

# Misunderstanding health insurance leads some to overspend

May 2 2014, by Valerie Debenedette

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When selecting a health insurance plan, both uninsured, tech-savvy young adults and uninsured low-income, rural adults had trouble understanding their insurance options. Many selected insurance plans that were more expensive than required for their health care needs, finds a new study in Health Services Research.

These findings highlight challenges faced by people shopping for health insurance on the federally-run and state-run insurance exchanges in the United States.

"We wanted to look at two very different groups of uninsured people," said Andrew J. Barnes, Ph.D., assistant professor of healthcare policy

and research at Virginia Commonwealth University School of Medicine in Richmond. "The surprise was that both of them did poorly in understanding and choosing health insurance."

Both study groups were asked about their health care use in the previous year to estimate what their probable future needs would be. Subjects were also surveyed about health insurance and insurance terminology to determine their understanding of how health insurance works and questioned to determine their ability to understand and use numbers, or numeracy.

They were provided information on either three or nine health insurance plans and asked to choose the plan that gave them the coverage they believed they needed, imagining their health would be exactly the same in the coming year as the previous one.

Individuals in both groups had difficulty making their choices based on what they believed their coverage needs would be. Among all respondents, 40 percent chose plans that would cost them \$500 or more than a cheaper plan that was likely to meet their expected health care needs. Having a lower understanding of health insurance reduced the likelihood of choosing a cost-effective plan by 16 percent. Having higher levels of numeracy was associated with higher scores on understanding health insurance.

Having a greater number of plan choices appeared to reduce [health insurance](#) comprehension, the study noted. "One of the reasons is that it is just so complicated," Barnes said. A person shopping for insurance must consider what their health care needs have been in the past, forecast their needs for the future, and then go through a lot of information on each plan, he noted. "You have to have a really good understanding of the terminology, and frankly, good math skills."

The issue of numeracy in health care is an important one to highlight, said Susan Pisano, vice president for communications for America's Health Insurance Plans, a Washington-based trade organization. "The importance of numeracy is gaining greater attention because of the role it plays in so many facets of [health care](#). It plays a role in choosing a plan in relation to costs."

**More information:** "Determinants of Coverage Decisions in Health Insurance Marketplaces: Consumers' Decision-Making Abilities and the Amount of Information in Their Choice Environment." Barnes AJ, Hanoch Y, Rice T. *Health Serv Res*. 2014 Apr 30. [DOI: 10.1111/1475-6773.12181](#). [Epub ahead of print]

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