian Americans Advancing
4 Justice – Los Angeles, California Pan-Ethnic Health Network, Center for Medicare
5 Advocacy, Colorado Consumer Health Initiative, Community Catalyst, Community
6 Health Councils, Consumers for Affordable Health Care Foundation, Disability
7 Rights California, Health Access California, Justice in Aging, Legal Aid Society of
8 Orange County, Maryland Citizens’ Health Initiative Education Fund, Inc.,
9 Michigan League for Public Policy, National Partnership for Women & Families,
10 Neighborhood Legal Services of Los Angeles County, North Carolina Justice Center,
11 Northwest Health Law Advocates, South Carolina Appleseed Legal Justice Center,
12 TakeAction Minnesota, Tennessee Justice Center, The Western Center on Law and
13 Poverty, Universal Health Care Action Network of Ohio, Utah Health Policy Project
14 (UHPP), Vermont Legal Aid’s Office of the Health Care Advocate, West Virginians
15 for Affordable Health Care, and Young Invincibles. While each *amicus* has
16 particular interests, they share the mission of ensuring that American families and
17 individuals can obtain the quality health care to which they are entitled. The *amici*
18 submit this brief pursuant to the Court’s October 19, 2017 Order Re: Briefing (ECF
19 #26).
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22
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25

26 ¹ No party’s counsel authored this brief in whole or in part. No party or party’s
27 counsel contributed money to fund preparation or submission of this brief. No
28 person, other than amici and amici’s counsel, contributed money to fund
preparation or submission of this brief.

1 *Amici* submit this brief to provide the Court with additional information
2 about the immediate, harmful, and irreparable effects on consumers of the
3 President's decision to terminate funding of cost-sharing reductions (CSRs). Such
4 funding goes directly to insurers to cover their costs to provide low- and moderate-
5 income consumers with legally required reductions to deductibles and other cost-
6 sharing for covered health services.
7

8 For the final quarter of 2017, insurers have no way to cover their losses
9 resulting from this sudden decision. For 2018, insurers can replace the terminated
10 CSR payments by increasing premiums. Decisions by state insurance regulators
11 and Marketplaces will determine whether insurers can limit 2018 premium
12 increases to specified plans or whether they must apply to the entire individual
13 market.
14

15 Regardless of which approach a state takes, its residents will suffer serious
16 harm, for several reasons. (1) Some states have established policies that, if each
17 consumer acts quickly in carefully chosen ways, could shield them from increased
18 premium costs in 2018. Those policies require a level of sophistication and rapid
19 engagement that is unrealistic for numerous affected consumers. (2) Regardless of
20 state policy, insurers will experience a collective \$1 billion financial loss resulting
21 from CSR non-payment for the final quarter of 2017. As a result, some may soon go
22 out of business or stop offering Marketplace coverage. On an irreparable and
23 ongoing basis, insurer interest in Marketplace participation will be chilled,
24 resulting in fewer plan options, higher premiums, and reduced insurance coverage
25 for consumers at all income levels. (3) The President's change in policy preceded the
26
27
28

1 start of open enrollment by less than a month. Considerable consumer confusion is
 2 certain to result, preventing many from receiving insurance. (4) For 2018 and
 3 beyond, plans will use across-the-board premium increase to cover the increased
 4 costs of serving low-income consumers who qualify for CSRs. Since payment will no
 5 longer be based on individual consumers' coverage generosity, insurers will lose
 6 money on each CSR-eligible consumer they enroll and make money on each CSR-
 7 ineligible member. They will avoid serving low-income, CSR-eligible consumers and
 8 focus their marketing on higher-income consumers who are ineligible for CSRs. (5)
 9 Many states are requiring insurers to cover CSR costs by raising premiums across a
 10 relatively broad range of individual-market plans. This will make it impossible for
 11 numerous consumers to avoid significant premium increases on their current
 12 insurance coverage. Some will be forced to shift to less comprehensive plans, and
 13 others will drop coverage altogether.
 14
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16 CSR nonpayment is the most recent and consequential step in a concerted,
 17 ongoing attempt by the Trump Administration to undermine the ACA. This
 18 troubling campaign has inflicted significant harm on consumers while flagrantly
 19 violating the President's legal duty to faithfully execute the Law.
 20

21 ARGUMENT

22 **II. In every state, consumers will experience serious and irreparable harm from**
 23 **CSR non-payment**

24 **A. Even optimal state policies for 2018 will fail to help many consumers,**
 25 **resulting in significantly higher premiums that cause losses of health**
 26 **insurance.**

27 Even though the federal government is no longer paying CSR reductions,
 28 insurers are still required to provide more generous coverage to eligible, low-income

1 consumers. To cover the resulting costs in 2018, they have no choice but to raise
2 premiums. Several states have developed procedures to insulate their residents
3 from the effects of the President's decision to terminate CSR payments for 2018.
4 Unfortunately, to ensure that consumers obtain insulation for premium hikes, these
5 procedures require a level of sophistication and engagement that is unrealistic for
6 many people. Inevitably, numerous consumers will fail to take effective action and
7 experience sharp, surprising premium increases, followed by coverage losses.
8

9 California's policy exemplifies the best of what states can do. In 2018,
10 carriers will replace CSR payments by raising premiums on silver-level plans sold
11 both within and outside of the Covered California Marketplace. Because of state
12 laws requiring the same premiums to be charged for the identical coverage offered
13 on and off the Marketplace, insurers will create a new kind of silver-plan outside
14 the Marketplace that is slightly different from existing plans. To avoid major
15 premium increases in 2018, silver-plan members with incomes too high for premium
16 tax credits must enroll *during the upcoming open enrollment period* (Nov. 1, 2017 –
17 Jan. 31, 2018) in one of the new silver-plans now offered outside of the Marketplace.
18 Covered California is implementing a coordinated communications campaign, with
19 mailings and follow-up calls, to educate consumers about the steps they must take
20 to avoid substantially higher premium bills when their silver-level plans begin the
21 new coverage year in January 2018. Those who do not take such steps will
22 experience unexpectedly high charges for continuing their past insurance,
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1 frequently leaving them no choice but to drop coverage.² This relationship between
2 higher premiums and reduced coverage was evident even before recent decision to
3 end CSR payments, as rising premiums led to a 22% drop in unsubsidized
4 individual-market enrollment during the first half of 2017.³

