
The Critical Role of Choice Architecture in Health Plan Selection

Lynn Quincy

Before the California Health Benefit Exchange

October 30, 2012

**Consumers
Union[®]**

POLICY & ACTION FROM
CONSUMER REPORTS

Three CU studies provided nuanced information about how consumers REALLY shop for health insurance

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

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.

Top Findings

- Consumers DREAD shopping for health insurance.
 - They don't understand the product but they realize there are great financial and health implications for their families (=stress inducing).
- Cost-sharing was the greatest source of confusion, things like deductible, coinsurance, benefit maximum, allowed amount, and out-of-pocket maximum.
 - Consumers care about value but can not compare plan value.
- They won't use information they don't trust.
 - Trust levels for health insurers are very low.

Which would you choose?

Health Plan A

Terms:

εκπεστέου είναι
\$4.000· η
μητρότητα δεν
είναι
καλύπτονται

or

Health Plan B

Terms:

εκπεστέου είναι
\$1,000 7
μητρότητα έχει
\$5.000 όφελος
όριο

An Exploration of “Choice Architecture” Indicates Ways to Help Consumers

- Choice Architecture describes how your choices are structured
- Choice Architecture profoundly affects the choices made by consumers
- Our report contrasts six health plan chooser tools

Choice Architecture: Design Decisions that Affect Consumers' Health Plan Choices

July 9, 2012



Kleimann Communication Group, Inc.
12600 St. James Rd
Rockville, MD 20850

And



Consumers Union
1101 17th Street NW
Washington, DC 20036

KEY FINDING: Carefully Consider the Structure of Initial Search Results

Why? Because consumers often look no further, using those initial results to make their selection.

- PBGH/CalPERS: 93% of the time the default display of information is accepted by users.
- Checkbook: More than 60% of users make their decisions without viewing any other information beyond the initial summary screen.

Display of Initial Search Results: Key Choice Architecture Elements

- Are all plans displayed?
- Default sort order?
- Which plan attributes are displayed?
- Are there consumer-tested “cognitive short-cuts”?

Cognitive Short-Cuts?

- Consumer will use cognitive short-cuts to “get through” the difficult task of shopping for coverage.
- Consider developing short-cuts to help consumers to make an informed choice:
 - Total Estimated Cost
 - Coverage Examples
 - Actuarial Value (Metal) Tiers
 - ~~New Measures of Provider Networks~~
 - Others not yet thought of?

About these Coverage Examples:

These examples show how this plan might cover medical care in three situations. Use these examples to see, in general, how much insurance protection you might get from different plans.



This is not a cost estimator.

Don't use these examples to estimate your actual costs under this plan. The actual care you receive will be different from these examples, and the cost of that care also will be different.

See the next page for important information about these examples.

Having a baby
 (normal delivery)

- **Amount owed to providers:** \$10,000
- **Plan pays \$0**
- **You pay \$10,000** (maternity is not covered, so you pay 100%)

Sample care costs:

First office visit	\$100
Radiology	\$300
Laboratory tests	\$200
Routine obstetric care	\$2,000
Hospital charges (mother)	\$4,100
Hospital charges (baby)	\$1,900
Anesthesia	\$1,000
Circumcision	\$200
Vaccines, other preventive	\$200
Total	\$10,000

You pay:

Deductibles	\$0
Co-pays	\$0
Co-insurance	\$0
Limits or exclusions	\$10,000
Total	\$10,000

Treating breast cancer
 (lumpectomy, chemotherapy, radiation)

- **Amount owed to providers:** \$98,000
- **Plan pays \$94,800**
- **You pay \$3,200**

Sample care costs:

Office visits & procedures	\$4,000
Radiology	\$4,000
Laboratory tests	\$2,400
Hospital charges	\$3,300
Inpatient medical care	\$200
Outpatient surgery	\$3,400
Chemotherapy	\$64,000
Radiation therapy	\$13,000
Prostheses (wig)	\$500
Pharmacy	\$2,000
Mental health	\$1,200
Total	\$98,000

