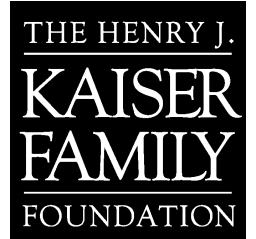

Chartpack



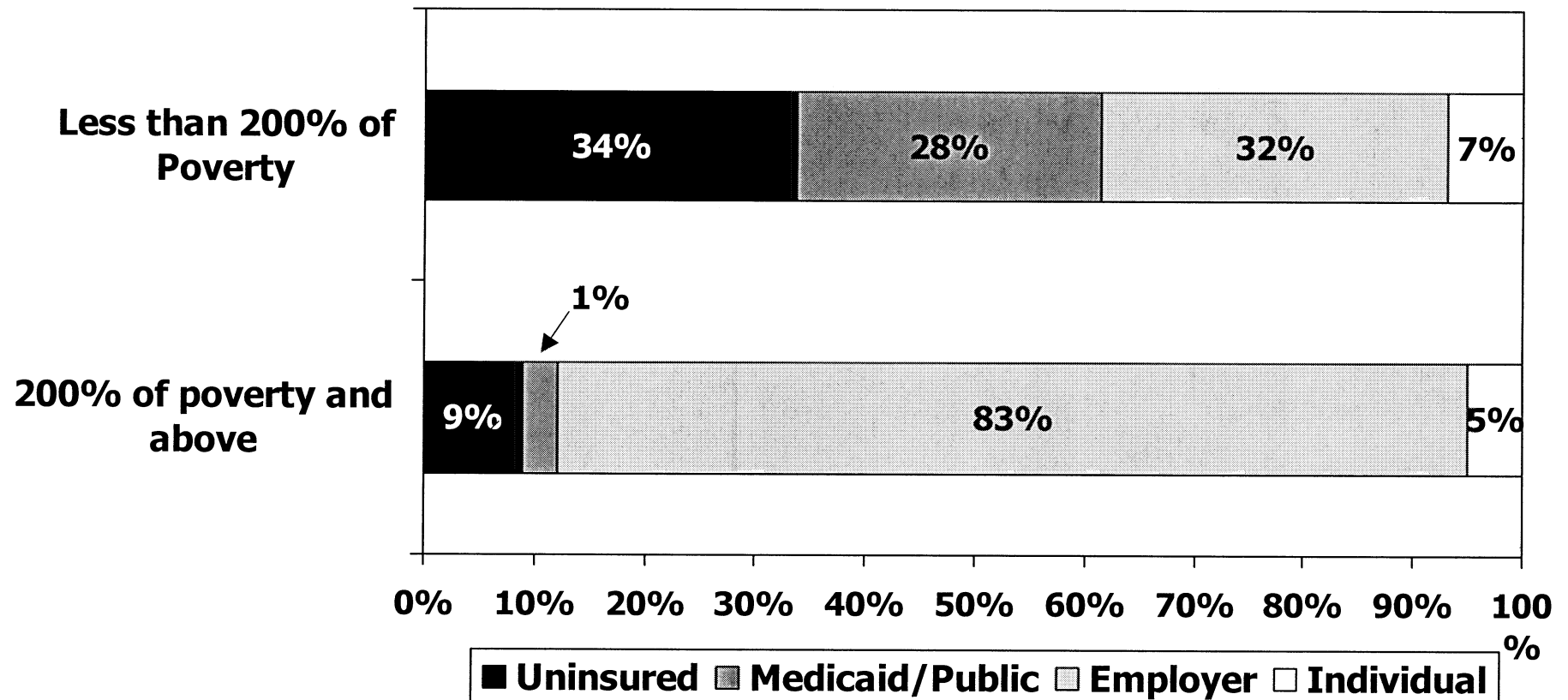
How Accessible is Individual Health Insurance for Consumers in Less-Than-Perfect Health?

