

# Half of Americans with individual health plans could gain better coverage under the ACA: report

May 23 2012

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More than half of Americans with individual market health insurance coverage in 2010 were enrolled in so-called "tin" plans, which provide less coverage than the lowest "bronze"-level plans in the Affordable Care Act, and therefore would not be able to be offered in the health insurance exchanges that are being created under the law, according to a Commonwealth Fund–supported study published today as a Web First in the journal *Health Affairs*. The analysis suggests that once the state-based exchanges—set up to make it easier for individuals and small businesses to shop for health insurance—go into effect in 2014, many of these Americans will be able to purchase plans that offer better coverage. In addition, many will be eligible for premium subsidies that will help offset the cost of the plans.

Compared with people enrolled in individual market plans, a majority of those enrolled in employer group plans have far more comprehensive coverage with less cost-sharing. Most group plans had an actuarial value of 80 percent to 89 percent, qualifying them as "gold" plans to be sold in the exchanges, compared with an actuarial value of below 60 percent for the "tin" plans, according to the study. Actuarial value is the proportion of the medical bill that the insurer pays, compared with what the insured person pays out of pocket in deductibles, copayments, and other cost-sharing.

"People who buy individual coverage often get low value for plans that

do not offer essential benefits, such as maternity care," said lead author Jon Gabel, a senior fellow for the social science research organization NORC at the University of Chicago. "This study suggests that by the year 2014 these Americans will be able to buy much better plans that offer more financial protection."

## **Minimum Standards**

Under the Affordable Care Act, insurance plans sold through the exchange will have to meet certain basic standards. Non-grandfathered health plans in the individual and small-group markets, those that were not in existence when the Affordable Care Act was passed in 2010, will also have to meet these requirements. Insurance carriers selling in the exchanges and in the individual and small-group markets must provide consumers and businesses with a comprehensive package of health care services, known as essential health benefits. Consumers can choose plans with the essential health benefits that vary by four distinct levels of cost-sharing: bronze, silver, gold, or platinum. Platinum plans cover on average 90 percent or more of health expenses, while bronze plans must cover a minimum of 60 percent. More than half of the plans currently offered on the individual market cover less than 60 percent of expenses and wouldn't qualify for the exchanges.

The Affordable Care Act also requires health plans offered in the exchanges and the individual and small-group markets to cap annual out-of-pocket expenses at \$6,050 for individuals and \$12,100 for a family. Families with low and moderate incomes will qualify for even lower out-of-pocket spending caps. Under health reform, insurers can also no longer deny coverage to people with pre-existing conditions, or set premiums based on how healthy they are.

Gabel and his colleagues analyzed individual plans and employer-based group plans offered on the market in 2010 to see how they would stack

up under these requirements. The researchers based their findings on simulated bill-paying from a national sample of employer-based group plans and a five-state sample of individual plans. The five states sampled were California, Florida, Michigan, Pennsylvania, and Utah.

## **Individual Insurance Plans**

The study found that 51 percent of Americans with individual insurance in 2010 had plans the authors classified as "tin," because they lacked essential benefits required by the law, such as coverage for behavioral health and maternity care, and exposed people to undue financial risk.

Average out-of-pocket spending for households with individual plans was \$4,127 per year, the study found. For households in the very highest category of spending—very sick people who incur huge medical bills—individual insurance plans in the "tin" category left them with over \$27,000 per year in out-of-pocket spending.

## **Group Health Insurance**

The researchers also looked at group [health insurance](#) offered through employers in 2010, finding that more than 60 percent of Americans with group insurance had plans that fell into the "gold" or "platinum" category as defined by the health reform law. Gold plans or platinum plans cover 80 percent or more of health expenses on average, typically covering preventive services, such as screening for cancer, maternity care, and some mental health services, according to the study.

Gabel and his colleagues found that most people in group plans had better coverage and were more likely to be protected from high out-of-pocket medical expenses than those with individual health insurance. For example, the average household with an employer-based group health

plan spent about \$1,765 annually on out-of-pocket medical expenses, compared with \$4,127 for those with individual coverage.

High-coverage group health plans mostly offered generous benefits and protection against catastrophically high medical bills, the authors found. But even these plans did not offer complete protection for the top 1 percent of spenders—people in poor health. The top spenders in group plans paid on average \$7,513 in out-of-pocket medical expenses on a yearly basis.

## **Transforming the Insurance Marketplace**

The Affordable Care Act will transform the individual insurance market significantly, the authors said, adding that the post-reform individual insurance market will look nothing like it does today. In the past, insurance companies in the United States typically sold low-value policies that provided fewer benefits than group plans and often excluded very sick people. Under the Affordable Care Act, all [insurance](#) policies offered through the state exchanges and individual and small-group markets in 2014 will have to offer consumers plans with financial protections and essential benefits.

"This study shows that millions of Americans currently have coverage that does not accord them access to timely care and potentially leaves them exposed to catastrophic medical bills," said [Commonwealth Fund](#) Vice President Sara Collins. "The provisions of the [Affordable Care](#) Act will not only extend new coverage to millions of uninsured Americans, but vastly improve the coverage of many who are insured but poorly protected by their [health](#) plans."

Provided by Commonwealth Fund

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