5 For many affected consumers, it is not realistic to expect them to learn about
6 their options and make the appropriate change of plan within the brief window
7 allowed by the enrollment period for 2018 coverage. Considerable behavioral
8 economics research shows that adding even minor steps to enrollment procedures
9 can greatly reduce participation levels. The classic study involves 401(k)
10 retirement-savings accounts. When firms ask new employees to complete a simple
11 form to establish such accounts, only 33% do so within six months. In companies
12 where accounts are established unless new employees complete forms opting out,
13 90% join within six months.⁴

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19 ² Different complications will obstruct enrollment in some of the other states that,
20 like California, leave room for unsubsidized consumers to maintain silver-level
21 coverage by moving to non-Marketplace plans exempt from higher premiums. For
22 example, the Washington State Marketplace has continued the open enrollment
23 period for Marketplace plans one month beyond the December 15 end-date that
24 applies to non-Marketplace coverage. As a result, consumers who delay their
25 Marketplace renewals until the final month of open enrollment will find themselves
26 unable to switch from silver-level Marketplace plans to non-Marketplace options.
27 This is likely to affect numerous unsubsidized consumers, since many people delay
28 enrollment decisions until the final days of open enrollment. Many consumers will
be forced to drop coverage, rather than pay significantly higher premiums.

³ Kurt Giesa, *Rising Premiums Hinder ACA Enrollment*, OLIVER WYMAN HEALTH
BLOG (Oct. 19, 2017), http://health.oliverwyman.com/transform-care/2017/10/rising_premiums_hind.html.

⁴ David Laibson, *Impatience and Savings*, NAT'L BUR. ECON. RES. REP. (2005),
<http://www.nber.org/reporter/fall05/laibson.html>.

1 Louisiana provides a similar example involving health coverage. From 2010
2 through 2012, the State implemented a federal option to qualify children for
3 Medicaid based on their families' participation in the Supplemental Nutrition
4 Assistance Program (SNAP), which serves poor and near-poor households. At first,
5 the State sent Medicaid cards to the families of each qualifying child, activating the
6 card upon use. Louisiana then changed enrollment procedures and required families
7 to check a simple, clear, prominently displayed box on the SNAP application form.
8 Adding that apparently minor procedural requirement caused the average number
9 of children enrolled through monthly SNAP applications to drop by 62%.⁵

11 Even with middle-income consumers enrolled in employer-sponsored
12 insurance, many remain in the same health plan year after year, ignoring new
13 options that reduce their health care costs. A study of one firm found average
14 financial losses of \$1,570 for each individual remaining in their previous plan,
15 despite the availability of new plans offering more favorable coverage.⁶ Medicare
16 Part D shows similar patterns of beneficiaries remaining in the same plan, despite
17 changed circumstances that make other alternatives much less costly.⁷

18 Intensive communications efforts, like those planned by Covered California,
19 have not prevented significant coverage losses, as illustrated by retirement savings
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23 ⁵ Stan Dorn *et al.*, *CHIPRA Express Lane Eligibility Evaluation: Case Study of*
24 *Louisiana's Express Lane Eligibility Final Report*, URBAN INST. (Jan. 2012).

25 ⁶ Benjamin R. Handel, *Adverse Selection and Inertia in Health Insurance Markets:*
26 *When Nudging Hurts*, 103 AM. ECON. REV. 2643-82. (2013).

27 ⁷ *E.g.*, Kate Ho *et al.*, *The Impact of Consumer Inattention on Insurer Pricing in the*
28 *Medicare Part D Program* (Nat'l Bureau of Econ. Research, Working Paper No.
21028, 2015) (Revised in March 2017); Keith Ericson, *Consumer Inertia and Firm*
Pricing in the Medicare Part D Prescription Drug Insurance Exchange (Nat'l
Bureau of Econ. Research, Working Paper No. 18359, 2012).

1 research. One study of companies that offered employer matches to workers' 401(k)
2 contributions found that, at the median company, 31% of workers over 59½ years of
3 age failed to claim employer matching payments that were essentially free. Because
4 of their age, these workers could immediately withdraw their employee
5 contributions, without penalty. On average, they left unclaimed an amount equal to
6 2% of annual income. An intensive educational intervention increased participation
7 rates by just one-tenth of one percentage point.⁸

9 With health coverage, several states expanding Medicaid under the ACA
10 automatically qualified consumers based on their receipt of SNAP. Oregon and
11 Illinois mailed information to all residents who received SNAP but not Medicaid,
12 explaining that they could obtain Medicaid by calling a toll-free number, going on
13 line, or mailing in a simple form to request coverage. Just 27% and 33% responded
14 in Oregon and Illinois, respectively. Arkansas and West Virginia achieved slightly
15 higher participation rates of 41% and 46%, respectively, by supplementing their
16 mailings with follow-up phone calls. A second round of follow-up calls in the latter
17 state raised participation to 60% – leaving fully 40% of targeted consumers
18 uninsured, despite repeated and targeted outreach efforts.⁹

21 In a final example, researchers examined the impact of intensive information
22 interventions on enrollees in the Colorado Marketplace who could have saved
23 money at renewal by changing plans, with average savings exceeding \$700. An
24

25 ⁸ James Choi *et al.*, *\$100 Bills on the Sidewalk: Suboptimal Investment in 401(K)*
26 *Plans* (Nat'l Bureau of Econ. Research, Working Paper No. 11554, 2005).

27 ⁹ Fredric Blavin *et al.*, *Using Behavioral Economics to Inform the Integration of*
28 *Human Services and Health Programs under the Affordable Care Act*, URBAN INST.
(2014).

