

# 2015 OEP: Insight into consumer behavior

Center for U.S. Health System Reform

March 11, 2015

# OVERVIEW

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As the Affordable Care Act's (ACA's) second individual market open enrollment period (OEP) came to a close in February, McKinsey's Center for U.S. Health System Reform conducted its seventh national online survey to gather insights into how the individual market has evolved.



We surveyed a nationally representative sample of ~3,000 qualified health plan (QHP) eligible uninsured and individually insured consumers (excluded employer-sponsored, Medicaid- and Medicare-eligible) to find out what actions they reported taking during the 2015 OEP (e.g., how they shopped for, and evaluated, various plans, whether they decided to enroll or go uninsured). We also learned about their awareness of potential subsidies and penalties and other factors influencing their actions.



All findings reflect the rapidly evolving individual market through February 24. These self-reported findings cannot be directly compared to publicly reported exchange enrollment - we have reported enrollment trends across non-ACA and ACA plans (on- and off- marketplace), while public reports are focused specifically on the ACA on-marketplace enrollees. We have based our findings on how respondents described their behavior, attitudes, and demographics, and the descriptions may naturally include some subjectivity.

For additional methodological details or with any further question, please contact us at [reformcenter@mckinsey.com](mailto:reformcenter@mckinsey.com).



# 2015 OEP: SIX CONSUMER PROFILES



## DROP-OUTS

Enrolled in an ACA plan in 2014 and dropped out in 2015

Feel they cannot afford, do not think worth price, or had life status change (e.g., new job with coverage, spouse gained coverage through job)<sup>1</sup>



## PERSISTENTLY UNINSURED

Uninsured in both 2014 and 2015

Remain unaware of subsidies/penalty, prefer non-insured care, distrust sharing data, or may not believe in ACA



## NEWLY INSURED

Uninsured in 2014 but enrolled in an ACA plan in 2015 (either on or off marketplace)

Newly aware of subsidies/penalty, in need of health care, believe in value of insurance



## RENEWERS

Enrolled in ACA plan in 2014 and renewed same plan in 2015 (either on or off marketplace)

Renewed out of satisfaction, convenience, not finding better deal, or wanting to avoid penalty



## SWITCHERS

Enrolled in 2014 (ACA or non-ACA), switched to new ACA plan in 2015 (on or off marketplace, same or new insurer)

Switched out of dissatisfaction, to save money, to access preferred doctor, or due to plan cancellation



## NON-ACA INSURED

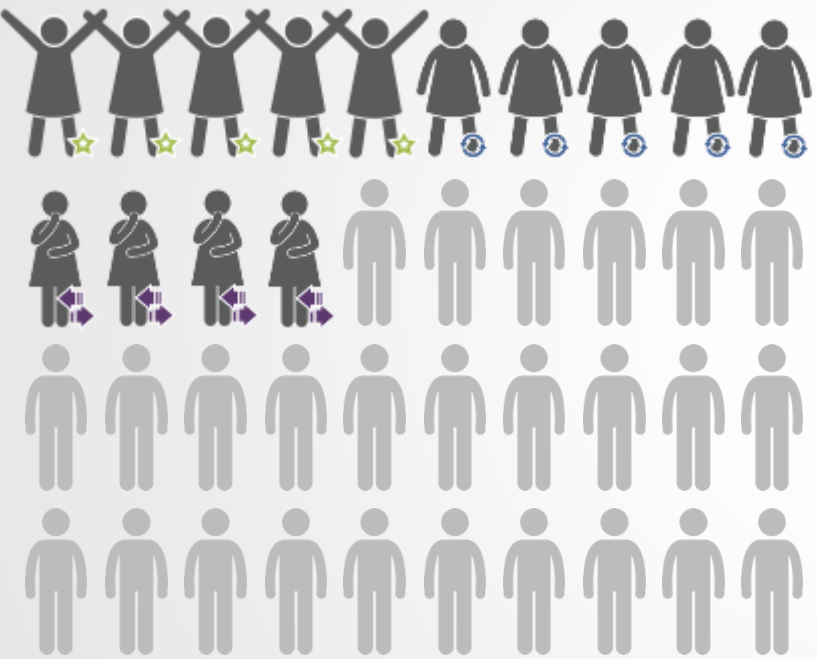
Enrolled in a non-ACA plan, i.e., plan renewed from before 2014, or new limited coverage