You pay:

Deductibles	\$2,500
Co-pays	\$200
Co-insurance	\$0
Limits or exclusions	\$500
Total	\$3,200

Managing diabetes
 (routine maintenance of existing condition)

- **Amount owed to providers:** \$7,800
- **Plan pays \$6,800**
- **You pay \$1,000**

Sample care costs:

Office visits & procedures	\$960
Laboratory tests	\$300
Medical equipment & supplies	\$40
Pharmacy	\$6,500
Total	\$7,800

You pay:

Deductibles	\$300
Co-pays	\$260
Co-insurance	\$400
Limits or exclusions	\$40
Total	\$1,000

Questions: Call 1-800-XXX-XXXX or visit us at www.insurancecompany.com.

If you aren't clear about any of the terms used in this form, see the Glossary at www.insuranceterms.gov.

Chooser Tool	Within the customer's service area, are all plans displayed?	Plans at the top of the list have...
CMS	All Displayed	Lowest Total Estimated Cost
Checkbook	All Displayed	Lowest Total Estimated Cost
PBGH/ CalPERS	Default is to display 6 plans	Lowest Total Estimated Cost
Enroll UX 2014	User responses to questions determines the list of plans displayed, with 3 displayed at a time	Lowest Total Estimated Cost
MA Health Connector	Users select a coverage level (Bronze, Silver, etc) before seeing plans	Lowest Premiums
eHealth Insurance	Default shows only "Best Sellers" – most popular plans among those that contract with eHealthInsurance	Proprietary algorithm

Differences Across Tools

Indicates A Decision Making Focus

- Get to initial results quickly or require more information to be provided upfront?
- Narrow options before initial results displayed or after?
- Emphasize contributing to an integrated provider directory in carrier negotiations or not?
- Develop tested cognitive shortcuts or pass through data “as is”?

Thank you!

Please email
Lynn Quincy with
any questions:

lquincy "at" consumer.org

Reports can be downloaded
from:
www.consumersunion.org/health

ConsumersUnion[®]
POLICY & ACTION FROM CONSUMER REPORTS

HEALTH POLICY
BRIEF
JANUARY 2012

What's Behind the Door: Consumers' Difficulties Selecting Health Plans

SUMMARY

Consumer testing by Consumers Union confirms the widely held perception that people struggle to understand their health insurance policies. This information gap has grave consequences for consumers and for the success of most health reform approaches. Indeed, improving consumers' ability to shop in the health insurance marketplace is an area of great untapped potential. But realizing this potential will require a multi-layered policy approach. It will require greater standardization of products in the marketplace, along with better tools for communicating health plan features to consumers. Both strategies will require an in-depth understanding of how consumers shop for coverage and the barriers they face. Rigorous consumer testing provides the nuanced information that can lead to measurable improvements in consumer understanding. This brief highlights the findings from three consumer testing studies. These consolidated results provide a strong foundation for regulatory and legislative efforts to enact policies and provide tools that improve consumers' understanding of health insurance, as well as health plans' own efforts to improve customer communications.

Consumer testing by Consumers Union confirms the widely held perception that people struggle to understand their health insurance policies. These difficulties are so profound that the vast majority of consumers are essentially being asked to buy a very expensive product—critical to their health—while blindfolded. As in the game show "Let's Make a Deal," they must make a selection without knowing what's behind the door.¹ This information gap has grave consequences for consumers and for the success of most health reform approaches.

Why Engage In Consumer Testing?

If policymakers or regulators start with an incomplete or erroneous understanding of how consumers shop for health insurance, they will not design appropriate policies or regulations. However, these entities are hampered by a very limited amount of data on how consumers shop and the barriers they face. There is a general perception that shopping for and using health insurance is

¹ – HEALTH POLICY BRIEF – JANUARY 2012 – WWW.CONSUMERSUNION.ORG

Illustrative Screen Shots...