Kaiser Family Foundation/Georgetown University/K.A. Thomas & Associates

June 20, 2001

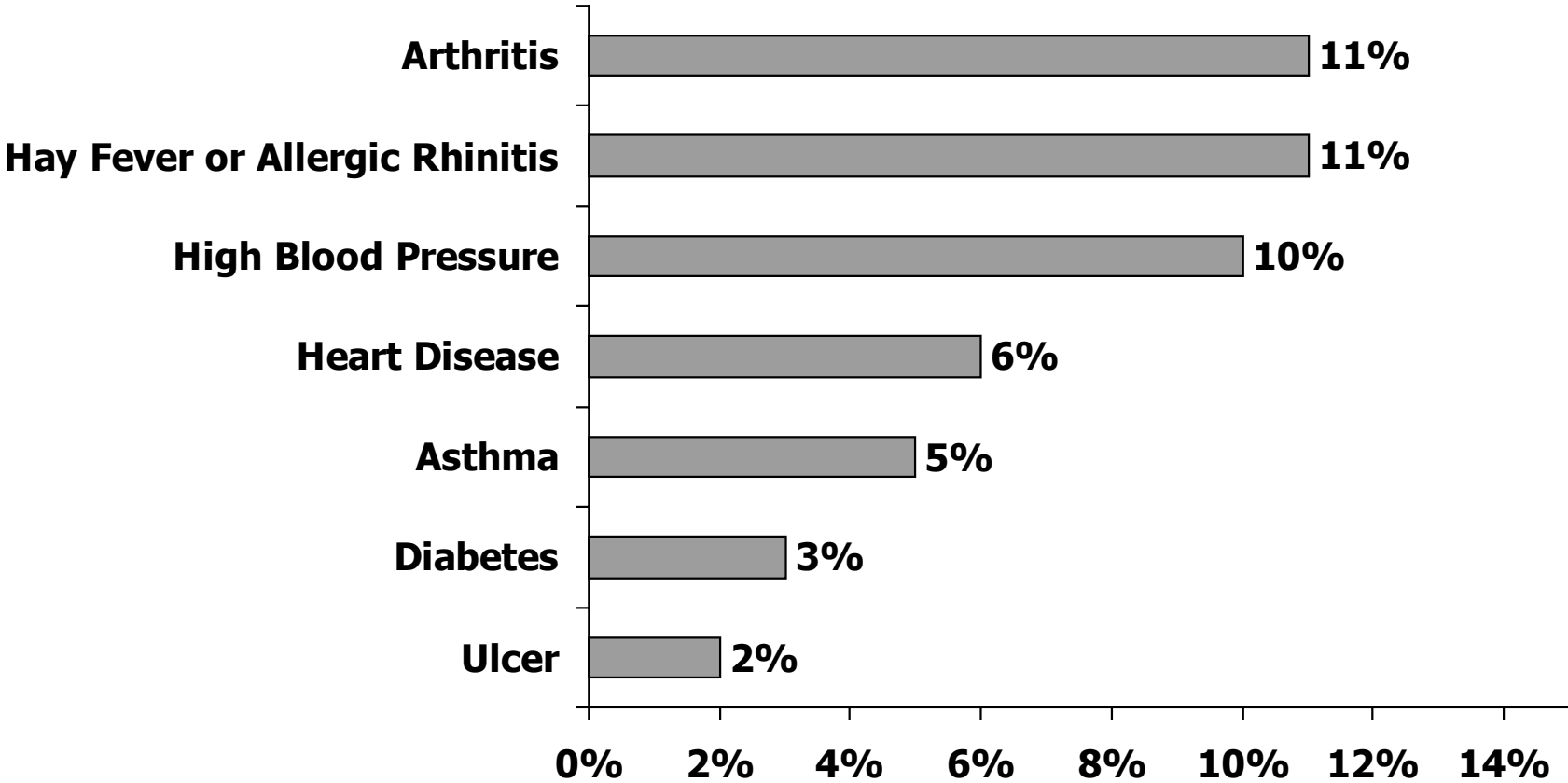
Chart 1

Insurance Coverage of the Nonelderly by Poverty Level



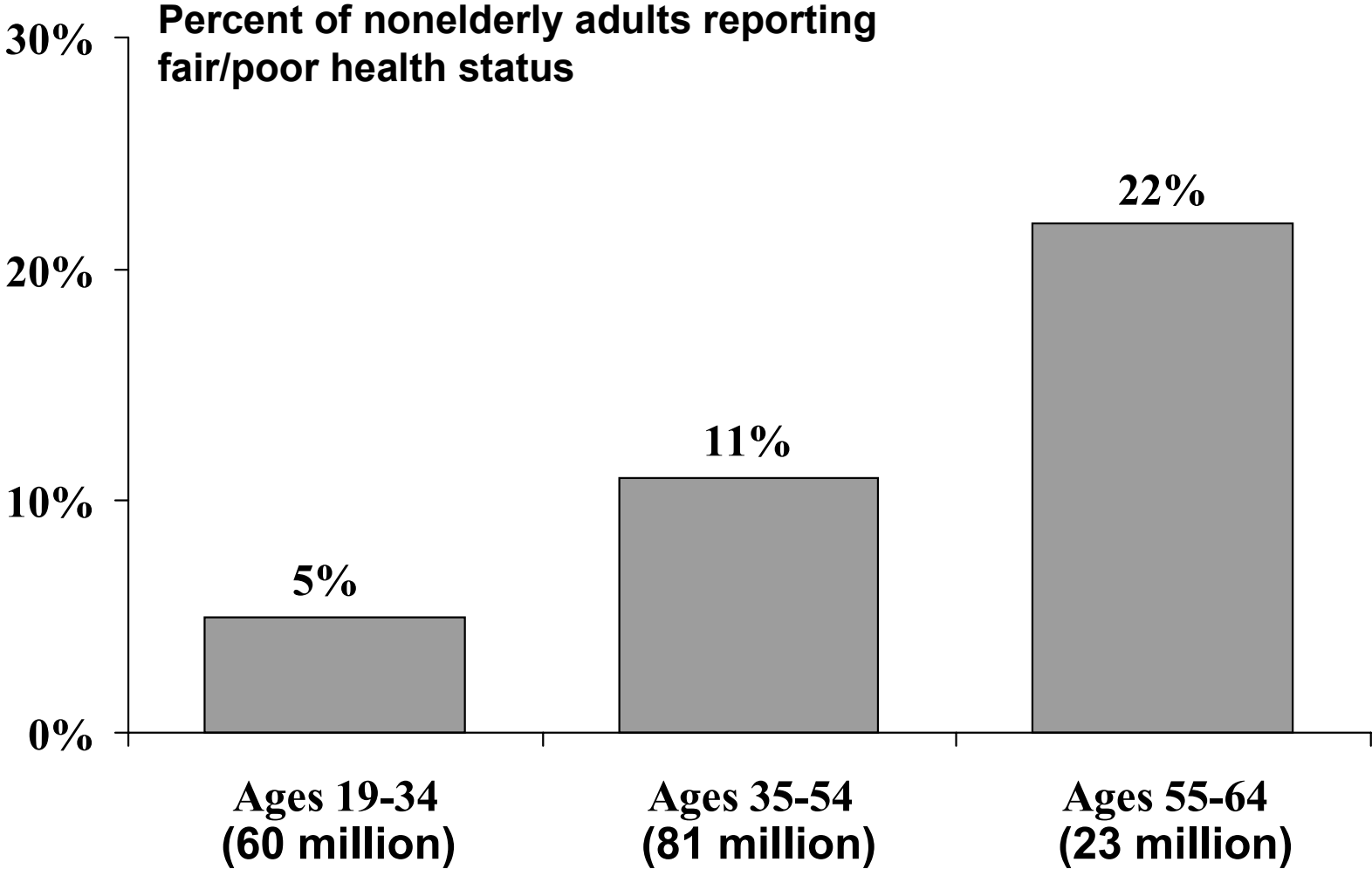
Source: Urban Institute and KCMU Analysis of March 2000 Current Population Survey

Prevalence of Selected Chronic Conditions (Ages 18-64)



Source: Kaiser Family Foundation Tabulations from Vital and Health Statistics, Centers for Disease Control, 1999.

