

+ HEALTH INSURANCE UNDER 65 INTELLIGENCE SERVICE

2011 Health Insurance Design Study

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Deft Research: Managed Care Market Research

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Deft Provides

- Custom Research
- Syndicated Research
- Customer Data Analysis

Partners

❖ **Nielsen-Claritas**

Prizm® Lifestyle
Segmentation System

❖ **Market Solutions Group**

- Project management
- Telephone and internet research
- Focus Groups
- One-on-one interviews



Deft Research: Managed Care Market Research

Our Clients

Since 2006, Deft Research has grown to become a leading market research provider for the health insurance industry. We are highly regarded as a valued resource providing reliable, timely, and actionable consumer insights to our clients*.

Regional/ National plans: 15

Local/ State plans: 43

Agency/ Manufacturer: 6

* Complete client list available upon request.

Senior Market Intelligence Service

Benefit Design & Market Dynamics Study, 2006-2011
National Senior Loyalty Study, 2006-2011
The Age-in Study, 2007-2011

Health Insurance Under 65 Series

Health Insurance Design, 2011
Shopping Pathways & the Internet, 2011
Small Business Managers' Outlook, 2011

Custom Healthcare Consumer Research

Shopping Behavior and Pathways
Consideration Sets – Competitive Assessment
Brand Awareness, Impression, Loyalty
Market Segmentation
Media Recall
Concept Testing
Conjoint: Product Preferences and Attribute Value
Price and Cost Sensitivity
Hispanic Preferences and Attitudes
Disenrollment
Drug Coverage Importance



