

Policy Alternatives for Reducing Consumer Confusion During the Processes of Selecting a Health Insurance Plan and Enrolling in Coverage Through the Affordable Care Act (ACA) Marketplaces

Comment to the Federal Trade Commission
Health Care Workshop, Project No. P131207

Melissa Genadri¹

MPH Candidate, Department of Health Policy and Management
Columbia University Mailman School of Public Health

Executive Summary

According to Health and Human Services Secretary Sylvia Mathews Burwell, nearly 11.7 million Americans are currently purchasing health insurance through the marketplaces created under the Patient Protection and Affordable Care Act (ACA) (Young, 2015). While these numbers are promising, the process of purchasing a health insurance plan through the exchanges can be an extremely complicated one, with the potential to impact both consumers' access to care and their financial protection (Monahan, Dash, Lucia, & Corlette, 2013). A multitude of factors can cause the confusion and uncertainty that consumers so often encounter when attempting to choose an insurance plan through the ACA exchanges. Three key contributors are the daunting number of health plan options that are available (Quincy and Silas, 2012), exchange websites that fail to take into account principles of behavioral economics or patterns of consumer decision making (Ubel, Comerford, & Johnson, 2015) and a lack of incorporation of targeted and nonbiased advice into the enrollment process (Baicker, Congdon, & Mullainathan, 2012). To the extent that consumer confusion and choice overload have the potential to depress health insurance take-up (Baicker et al., 2012), thereby posing a major threat to one of the ACA's key goals, there is clear justification for policy interventions to help consumers select insurance plans that meet their needs. And as enrollment continues to rise, with twenty-five million people expected to purchase health insurance through the exchanges by 2022 (Sinaiko, Ross-Degnan, Soumerai, Lieu & Galbraith, 2013), it is imperative that these actions be taken in the near future. Three potential means of mitigating this problem are to limit the number of plans or benefit designs that insurers are allowed to offer, to employ behavioral economic principles in redesigning marketplace websites and to incorporate assistance into the plan selection and enrollment processes.

¹ Disclaimer: I am a student at Columbia University. This comment to the Federal Trade Commission reflects my own personal opinions, not Columbia University or the Trustees of Columbia University.

Problem

In a recent survey of Health Insurance Marketplace Assister Programs, over 80 percent of Assister Programs reported that most or nearly all consumers who sought out their services either didn't understand the ACA or the insurance plan choices available to them or lacked confidence to apply on their own (Pollitz, Tolbert, & Ma, 2014). Several key factors appear to be contributing to this consumer confusion. Consumers purchasing insurance plans through the individual marketplaces can encounter between 20 and 40 health plan options (Quincy & Silas, 2012). In addition to obfuscating consumers throughout the enrollment process, such a large quantity of options has the potential to contribute to choice overload, whereby individuals become overwhelmed as the number of possibilities in a choice set grows and ultimately choose nothing (Baicker et al., 2013). Adding to this is the fact that the current exchange websites are not designed in ways that maximize the likelihood that consumers will choose plans that best meet their needs (Ubel et al., 2015). Furthermore, consumers purchasing health plans through the marketplaces are largely self-directed, as targeted and objective advice is not incorporated into the enrollment process like it is for employer-sponsored insurance plans (Baicker et al., 2013).

Various mechanisms have been put into place at both the state and national levels in an attempt to address these issues, with differing levels of intervention. As of late 2013, eleven states and the District of Columbia had taken steps towards simplifying plan choices in their marketplaces. Their actions included limiting the quantity of plans or benefit designs that insurers could offer, requiring standardized benefit designs and adopting a standard of 'meaningful difference' whereby a plan's features are required to be substantially distinct from those of other plans offered by the same insurer in the same area (Monahan et al., 2013). To help consumers differentiate between health plans, plans offered through the marketplaces are categorized into 'metal tiers' of catastrophic, bronze, silver, gold and platinum, according to the average share of health care expenses that the insurer will pay for and with all policies within that tier offering roughly comparable levels of coverage (Levitt, 2014). For consumers who seek assistance, in-person help in selecting a plan and enrolling in coverage is available in every state via community-based organizations as well as through insurance agents and brokers, although assistance resources are not evenly distributed across states (Pollitz et al., 2014). The 24-hour Marketplace Call Center provides an additional means of support (Health Insurance Marketplace, 2015). Consumer utilization of such telephone support services may be less than ideal, however. In a 2010 survey of enrollees in Massachusetts's unsubsidized health insurance exchange, only 18 percent of respondents utilized the state's Health Connector telephone help line (Sinaiko et al., 2013). Minnesota and California have gone a step further by offering their residents certified "plan helpers," who can help consumers hone in on the criteria they indicate is the most pertinent to their decision (Ubel et al., 2015). Despite these steps, consumer confusion regarding key aspects of the plan selection and enrollment processes persists (McCabe & Mathews, 2014).