Health Problems Increase with Age



Source: Urban Institute and KCMU Analysis of March 2000 Current Population Survey

Background: Individual Market

- 16 million people covered in 1999 (less than 10% of the privately insured)
- Often a market of last resort
- Anyone can end up in that market
 - Change jobs
 - Become widowed or get divorced
 - Work fewer hours
 - Retire before 65
 - Age off parents' policy
- Most states allow medical underwriting

Hypothetical Applicants

- **Alice**, 24, waitress with hay fever
 - * 36 million Americans with seasonal allergies
- **Bob**, 36, consultant with college knee injury
 - * 5 million seek care for bad knees/year
- **The Cranes**, both 36, work part time; two kids, Colin (12) has asthma and ear infections
 - * 17 million Americans with asthma
- **Denise**, 48, actress, breast cancer survivor
 - * 8.4 million cancer survivors in US
- **Emily**, 56, widow, depressed
 - * 19 million Americans with depression
- **Frank**, 62, retired salesman, overweight, smoker, high blood pressure
 - * $\frac{1}{4}$ of Americans obese, 23% have hypertension, 47 million smoke
- **Greg**, 36, freelance writer, HIV-positive
 - * 800,000-900,000 Americans living with HIV/AIDS

Markets and Carriers

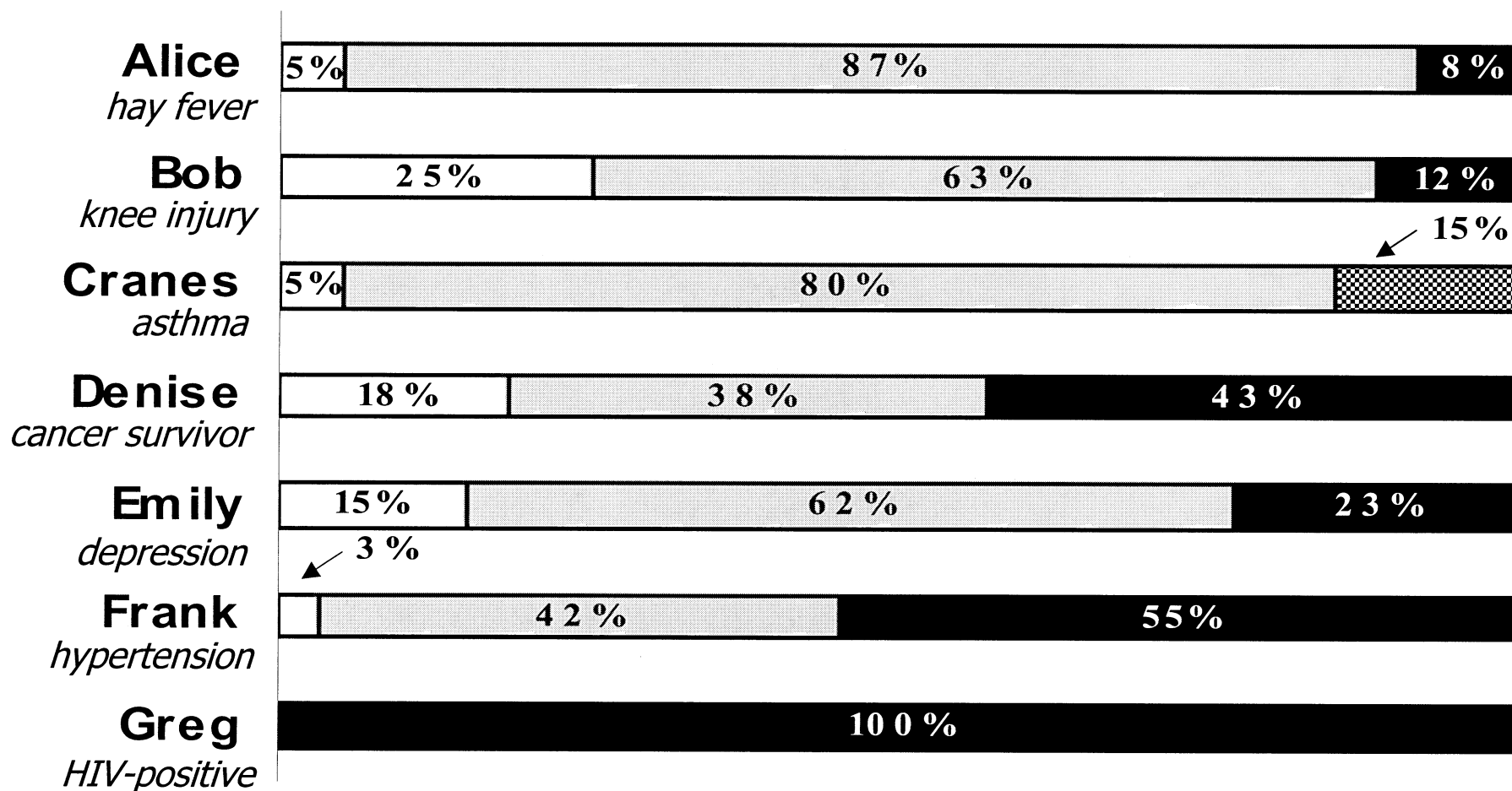
- 8 markets across the nation studied (with few limits on medical underwriting):
 - Arlington Heights, IL (Chicago)
 - Austin, TX
 - Corning, IA (rural)
 - Fresno, CA
 - Miami, FL
 - Winamac, IN (rural)
 - Tucson, AZ
 - Richmond, VA
- 19 insurers and HMOs participated
- 60 applications/person, or 420 total