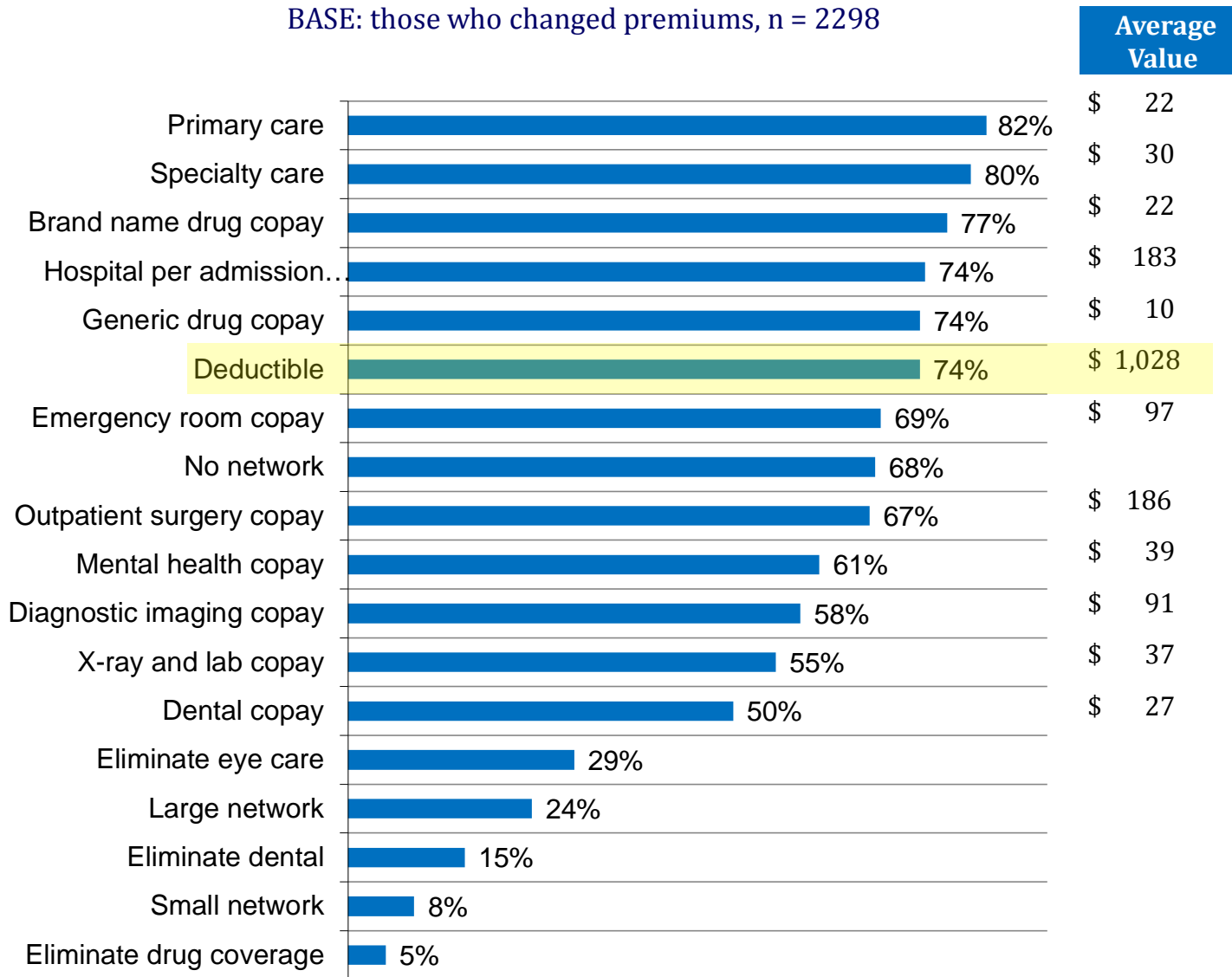
Study Overview

- Fielded on-line April-May, 2011.
- Target Population was aged 19-63 who work for employers with less than 1000 employees, or are not employed.
- 3470 responses were obtained nationally.
- Sample was obtained jointly from Survey Sampling International and Research Now.

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Deductibles and their dollar values stand out as premium reducers more consumers might like to use.

BASE: those who changed premiums, n = 2298



Compared to the health insurance currently in effect, when designing their own insurance, consumers relied more on deductibles to lower premiums. In turn they designed packages with lower copayments than are standard in the industry.

Implication:

Despite efforts to educate consumers about managing health care, consumers **dislike networks** and high cost sharing. Many would rather have a deductible with richer coverage once the deductible is met.

Why? We can only speculate but indications are that consumers prefer the certainty of known amounts over the uncertainty of costs at the point of service.



Market Segments

Three approaches to premium reduction were identified to form the basis of market segments.

Approach's Name	% of respondents	Method used to lower premium	Attributes used to lower premium
Secondary Care Copayments	26%	Lowered premium by increasing deductible or copay for these:	<ul style="list-style-type: none"> •Hospital admission •OP surgery •Emergency room •Mental Health •Diagnostic Imaging •X-ray and lab
Basic Copays	48%	Lowered premium by increasing copay for these:	<ul style="list-style-type: none"> •Primary care •Specialty care •Generic drugs •Brand drugs
Coverage Elimination	27%	Lowered premium by eliminating:	<ul style="list-style-type: none"> •Dental •Drug



The “Basic Copays” segment is most passive in reducing premiums.

“Eliminate Coverage” most assertively obtains the lowest premiums by slashing coverage from their packages.

Highlights show where one group is different than the other two.

Although “Basic Copays” relied most on doctor and drug copayments for premium reduction, this older, wealthier group, did not increase those copays more than anybody else. By not being aggressive with their primary means of premium reduction and not using other means to supplement the effort, they ended the exercise with the highest premiums.

The younger and moderately affluent “Secondary Copays” segment is more likely to reduce premiums through cost sharing for services they may not feel they will need. They were also willing to add higher deductibles but avoided high basic copays.

Average Designer Values

	Secondary Care Copays	Basic Copays	Eliminate Coverage
Designed <i>unsubsidized</i> single premium	\$501	\$510	\$470
Designed <i>unsubsidized</i> family premium	\$1,253	\$1,274	\$1,175
Believe they are eligible for subsidy	38%	30%	46%
Deductible	\$1,184	\$909	\$1,058
Hospital per admission copay	\$279	\$138	\$146
Primary care	\$25	\$21	\$20
Specialty care	\$36	\$29	\$28
Generic drug copay	\$9	\$11	\$7
Brand name drug copay	\$20	\$25	\$16
Outpatient surgery copay	\$336	\$100	\$137
Emergency room copay	\$147	\$70	\$79
Mental health copay	\$47	\$34	\$35
Diagnostic imaging copay	\$168	\$42	\$59
X-ray and lab copay	\$55	\$26	\$27
Dental copay	\$31	\$26	\$16
No network, no reduction	83%	60%	64%
Small network	4%	10%	11%
Large network	13%	30%	25%
Eliminate dental	3%	2%	53%
Eliminate eye care	18%	21%	57%
Eliminate drug coverage	3%	0%	16%



Health Expense Index

The index gives us an estimate of how many times more than a healthy person each respondent is expected to cost.

