



POLICY & ACTION FROM  
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Written Testimony of

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A Retrospective And Prospective Look At  
The Summary Of Benefits And Coverage Form

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## Introduction

Consumers Union, the policy and advocacy arm of *Consumer Reports*,<sup>1</sup> appreciates this opportunity to provide testimony on the new health insurance disclosure - the *Summary of Benefits and Coverage* or SBC form.

The SBC provides a very important consumer protection. For the first time, consumers have a standardized disclosure that allows them to compare health plans, even plans from different carriers or different employers. This uniform, consumer-friendly information arms consumers to be better shoppers and, in turn, improves the insurance market place. What's more, a robust body of evidence shows this product is working as intended.

My testimony describes this evidence and recommends some next steps for the SBC and for consumer disclosures more generally.

## Brief Background

The SBC requirement was included in the 2010 Affordable Care Act, based on legislation introduced earlier by Senator Rockefeller (D-WV).<sup>2</sup> The statute described not only what should be in the SBC but also legislative goals for the document:

- [Standards] shall ensure that the summary is presented in a culturally and linguistically appropriate manner and utilizes terminology understandable by the average plan enrollee.
- Uniform definition of terms so that “consumers may compare health insurance coverage and understand the terms of that coverage (or exception to such coverage);”

Health insurance is costly and has profound implications for the health and financial security of America's families. Hopefully, all would agree it is important that consumers be armed with information that is understandable, reliable, allows them to divine how much coverage they are getting and can be readily compared across health plans. The SBC requirements were a major step forward in this regard.

We all know that not every consumer disclosure works in practice as intended by legislators. Consumers Union thinks it is very important to directly assess the impact of required disclosures on consumers. Two things must be done to reliably conduct this assessment: (1) use independent, trained moderators to test disclosures with real

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<sup>1</sup> Consumer Reports is the world's largest independent product-testing organization. Using its more than 50 labs, auto test center, and survey research center, the nonprofit rates thousands of products and services annually. Founded in 1936, Consumer Reports has over 8 million subscribers to its magazine, website, and other publications. Its advocacy division, Consumers Union, works for health reform, food and product safety, financial reform, and other consumer issues in Washington, D.C., the states, and in the marketplace.

<sup>2</sup> *Informed Consumer Choices in Health Care Act of 2009.*

consumers simulating real marketplace conditions as closely as possible; and (2) monitor how well the disclosure functions in the marketplace after roll out.

As described below, for the SBC we have a robust body of evidence that shows this product is truly helping consumers and is as good or better than other information found in the market today.

### **Evidence from Testing**

For four years, I have served as a consumer representative with the National Association of Insurance Commissioners (NAIC), the organization tasked with initial development of the SBC form. NAIC reached out to a diverse group of stakeholders to develop the form, but did not plan any consumer testing. Nor did any of the federal agencies tasked with writing the regulations on the SBC plan to conduct consumer testing.

As a result, with the support of some generous foundations,<sup>3</sup> Consumers Union stepped in to do two rounds of consumer testing on the prototype document.<sup>4</sup> America's Health Insurance Plans and Blue Cross Blue Shield Association also tested the prototype document.<sup>5</sup> This testing used either focus groups or cognitive interviews<sup>6</sup> to learn how and when consumers would use the prototype forms. Participants were shown alternate versions of the form so that we could learn what was and wasn't working.

Lending credence to the findings, these studies agreed with each other in almost all respects.

### **Health Insurance Is Complex –Consumers Dread Shopping**

In our testing, we started with open ended questions to assess how easy or difficult it was to shop for coverage prior to seeing the SBC. Few will be surprised that consumers find it very difficult to sort through health plan information. What's critical is to understand just how profound this difficulty is, and to develop the nuanced understanding of consumer difficulties that will allow targeted improvements to health plan information.

In our testing, consumers told us that health insurance was one of the hardest things they shop for. In particular, they highlighted the difficulty of figuring out how much coverage is offered by a plan. Specifically, sorting through a plan's **cost-sharing provisions** was the most difficult aspect of health insurance shopping.

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<sup>3</sup> We'd like to recognize: California HealthCare Foundation, Commonwealth Fund, Missouri Foundation for Health and NYS Health Foundation.

<sup>4</sup> Consumers Union and People Talk Research, *Early Consumer Testing of New Health Insurance Disclosure Forms*, December 2010 and Consumers Union and Kleimann Communication Group, *Early Consumer Testing of the Coverage Facts Label: A New Way of Comparing Health Plans*, August 2011.