Feel their non-ACA plan is a better deal, distrust sharing data, or may not believe in ACA

<sup>1</sup> Detail on drop-out profile not included given small number and survey design  
Note: All profiles based on self-reported insurance coverage status, demographics, and purchase decisions

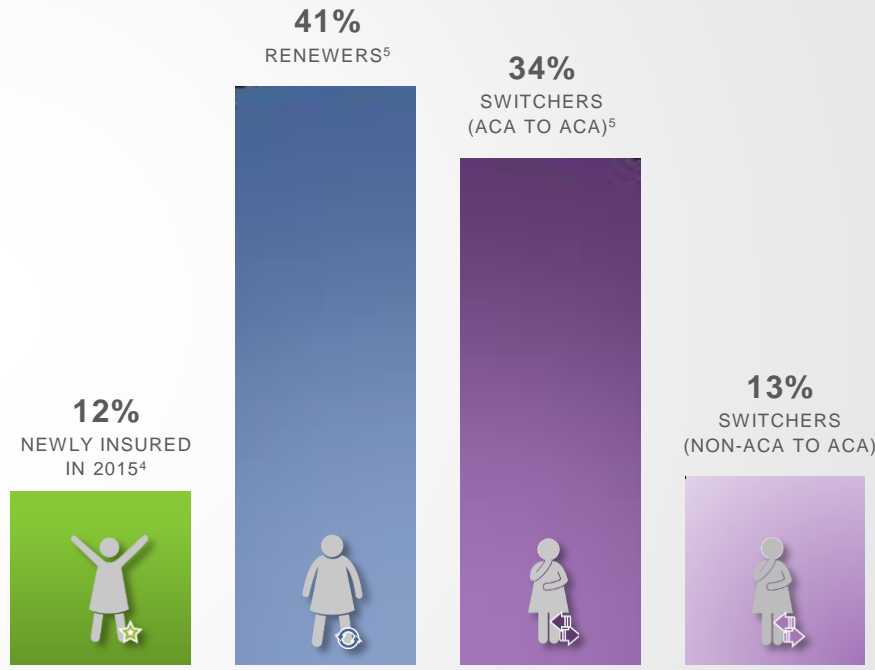
# People flows: movement into and within the ACA market (on and off marketplace)

Movement into the 2015 ACA market<sup>1</sup>:  
**36% self-reported as previously uninsured in 2013 or 2014<sup>2</sup>**



■ PREVIOUSLY UNINSURED IN 2013 OR 2014<sup>2</sup>

Breakdown of the 2015 ACA market by self-reported consumer profile<sup>3</sup>



3 A very small percentage of 2015 ACA respondents reported to be group or Medicaid insured in 2014; they are not represented  
 4 Respondents who self-reported as uninsured for majority of 2014 and as ACA-insured in 2015 (subset of 36% previously uninsured)  
 5 Includes some uninsured from 2013 (subset of 36% previously uninsured)

<sup>1</sup> ACA market includes both on and off marketplace enrollees  
<sup>2</sup> Respondents who self-reported as uninsured for majority of 2013 and/or 2014

# PERSISTENTLY UNINSURED



## DEMOGRAPHICS

- 48% 30-49
- 40% <250% FPL<sup>1</sup>
- 61% men
- 75% low health risk<sup>2</sup>

## WHY?

**53%** **UNINSURED WHO DID NOT SHOP**

**77%** I could not afford the cost of the options available to me

**45%** I did not think I needed health insurance

**“** I don't feel that I need insurance and I don't need the government telling me what to do.

I pay out-of-pocket for care – I don't need insurance.

I'd rather save my money. **”**

For each reason, we show the percentage of persistently uninsured who did not shop who cited the reason as among their top 3 for going uninsured

**47%** **UNINSURED WHO SHOPPED**

**71%** I could not afford to pay the premium

**54%** The plan I liked most wasn't worth the cost

**48%** My out-of-pocket would be more than what I pay now for non-insured care

**“** I don't need most of the plan features included.

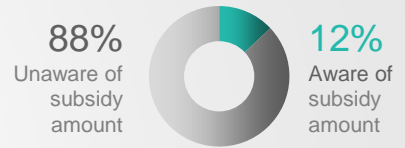
The deductibles were so high it would have been pointless.

I didn't trust giving up that much information.