A Health Expense Index was computed using:

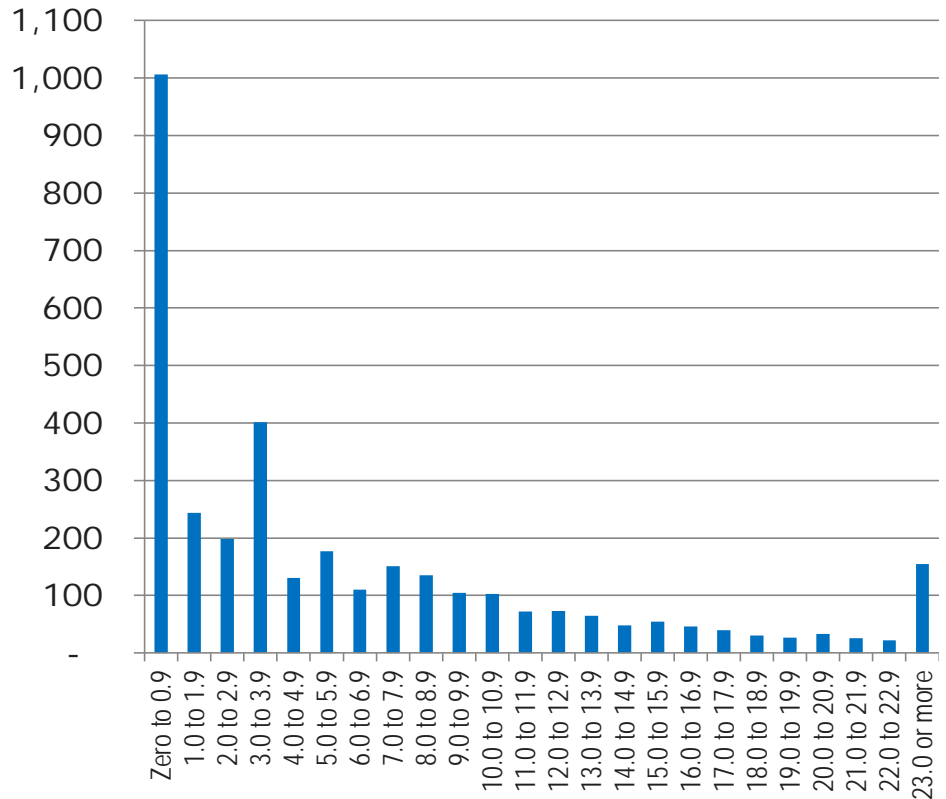
1. Respondents' report of chronic conditions, weight problems, and tobacco use;
2. Publicly available data on disease prevalence and the medical and drug costs of disease or risk;
3. Derived estimate of additional cost per case given the reported conditions and risks.

The index gives us an estimate of how many more times than a healthy person each respondent is expected to cost.

- In our sample the Index ranges from **0 to 43.7** indicating that, on average, people like the most ill person in our sample will cost about 44 times more than healthy persons.
- A person with an HEI of 0 has no conditions or risk factors. They would, on average, spend/cost about \$665 per year in medical and drug expenses. A person with an HEI of 3.0 (close the HEI's median) would spend/cost about \$2,660.