1 experimental intervention that sent consumers two letters and two emails
2 describing potential savings from changing plans, including a personalized savings
3 estimate tailored to each individual consumer, did not have a statistically
4 significant impact on consumers' decisions.¹⁰

5 States like California have designed exemplary procedures to help
6 consumers retain coverage at current levels of affordability and comprehensiveness.
7 To benefit from these procedures, however, consumers must quickly understand
8 their complicated situation and take a precisely calibrated series of steps to retain
9 affordable coverage. Long experience teaches that, despite the best efforts of state
10 policymakers, many consumers will be unable to make the necessary coverage
11 changes in time. As a result, they will be charged much higher premiums, and
12 many will have no choice but to drop coverage.
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15 **B. Insurers' losses for 2017 will create serious, long-term consumer harm.**

16 In California and many other states, insurers will be able to cover their 2018
17 CSR-payment losses by raising premiums. That step will not shield insurers from
18 losses resulting from CSR non-payment for 2017 coverage. The resulting harm will
19 be experienced by consumers in every state, including both those eligible and those
20 ineligible for CSRs and premium tax credits.
21

22 Consumers have already experienced serious harm due to similar payment
23 shortfalls in the past. Due to a 2015 appropriations rider, the U.S. Department of
24 Health and Human Services (HHS) was unable to make promised risk-corridor
25

26
27 ¹⁰ The intervention increased Marketplace shopping, without changing coverage
28 decisions. Keith Ericson *et al.*, *Nudging Leads Consumers In Colorado To Shop But Not Switch ACA Marketplace Plans*, 36 HEALTH AFFAIRS 311,-19 (2017).

1 payments to health plans in the individual market. The resulting unexpected losses
2 in an industry where companies often have narrow margins contributed to many
3 new and small health insurers going out of business. Those that remained increased
4 premiums.¹¹

5 Premium increases also resulted when fewer insurers participated in health
6 insurance marketplaces. One study found that, in the average rating area
7 nationally, the benchmark premium charged by the second-lowest cost silver plan
8 would have been 5.4% lower if a particular, large commercial carrier had offered
9 coverage and 11.1% lower if all carriers that previously participated in the
10 individual market had offered Marketplace plans.¹²

11 Similar harm will recur as plans experience serious financial setbacks due to
12 CSR non-payment for the final quarter of 2017. The National Association of
13 Insurance Commissioners estimates the resulting plan losses at \$1 billion.¹³ Some
14 insurers will take advantage of federal contractual language allowing them to
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21 ¹¹ See, e.g., Shelby Livingston, *The State of the ACA's Risk Corridors*, MODERN
22 HEALTHCARE, Dec. 5, 2016; David Smith, *Charlie Brown, Lucy, and Risk Corridor*
23 *Payments*, LEAVITT PARTNERS BLOG (Feb. 17, 2017),
24 <https://leavittpartners.com/2017/02/charlie-brown-lucy-and-risk-corridor-payments>;
25 Thom Hartmann, *How Republicans Quietly Sabotaged Obamacare Long Before*
26 *Trump Came into Office*, SALON (Mar. 22, 2017),
27 [https://www.salon.com/2017/03/22/how-republicans-quietly-sabotaged-obamacare-](https://www.salon.com/2017/03/22/how-republicans-quietly-sabotaged-obamacare-long-before-trump-came-into-office_partner)
28 [long-before-trump-came-into-office_partner](https://www.salon.com/2017/03/22/how-republicans-quietly-sabotaged-obamacare-long-before-trump-came-into-office_partner).

¹² Leemore Dafny *et al.*, *More Insurers Lower Premiums: Evidence from Initial Pricing in the Health Insurance Marketplaces*, 1 AM. J. HEALTH ECON. 53-81 (2015).

¹³ Mike Consedine, *Statement from NAIC CEO Mike Consedine, CSR Funding Ceased, NAIC Response*, NAT'L ASS. INS. COMM'RS (Oct. 2017),
http://www.naic.org/newsroom_statement_171013_csr_funding.htm.

1 terminate their Marketplace participation, ending their members' eligibility for
2 premium tax credits and causing many to become uninsured.¹⁴

3 Before the Administration's recent announcement, the mere threat of CSR
4 non-payment caused many insurers to withdraw from the Marketplace. Even more
5 will stop offering Marketplace coverage now that CSR non-payment has changed
6 from a threat to official policy.¹⁵

7
8 If the federal government refuses to make promised payments for a second
9 time, following its prior failure to furnish full risk-corridor payments, the results
10 will again include fewer health plan choices. Consumers will be forced to change
11 plans and experience disruptions in care, premiums will rise, and more consumers
12 will lose health coverage.

13
14 **C. Financing CSRs for low-income consumers by raising premiums on consumers**
15 **at all income levels will lead insurers to avoid serving low-income consumers.**

16 Under the Administration's policy, the cost of increasing the generosity of
17 individual-market coverage for the lowest-income enrollees will no longer be covered
18 by CSR payments that vary based on the generosity of coverage. Instead, consumers
19 both with and without CSRs will be charged a premium increase that is identical
20 across all income levels. Put differently, insurers will receive the same total
21 compensation for members with more generous coverage (hence higher covered
22

23
24 ¹⁴ Timothy Jost, *Administration's Ending Of Cost-Sharing Reduction Payments*
25 *Likely To Roil Individual Markets*, HEALTH AFFAIRS BLOG (Oct. 13, 2017),
<http://healthaffairs.org/blog/2017/10/13/administrations-ending-of-cost-sharing-reduction-payments-likely-to-roil-individual-markets>.

