
Would Consumers Use a Measure of Actuarial Value?

Lynn Quincy
October 17, 2011



2014: Actuarial Value *Concepts* placed in front of consumers

- Metal tier designations:
 - Bronze – 60% Actuarial Value
 - Silver – 70% Actuarial Value
 - Gold – 80% Actuarial Value
 - Platinum – 90% Actuarial Value
- Large employer plans aren't "qualified coverage" unless:
 - the actuarial value is at least 60 percent and
 - premiums are less than cost less than 9.5 percent of employees' wages/household income
- A new disclosure on the Summary of Benefits and Coverage will note whether the plan is above/below the 60% threshold.

Research Questions:

- ❑ How do consumers respond to the new metal tiers? Are they clear? Useful?
- ❑ Do consumers understand the content and purpose of the new actuarial value disclosure?
- ❑ If health plan actuarial value is provided as part of a plan comparison, along with a definition, is it understandable and useful?

Actuarial Value Study Is One Of A Trio Of Consumer Testing Studies

Study Examined:	When:	Locations: Mid-sized cities in...
Actuarial Value Concepts	May 2011	CO, MD
"Coverage Facts Label" (pages 5-6)	May 2011	MO, NY
Pages 1-4 of new health insurance disclosure	Sept-Oct 2010	IA, NH, CA, OH

Participants were evenly divided between men/women; uninsured/insured (non-group). A variety of education levels, ages (26-64), and race/ethnic background, and prior familiarity with health insurance.

All 3 studies:

Consumers want a good “value”...

Consumers care about cost.

But they don't want the lowest cost plan, they want the best value plan they can afford.

Notion of value is sophisticated:

- scope of services covered
 - share of the cost paid by plan
 - *sometimes* the quality of providers
-

.. but consumers can't calculate value

Cost-sharing terms are the greatest area of confusion.

Consumers don't know the vocabulary: deductible, coinsurance, benefit maximum, allowed amount, out-of-pocket maximum.

Concepts are complex and they must be integrated to estimate patient costs (do copays count towards the out-of-pocket maximum?). Sophisticated computational skills are required!

Metal Tiers – what consumers saw (excerpt)

	Premiums	Out-of-Pocket Costs
Platinum Plans:	Highest	Lowest
Gold Plans:	Higher	Lower
Silver Plans:	Moderate	Moderate
Bronze Plans:	Lower	Higher
Catastrophic Plans:	Lowest	Highest

Metal Tiers – what we learned

- Participants innately understood and used the rank ordering associated with the groupings.
- Tier designations provided a highly accessible “road map” for participants.
 - Even when participants misunderstood the plan’s specific cost-sharing provisions, they understood that a silver plan should be “more generous” than a bronze.
- Having an “evaluable” labeling system helped participants, but they were also aided by prior familiarity with “metal” designations.

60 percent actuarial value federal disclosure – what they saw

Required Federal Disclosure:	On average, this plan will pay at least 60% of total allowed costs for the benefits listed in the policy.
------------------------------	--

Note: **all** plans used in testing were above 60%. We were not able to model a plan that was below 60% and met the other ACA benefit requirements.

60% disclosure – what we learned

- ❑ Consumers ignored the disclosure
- ❑ When probed, did not understand the disclosure
 - Purpose not clear / not actionable
 - Jargon unfamiliar (“allowed costs,” “on average”)
 - Overlooked “at least” – many read as “will pay 60%”
- ❑ Did not trust the disclosure; not clear that it is intended as a consumer aid.

Actuarial Value of Plan – what they saw

Estimated Percent of Allowed Costs Paid by Plan:	70%
---	------------

Plus, a glossary definition of actuarial value.
Four variations assessed.

Actuarial Value of Plan – what we learned

- ❑ Consumers had similar difficulties with jargon (“allowed costs,” “on average”)
- ❑ *Some* used Actuarial Value percentages to ascribe relative rankings (like the metal tiers)
- ❑ Having actuarial value alongside the 60% disclosure was confusing.

So is it useful to present Actuarial Value to consumers?

- Metal Tiers – yes
- Absolute Amount of Actuarial Value - maybe:
 - Addresses a big need identified by consumers (value)
 - Only “conventional” variations tested. Study provides direction for what a consumer-friendly version might look like.
 - Better versions should be tested.
 - Actuarial value is unfamiliar, but other disclosures indicate that consumers can learn.

Consumers can learn to use numeric benchmarks representing sophisticated concepts

Based on standard U.S. Government tests

ENERGYGUIDE

Refrigerator-Freezer
With Automatic Defrost
With Side-Mounted Freezer
With Through-the-Door-Ice Service

Compare the Energy Use of this Model with Others Before You Buy

This Model Uses **644 kWh/year**

Energy use (kWh/year) range of all models in this category: **617 to 717**

Uses Least Energy

\$53

Based on a 2001 U.S. Government national average cost of 8.2¢ per kWh. Your utility company uses it to compute your bill. Only cubic feet and the above features are used in this scale.

Refrigerators using more energy cost more. This model's estimated yearly operating cost is \$53.

Based on a 2001 U.S. Government national average cost of 8.2¢ per kWh. Your utility company uses it to compute your bill. Only cubic feet and the above features are used in this scale.

Important: Removal of this label before consumer purchase violates the Federal Trade Commission's EnergyGuide Act.

EPA Fuel Economy Estimates

These estimates reflect new EPA methods beginning with 2008 models.

CITY MPG
18
Expected range for most drivers
15 to 21 MPG

Estimated Annual Fuel Cost
\$2,039
based on 15,000 miles
at \$2.80 per gallon

Combined Fuel Economy
21
This Vehicle
10
All SUVs

	% Daily Value*
Total Fat 12g	18%
Saturated Fat 3g	15%
Trans Fat 3g	
Cholesterol 30mg	10%
Sodium 470mg	20%
Total Carbohydrate 31g	10%
Dietary Fiber 0g	0%
Sugars 5g	
Protein 5g	
Vitamin A	4%
Vitamin C	2%
Calcium	20%
Iron	4%

See the FREE Fuel Economy Guide at dealers

Towards A Better Actuarial Value Disclosure

- Don't use the terms:
 - On average
 - Allowed costs
- Avoid percentages
- Test a substitute disclosure such as: "This plan offers coverage that exceeds federally recommended minimums."
- Test an alternate phrase such as: "Compared to other plans, this plan has a cost-sharing score of 70."

Towards A Better Actuarial Value Disclosure (con't)

- Rigorous methodology must underlie the Actuarial Value estimates. Estimates must be truly comparable across plans so they can be trusted by consumers.

Thank you!

For more information, contact

Lynn Quincy:

lquincy "at" consumer.org

202-462-6262