Number of Respondents

Health Expense Index





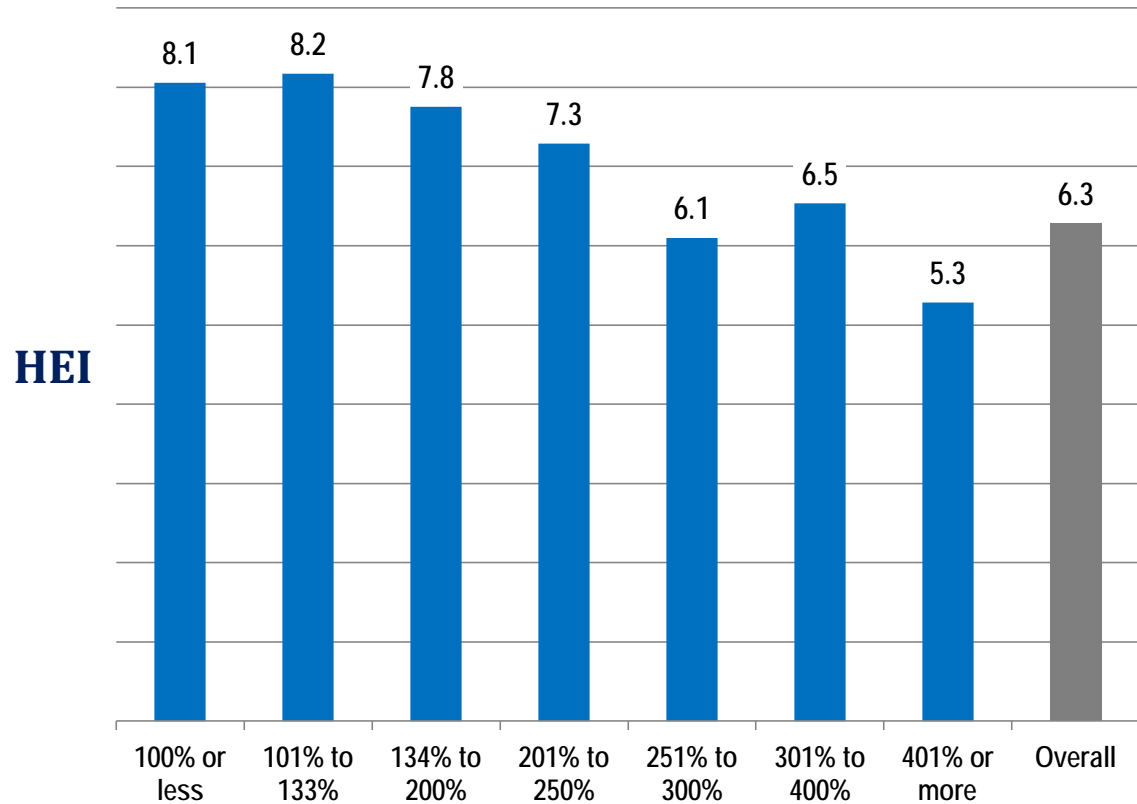
FPL and HEI

Estimating health expenses has implications for policy makers considering the FPL basis and amounts for health insurance subsidies.

The Health Expense Index is related to Federal Poverty Level.

250% and 400% FPL demarcate the sample.

- As financial situations rise above 250% FPL, health expenses are lower by 1.6 to 2.8 HEI points or \$1,100 to \$1,900 in medical/drug expenses per person per year.
- The graph at right shows that when people are at 400% of FPL or more, their HEI is 1 point less than the overall average and 2.8 less than the poorest respondents.

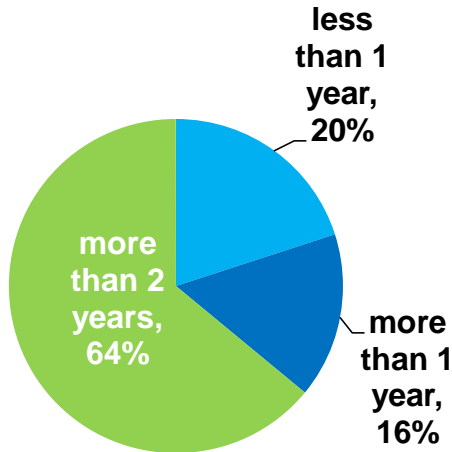


Uninsured people are not attempting to purchase health insurance.

The predominant reason: “could find nothing affordable.” 90% don't apply.

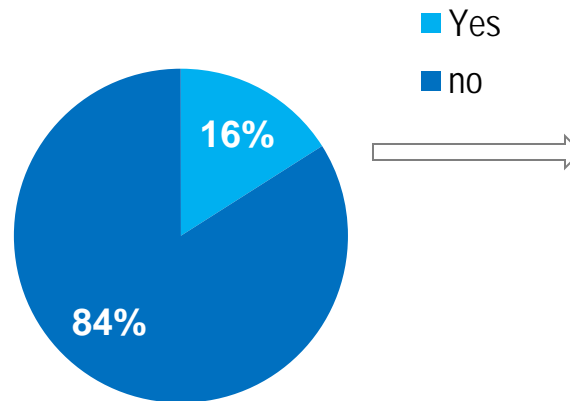
Most uninsured are chronic uninsured

Among the uninsured, how long without health insurance?



