

# New report: Individual health insurance market failing consumers

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The individual health insurance market is not a viable option for the majority of uninsured adults, a new report from The Commonwealth Fund finds. Seventy-three percent of people who tried to buy insurance on their own in the last three years did not purchase a policy, primarily because premiums were too high. In addition, among adults with individual coverage or who tried to buy coverage in the past three years, 57 percent said it was very difficult or impossible to find coverage they could afford, 47 percent said it was very difficult or impossible to find a plan with the coverage they needed, and 36 percent were denied coverage or charged more because of a pre-existing condition, or had the condition excluded from their coverage.

The report, *Failure to Protect: Why the Individual Insurance Market Is Not a Viable Option for Most U.S. Families*, compared the experiences of working-age adults with individual and employer-based private [health insurance](#) and found that people who have purchased health insurance in the individual market spend far more out of pocket and on premiums than those with employer-based coverage. In fact, half of those with individual insurance have out-of-pocket costs and premium expenses that equal 10 percent or more of their income. People with individual coverage do not have premium contributions from their employers, and many are charged higher premiums because of their health status or age. According to the report, 64 percent of adults with individual insurance spend \$3,000 or more per year on premiums while only 20 percent of those with employer insurance spend that much. On average, adults with employer plans spend \$2,250 out of pocket for health expenses including

premiums, while those with individual market insurance spend an average of \$6,750.

"In our current system millions of people without access to employer coverage have no affordable option for health insurance," said Commonwealth Fund President Karen Davis. "To achieve a [health care](#) system that works for all Americans we need health care reform that offers comprehensive, affordable health insurance to everyone regardless of their health status, premium subsidies to help families with low and moderate incomes afford health insurance, and requirements to ensure that no one is denied health insurance because of a health problem."

## **Experiences In The Individual Market**

Those who are able to purchase individual health insurance are more likely to face a host of problems with their insurance, including going without prescription drug coverage (20 percent), limits on the total dollar amount their insurance will pay for health care (49 percent); doctors charging more than insurance will pay and being forced to pay the difference (39 percent); and expensive bills that their insurance will not cover (36 percent). In addition, 41 percent of individually insured adults reported forgoing needed health care because of costs—up from 24 percent in 2001. Over one-third of those with individual coverage (36 percent) also reported medical bill or debt problems, a substantial increase over the 28 percent who also reported medical bill or debt problems in 2005.

"People buying their own health insurance are paying significantly more in premiums than those with employer-based coverage, but are getting less for their money in terms of protection against high costs and access to the health care they need," said study co-author and Commonwealth Fund Vice President Sara Collins. "It is critical that health reform

proposals set minimum benefit standards and provide adequate premium subsidies to ensure that families who lose their job-based benefits can purchase affordable coverage that gives them access to timely care and protects them from catastrophic health care costs."

The large majority of Americans who have individual coverage are unemployed, self-employed, or employed by firms with fewer than 20 workers—one-third (36%) are unemployed, and another 50% are self-employed or employed by firms with fewer than 20 workers. People with individual insurance also tend to be older, with the majority between the ages of 50 and 64, according to the report. Families with low and moderate incomes have the hardest time affording insurance on the individual market: 85 percent of those at or below 200 percent of the federal poverty level (about \$44,000 for a family of four) who sought an individual health insurance plan did not end up purchasing one and of that group, 67 percent cited cost as the reason they didn't purchase a plan.

### **Additional Findings**

- Adults with health problems report the highest rates of problems finding a health plan through the individual market: 60 percent of those found it very difficult or impossible to find a plan with the coverage they needed; 70 percent found it very difficult or impossible to find an affordable plan, and nearly half were turned down or charged a higher premium because of a pre-existing condition. Nearly 80 percent never purchased a plan.
- Adults with individual insurance are increasingly underinsured: 30 percent were underinsured in 2007, up from 17 percent in 2003. Forty-one percent of those with individual insurance reported not being able to obtain needed care because of cost.

- People with individual insurance are seeing higher deductibles: 39 percent of people with individual insurance had policies with deductibles of \$1,000 or more in 2007, up from 29 percent in 2003. There was also an increase in the share of people with high deductibles in employer plans: 11 percent of those with employer insurance had deductibles of \$1,000 or more in 2007, up from 5 percent in 2003.

The authors cite the declining economy, stagnant wages, and rising health care costs over the last decade as the driving forces behind why fewer working-age adults have access to employer coverage and must turn to the individual market for coverage, where so many end up without a plan. Provisions in the health care reform proposals under discussion in Washington would prevent insurers from underwriting on the basis of health, and would create new insurance exchanges with sliding scale premium subsidies to help those who lose employer coverage purchase plans that meet a minimum benefit standard. The authors point out that the mounting job losses in the recession and continued unabated growth in health care costs underscore the need for policymakers to form consensus around strategies that provide affordable and comprehensive coverage for all, as well as health system reforms that can lower costs and improve quality.

## **Methodology**

The Commonwealth Fund 2007 Biennial Health Insurance Survey, conducted by Princeton Survey Research Associates from June 6 through October 24, 2007, consisted of 25-minute telephone interviews in either English or Spanish with a random, national sample of 3,501 adults, ages 19 and older, living in telephone households in the continental United States. This issue brief report is based on 1,517 adults ages 19 to 64 who were insured all year with private insurance. Of those,

1,387 had employer-sponsored insurance and 130 had individual insurance. To represent the adult population, the data are weighted by age, sex, race/ethnicity, education, household size and geographic region, using the U.S. Census Bureau's 2006 Annual Social and Economic Supplement (ASEC). The survey achieved a 45 percent response rate (calculated according to the standards of the American Association for Public Opinion Research) and has an overall margin of sampling error of +/- 2.2 percentage points at the 95 percent confidence level.

Source: Commonwealth Fund ([news](#) : [web](#))

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