

Attachment

“How Accessible Is Individual Health Insurance for Consumers In Less-Than-Perfect-Health?” Summary of Survey Results

In this study, seven hypothetical consumers made 60 applications for individual health insurance in eight markets across the nation (Arlington Heights, Illinois; Austin Texas; Corning, Iowa; Fresno, California; Miami, Florida; Richmond, Virginia; Tucson, Arizona; and Winamac, Indiana). In each market, the applicants applied for insurers’ most frequently-sold policy and specified a \$500 annual deductible. Insurers responded to these hypothetical applications by either accepting the applicant for standard coverage at a standard rate for a healthy person (i.e., a “clean offer”), rejecting the applicant, offering coverage with special restrictions on covered benefits (e.g., to exclude benefits through a “rider”), or offering coverage at a higher-than-standard premium (i.e., a “rate-up” or surcharge). Some responses combined special benefit restrictions with a rate-up. The results for each of the consumers were as follows:

Alice, a 24-year-old waitress with hay fever. Alice had her application rejected 5 times, or 8% of the time. She received 3 clean offers of coverage. The vast majority of offers (46 of 55) she received had limitations on benefits based on her health condition. Alice was offered policies with exclusion riders that would eliminate coverage for her hay fever or, in three cases, for her entire upper respiratory system. Other offers modified coverage under the policy by increasing the annual deductible from \$500 to \$2,500, or increasing the cost sharing (e.g., deductibles or coinsurance) for prescription drugs. Ten offers applied a premium surcharge, or rate-up, ranging from 20-40% (including four that restricted benefits as well). The average annual premium quoted to Alice was \$1,656, although the prices on her offers ranged from \$408 to \$4,596 per year.

Bob, a 36-year-old consultant who injured his knee in college and had it surgically repaired 10 years ago. Bob was turned down 7 times, or 12% of the time. He received 15 clean offers of coverage and was one of only two of the applicants who received at least one clean offer in each market where he applied. In 34 instances, carriers sought to limit Bob’s coverage in some way. Most often, Bob was offered a policy that excluded coverage for his knee. He also had five offers with premium surcharges ranging from 25% to 40% (including one with benefit restrictions as well). The average annual premium quoted to Bob was \$1,764, although the prices on his offers ranged from \$588 to \$5,112 per year.

The Crane Family (Cathy and Carl, both aged 36, daughter Cindy, 10, and son Colin, 12, who has asthma and recurring ear infections). The Crane family was offered coverage 60 times, but in nine cases the offer excluded Colin from the policy. The entire Crane family received 3 clean offers of coverage. The vast majority of offers to cover the entire family came with limitations. Some attached riders excluding coverage for Colin’s asthma, other respiratory disorders, his ears, or even his entire respiratory system. The Cranes were also offered policies that imposed higher cost

sharing on prescription drugs and other services, or that increased the annual deductible to \$2,500. Seventeen offers imposed premium rate-ups ranging from 20% to 50% (including 12 that also imposed benefit restrictions). The average annual premium quoted the Cranes was \$5,460, although the prices on their offers ranged from \$1,692 to \$15,444 per year.

Denise, a 48-year-old actress and seven-year breast cancer survivor. Denise was rejected 26 times, or 43% of the time, and received 11 clean offers of coverage. However, she was also the only other applicant to receive one clean offer in each market where she applied. Of the 34 offers of coverage Denise received, 18 had limits on benefits covered. Most often the policies had riders excluding coverage for her treated breast, her implant, or cancer of any type. Eighteen offers imposed a premium surcharge, ranging from 40% to 100% (including 13 that were accompanied by some other benefit restriction). The average annual premium for Denise was \$3,912. The cost of coverage on her offers ranged from \$1,464 to \$16,344 per year.

Emily, a 56-year-old widow who is “situationally depressed.” Emily was rejected 14 times, or 23% of the time, while receiving 9 clean offers. Of the 46 offers she received, 23 limited benefits in some fashion, such as excluding coverage for depression or for any mental/nervous disorder and increasing cost sharing for prescription drugs. Thirty of Emily’s offers imposed a premium surcharge, ranging from 20% to 50% (including 16 that also imposed some other special coverage limit or restriction). The average annual premium for Emily was \$4,056. Her offers ranged in price from \$1,920 to \$10,992 per year.

Frank, a 62-year-old retired salesman who smokes, is overweight, and has high blood pressure. Frank was rejected 33 times (55%) and received 2 clean offers. Of his 27 offers of coverage, three included riders excluding coverage of his circulatory system. A total of 25 offers imposed a premium surcharge, ranging from 16% to 110% (including three that also limited benefits). The average annual premium offered to Frank was \$9,936, with a range from \$2,928 to \$30,048.

Greg, a 36-year-old writer who is HIV-positive. Insurers in the individual market generally consider HIV to be an “uninsurable” condition. As a result, Greg was rejected for coverage all 60 times.