26 ¹⁵ Louise Norris, *10 Reasons Cost-Sharing Reductions are YUGE News*,
27 HEALTHINSURANCE.ORG BLOG (Oct. 13, 2017),
<https://www.healthinsurance.org/obamacare/10-reasons-cost-sharing-reductions-are-yuge-news>.
28

1 claims) and less generous coverage (hence lower covered claims). Plans will be
2 underpaid for each CSR-eligible, low-income consumer and overpaid for each
3 enrollee with incomes too high for CSRs. Carriers will have a powerful incentive to
4 avoid serving low-income consumers and instead increase their margins by
5 marketing exclusively to higher-income people.
6

7 The ACA was carefully designed to minimize these insurer incentives to
8 compete based on avoiding unprofitable members. Risk-adjustment payments
9 accordingly raise or lower each insurer's revenue based on the risk profile of its
10 individual-market members. Nevertheless, imperfections in HHS's risk-adjustment
11 methodology leave room for insurers to increase profits by avoiding consumers with
12 certain risk profiles, some of which are signaled by the use of particular prescription
13 drugs. To deter such consumers' enrollment, Marketplace plans have deliberately
14 limited the generosity of their coverage of drugs in those specific categories.¹⁶
15

16 In Medicare, health plans similarly exploited weaknesses in early risk-
17 adjustment systems by structuring advertising campaigns to attract relatively
18 healthy seniors. For example, they used active seniors in television advertising,
19 touted their coverage of health plan memberships, used small typeface in written
20 advertising, and conducted in-person marketing at events that were accessible only
21 to seniors who were physically active.¹⁷
22
23
24

25 ¹⁶ Michael Geruso *et al.*, *Screening in Contract Design*, SSRN (Oct. 10, 2017),
26 <https://ssrn.com/abstract=2867542>.

27 ¹⁷ *E.g.*, Ateev Mehrotra *et al.*, *The Relationship Between Health Plan Advertising*
28 *And Market Incentives*, 25 HEALTH AFFAIRS 759-65 (2006); Patricia Neuman *et al.*,
Marketing HMOs to Medicare Beneficiaries, 17 HEALTH AFFAIRS 132,-39 (1998).

1 If CSR payments tailored to the increased generosity of low-income coverage
2 are replaced by premium increases that apply equally to those with more and less
3 generous coverage, there is no doubt that insurers will expend similar energy to
4 limit their enrollment to higher-income members as much as possible. To illustrate
5 carriers' available strategies, they could use advertising language that cannot be
6 understood without a high literacy level, stop all advertisements on media outlets
7 that target non-English speakers and communities of color, limit in-person
8 marketing to events sited outside low-income communities, etc. As a result, the
9 consumers most in need of assistance will be least able to access health coverage.
10

11 **D. Consumer confusion will cause many to become uninsured.**

12 Even before the Administration announced its decision to stop funding CSRs,
13 many consumers who rely on Marketplace coverage were confused and worried
14 about their options for 2018. A survey fielded by the Kaiser Family Foundation from
15 September 13 through October 10, 2017, illustrates both the confusion and anxiety
16 reported by Marketplace enrollees, purchasers of individual insurance outside the
17 Marketplace, and the uninsured who qualify for Marketplace coverage.¹⁸
18

19 Despite the imminent start of open enrollment for all individual coverage on
20 November 1, only one-third of those in the individual market and 15% of the
21 uninsured knew when open enrollment was scheduled to begin. Even more—80% of
22 individual-market enrollees and 95% of the uninsured—were unaware of the
23
24

25 ¹⁸ Ashley Kirzinger *et al.*, *Kaiser Health Tracking Poll – October 2017: Experiences*
26 *of the Non-Group Marketplace Enrollees*, KAISER FAMILY FOUND. (Oct. 18, 2017),
27 [https://www.kff.org/health-reform/poll-finding/kaiser-health-tracking-poll-october-](https://www.kff.org/health-reform/poll-finding/kaiser-health-tracking-poll-october-2017-experiences-of-the-non-group-Marketplace-enrollees)
28 [2017-experiences-of-the-non-group-Marketplace-enrollees.](https://www.kff.org/health-reform/poll-finding/kaiser-health-tracking-poll-october-2017-experiences-of-the-non-group-Marketplace-enrollees)

1 critically important December 15 end date for open enrollment, after which most
2 people will be unable to sign-up for insurance or change plans.

3 Financial anxieties were widespread. Six in ten Marketplace enrollees were
4 “very” or “somewhat” worried that deductibles and co-payments would increase so
5 much that the enrollees could no longer afford essential health care. Almost as
6 many (55%) were “very” or “somewhat” worried that premiums would rise so much
7 that consumers could no longer afford continued coverage through the same plan.
8 More than a third of Marketplace enrollees – fully 36% – reported being “very” or
9 “somewhat” worried that their current insurer would stop offering coverage and
10 that there would be no plans left in the consumer’s area of residence.
11

12
13 More than half of Marketplace consumers (52%) believed that the Trump
14 Administration’s actions to date were hurting the Marketplace, and less than one in
15 four (24%) were “very” or “somewhat” confident that President Trump and Congress
16 could work together to make improvements.
17

18 All these doubts were layered on top of a system that many consumers
19 already found hard to understand. Just before the start of the first open enrollment
20 period in 2013, many in the income range qualifying for premium tax credits
21 reported not understanding such basic health insurance terms as “deductible” and
22 “copayment.” Among whites in this income range, slightly more than half (50.4%)
23 failed to understand one or more terms. For people of color, more than 80% reported
24
25
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28

1 such lack of understanding.¹⁹ It is thus not surprising that by June 2014, nearly
2 half (48.7%) of insured consumers with incomes low enough to qualify for premium
3 tax credits who had limited literacy or numeracy skills reported difficulty finding
4 essential information about factors needed to support enrollment into health
5 coverage.²⁰

6
7 Both confusion and worry are likely to deepen, if CSRs are cut, leading to a
8 complex situation that many will find hard to understand. Consumer confusion is
9 further worsened by the remarkably precise timing of the Administration's decision
10 that all of its previous CSR payments since January 2017 were illegal and that it
11 must immediately stop further payments. Announced just weeks before the start of
12 open enrollment, this policy change is already "sowing widespread confusion among
13 consumers, according to leaders of insurance exchanges and enrollment-assistance
14 organizations around the country...[T]hey predict this latest move is almost certain
15 to suppress the number of Americans insured under the law... "The timing couldn't
16 be worse, said [the chief executive officer of the Minnesota Marketplace]." ²¹

17
18
19 This decision was announced just weeks after insurers in most of the country
20 settled on their final rates for 2018. As a result, many plans need to change their
21 publicly announced premiums, which will force consumers to rethink their coverage
22

23
24 ¹⁹ Sharon Long & Dana Goin, *Large Racial and Ethnic Differences in Health*
25 *Insurance Literacy Signal Need for Targeted Education and Outreach*, URBAN INST.
(Feb. 6, 2014).

