



Research Finds Out-of-Pocket Costs Varied Greatly Among 10 Health Insurance Plans

Developing new measures of the adequacy of private health insurance coverage

SUMMARY

From April 2008 through June 2009, researchers at the Georgetown University [Health Policy Institute](#) assessed coverage under 10 health plans in Massachusetts. The researchers applied the rules of each health plan to simulated claims for breast cancer, heart disease and diabetes.

For each disease scenario, the research team calculated how much each plan would pay for each step in the treatment process and how much would be left for the patient to pay.

The 10 plans offered a range of deductibles and co-payments. Under Massachusetts law, the plans had an annual out-of-pocket maximum of \$5,000. However, one plan, available only to young adults, capped covered benefits at \$50,000 annually.

The researchers reported their findings and recommendations in *Coverage When it Counts: What Does Health Insurance in Massachusetts Cover and How Can Consumers Know?* posted on the Robert Wood Johnson Foundation's (RWJF) [website](#) in May 2009. *Consumer Reports* cited the research in a feature article on coverage gaps in its May 2009 issue.

Key Findings

- Consumer out-of-pocket costs under the hypothetical scenarios varied greatly:
 - For breast cancer, patient costs ranged from \$2,004 for one of the low-deductible plans to \$55,250 for one of the young adult plans.
 - For heart disease, patient costs ranged from \$1,881 to \$39,355.
 - For diabetes, patient costs ranged from \$507 to \$4,126.
- Numerous factors—some not obvious to consumers when they are choosing a plan—affected the differences in out-of-pocket costs:

- Comprehensiveness of the out-of-pocket limit. (Plans differed in how they treated co-payments and other cost-sharing.)
- Waivers of cost-sharing. (Some plans waived cost-sharing for services needed repeatedly, such as chemotherapy; others did not.)
- Exclusions. (Several plans capped outpatient mental health treatments.)
- Detailed policy contracts would pose challenges to consumers, even if they were to be made available before purchase, due to missing information about covered services and confusing and even ambiguous language in the contracts.

More details on the methodology are available in the PDF version of the report [online](#). For more information on the health plans analyzed by the researchers, see the [Appendix](#).

Key Recommendations

- Regulators should require health insurers to create standardized “Coverage Facts” labels, modeled on food nutrition labels. Consumers could compare plans based on:
 - How features—such as deductibles—vary.
 - How coverage for a given illness varies.
 - How coverage at a single health plan varies, depending on the illness.
- Regulators should adopt standardized definitions of certain policy features, such as deductibles and out-of-pocket limits, to allow meaningful comparisons across plans.
- Full policy language should always be available to consumers, not only after they purchase a policy.

Funding

RWJF funded this project with a grant of \$296,628.

Lessons Learned

1. When conducting a complex research project, line up experts to advise you in areas in which your knowledge is limited. The researchers relied on clinical experts to help them create hypothetical treatment scenarios, but wished they had also consulted an expert in the coding and billing of medical services. “We tried to teach ourselves. It is so complicated,” said Project Director Karen Pollitz.

Afterward

The U.S. Senate passed a health care reform bill in December 2009 that requires the use of a “Coverage Facts” approach to presenting benefits information to consumers of health plans.

On September 26, 2012, Kathleen Sebelius, the secretary of Health and Human Services, announced the new tool, Summary of Benefits and Coverage or SBC, on the [Healthcare.gov blog](#):

- The tool has a uniform format that shows the basic information about someone’s health insurance plan and how much it costs.
- The SMC also includes a new comparison tool, called Coverage Examples, that shows you what your insurance would cover in two common medical situations—having a baby and managing type 2 diabetes. The Coverage Examples are modeled on the Nutrition Facts label on packaged foods.
- Health insurance issuers and group health plans must also provide access to a glossary of common terms... used in health insurance...with easy-to-understand definitions.
- Consumers who want to learn more about a particular plan or policy will be able to review the full contract outlining the benefits and limitations—before they sign up for coverage.

With funding from the American Cancer Society, the researchers conducted a similar analysis of the adequacy of the most popular health plan for federal employees, and published the findings in July 2009.

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APPENDIX

The Health Plans Analyzed

The team chose the 10 health plans offered through the Commonwealth Health Insurance Connector Authority, a state agency which maintains a marketplace of insurance plans for Massachusetts residents—both individuals and small businesses. The plans were offered by six in-state entities:

- Harvard Pilgrim Health Plan
- Neighborhood Health Plan
- Health New England
- Blue Cross Blue Shield of Massachusetts
- Fallon Community Health Plan
- Tufts Health Plan

BIBLIOGRAPHY

Reports

Pollitz K, Bangit E, Libster J, Lewis S and Johnson N. *Coverage When It Counts: What Does Health Insurance in Massachusetts Cover and How Can Consumers Know?* Princeton, NJ: Robert Wood Johnson Foundation, 2009. Available [online](#).