

# When buying insurance on the exchanges, it helps to have help

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New online marketplaces don't do enough to let consumers weigh their options, experts say.

(HealthDay)—You have to wade through a lot of insurance jargon and be a skilled number-cruncher to choose the right health insurance plan on the new health exchanges, health literacy and consumer decision-making experts say.

By making informed choices, [consumers](#) not only help themselves, they help drive overall [health](#)-plan quality, efficiency and pricing, the experts pointed out.

But, many consumers are ill-prepared to make the best choices on their own because they lack the necessary math skills or can't accurately weigh their [insurance](#) risk, the experts noted. Plus, few [health insurance](#) exchanges currently offer the kind of help that many people need to make informed decisions.

"Comparing costs of plans is difficult," said Robert Krughoff, founder and president of the Washington, D.C.-based nonprofit Center for the Study of Services, and Consumers' CHECKBOOK, a publisher of health-plan ratings.

First consumers have to figure out whether, say, a \$200 deductible with a \$10,000 out-of-pocket limit is better than a \$1,000 deductible with a \$3,000 out-of-pocket limit for them, Krughoff explained. "Then you throw in different co-insurance rates and different co-payments and consumers just can't put all that together into a single number that they can compare," he said.

Even the language of insurance, with concepts like co-insurance and tax credits, is confusing, the experts noted.

"We're asking people to do a lot of heavy lifting right now when it comes to things that (studies show are) very problematic for the general public," said Christina Zarcadoolas, a professor at the City University of New York's School of Public Health at Hunter College.

It will be up to the staffers providing toll-free hotline help and the "navigators" who are offering one-on-one assistance to make sense of it all for consumers, said Zarcadoolas, founder of the New York Roundtable on Public Health Literacy. But when consumers don't even know to ask if there's a "network" or whether they can see their usual doctor, "we know that causes all kinds of problems," she said.

## **Consumers' math skills a concern**

The new Internet-based health insurance exchanges opened for business on Oct. 1 but stumbled out of the blocks. Computer problems and unanticipated levels of website traffic made it difficult, if not impossible, for many people to review their health-plan options in the

first week or two of open enrollment under the Affordable Care Act. The law is the Obama administration's controversial effort to bring health-care coverage to an estimated 30 million uninsured Americans.

HealthCare.gov, the federally run website serving as the exchange in 36 states, continues to experience the greatest level of disruption.

Once consumers successfully log onto an exchange—whether the federally operated exchange or the 14 state-operated exchanges plus Washington, D.C.—the next challenge is sorting through the coverage options available to them under the health reform law, also known as "Obamacare."

Ellen Peters, a professor of psychology at Ohio State University, said choosing a health plan involves financial decisions that even people with health insurance don't have to make very often. For the uninsured, the choices "may be quite unfamiliar," she said.

Peters is the lead author of a July 2013 paper commissioned by the Institute of Medicine's Roundtable on Health Literacy that showed that only 8.6 percent of uninsured adults have proficient "numeracy skills." These are defined as the [math skills](#) needed to take full advantage of the online exchanges.

Most consumers can figure out the difference between two plans' monthly premiums. But people need a greater level of math proficiency to estimate total health-plan costs based on expected health-care needs, the report noted.

## **'They were practically throwing darts'**

Studies demonstrate ways to simplify the task by presenting options to people in a way that will help them make better choices.

Eric Johnson, co-director of Columbia University Business School's Center for Decision Sciences, and Tom Baker, professor of law and health sciences at the University of Pennsylvania, realized some time ago that "choice architecture" would matter on the exchanges. To test their hypothesis, the two academics and colleagues in New York, Miami and Jerusalem set up several experiments mimicking the decisions consumers have to make when shopping on the exchanges.

When asked to choose the lowest-cost health plan from among four or eight options, the study participants failed miserably, the study found.

"In fact they practically couldn't do it at all. They were practically throwing darts," said Johnson, who expects their paper to be published shortly in a peer-reviewed journal.

On average, consumers could potentially lose \$611 annually by failing to choose the most cost-effective option, the study found. "People seem to put more weight on the out-of-pocket costs and the deductible than they do the premium," he explained.

When business school students were given the same task, they got it right 73 percent of the time, often with the aid of spreadsheets, the study found.

Ordinary consumers either don't know how to do the math or don't bother to do it, Johnson reasoned. The problem could be cured "just doing the math for people," he said.

Because many of the health plans that consumers will purchase on the exchanges will qualify for federal subsidies, peoples' bad decisions could end up costing taxpayers more than \$9 billion annually, Johnson said.

The study also found that adding a cost calculator improved the chances

of choosing the right plan and reduced the margin for error by an average of \$216 annually. And using a "smart default" to indicate a person's best health-plan choice based on his or her specifications can also help, Johnson said.

## **Some exchanges more user-friendly than others**

Currently, experts don't see many exchanges using these tools.

"They've obviously been busy just trying to get the lights on October 1st," Johnson said.

Blogging for *Health Affairs*, Krughoff and his colleagues suggest a list of ways to make health-plan choices easier. One recommendation: let users see the true insurance value of each plan. The exchanges should provide a single dollar-amount estimate of the average expected cost under each plan, Krughoff said. But based on visits to about half of the exchanges in the past two weeks, he found that few are doing so.

Several states, like Massachusetts, plan to add a cost-comparison tool, Krughoff said. And Kentucky has one allowing users to plug in data on their expected health-care uses, but it ignores the unexpected accidents and illnesses that insurance is designed to protect against, he explained.

But for the most part, "consumers will not have the tools that they need to make their best choices," he said.

City University of New York's Zarcadoolas, though, believes that consumer decision-making tools on the exchanges will improve over time. "This is a dynamic process where the sites are going to be constantly updated to be more accessible and more user-friendly," she said.

**More information:** The Henry J. Kaiser Family Foundation has tools and information to help consumers [understand the Affordable Care Act](#).

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