← go back

Print this page

BROWSE PLANS: 2 benefits packages (What's a benefits package?) ? [8 plans]

Sort plans by Benefits package

You've selected

Benefits package

- Bronze
- Silver
- Gold

Narrow by provider

Search for your doctor...
Only show plans that include your doctor, nurse practitioner, hospital or health center.

Narrow by monthly cost

- \$301 - \$400 (0)
- \$401 - \$500 (0)
- \$501 - \$600 (4)
- \$601 - \$700 (0)
- \$701 - \$800 (0)
- \$801 - \$900 (2)
- Greater than \$900 (2)

Show Plans. Then choose up to 3 to compare. Click **Continue** at bottom.

	\$ Monthly Cost	Annual Deductible	Annual Out of Pocket Max.	Doctor Visit	Generic Rx	Emergency Room	Hospital Stay
Silver Low Benefits Package 4 plans available							
as low as \$508		STANDARD BENEFITS FOR ALL SILVER LOW PLANS					
Hide Plans About Silver Low		\$1,000 (ind.) \$2,000 (fam.)	\$2,000 (ind.) \$4,000 (fam.)	\$20 copay	\$15 copay	annual deductible, then \$100 copay	annual deductible, then no copay
<input type="checkbox"/>	Neighborhood Health Plan	\$508.39	↑	↑	↑	↑	↑
<input type="checkbox"/>	BOSTON MEDICAL CENTER HealthNet Plan Get more.™	\$515.82	↑	↑	↑	↑	↑
<input type="checkbox"/>	MASSACHUSETTS	\$834.71	↑	↑	↑	↑	↑
<input type="checkbox"/>	Harvard Pilgrim HealthCare	\$841.91	↑	↑	↑	↑	↑
Silver High Benefits Package 4 plans available							
as low as \$512		STANDARD BENEFITS FOR ALL SILVER HIGH PLANS					
Show Plans About Silver High		None	\$2,000 (ind.) \$4,000 (fam.)	\$25 copay	\$15 copay	\$100 copay	\$500 copay

Kiplinger's BEST Named Kiplinger's BEST health insurance website '08, '09, '11

Shop By

Show All **45** Plans Found

Company

- AARP-branded plans... (7)
- Celtic Ins. Co. (9)
- Humana (7)
- UnitedHealthOne (22)

Monthly Cost

- Under \$200 (11)
- \$200 to \$300 (14)
- \$300 to \$400 (14)
- \$400 to \$500 (5)
- \$500 to \$600 (1)
- \$600 & Above (1)

Deductible

- \$500 to \$1,000 (2)
- \$1,000 to \$2,500 (17)
- \$2,500 to \$5,000 (29)
- \$5,000 to \$10,000 (20)
- \$10,000 & Above (4)

Office Visit

Coinsurance

Plan Type

Additional Coverages

Additional Features

▶ We found 45 plans starting as low as \$104.32 a month

Results based on **1 applicant** located in TALLAPOOSA County, effective 07/07/2012 ([Edit](#))

SPONSORED

UnitedHealthOne [UnitedHealthOne](#)
 New "Deductible Credit" feature - Reduce the amount you pay on your deductible "up to 50%!" Included on ALL PLANS! See brochure for details. [VIEW PLANS](#)

HUMANA one [Humana](#)
 New deductibles and plans include preventive care with no waiting periods & 100% coverage, no lifetime max and many plans are HSA qualified. [VIEW PLANS](#)

Best Sellers | [All Plans\(45\)](#) | [Plans with Your Doctor](#) | [Help Me Choose](#)

Showing 11 of 45 Plans | [Show All](#)

Sort by: Best Seller | Price | Deductible | Ratings | Company

[Bookmark](#) [Print](#)