We want health insurance, but it's cheaper to pay the penalty. **”**

For each reason, we show the percentage of persistently uninsured who shopped who cited the reason as among their top 3 for going uninsured

MAJORITY REPORTED BEING UNAWARE OF SUBSIDY, MANY UNAWARE OF PENALTY



**ATTITUDE TOWARD HEALTH INSURANCE**

**62%** I do not need a lot of extra coverage for my health insurance - I just need the basics

<sup>1</sup> Equals <\$29K household income for household of one  
<sup>2</sup> Self-reported health risk, see appendix for detail

# NEWLY INSURED



## DEMOGRAPHICS

- 30% 50-64
- 42% 250%-400% FPL<sup>1</sup>
- 54% female
- 70% low health risk<sup>2</sup>

## WHY?

62%

Someone told me that I would have to pay a penalty if I didn't get coverage.

51%

I couldn't afford it before, but I can now

47%

I learned that I might be eligible for a subsidy to cover the cost of insurance

For each reason, we show the percentage of newly insured who cited the reason as among their top 3 for enrolling

“ I didn't want to pay a penalty.  
We could finally afford it.  
I wanted to insure my kids. ”

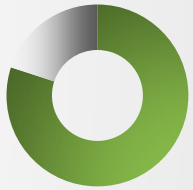
## COMPARED TO UNINSURED, MORE AWARE OF SUBSIDY AND PENALTY

66%  
Unaware of subsidy amount



34%  
Aware of subsidy amount

20%  
Unaware of penalty



80%  
Aware of penalty

## WHO HELPED YOU DECIDE WHETHER TO PURCHASE HEALTH INSURANCE?

61%

My friends and/or family

30%

Insurance company representative

28%

My healthcare providers (e.g. doctor, nurse, etc.)

19%

My agent/broker

## ATTITUDE TOWARD HEALTH INSURANCE

55% Health insurance helps to keep me healthy (by getting me the preventive care I need)

<sup>1</sup> Equals \$29K-\$47K household income for household of one  
<sup>2</sup> Self-reported health risk, see appendix for detail

# RENEWERS



## DEMOGRAPHICS

- 45% 50-64
- 38% >400% FPL<sup>1</sup>
- 53% female
- 52% medium/high health risk<sup>2</sup>

## WHY?

64%

### RENEWERS WHO DID NOT SHOP

51%	41%	20%
I liked my plan and didn't consider buying a new one	I renewed because it was easy and convenient	I didn't like my plan, but it was too confusing to shop for a new one

For each reason, we show the percentage of renewers who did not shop who cited the reason as among their top 3 for renewing

“ I like my plan, my doctors are in it. As long as I can still afford my plan, it's easier to not go looking for a change. ”

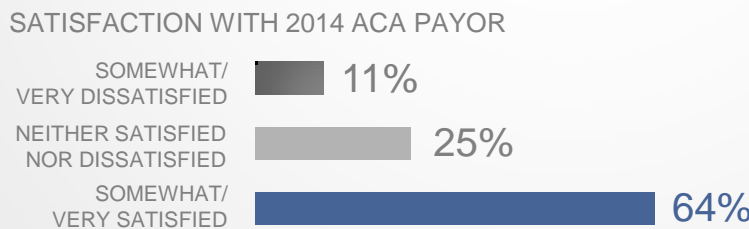
36%

### RENEWERS WHO SHOPPED

75%	51%
I shopped for a new plan and thought my existing one was the best	I didn't like my plan, but it was the best I could afford

For each reason, we show the percentage of renewers who shopped who cited the reason as among their top 3 for renewing for renewing

“ It was the best value for the money we could afford. There were limited choices; better plans were unaffordable. ”



### ATTITUDE TOWARD HEALTH INSURANCE

**75%** Like retirement planning and life insurance, having health insurance is a critical part of financial planning

<sup>1</sup> Equals >\$47K household income for household of one  
<sup>2</sup> Self-reported health risk, see appendix for detail

# SWITCHERS



## DEMOGRAPHICS

- 48% 50-64
- 44% >400% FPL<sup>1</sup>
- 50% female
- 48% medium/high health risk<sup>2</sup>

## WHY?

**73%**

### SWITCHERS FROM ACA TO ACA<sup>3</sup>

<b>55%</b>	<b>41%</b>	<b>24%</b>
My monthly price increased too much	The out-of-pocket costs that I had to pay were too high	My 2014 plan did not meet my needs (e.g. benefits, provider network)