Goal

It is imperative to take action towards minimizing consumer confusion and uncertainty during the processes of selecting a health insurance plan and enrolling in coverage through the state and federal marketplaces.

Policy Alternatives to Address the Problem

1. In All States, Limit the Number of Plans or Benefit Designs Each Insurer May Offer

One often cited policy option for simplifying marketplace plan choice involves placing limits upon the number of plans that insurers can offer within a certain geographic area, either within an individual or Small Business Health Options Program (SHOP) exchange. Alternately, states can regulate the permitted number of benefit designs while still enabling insurers to offer multiple plans for each benefit design within a specified area using different networks and/or product types (Monahan et al., 2013).

Restricting the quantity of plans or benefit designs that insurers can offer would ostensibly inhibit insurers from ‘flooding’ the exchange with a large quantity of plans and dominating marketplace website “shelf space” – a practice that currently has the effect of reducing competition and impairing consumer decision-making (Monahan et al., 2013). Furthermore, the positive impact that limiting options can have on a consumer’s decision-making ability has been well supported by recent research. In studies of 401(k) retirement plans, for example, plans offering fewer than ten fund options had significantly higher employee participation rates than plans featuring more than ten options (Quincy & Silas, 2012). The quantity and variety of insurance plans offered to consumers will be dependent upon how the limits are applied in each state. Among the nine states that had limited the number of plans or benefit designs that insurers could offer as of late 2013, most restricted insurers to offering between three and five plans per coverage level. States can also choose to apply limits at the license or holding company level (Monahan et al., 2013). National limits can be enforced for those states that have not established their own state-based marketplaces and are instead ascribing to the federally facilitated marketplace.

Limiting each insurer’s allowed number of plans or benefit designs holds promise with respect to the technical feasibility of implementation. Once limits have been set in both the state-based and federally facilitated marketplaces, and insurers have adjusted their plan offerings accordingly, the now reduced sets of plans can simply be featured on exchange websites without expending major additional resources on the part of either the state or the insurer. However, because the proposal entails further expansion of governmental involvement in private sector activity, a particularly contentious subject in American political ideology in general and national health insurance specifically (Kingdon, 1984), it would likely be met with some resistance regarding its value acceptability.

2. Employ Behaviorally Informed Redesign of Marketplace Websites

A second alternative for assisting consumers in choosing the right insurance plans involves redesigning both state-based and federally facilitated marketplace websites in ways that increase the likelihood that consumers will select plans best meeting their needs and preferences (Ubel et al., 2015). As behavioral economics suggests that the exchange's design and the enrollment mechanisms it employs can greatly improve the 'choice environment' in which consumers select their insurance plans, a user-friendly and well-regulated exchange website alone may encourage participation (Baicker et al., 2012) and reduce the complexity of the selection process.

There are numerous ways in which principles of behavioral economics and choice architecture can be utilized in redesigning marketplace websites. One such option is to categorize plans according to the characteristics of their benefits (Baicker et al., 2012). As individuals often select options at the top of a menu when making choices, regardless of what those options are (Ubel et al., 2013), exchange websites can feature plans with the most comprehensive benefits or lowest deductibles first. And rather than inundate consumers with 'cognitively overwhelming' financial details regarding premiums, copayments, deductibles and out-of-pocket maximums, exchange websites can emphasize consumers' expected utilization according to their previous spending histories and under best-case and worst-case scenarios (Ubel et al., 2015). Decision-making ability has also been shown to improve in the presence of calculation aids. In a recent study using simplified prototypes of exchange websites, consumers' ability to select the most cost-effective policy increased when presented with educational definitions, calculators and a 'smart default' which preselected the most cost-effective plan options given their usage (Johnson, Hassin, Baker, Bajger, & Treuer, 2013).