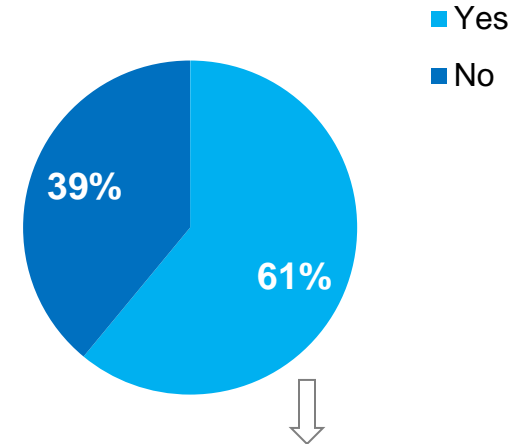
Only 1 in 6 has attempted to purchase

Since the last time you had health insurance have you tried to purchase new insurance?



Only 1 in 10 has applied

Of those who attempted, Did you apply for insurance by completing an application and sending it to an insurer?



Implication: This 61% of those who attempted to purchase means only 10% of the uninsured sent in applications. **There is a disconnect** between health insurers and this population, which means the first insurers to deliver effective products and marketing have an open field for obtaining new customers.



When the uninsured have coverage, they will increase their primary care visits, use of prescription medication, and dental coverage.

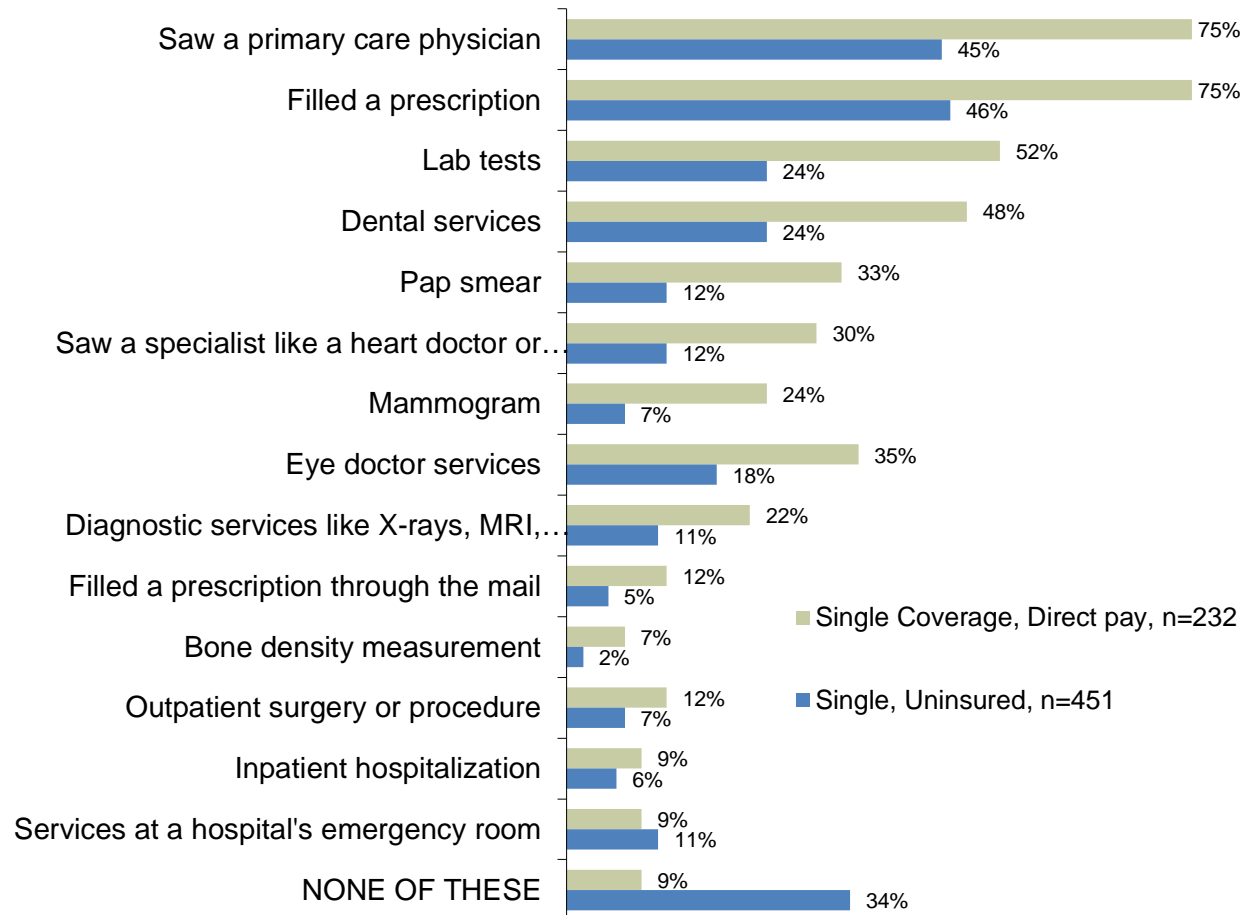
BASE: Single and direct-payer or uninsured, n=683

“Please tell us about the health services you personally have used in the past year” (Sorted by difference in usage)

Implication: The gap in usage between these two groups represents the **pent-up demand** for healthcare due to lack of coverage.