Questions Posed

- What coverage typically is sold?
(specified \$500 deductible, \$20 copay)
- What is the standard, advertised price?
- Will you sell to our hypothetical applicants, and if so, under what terms and at what price?

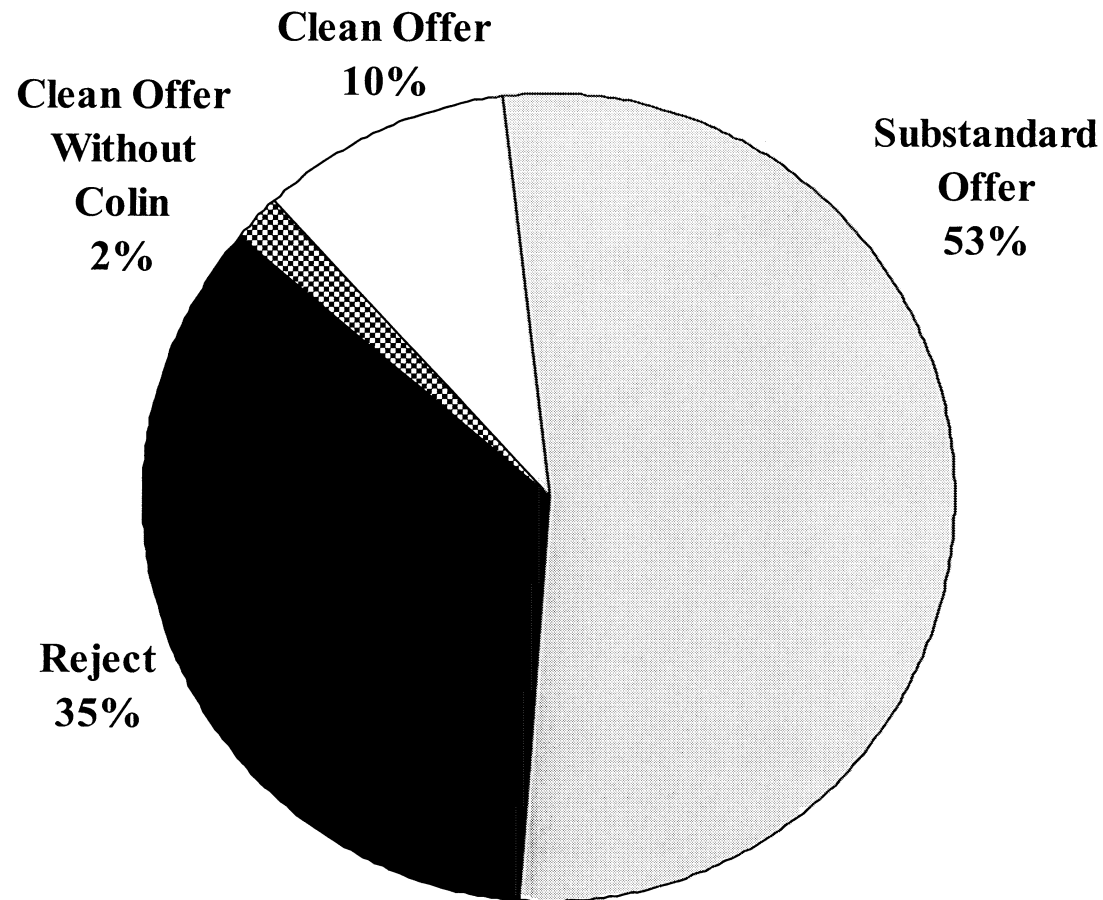
(Questions asked via National Association of Health Underwriters (NAHU) agents and private risk management consultant)