26 ²⁰ Sharon Long *et al.*, *Low Levels of Self-Reported Literacy and Numeracy Create*
27 *Barriers to Obtaining and Using Health Insurance Coverage*, URBAN INST. (Oct.
28 2014).

²¹ Amy Goldstein, *Timing of White House Actions Unrolling Parts of ACA 'Couldn't Be Worse,' States Say*, WASH. POST, Oct. 14, 2017.

1 choices. Already confused and anxious consumers must now learn about the end of
2 CSR payments, understand the implications for their own health insurance, and
3 decide how to respond—just weeks before the start of a short open enrollment.

4 Considerable research shows that such confusion and cognitive overload can
5 paralyze decision-making and prevent participation. A classic study involves the
6 purchase of exotic jams at an upscale supermarket. When free samples of six
7 products were offered, 30% of consumers trying the jams made a purchase. When 26
8 different products were offered, only 3% bought jam.²² Research involving
9 retirement savings likewise found, after controlling for other factors, that each
10 additional 10 mutual fund options were associated with an approximate 1.5 to 2%
11 drop in participation rates.²³

14 In terms of health coverage, one study of low-income Medicare beneficiaries
15 eligible for subsidized Part D drug coverage found that those with fewer cognitive or
16 numerical skills were significantly less likely to apply for subsidies or to enroll in
17 any Part D coverage.²⁴ And California researchers found that in counties where
18 Medi-Cal beneficiaries must choose between two or more health plans, 20.8%
19 remained unenrolled and uninsured one month after qualifying for the program. By
20 contrast, in counties where no choice of plan was required, just 4.8% were not
21 enrolled after a month. Fully 10 months after qualifying for coverage, 5.8% of
22
23

24
25 ²² Sheena Iyengar & Mark Lepper, *When Choice is Demotivating: Can One Desire*
Too Much of a Good Thing?, 79 J. PERSONALITY & SOC. PSYCHOL. 995-1006 (2000).

26 ²³ Sheena Iyengar *et al.*, *How Much Choice is Too Much? Contributions to 401(k)*
retirement plans (Wharton School, Pension Research Council Working Paper, 2004).

27 ²⁴ Ifedayo Kuye *et al.*, *Cognition and Take-Up of Subsidized Drug Benefits by*
28 *Medicare Beneficiaries*, 173 J. AM. MED. ASS. INTERNAL MED. 1100-07 (2013).

1 qualifying consumers were uninsured in counties where plan choice was required,
2 compared to 0.4% in counties without plan choices.²⁵ Cognitive challenges and
3 confusion depress enrollment—a result certain to follow on the heels of the
4 Administration’s last-minute change in CSR-payment policy.

5 **II. In the states that are not attempting to protect all of their residents, consumers**
6 **will experience additional harm**

7 An analysis released on October 13, 2017, found that 13 states were
8 implementing policies like California’s, with insurers compensating for 2018’s
9 missing CSR payments by raising silver premiums for Marketplace plans and
10 leaving silver options outside the Marketplace exempt from higher premiums.
11 However, in 22 states insurers were increasing 2018 silver premiums, without any
12 limitation to Marketplace plans; in five states insurers were increasing 2018
13 premiums across the board, at all metal levels, throughout the individual market;
14 four states were not yet letting carriers recoup 2018 CSR losses by increasing
15 premiums at all; and six used a combination of approaches.²⁶ In almost all of these
16 scenarios, many consumers who retain their current coverage in 2018 will be unable
17 to escape significant premium increases.
18
19
20

21 Once the Court obtains updated and verified information from the
22 defendants, it will become clear how many states are not providing silver options
23

24 ²⁵ Christopher Millett *et al.*, *Unhealthy Competition: Consequences of Health Plan*
25 *Choice in California Medicaid*, 100 AM. J. PUB. HEALTH 2235,-40 (2010).

26 ²⁶ David Anderson, *State Choices for CSR Ramifications*, BALLOON JUICE BLOG (Oct.
27 13, 2017), [https://www.balloon-juice.com/2017/10/13/state-choices-for-csr-](https://www.balloon-juice.com/2017/10/13/state-choices-for-csr-ramifications/)
28 [ramifications/](https://docs.google.com/spreadsheets/d/1W2EQhCXowRDDuqJhy6PUJtIGHjoND9f_K7oALyDAbLg/edit?usp=sharing) (data shown at
[https://docs.google.com/spreadsheets/d/1W2EQhCXowRDDuqJhy6PUJtIGHjoND9f_](https://docs.google.com/spreadsheets/d/1W2EQhCXowRDDuqJhy6PUJtIGHjoND9f_K7oALyDAbLg/edit?usp=sharing)
[K7oALyDAbLg/edit?usp=sharing](https://docs.google.com/spreadsheets/d/1W2EQhCXowRDDuqJhy6PUJtIGHjoND9f_K7oALyDAbLg/edit?usp=sharing)).