The areas with the biggest gap will see the largest increase in use once health care reform moves more people from uninsured to insured.

Percent who used the service in the past year





Health Insurance Exchanges

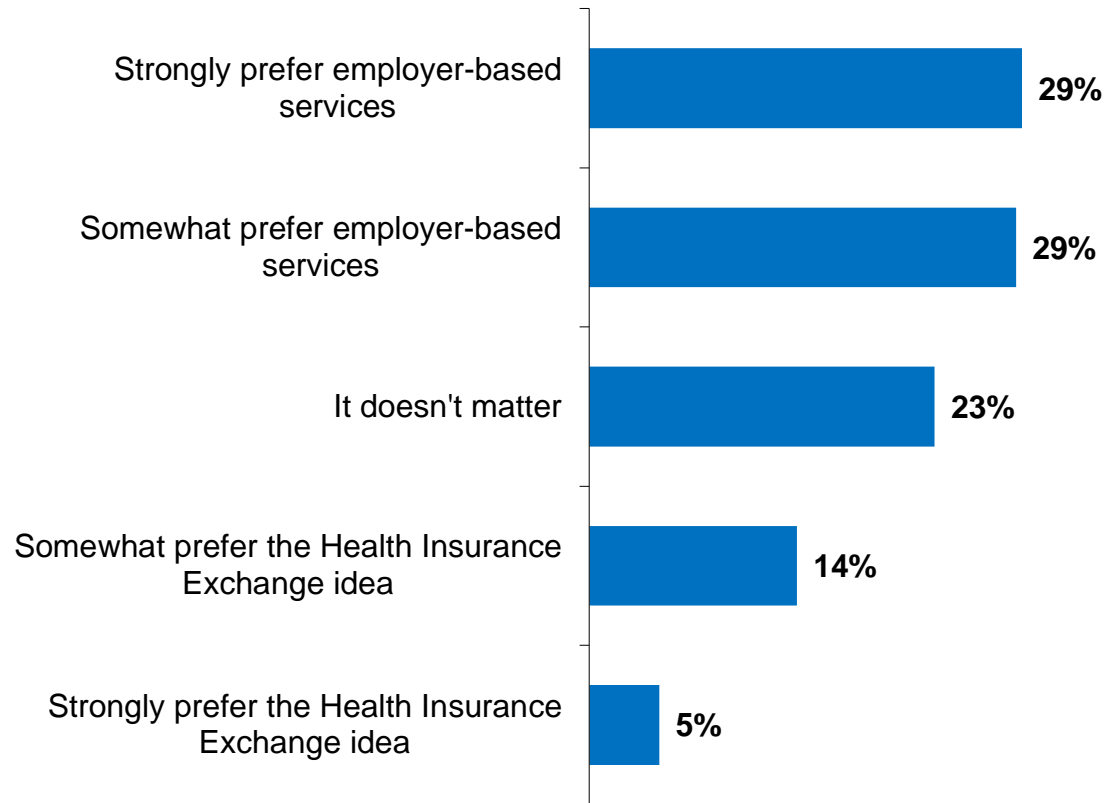
In a lukewarm response, employer-based consumers would rather stick with the status quo.

BASE: has employer-based coverage, n=1939

“Which would you prefer: health insurance services offered by your employer or through an exchange?”

Of those who have employer-based insurance, 58% prefer that option, but 42% say “It doesn’t matter” or state a preference for an Exchange.

Implication. This is a lukewarm response to sticking with employers, especially when considering that Exchange is a new idea. It is an indication that small employers are not earning much employee loyalty by offering group health.





7 Market Groups are Profiled

Insurance Situation	Family Status
Employer-based	Single
	Family
Direct-Payer	Single
	Family
Uninsured	Single
	Family
Medicaid	Single

- For each market group, we describe:
 1. How expensive they are to manage (Health Expense Index).
 2. Average cost sharing values.
 3. Prevalence of disease.
 4. Premium reduction strategies by selected demographics
- This allows product developers to understand ideal benefit design for target groups.