

Understanding the Actual Cost of Health Insurance

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On October 1, 2013, the newly created health insurance marketplace opened for business. It was a rocky beginning, with frustrations incurred by patients, providers, payers, and policy makers. However, by December 30, more than 2.1 million people had enrolled in private health insurance plans through the new federal and state websites.¹ The Affordable Care Act (ACA) provides a lifeline to healthcare coverage that was outside the grasp of some individuals.²

The implementation of this groundbreaking legislation is an important advancement to our country's healthcare system. Yet people are being required to make purchasing decisions without adequate information to help them pick the right insurance plan.

The ACA states that, at a minimum, a marketplace must "establish and make available by electronic means a calculator to determine the actual cost of coverage" of qualified health plans (QHPs).³

Healthcare.gov, the federal government's website, can help a person understand the premium and deductibles for insurance plans offered in the various states.⁴ The Henry J. Kaiser Family Foundation created a subsidy calculator where people can get an estimate of their eligibility for health insurance subsidies, plus detailed information about how the estimate is calculated.⁵ The website created by the nonprofit organization Get Covered America helps people estimate their insurance costs based on premiums for the least expensive QHPs plus federal subsidies based on a person's income.⁶

It is important for a person to know about premiums, deductibles, and subsidies before enrolling, but these data points do not present the whole cost picture.

For patients to adequately compare costs across available QHPs, they need access to a tool that assists in the calculation of expected out-of-pocket costs for an entire plan year and for their individual healthcare needs. Out-of-pocket costs include copays, coinsurance, and other costs to a patient in addition to their premium.

For consumers with minimal healthcare needs, comparing plans is fairly straightforward. In contrast, people

with chronic diseases and disabilities and their family caregivers face greater difficulty analyzing expected out-of-pocket costs without a calculator. It is critical that these patients have the tools to select the right plan to meet their complex health needs.

As this publication was going to press, the National Health Council (NHC) was putting final touches on a new website to help people with chronic diseases and disabilities better understand the new health insurance marketplace and provide a guide to what they need to consider when selecting a health insurance plan that meets their personal health and budget requirements.⁷

A central function of the the Putting Patients First website will be a cost calculator. People will be able to insert their age and state of residence, plus their expected annual use of healthcare: visits for primary care, specialty care, mental healthcare, and emergency department care; potential hospitalizations and outpatient surgeries; and their use of prescriptions, both brand name and generic.

The resulting cost report will show estimated out-of-pocket medical and prescription costs and the premiums across different metal levels of the QHPs in the person's state. While the Putting Patients First website will not direct people to specific health plans, the estimate of their total annual health costs will help guide patients to the right metal level to meet their needs.

People will also be able to read short sketches about patients with different medical and drug utilization patterns to see how plan selection impacts personal healthcare spending. Also included on the website is a library of resources to assist with enrolling in health plans, such as primers and checklists, which have been created by the NHC and its member patient organizations.

The Putting Patients First website encourages people to share their experiences enrolling in a QHP purchased through the new marketplace. The NHC will be using these stories as well as data collected from a statistically relevant survey to help policy makers understand what is working and what needs to be changed to improve

the marketplace. These stories will influence the recommendations the NHC will be sending to the administration in 2014 to enhance the patient marketplace experience.

The Centers for Medicare & Medicaid Services (CMS) created a cost calculator tool for Medicare beneficiaries shopping for Medicare Advantage plans.⁸ This Plan Finder allows people to evaluate out-of-pocket estimates for the average amount a beneficiary might expect to spend each year for health and drug coverage. Conceptually and mechanically, a similar tool for the health insurance marketplaces would be an invaluable resource, particularly for the purchasers of QHPs who may not be as comfortable navigating the complex world of health insurance.

Since the federal government has decided at this time not to create such a calculator for QHPs, the patient advocacy community is stepping up to fill the information gap. The Putting Patients First cost calculator is not perfect. The website is not as robust as what the federal government could create. Therefore, the patient advocacy community will continue to actively urge CMS to make creating a cost calculator that presents actual health insurance plan costs a top priority for 2014.

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