1 outside the Marketplace that avoid premium increases. In states where insurers
2 recoup CSR-payment losses by increasing premiums on all individual-market plans,
3 those who buy individual coverage without premium tax credits will be charged
4 more for the same level of coverage they purchased in the past, regardless of metal
5 level. Some will experience financial hardship, and many will become uninsured.
6

7 In states where insurers impose premium increases on all silver plans, those
8 who previously paid full price for silver coverage will be charged more if they stay at
9 the same level, even if they move off Marketplace. To keep premiums at prior levels,
10 they must enroll in lower value coverage, with higher deductibles. The combination
11 of complexity involved in shifting between plans and the inability to retain coverage
12 of comparable value for the same price is likely to result in many consumers
13 becoming uninsured, given the behavioral economics research described earlier.
14

15 **III. Individual consumer experiences illustrate the damage caused by CSR** 16 **nonpayment**

17 For more than 20 years, *Amicus Families USA* has provided individual
18 consumers with forums for sharing their health coverage experiences with a broader
19 audience.²⁷ Immediately after the President's announcement ending CSR payments,
20 Lynn from Illinois expressed concerns about what that would mean for her family:
21

22 Last year we found a policy for a little over \$300 a month with subsidies. It is
23 costly, but it fits all of our needs, especially since we have pre-existing
24 conditions and take several expensive medications. We could finally see our
25 doctors, take care of our medical needs, and get healthy. And now....with a
26 stroke of a pen....we are going to lose it thanks to Trump. My husband and I
27 have pre-existing conditions and without the subsidies, the premiums will be
28 too high and we won't be able to afford insurance. Our premiums would be

27 ²⁷ *Share Your Story*, FAMILIES USA, <http://familiesusa.org/share-your-story> (last visited Oct. 20, 2017; 10:33AM).

1 over \$2,000 a month. The medications we need are necessary to LIVE...but I
2 don't know how we will afford them. My heart hurts this morning.

3 A few days later, Jo from Oregon expressed similar worries:

4 My partner and I are organic farmers. Once ACA passed we were able to have
5 actual health care coverage that we could actually use and afford. Partially
6 because of these advances and feeling secure in our future, we decided to
7 have a baby. Our son was born in February of 2016 and has been covered...
8 from day one. Since his birth our premiums have gone up significantly even
9 with the assistance we receive through ACA provided federal subsidies. Now
10 everything is up in the air and unknown and far from secure or stable. We
11 currently do not know how any of us will be covered in 2018 or what the cost
12 will be. The flip-flopping and inconsistent policies being promoted by this
13 current president and his administration is detrimental to our security, our
14 sanity, and our health as a family. The sheer amount of anxiety and stress we
15 are feeling around this matter and having no idea where it's all going to land,
16 is exhausting and soul-crushing.... We need a functioning ACA that isn't
17 being undermined. Our lives depend on it. And I know we aren't alone.

18 For nearly 50 years, *Amicus* National Health Law Program has provided
19 technical assistance and support to low-income individuals and their advocates
20 nationwide. One such person is Parker, a 59-year-old man with stage 4 cancer
21 (which has spread throughout his body) who lives in Monterey County, California
22 and works part-time. He cannot get insurance through his employer. He earns just
23 under \$23,000 a year. He is currently enrolled in a Covered California Marketplace
24 silver plan, but the issuer of his plan decided to leave the Marketplace in 2018 due
25 to the Trump Administrations' refusal to commit to paying the CSRs. Parker must
26 take daily cancer medication which costs \$1800/month without health insurance
27 coverage, and he requires regular monthly follow-up treatment, including blood
28 work, a monthly shot for his bones, CT scans, and Cat scans. He is extremely
worried and anxious about how he will get the services and medications he needs if
he has to find a new plan or his premiums or out of pocket costs increase.

1 For 50 years, *Amicus* the Western Center on Law & Poverty has provided
2 technical assistance and support to low-income Californians and their advocates.
3 Through this work, the Western Center on Law & Poverty met Rosalia, a certified
4 enrollment counselor with a health agency in California's Central Valley. Since the
5 Administration's CSR announcement, she has spoken to enrollees living in Kern
6 County who are confused and fearful. One woman thought that the announcement
7 would mean she has to cancel her coverage, leaving her husband with no way to
8 cover his needed medication. Another believed the government's recent action
9 meant an end to the ACA so that he shouldn't renew coverage that he could already
10 barely afford. Without Rosalia's advice, the confusion these individuals were
11 experiencing would have persisted and they might well have lost coverage. Rosalia
12 knows that for every person she is able to educate, there is another confused and
13 scared person in her community who is likely to lose coverage.
14
15

16 **IV. The decision to stop CSR funding is the final and most destructive act in an**
17 **ongoing refusal to faithfully execute the Law**

18 Even before taking office, Donald Trump tweeted that "The 'Unaffordable'
19 Care Act will soon be history."²⁸ As is his absolute right, President Trump has
20 regularly urged Congress to repeal the ACA, ending Marketplace coverage and
21 other policies crafted by President Obama. Despite multiple attempts, President
22 Trump has been unable to achieve his legislative goals.
23

24 Thus, throughout the Trump Administration, the ACA has been the law of
25 the land. The President has a constitutional duty, under Article II, Section 3, to
26

27 ²⁸ @realDonaldTrump, Twitter (Jan. 13, 2017, 3:33 AM),
28 <https://twitter.com/realdonaldtrump/status/819869953692155904>.

1 “take Care that the Laws be faithfully executed.” Instead, the President has led a
 2 systematic campaign to end the ACA’s operation, working to rewrite the law even as
 3 the legislative branch leaves the ACA intact.

4 The Administration’s precisely timed decision to reverse course and stop CSR
 5 payments—announced just days after the final release of insurance premium rates
 6 and a few weeks before the start of open enrollment—has already disrupted
 7 individual health insurance markets, with consumers facing the prospect of
 8 deepening harm, as we show above. This represents the most consequential stage of
 9 a shockingly transparent attempt to destroy rather than faithfully execute the law:
 10

- 11 • January 20, 2017: The President signs his first Executive Order, calling on
 12 federal agencies to undo the ACA “to the maximum extent permitted by
 13 law.”²⁹
- 14 • January 26, 2017: The Administration announces it will halt planned
 15 advertisements during the last week of the open enrollment period (typically
 16 the highest volume week of enrollment).³⁰
- 17 • February 14 2017: The Internal Revenue Service reverses an earlier decision
 18 to reject 2016 tax returns that do not indicate compliance with the ACA’s
 19 individual mandate, thus lowering incentives for healthy consumers to
 20 enroll.³¹

21
 22 ²⁹ *Presidential Executive Order Minimizing the Economic Burden of the Patient*
 23 *Protection and Affordable Care Act Pending Repeal* (Jan. 20, 2017),
 24 [https://www.whitehouse.gov/the-press-office/2017/01/20/executive-order-minimizing-](https://www.whitehouse.gov/the-press-office/2017/01/20/executive-order-minimizing-economic-burden-patient-protection-and)
 25 [economic-burden-patient-protection-and](https://www.whitehouse.gov/the-press-office/2017/01/20/executive-order-minimizing-economic-burden-patient-protection-and).