In determining how to best use design architecture to facilitate consumer choice, designers should partner with behavioral economists and scientists, as well as private sector firms, who can inform the process using research (Ubel et al., 2015). One such firm, Wellthie, offers a cloud-based, plain language Affordable Care Advisor software through which consumers can assess their eligibility for various plans and view personalized cost estimates (Wellthie, 2014).

As redesigning the marketplace websites will potentially require an overhaul of the sites currently in place, a substantial initial investment of time and money will likely be required to implement this proposal. Once the website redesigns have been successfully rolled out, however, few ongoing resources will need to be expended by either the states or the federal government in order to maintain them. Furthermore, private firms may partner with the government to redesign marketplace websites pro bono in exchange for the publicity they will receive for doing so. With its potential to improve the health insurance decision-making abilities of all consumers without increasing governmental involvement in private sector activity, this proposal is likely to be compatible with the values of many participants both in and around government. The estimated cost-effectiveness of the proposal only adds to its value acceptability – it is believed that implementing these behaviorally-based principles could save the purchasers

of these plans as well as all taxpayers approximately 10 billion dollars each year (Johnson et al., 2013).

3. Integrate Assistance into the Plan Selection and Enrollment Process

A third proposal for helping consumers select the right insurance plans is to integrate assistance into the enrollment process by requiring that all first-time consumers purchasing plans through the exchanges receive counseling via marketplace Assister Programs as a requisite to enrolling in a plan. As of mid-2014, such programs had already helped an estimated 5.0 million consumers in state-based marketplaces, 4.8 million consumers in federally facilitated marketplaces and 0.8 million consumers in federal/state partnership marketplaces navigate the enrollment process (Pollitz et al., 2014).

For consumers who are unable to meet with a trained Assister in-person, either by visiting an Assister Program center or attending an outreach event, phone appointments or internet video chat sessions could be scheduled instead. While these sessions would by default be required to complete enrollment, consumers who feel confident in their ability to select their own insurance plans would be able to opt-out of receiving Assister services. Those wishing to opt out of receiving assistance would be required to demonstrate proficiency through a short assessment such as the Health Insurance Quiz created by the Henry J. Kaiser Family Foundation last year (Kaiser Family Foundation, 2014).

As implementing this proposal would require substantial resources in terms of time, money and personnel, its feasibility is questionable. In order to meet the elevated demand for assistance, the \$100 million in funding that the 17 state-based marketplaces and 5 federal/state partnerships allocated for their In Person Assister Programs for Fiscal Year 2014 would likely need to be increased, as would the current supply of 28,000 Assister staff and volunteers (Pollitz et al., 2014). The technical feasibility of this policy is further hindered by the fact that sixty-four percent of Assister Programs report spending, on average, between one and two hours helping each consumer (Pollitz et al., 2014). With regards to its acceptability, the proposal may very well be received poorly by those who resent the extra layer of government involvement in obtaining health insurance that it entails. To the extent that the uninsured and individuals with limited health insurance literacy currently comprise the majority of those seeking help through Assister Programs (Pollitz et al., 2014), however, and are thus especially likely to benefit from integrating such assistance into the enrollment process, the proposal might be viewed favorably for its potential to reduce inequities in access to care.

Recommendation: Employ Behaviorally Informed Redesign of Marketplace Websites

Of the three proposals presented, using principles of behavioral economics to inform a redesign of marketplace websites appears to be the most desirable option. Firstly, there is an abundance of relevant research on the impact of design architecture on consumer decision-making ability which website designers can consult to ensure that their design decisions are evidence-based. Following the initial monetary and time investment needed to redesign the websites, few ongoing resources should be required to maintain them, and private firms may volunteer to do some or all of the redesign work pro bono. The proposal's potential to improve the health insurance decision-making abilities of all consumers who utilize the marketplace websites, without entailing any extra government involvement in private sector activity, increases the likelihood that it will be accepted by both governmental and non-governmental participants. And finally, as the Congressional Budget Office projects that the ACA's insurance-related provisions will cost the federal government \$506 billion from 2015 through 2019 (Pear, 2015), the possibility that implementing these behaviorally-based principles could lead to savings of approximately \$10 billion each year (Johnson et al., 2013) will likely be viewed favorably by all.

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