



In the Literature

Highlights from Commonwealth Fund-Supported Studies in Professional Journals

More Than Half of Individual Health Plans Offer Coverage That Falls Short of What Can Be Sold Through Exchanges as of 2014

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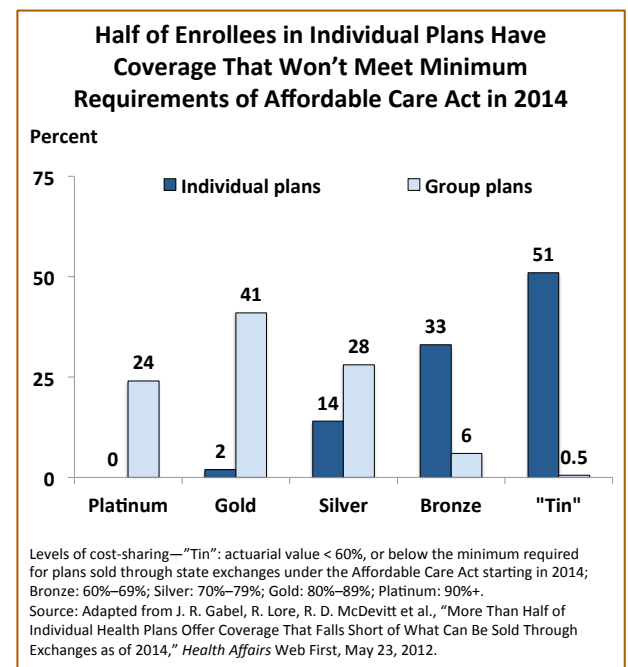
Synopsis

More than half of Americans who have health coverage through the individual insurance market are in plans that would not meet the standards for “essential benefits” set by the Affordable Care Act. Most people enrolled in employer group plans, however, have more comprehensive coverage with less cost-sharing.

The Issue

Under the Affordable Care Act, beginning in 2014 individuals and small employers will be able to enroll in health coverage through state-based insurance exchanges, which will act as marketplaces where people can comparison-shop for health plans. All plans sold in the exchanges must offer a set of essential health benefits, which includes ambulatory and emergency care, maternity care, and other comprehensive health care services. In addition, the law sets up four tiers of cost-sharing based on actuarial value—a measure of the financial protection afforded by a plan, expressed as the estimated percentage of medical bills that it will pay. For instance, if a plan has an actuarial value of 75 percent, the insurer pays three-fourths of the bills and the insured person pay one-fourth out-of-pocket in deductibles, copayments, or other cost-sharing, on average, for a standardized population.

Under the Affordable Care Act, the exchanges will sell plans with the following actuarial values: platinum (90% or greater), gold (80%–89%), silver (70%–79%), and bronze (60%–69%). This Commonwealth Fund-supported paper, published in *Health Affairs*, uses data supplied by health plans to determine the financial protection they provided in 2010 in the individual and small- and large-group markets, and then compares that protection against the new 2014 standards.



Key Findings

- The average actuarial value of group plans in 2010 was 83 percent, compared with an average of 60 percent for individual plans.
- Most people (65%) enrolled in group plans were in either the gold or platinum tier; about 28 percent were in the silver tier and 6 percent were in the bronze tier. Fewer than 1 percent were in plans with an actuarial value of less than 60 percent—dubbed “tin” plans by the authors.
- In the individual market, 51 percent of enrollment was in tin plans. Another third of enrollees were in bronze plans, 14 percent were in silver plans, and 2 percent were in gold plans. In the individual market, there were no platinum plans.
- Average out-of-pocket spending per household in the group plans was \$1,765. In the individual plans, average household out-of-pocket spending was \$4,127. The highest spenders in tin-tier individual insurance plans—including very sick people who incur huge medical bills—had more than \$27,000 in annual out-of-pocket spending.

Addressing the Problem

The majority of Americans with individual insurance coverage today are enrolled in plans with actuarial values too low to qualify for the new insurance exchanges, say the authors. Under the Affordable Care Act, all insurance policies sold through the exchanges and the individual and small-group markets in 2014 will have to offer consumers plans with minimum financial protections and benefits. “Together with a ban on medical underwriting, the individual market of the future will sharply contrast with the market of past decades,” they conclude.

About the Study

The authors used data from the Kaiser Family Foundation/Health Research and Educational Trust 2010 Employer Health Benefit Survey, data from plans in the individual market in 2010 in five states (California, Florida, Michigan, Pennsylvania, and Utah), and the Thomson–Reuters Marketscan 2008 medical claims database to analyze individual and employer-based group plans on the market in 2010.

The Bottom Line

More than half of Americans who had individual-market health insurance coverage in 2010 were enrolled in plans that would not meet the Affordable Care Act’s minimum benefit standards for the new insurance exchanges.

Citation

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