Copay Select 70 - 5000

	Plan Type Network	Deductible \$5,000	Coinsurance 30%	Office Visit \$35	\$204.67/mo*
AM Best Rating: A					Apply
NEW Find Doctor Plan Details					BEST SELLER
Compare up to 4 plans <input type="checkbox"/> Not Yet Rated					


Copay SelectSM Value - 10000

	Plan Type Network	Deductible \$10,000	Coinsurance 30%	Office Visit \$35	\$131.47/mo*
AM Best Rating: A					Apply
NEW Find Doctor Plan Details					BEST



Available Plans - Ranked by Estimated Cost for Families Like Yours in an Average Year

You may select plans and compare their benefits, costs, and quality in detail by using the Compare Selected Plan Details option. Always consult official [Plan Brochures](#) before making your final plan decisions.

Ⓢ Point your mouse at this symbol should you need additional explanation. Click on  for Video explanation. ⚡ Click on arrow up/down to sort the associated column. Use "Shift" key to sort multiple columns.

[Print Your Plan Comparison Report](#) | [Plan Brochures](#) | [Search Again](#)

Plan Type: HMO, CDHP / HDHP, PPO












Overall Quality Score: ★★★★★, ★★★★, ★★★, ★★, ★

Estimated Out-of-Pocket Costs: \$2000 - \$7210

Deductible: \$0 - \$4000

Published Premium: \$2410 - \$9130


- Summary
- Cost Comparison
- Cost Sharing
- Coverage Features
- Vision/Dental/Hearing
- Plan Flexibility
- Quality
- Advice & Feedback

Select to  Compare	Plan Name 	Plan Code 	Plan Type 	Estimated Average Yearly Cost for Families Like Yours  	Most You Could Pay in a Year  	Published Premium 	Overall Quality Score - (Personalize Here) 	Doctor Result (Click each name for more info) 
<input type="checkbox"/>	APWU CDHP	475	CDHP	\$2,000	\$9,340	\$2,410	★★★	Napolitano, Stephen
<input type="checkbox"/>	Aetna HealthFund HDHP	225	HDHP	\$2,490	\$8,150	\$2,470	★★	Napolitano, Stephen
<input type="checkbox"/>	GEHA HDHP	342	HDHP	\$2,600	\$10,930	\$2,740	★★★	Napolitano, Stephen
<input type="checkbox"/>	Kaiser-Std	E35	HMO	\$3,000	\$10,570	\$2,480	★★★★★	Unknown
<input type="checkbox"/>	Aetna HealthFund CDHP	222	CDHP	\$3,020	\$10,650	\$4,450	★★	Napolitano, Stephen
<input type="checkbox"/>	Mail Handlers HDHP	482	HDHP	\$3,080	\$10,450	\$3,140	★	Napolitano, Stephen
<input type="checkbox"/>	CareFirst BlueChoice-Hi	2G2	HMO	\$3,700	\$9,000	\$3,870	★★	Napolitano, Stephen
<input type="checkbox"/>	Aetna Open Access-Basic	JN5	HMO	\$3,710	\$12,010	\$3,500	★★★	Napolitano, Stephen
<input type="checkbox"/>	Kaiser-Hi	E32	HMO	\$3,850	\$8,770	\$4,420	★★★★★	Unknown
<input type="checkbox"/>	CareFirst BlueChoice-Std	2G5	HMO-POS	\$3,890	\$7,820	\$3,480	★★	Napolitano, Stephen
<input type="checkbox"/>	Blue Cross-Basic	112	PPO	\$3,920	\$7,280	\$3,430	★★★★	Napolitano, Stephen



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[Print Your Plan Comparison Report](#) | [Plan Brochures](#) | [Search Again](#)

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- Plan Flexibility
- Quality
- Advice & Feedback