Individual Results



Clean Offers
 Substandard Offer
 Reject
 Offers without Colin

Our Group's Combined Experience



“Substandard” Offers

- 2 in 5 (41%) of offers imposed increases in premium rates
 - Average rate up of 38% for single applicants; range of 16% to 110%
- 3 in 5 (61%) of offers imposed benefit limits:
 - Eliminate coverage for specific conditions (Alice’s allergies, Emily’s depression)
 - Eliminate coverage for affected body parts (Bob’s knee, Colin’s ear)
 - Eliminate coverage for entire body systems (Alice’s respiratory system; Frank’s circulatory system)
 - Eliminate favorable cost sharing options (Doctor and Rx copay, \$500 annual deductible)

Premiums

- Average standard premium for single individuals:
\$249/month or \$2,998/year
 - Highest: \$1,252 month (\$15,024/year)
 - Lowest \$28/month (\$336/year)
- Average quoted premium for our single applicants:
\$333/month or \$3,996/year
 - Highest: \$2,504/month (\$30,048/year)
 - Lowest \$34/month (\$408/year)

Standard Policies and Rates for People in Perfect Health

- In general, less comprehensive coverage than available to employer groups
- Severely limited coverage for “3 Ms” (maternity, mental health, medicine/Rx)
- Other exclusions (esp. HIV/AIDS)
- Enormous premium variation due to age, gender, geography, plan design

Application Process and Cost

- Process generally takes 2-8 weeks
- Application requires check in advance for 1 month premium
- Application asks for detailed history, including past underwriting actions against you
- Further information may be required:
 - Agent asks more detailed health questions (179)
 - Physician statement/medical records requested (140)
 - Blood, urine, saliva test (46)
 - MIB consulted (38)
 - Paramedic sent to examine applicant (21)

What Would Happen in a State with Market Reforms? – Albany, NY

- All applicants would be accepted
- All would be offered comprehensive coverage (including maternity, Rx drugs and mental health)
- No riders or special benefit limits applied
- All would pay the same premium (average of \$342/month or \$4,104/year for single coverage)

What Options do Real People Have?

- Apply to high risk pool (28 states)
- Change jobs or increase hours to get employer-sponsored benefits
- Move to a state where coverage is guaranteed issue
- Take what's offered, possibly pay high rates, be underinsured
- Forego coverage, be uninsured