26 ³⁰ Paul Demko, *Trump White House Abruptly Halts Obamacare Ads*, POLITICO (Jan.
 27 26, 2017), [http://www.politico.com/story/2017/01/trump-white-house-obamacare-ads-](http://www.politico.com/story/2017/01/trump-white-house-obamacare-ads-234245)
 28 [234245](http://www.politico.com/story/2017/01/trump-white-house-obamacare-ads-234245).

³¹ Kathleen Pender, *Quiet IRS Change Could Undermine Obamacare, Supporters*
 Say, S.F. CHRONICLE (Feb. 14, 2017),
[http://www.sfchronicle.com/business/networth/article/Quiet-IRS-change-could-](http://www.sfchronicle.com/business/networth/article/Quiet-IRS-change-could-undermine-Obamacare-10932798.php)
[undermine-Obamacare-10932798.php](http://www.sfchronicle.com/business/networth/article/Quiet-IRS-change-could-undermine-Obamacare-10932798.php).

- 1 • February 17, 2017: HHS further undermines the ACA by publishing a
2 proposed rule that lets health plans impose higher deductibles and out-of-
3 pocket costs on consumers and lowers standards for health coverage of silver
4 plans in the marketplace.³²
- 5 • March 24, 2017: When it becomes clear that House Republicans cannot agree
6 on terms for an ACA repeal, the President states, “Obamacare unfortunately
7 will explode...It’s going to have a very bad year.”³³
- 8 • April 12, 2017: The President threatens to withhold CSR payments.³⁴
- 9 • April 18, 2017: The Administration issues a final rule that reduces the length
10 of the 2018 open enrollment period from three months (November 1, 2017–
11 January 31, 2018) to just 45 days (November 1, 2017–December 15, 2017).
12 The shrunken period overlaps with holiday shopping, when consumer credit
13 balances are most overextended, and fewer brokers and agents are available
14 to help with Marketplace coverage due to open-enrollment for Medicare
15 plans.³⁵ The rule also increases out-of-pocket costs for consumers.³⁶
- 16 • April 26, 2017: Office of Management and Budget Director Mulvaney tells
17 House Minority Leader Pelosi that the President will let the government shut
18 down rather than sign a bill that includes CSR payments.³⁷
- 19 • May 11, 2017: The President says that, even if Congress passes a bill
20 authorizing CSR payments, it “only gives them one month”; “[T]here is no
21 Obamacare, it’s dead. Plus we’re subsidizing [sic] it and we don’t have to

22 ³² *Patient Protection and Affordable Care Act; Market Stabilization*, 82 F.R. 10980
23 (Feb. 17, 2017), <https://www.federalregister.gov/documents/2017/02/17/2017-03027/patient-protection-and-affordable-care-act-market-stabilization>.

24 ³³ Robert Pear *et al.*, *In Major Defeat for Trump, Push to Repeal Health Law Fails*,
25 N.Y. TIMES (Mar. 24, 2017), <https://www.nytimes.com/2017/03/24/us/politics/health-care-affordable-care-act.html>.

26 ³⁴ Dan Diamond & Josh Dawsey, *Trump Dangles Obamacare Payments to Force
27 Dems to the Table*, POLITICO (Apr. 12, 2017),
28 <http://www.politico.com/story/2017/04/donald-trump-obamacare-subsidies-negotiate-237174>.

³⁵ Stan Dorn, *Enrollment Periods in 2015 and Beyond*, URBAN INST. (Feb. 2015).

³⁶ 45 C.F.R. pts. 147,155,156 (2017),
<https://www.federalregister.gov/documents/2017/04/18/2017-07712/patient-protection-and-affordable-care-act-market-stabilization>.

³⁷ Burgess Everett *et al.*, *White House to continue Obamacare payments, removing
shutdown threat*, POLITICO (Apr. 26, 2017), <http://www.politico.com/story/2017/04/26/nancy-pelosi-mick-mulvaney-clash-budget-237630>.

1 subsidise [sic] it. You know if I ever stop wanting to pay the subsidies, which
I will.”³⁸

- 2
- 3 • May 16, 2017: The President tells aides in an Oval Office meeting that he
wants to end the CSR payments.³⁹
- 4
- 5 • May 23, 2017: The President releases his 2018 budget, requesting 21% less
funding for administration of the ACA, with the cuts focused on “consumer
6 information and outreach” and “eligibility and enrollment.”⁴⁰
- 7 • June 8, 2017: HHS Secretary Price refuses to tell a Senate Budget Committee
whether the Administration will continue to fund CSRs.⁴¹
- 8
- 9 • July 20, 2107: HHS eliminates from its website information about how
consumers can enroll into coverage, including through the Marketplace.
10 Links to enrollment portals are replaced by links to claims that the ACA “has
done damage to this market and created great burdens for many
11 Americans.”⁴² Concurrently, the Administration withdraws from contracts
with private firms that help individuals enroll in marketplace coverage,⁴³
- 12
- 13 • August 31, 2017: The Administration announces marketplace outreach
budget cuts of at least 90%,⁴⁴ and HHS ends key community partnerships
14 that have been assisting individuals with ACA enrollment.⁴⁵
- 15

16 ³⁸ *Transcript: Interview with Donald Trump*, ECONOMIST (May 11, 2017),
17 <http://www.economist.com/Trumptranscript>.

18 ³⁹ Josh Dawsey *et al.*, *Trump tells Advisors He Wants to End Key Obamacare*
Subsidies, POLITICO (May 19, 2017),
19 <http://www.politico.com/story/2017/05/19/donald-trump-end-payments-obamacare-subsidies-238616>.