Select to Ⓜ Compare	Plan Name Ⓜ	Plan Code Ⓜ	Plan Type Ⓜ	Estimated Average Yearly Cost for Families Like Yours Ⓜ 	Most You Could Pay in a Year Ⓜ 	Published Premium Ⓜ	Overall Quality Score - (Personalize Here) Ⓜ	Doctor Result (Click each name for more info) Ⓜ
<input type="checkbox"/>	APWU CDHP	475	CDHP	\$2,000	\$9,340	\$2,410	★★★☆☆	Napolitano, Stephen
<input type="checkbox"/>	Mail Handlers-Value	415	PPO-FEE	\$4,800	\$27,880 	\$2,450	★☆☆☆☆	Napolitano, Stephen
<input type="checkbox"/>	Aetna HealthFund HDHP	225	HDHP	\$2,490	\$8,150	\$2,470	★★☆☆☆	Napolitano, Stephen
<input type="checkbox"/>	Kaiser-Std	E35	HMO	\$3,000	\$10,570	\$2,480	★★★★★☆☆	Unknown
<input type="checkbox"/>	GEHA-Std	315	PPO-FEE	\$4,060	\$15,340	\$2,530	★★★★★☆☆	Napolitano, Stephen
<input type="checkbox"/>	GEHA HDHP	342	HDHP	\$2,600	\$10,930	\$2,740	★★★☆☆	Napolitano, Stephen
<input type="checkbox"/>	Mail Handlers HDHP	482	HDHP	\$3,080	\$10,450	\$3,140	★☆☆☆☆	Napolitano, Stephen
<input type="checkbox"/>	Blue Cross-Basic	112	PPO	\$3,920	\$7,280	\$3,430	★★★★★☆☆	Napolitano, Stephen
<input type="checkbox"/>	APWU-Hi	472	PPO-FEE	\$4,100	\$8,480	\$3,460	★★★★★☆☆	Napolitano, Stephen
<input type="checkbox"/>	CareFirst BlueChoice-Std	2G5	HMO-POS	\$3,890	\$7,820	\$3,480	★★☆☆☆	Napolitano, Stephen
<input type="checkbox"/>	Aetna Open Access-Basic	JN5	HMO	\$3,710	\$12,010	\$3,500	★★★☆☆	Napolitano, Stephen

Further Reading...

CU Study of Choice Architecture

- Contrasted six health plan chooser tools:
 - Consumers Checkbook/FEHBP
 - Massachusetts Connector
 - ehealthinsurance
 - PBGH/CaIPERS
 - CMS Plan Finder
 - Enroll User Experience 2014 (UX 2014)

Choice Architecture: Design Decisions that Affect Consumers' Health Plan Choices

July 9, 2012



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Choice Architecture can help... ...or hurt

- At state's option, web-based brokers may also display Exchange choices.
- Experience with web brokering of Medicare plans suggests strong oversight is needed.

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Recommended Consumer Protections¹ for Web-based Agents and Brokers offering Exchange Coverage

Many states and the Federal government contemplate allowing web-based agents and brokers (hereinafter "web-based brokers") to list and sell exchange-offered health plans. Federal exchange rules require that such web-based brokers enter into an agreement with the Exchange. Per Federal rules, the internet website of an agent or broker must meet certain standards for display. However, these rules are general² and provide leeway for manipulative displays by web-based brokers that might steer consumers towards high-commission plans, emphasize ancillary products over exchange products, or function as vehicles to collect information about consumers for resale or downstream marketing.

In order to avoid the potential pitfalls described on page 4, when web-based brokers offer Exchange plans policymakers should:

Require Consistency Between Web-based Broker Displays and the Exchange

- Require web-based brokers to display all qualified health plan (QHP) information and data provided by the Exchange, *in a manner consistent with the display at the Exchange*, such that a consumer is able to access all of the same information as at the Exchange.
- Require prior approval before web-based brokers use any display features or tools that vary from those available on the Exchange website.
- Require that web-based broker sites prominently display all consumer choice tools that the Exchange website makes available, such as the required premium and cost-sharing calculator or the ability to filter by whether a particular physician is in a plan's network. In particular, it must be made clear to consumers which plans will provide them the most affordability assistance. Consumers must be able to view the premiums and cost-sharing amounts for each plan based on what their *individual* costs would be (after their premium and cost-sharing assistance is accounted for).
- Require that web-based broker sites use a default sort order for QHP choices that is the same default sort order from the Exchange website and allow consumers to easily alter the sort order by the same options available at the Exchange. When the consumer hides or filters out choices, there must be a clear indicator that not all choices are currently displayed.
- Prohibit web-based brokers from utilizing confusing, look-alike data elements such as "customer reviews," "quality ratings" or "best seller" designations that are less robust than or contradictory to similar items found on the Exchange website (such as the results from user experience surveys, standardized quality ratings and other data that Exchanges are required by statute to provide).

¹ To discuss these recommendations or the potential consumer pitfalls described on page 4, please contact Lynn Quincy, Senior Health Policy Analyst, at Consumers Union, 202-462-6262 or lquincy@consumers.org.

² The federal display standards only apply to brokers conducting enrollment "through the Exchange" - enrollment that makes the consumer eligible for subsidies. If a broker is merely using its web site for plan selection or is assisting people with applying for premium tax credits/cost-sharing reductions, it is not clear what standards would apply.

Issue Brief Summarizing Findings from Consumer Testing

- Policymakers and Exchange Designers **MUST** start with a robust, nuanced understanding of consumers' difficulties shopping for coverage
- Links to full studies

The image shows the cover of a report titled "What's Behind the Door: Consumers' Difficulties Selecting Health Plans" published by Consumers Union. The cover includes the Consumers Union logo, the title, and a summary section. The summary text is as follows:

HEALTH POLICY BRIEF
JANUARY 2012

ConsumersUnion®
POLICY & ACTION FROM CONSUMER REPORTS

**What's Behind the Door:
Consumers' Difficulties
Selecting Health Plans**

SUMMARY

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1 – HEALTH POLICY BRIEF – JANUARY 2012 – WWW.CONSUMERSUNION.ORG

Issue Brief Summarizing Evidence from Consumer Choice Literature

Robust evidence from health coverage and other consumer arenas shows that while a little choice is good, too many choices impair consumer decision making.

ConsumersUnion
POLICY & ACTION FROM CONSUMER REPORTS

HEALTH POLICY REPORT
OCTOBER 2012

The Evidence Is Clear: Too Many Health Insurance Choices Can Impair, Not Help, Consumer Decision Making

SUMMARY

A key question confronting policymakers is whether consumers are better or worse off when provided with as many health insurance choices as possible. Consumers Union reviewed the substantial literature in this area and the evidence is clear. While a few choices are good, too much choice undermines consumer decision making, particularly high stakes decisions involving health insurance. Cognitive limits with respect to decoding and analyzing data lead individuals to take decision making short-cuts or avoid choosing altogether.

Policymakers should explicitly consider limiting consumers' health plan choices in the new health insurance exchanges to a manageable number. Furthermore, they should provide robust decision making aids to improve consumers' ability to navigate the resulting choice set. Such interventions include standardizing benefit design, direct assistance, summary data about plans, and more to help consumers organize and evaluate their options.