Implications for Consumers

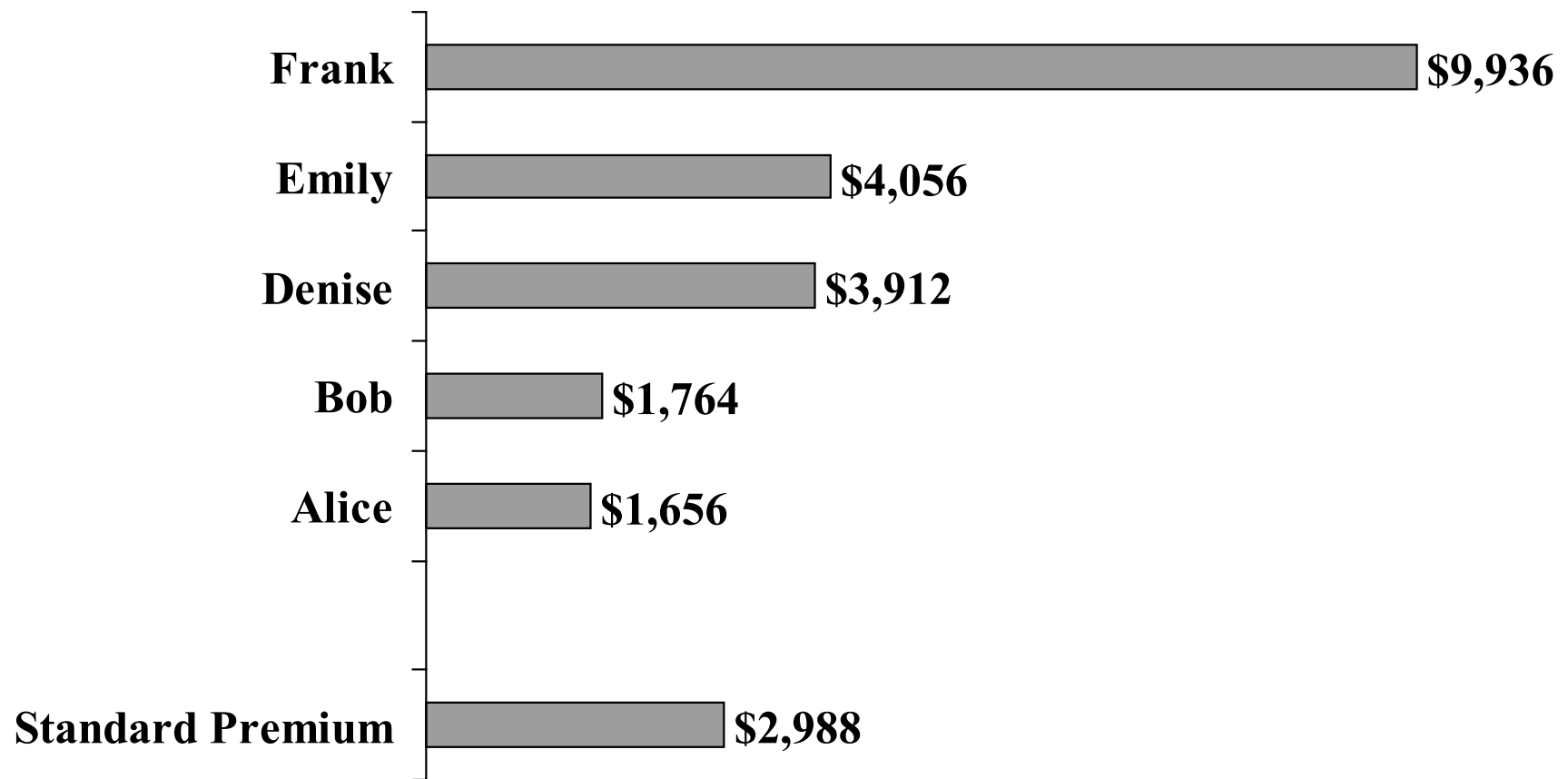
- People in less-than-perfect health face significant barriers to coverage in the individual market
- Individual market is unpredictable
 - Decisions vary from state to state, carrier to carrier
- “Shopping” for coverage can be expensive and risky

Implications for Policymakers

- Difficulties in the individual market have implications for tax credit and “defined contribution” proposals
 - Lack of accessibility and limitations on coverage even for people with relatively mild health conditions
 - Large variations in premiums based on age, health status, and geography
- Comprehensive coverage is expensive, and unless subsidies are high (nearly full), coverage among the low-income uninsured is not likely to increase much (especially for those with health problems)

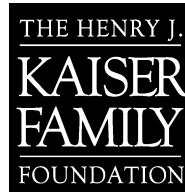
Wide Premium Variations for Single Applicants

Average quoted premium for single applicants



Implications for Policymakers (continued)

- Market regulation involves tradeoffs – it can make coverage more accessible, but it raises costs for the young and healthy
 - Coverage in NY cannot be denied (Greg could get insurance) and no “substandard” offers are allowed
 - Average community rate for single person in Albany is \$4,104, regardless of age or health status – this is lower than the average premium quoted elsewhere for Frank, but higher than for Alice, Bob, Denise, Emily
- High risk pools – another approach to improving accessibility – charge high premiums and have been limited in scope



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