<sup>5</sup> *America's Health Insurance Plans Focus Group Summary*, JKM Research, October 2010 and *America's Health Insurance Plans [and] Blue Cross Blue Shield Association Focus Group Summary*, JKM Research, May 2011 [Report web links at the end of this testimony]

<sup>6</sup> Cognitive interviewing is a technique used to provide insight into learners' perceptions in which individuals are invited to verbalize thoughts and feelings as they examine information.

Aside from premiums and copays, many cost-sharing concepts were unfamiliar to consumers. They don't know the meaning of terms like benefit limit, annual limit, or out-of-pocket maximums. Yet these concepts must be used, together with covered services, to understand the overall financial protection offered by a health plan.

Testing allows us to take a nuanced look at these consumer difficulties. As an example, there are *three* separate things that consumers find difficult about coinsurance:

- Many are not sure **who** is responsible for paying the indicated percentage. They are particularly confused when presented with a coinsurance rate of 0% or 100%.
- Many consumers have poor **numeracy** skills. They have difficulty applying a percentage to a dollar figure.
- They don't know what they have to pay. Coinsurance percentages are applied to the contracted charge between the health plan and the provider called the "Allowed Amount." At the point of shopping for a plan, or even when receiving medical care, this is an unknowable number so there is **no bottom line** for the consumer. Coinsurance of 75 percent might be better than 80 percent coinsurance – depending on those underlying contracted amounts.

While not as frequent, consumers also had difficult understanding some covered service terms, like the difference between screenings and diagnostic tests.

As a result, it is very difficult for consumers to figure out how much coverage is offered by a health plan. Even skilled consumers were leery of committing to a plan, because they were worried about the 'fine print.' Due to these concerns, consumers told us they dread shopping for health insurance coverage.

### **SBC Helps Consumers**

While the SBC does not reduce the underlying complexity of health plans, testing showed it does help consumers make sense of the coverage. In particular, consumers told us they liked:

- Uniform layout of SBC – so they can line up forms for different plans and compare them;
- "Why this matters" information – to provide a sense of how important specific features are;
- Having "exceptions to coverage" all in one place; and
- Coverage Examples – for reasons discussed below.

## Coverage Examples Were Transformational

Coverage examples are a new feature, typically not provided in other plan summaries. For selected medical scenarios, these examples show how much the underlying health care costs and how much the plan would pay (Exhibit 1).

Testing revealed that these examples provided consumers with three pieces of information they wouldn't otherwise have:

- How much medical care costs – helps them to avoid underinsuring
- A bottom line showing what the patient owed – rolling up myriad cost-sharing provisions
- What the plan paid towards the services

Testing showed us that this last item was much more important than one would guess. Traditional health plan disclosures focus on what the patient pays towards costs. After a long list of costs paid by patient, some consumers question whether or not health insurance is a good deal.

Showing what the plan paid – especially for an expensive illness like cancer<sup>7</sup> – greatly increased consumers' willingness to make a health plan selection and increased their confidence in the selection.<sup>8</sup> It reminded consumers of the benefit that they get from purchasing insurance.

That's pretty powerful stuff!

<b>Exhibit 1: Coverage Example</b>	
<b>Having a baby</b> (normal delivery)	
<ul style="list-style-type: none"> <li>■ Amount owed to providers: \$7,540</li> <li>■ Plan pays \$5,490</li> <li>■ Patient pays \$2,050</li> </ul>	
<b>Sample care costs:</b>	
Hospital charges (mother)	\$2,700
Routine obstetric care	\$2,100
Hospital charges (baby)	\$900
Anesthesia	\$900
Laboratory tests	\$500
Prescriptions	\$200
Radiology	\$200
Vaccines, other preventive	\$40
<b>Total</b>	<b>\$7,540</b>
<b>Patient pays:</b>	
Deductibles	\$700
Copays	\$30
Coinsurance	\$1320
Limits or exclusions	\$0
<b>Total</b>	<b>\$2,050</b>

<sup>7</sup> During development of the SBC, a breast cancer scenario was tested but not included in the initial requirements for the SBC. Because of the high charges associated with this scenario (roughly \$100,000), this example generated the biggest consumer response among the three that were tested. HHS has committed to including up to four more coverage examples (for a total of six) in future revisions of the SBC.