For each reason, we show the percentage of switchers from an ACA plan who cited the reason as among their top 3 for switching

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“ My premium increase was too high. I switched from an HMO to a PPO. ”

**27%**

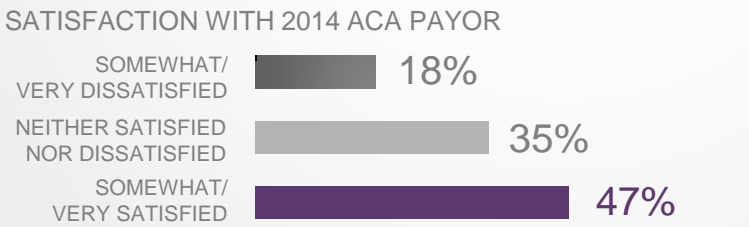
### SWITCHERS FROM NON-ACA TO ACA

<b>42%</b>	<b>19%</b>
My 2014 plan was discontinued	I had a change in life situation (e.g. family size, income health needs)

For each reason, we show the percentage of switchers from a non-ACA plan who cited the reason as among their top 3 for switching

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“ My 2014 policy was cancelled. I switched to an ACA family plan so I could cover my husband. ”



### ATTITUDE TOWARD HEALTH INSURANCE

**71%** Like retirement planning and life insurance, having health insurance is a critical part of financial planning

<sup>1</sup> Equals >\$47K household income for household of one  
<sup>2</sup> Self-reported health risk, see appendix for detail  
<sup>3</sup> Includes 58% who switched plans but kept same carrier, and 42% who switched plans and switched carriers



# NON-ACA INSURED

## WHY?



**50%**

I was happy with the health insurance policy I have had since before 2014

**37%**

My 2014 existing health insurance policy was a better value

**10%**

I did not think I could afford an ACA plan

“ An ACA plan would have been more than double what I pay for my plan now.

I wouldn't have been able to keep my doctor .

I had security concerns sharing information.

I don't approve of ACA. ”

For each reason, we show the percentage of non-ACA insured who cited the reason as among their top 3 for not enrolling in an ACA plan

## DEMOGRAPHICS

- 50% 50-64
- 51% >400% FPL<sup>1</sup>
- 52% male
- 60% low health risk<sup>2</sup>

## DISTRIBUTION OF NON-ACA INSURED BY PLAN TYPE<sup>3</sup>



**81%**  
Grandfathered or transitional policy



**14%**  
Short-term policy



**5%**  
Hospital indemnity policy

**ATTITUDE TOWARD HEALTH INSURANCE**

**74%** Like retirement planning and life insurance, having health insurance is a critical part of financial planning

<sup>1</sup> Equals >\$47K household income for household of one  
<sup>2</sup> Self-reported health risk, see appendix for detail  
<sup>3</sup> See appendix for definitions of each plan type



# INTENDED ACTION UPON LEARNING ABOUT PENALTY

Of all currently uninsured, 41% are unaware of penalty



When informed of the penalty, 30% reported they would change their mind and enroll (12% of uninsured)



31%

I do not need health insurance, the penalty is less expensive than coverage

26%

I believe in the benefit of health insurance; yet, the penalty is less expensive than coverage

15%

I do not believe in the law

“ Penalty is 1/10th the premium.

We had Obamacare last year and couldn't afford the co-pay.

I don't believe anyone should force me to have insurance.

I'm hoping the Act will be repealed. ”

## TOP REASONS PEOPLE ARE OPTING TO PAY THE PENALTY

For each reason, we show the percentage of respondents reporting they would remain uninsured after learning of the penalty who cited the reason as their top reason for not enrolling

# APPENDIX

## Survey overview

Through the McKinsey Center for U.S. Health System Reform, we regularly survey a national sample of QHP-eligible uninsured and individually insured consumers (excludes those eligible for Medicaid and Medicare). This research is independently funded by McKinsey & Company without contribution from any third party. The objective is to understand the intended actions, shopping, and purchasing behavior of consumers who are eligible to purchase individual coverage on the ACA exchanges or elsewhere. These surveys therefore provide snapshots of enrollment over time. These surveys have been complemented with phone interviews of a subset of respondents.