20 ⁴⁰ Budget of U.S. Government, A New Foundation for American Greatness, OFFICE
MGMT & BUDGET (May 23, 2017), <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/fy2018/budget.pdf>.

21 ⁴¹ Robert King, *Price dodges on committing to Obamacare insurer payments*, WASH.
EXAM’R (June 8, 2017), <http://www.washingtonexaminer.com/price-dodges-on-committing-to-obamacare-insurer-payments/article/2625333>.

22 ⁴² Sam Stein, *Team Trump Used Obamacare Money to Run PR Effort Against It*,
DAILY BEAST (Jul. 20, 2017), <https://www.thedailybeast.com/team-trump-used-obamacare-money-to-run-ads-against-it>.

23 ⁴³ Carla Johnson, *Trump Administration Pulls Health Law Help in 18 Cities*, AP
NEWS (Jul. 20, 2017), <https://apnews.com/3d3f7034713e4c1b904e003bf1ac6eb1>.

24 ⁴⁴ Randy Pate, *Policies Related to the Navigator Program and Enrollment*
Education for the Upcoming Enrollment Period, CTRS. FOR MEDICARE & MEDICAID
SERVS. (Aug. 31, 2017), <https://www.cms.gov/CCIIO/Programs-and->

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- September 14, 2017: The Administration issues a budget significantly cutting funding for “navigator” groups, which ACA §1311(i) [42 U.S.C. 13031(i)] requires to help with Marketplace enrollment. The navigator programs that enrolled the most consumers receive some of the largest cuts.⁴⁶ Navigator programs are required to file revised budget proposals within 30 days and informed that they will receive no funding until final approval is granted.⁴⁷
 - September 22, 2017: HHS announces that computer “maintenance” will shut down access to on-line application and enrollment portals for 12-hour periods on all but one Sunday and the first night of open enrollment, thus limiting enrollment opportunities for working families who often use weekends for activities like researching options and signing up for benefits.⁴⁸
 - September 27, 2017: HHS forbids regional office staff from participating in marketplace enrollment events.⁴⁹ HHS’s press secretary says this was done because Obamacare “continues to collapse.”⁵⁰

14 Initiatives/Health-Insurance-Marketplaces/Downloads/Policies-Related-Navigator-
Program-Enrollment-Education-8-31-2017pdf.pdf.

15 ⁴⁵ Alice Ollstein, *Trump HHS Severs Key Partnerships For Obamacare Outreach*,
TALKING POINTS MEMO (Aug. 14, 2017), [http://talkingpointsmemo.com/dc/trump-hhs-
obamacare-partnerships-promotion-sabotage](http://talkingpointsmemo.com/dc/trump-hhs-obamacare-partnerships-promotion-sabotage).

17 ⁴⁶ Juliet Eilperin & Amy Goldstein, *HHS Slashes Funding to Groups Helping ACA
Consumers Enroll by up to 92 Percent*, WASH. POST (Sept. 14, 2017),
18 [https://www.washingtonpost.com/national/health-science/hhs-slashes-funding-to-
some-aca-navigator-groups-by-more-than-60-percent/2017/09/14/729c394c-9957-
11e7-b569-3360011663b4_story.html](https://www.washingtonpost.com/national/health-science/hhs-slashes-funding-to-some-aca-navigator-groups-by-more-than-60-percent/2017/09/14/729c394c-9957-11e7-b569-3360011663b4_story.html).

20 ⁴⁷ Shelby Gonzales, *Trump Administration Slashing Funding for Marketplace
Enrollment Assistance and Outreach*, CTR. BUDGET & POL’Y. PRIORITIES (Sept. 1,
21 2017), [https://www.cbpp.org/blog/trump-administration-slashing-funding-for-
marketplace-enrollment-assistance-and-outreach](https://www.cbpp.org/blog/trump-administration-slashing-funding-for-marketplace-enrollment-assistance-and-outreach).

23 ⁴⁸ Shelby Livingston, *HealthCare.gov to Go Dark for 12 Hours Nearly Every Sunday
of Open Enrollment*, MODERN HEALTHCARE (Sept. 22, 2017),
24 <http://www.modernhealthcare.com/article/20170922/NEWS/170929945>.

25 ⁴⁹ *Sabotage Watch: Tracking Efforts to Undermine the ACA*, CTR. BUDGET & POL’Y
PRIORITIES, [https://www.cbpp.org/sabotage-watch-tracking-efforts-to-undermine-
the-aca](https://www.cbpp.org/sabotage-watch-tracking-efforts-to-undermine-the-aca) (last visited Oct. 20, 2017).

26 ⁵⁰ Dan Mangan, *Trump Administration Health Reps Told Not to Participate in
Obamacare Outreach Nationwide, as Advocates Claim ‘Sabotage’*, CNBC (Sept. 27,
27 2017), [https://www.cnn.com/2017/09/27/federal-health-reps-told-not-to-participate-
in-obamacare-outreach.html](https://www.cnn.com/2017/09/27/federal-health-reps-told-not-to-participate-in-obamacare-outreach.html).

1 The Administration’s systematic disregard of both its legal duties under the
2 Constitution and the health care needs of millions of Marketplace consumers
3 culminated in President Trump’s October 12 decision to stop CSR payments. At 2:36
4 in the morning of October 13, he tweeted, “The Democrats ObamaCare is imploding.
5 Massive subsidy payments to their pet insurance companies has stopped. Dems
6 should call me to fix!”⁵¹

8 This final step will yield grim and irreparable consequences for millions of
9 American consumers, unless this Court takes action.

10 **CONCLUSION**

11 The *amici* urge this Court to grant the requested Temporary Restraining
12 Order.

14 DATED: October 21, 2017

Respectfully submitted,

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27 ⁵¹ @realDonaldTrump, Twitter (Oct. 13, 2017, 2:36 AM),
28 <https://twitter.com/realDonaldTrump/status/918772522983874561>.