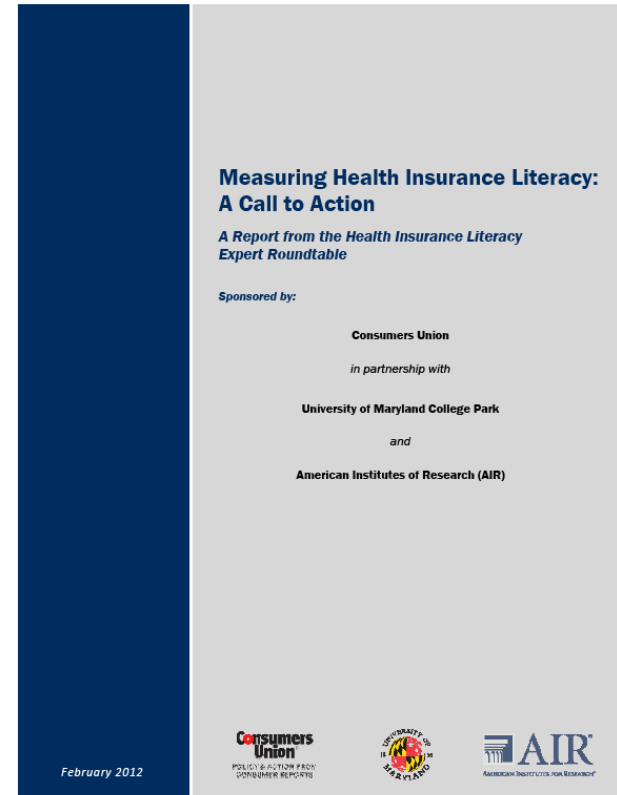
As health reform implementation proceeds, federal and state governments must decide on rules that will regulate how many choices consumers see when they shop in the new health insurance exchanges in late 2013. While most Americans with employer-sponsored coverage are offered a limited number of health insurance options, the situation is very different in other markets. Consumers purchasing in the commercial non-group market or among Medicare's private plan options can face between 20 and 40 health plan options. A key question that policymakers must consider: is more choice better?

1 — HEALTH POLICY REPORT— OCTOBER 2012 — WWW.CONSUMERSUNION.ORG

CU Report Calling for a new Health Insurance Literacy Measure

A working definition:

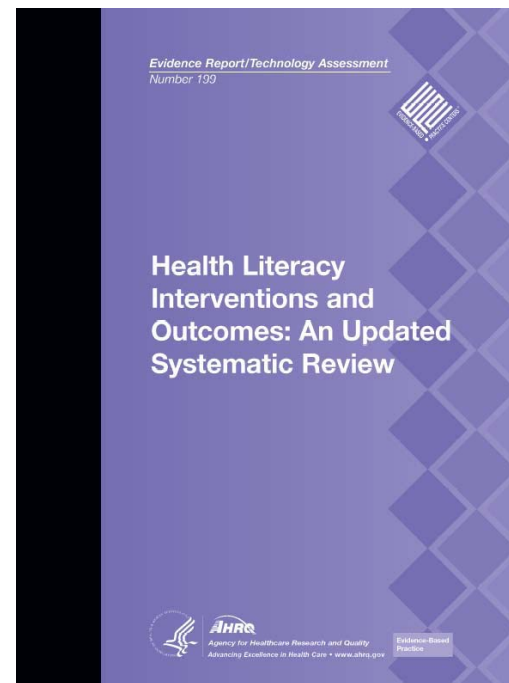
Health insurance literacy measures the degree to which individuals have the knowledge, ability, and confidence to find and evaluate information about health plans, select the best plan for their own (or their family's) financial and health circumstances, and use the plan once enrolled.



Don't we have a lot of health literacy measures?

There are at least 13 tools that measure health literacy BUT health insurance literacy is different.

A recent compilation of over 200 studies, none of which examine health insurance.



Besides CU reports, these might be of interest

- Determining Health Benefit Designs to be Offered on a State Health Insurance Exchange (Mass Experience, Nov 2011)

<http://bluecrossmafoundation.org/Health-Reform/Lessons/~media/Files/Health%20Reform/Lessons%20for%20National%20Reform%20from%20the%20Massachusetts%20Experience%20Benefit%20Designs%20Toolkit%20v2.pdf>

- Consumer Choice of Health Plan Decision Support Rules for Exchanges (PBGH, July 2012)

http://www.pbgh.org/storage/documents/Plan_Choice_Rules_Consumer_Decision_Support_Installments_I_and_II_071912.pdf