To date, we have completed seven rounds of surveys:

- Nov. 25 to Dec. 6, 2013: sample size of 1,846
- Dec. 16 to Dec. 20, 2013: sample size of 1,677
- Jan. 6 to Jan. 10, 2014: sample size of 1,040
- Feb. 4 to Feb. 13, 2014: sample size of 2,096
- Apr. 7 to Apr. 16, 2014: sample size of 2,874
- Nov. 6 to Nov. 10, 2014: sample size of 2,000
- Feb. 21 to Feb. 24, 2015: sample size of 3,007

**Caveats:** Two important points help clarify how these survey findings should be interpreted.

- Some of the reported 2015 ACA insured respondents purchased coverage through channels other than online exchanges. As a result, our survey numbers cannot be directly compared to publicly reported exchange enrollment.
- Our survey was conducted only in English. Thus, it does not reflect the behavior or attitudes of those who would have preferred a survey in Spanish or another language.

# Further methodology

**Methodology:** Each round of the survey was designed and analyzed by McKinsey teams. The surveys were administered online in English by a third-party vendor. We used the following characteristics to focus on the consumer segments eligible to purchase individual coverage on the ACA exchanges or elsewhere:

- Ages 18 to 64
- Non-Medicare eligible (due to above age limit, plus anyone on Medicare as result of a disability)
- Non-Medicaid eligible (income above 100% FPL in non-expansion states and above 138% FPL in expansion states)
- Primary 2014 and 2015 coverage (by self-report) is no insurance or individual insurance

**Weighting:** Each response was weighted separately for the 2014 QHP-eligible uninsured and individually insured segments, using the following factors: age, gender, geography, household size, income. In addition, responses were weighted across reported primary 2014 coverage and 2013 coverage to reflect the national distribution of uninsured vs. individually insured QHP-eligible consumers. To inform the weighting, we used the McKinsey Predictive Agent-based Coverage Tool (MPACT), which provides specific county-level demographic details about the 2014 QHP-eligible population. These details are attained by merging county- and state-level data from the U.S. Census Bureau, Small Area Health Insurance Estimates (SAHIE), American Community Survey (ACS), Centers for Medicare and Medicaid Services (CMS), and Health and Human Services (HHS). These estimates have been reconciled with publicly reported enrollment information to date for 2014 (i.e., exchange enrollment, Medicaid enrollment).

**Subsidy-eligibility:** Respondents' subsidy-eligibility is based on self-reported household size and total annual household income. Using each of these factors, we calculated each respondent's federal poverty level (FPL). Respondents in non-Medicaid expansion states were identified as subsidy-eligible if their income falls between 100-400% FPL. Respondents in Medicaid expansion states were identified as subsidy-eligible if their income falls between 138-400% FPL.

# Further methodology

**Insurance coverage status:** Respondents were asked their coverage in 2013, 2014, and 2015, as follows:

- Which of the following best describes your primary insurance coverage in 2013? “For most of the year I was”
- Which of the following best describes your primary insurance coverage in 2014? “For most of the year I was”
- Which of the following best describes your current (2015) insurance coverage? “I am covered by”

**Health status:** We categorized respondents into three types of health risk – low, medium, high – based on self-reported chronic medical conditions and details on their use of the health care system.

## Glossary:

- **Grandfathered policy:** An individual health insurance policy that was purchased on or before March 23, 2010. Exempted from many changes required under ACA. Plans or policies may lose their “grandfathered” status if they make certain significant changes that reduce benefits or increase costs to consumers. These policies will not be considered out of compliance with certain market reforms (i.e., not subject to penalty).
- **Transitional policy:** For non-grandfathered coverage, states and health insurers within those states may choose to continue coverage that would otherwise have been cancelled in 2014. These transitional policies will not be considered out of compliance with certain market reforms if certain specific conditions are met (i.e., not subject to penalty).
- **Short-term policy:** Temporary coverage with limited benefits. Not ACA-compliant, does not cover pre-existing conditions, not guaranteed issue. Consumers on this type of plan may be subject to penalty. Example situations this plan is selected include being in between jobs/employee benefits, or waiting for Medicare coverage to begin.
- **Hospital indemnity policy:** Fixed-benefit plans that may only cover a limited set of illnesses, injuries, drugs, and/or procedures. Not ACA-compliant, not guaranteed issue. Consumers on this type of plan may be subject to penalty.