<sup>8</sup> Consumers Union and Kleimann Communication Group, *Early Consumer Testing of the Coverage Facts Label: A New Way of Comparing Health Plans*, August 2011 and *America's Health Insurance Plans [and] Blue Cross Blue Shield Association Focus Group Summary*, JKM Research, May 2011.

## Evidence from Polling

Survey evidence reinforces the findings from consumer testing. One nationally representative survey found that an SBC type of benefit ranked the highest among the many provisions in the ACA – showing it is highly valued by consumers.<sup>9</sup>

In order to see how well the SBC worked in practice, Consumers Union conducted our own nationally representative survey to see whether consumers used their new benefit when they shopped for private health insurance in the Fall of 2012 – the first season when the benefit was available.<sup>10</sup> We learned:

- Awareness of the new benefit is low. Only about 50 percent of consumers who shopped for or renewed private health insurance coverage recalled seeing the SBC. Rates were even lower for those who shopped for coverage on their own in the non-group market.
- Among shoppers that *did* see the SBC, their impressions were very favorable. Over 50% were very or completely satisfied with the specific features of the SBC, with very few expressing any dissatisfaction. When asked to rate the helpfulness of the SBC against other common sources of health plan information, the SBC was rated as helpful most often.
- Few consumers reported seeing the new feature called “Coverage Examples.”

Anecdotal evidence from the fall suggests that insurers may need to make it easier for shoppers and current enrollees to access their SBC, particularly in the non-group market. They may also need to improve quality control to ensure that SBCs are released without errors.<sup>11</sup>

## Who Should Bear the Cost of Complexity?

Complexity has a cost. When consumers can't confidently compare their health plan options, they may find themselves underinsured or fail to complete enrollment. Underinsured consumers act like uninsured consumers – consuming too little care due to concerns about costs, possibly leading to poorer health and greater medical expenses down the road. And consumer confusion costs money, leading to great use of customer help lines.<sup>12</sup>

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<sup>9</sup> Kaiser Health Tracking Poll, November 2011.

<sup>10</sup> L. Quincy, *Early Experience With A New Consumer Benefit – the Summary of Benefits and Coverage*, Consumers Union, February 2013.

<sup>11</sup> Ibid. As an example, we saw SBCs where maternity was shown as “not covered” in the coverage example but failed to be listed in the box describing non-covered services.

<sup>12</sup> UnitedHealth Group conducted a study which found that it clearer Part D and Medicare advantage products would save an estimated \$4 million/year through reduced consumer calls. Industry wide savings would be greater and consumer satisfaction greater still (as not everyone who is confused call the help line).

In their comments responding to the proposed SBC rule, several insurers were concerned about the cost of producing the SBC form for consumers. At the high end, they estimated it would cost a dollar per enrollee to produce the form.

We can debate what the right number is but for us, it comes down to this: health insurance is necessary for the health and financial security of families. With something this important and this expensive, consumers should *not* be asked to shop with a blindfold on, that is, with an incomplete idea how much coverage they are getting.

Hence, *someone* has to invest the time to craft the reliable, comparative information like that found in the SBC. From a societal perspective, it makes much more sense for the expert health insurer to do it once, providing a clear summary for all future shoppers for the policy. The alternative is for each individual consumer to slog through the same analysis - or giving up and going without coverage or buying a product that doesn't provide sufficient protection for their family.

And while some insurers and employers have crafted nice looking summaries over the years these have one big problem – they don't use the same format. And some have failed to promote important loopholes in the coverage.

An estimated 170 million consumers purchase private health coverage today. Many have a choice and would benefit from having a standard method of comparing plans:

- 66 percent of employees whose employer offers coverage have a choice of plans.<sup>13</sup>
- Additionally, many employees have an alternate coverage option through their spouse's employer.
- Consumers purchasing in the non-group market (approximately 19 million today) also face a choice of plans.

Even those with only one coverage option from their employer benefits from having a consumer-tested, understandable summary that shows them how to use their health plan and stays that same over time, rewarding them for learning to use the Summary.

You can't have a functioning marketplace until consumers are armed with the information they need to meaningfully compare products. Like the nutrition facts panel on food or the EPA's miles per gallon sticker on new cars, having a standard description across products greatly facilitates shopping and encourages competition based on the underlying value of the products.

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<sup>13</sup> *Decoding Your Health Insurance: The New Summary of Benefits and Coverage*, Families USA, May 2012.

## Next Steps for the Summary of Benefits and Coverage

Few consumer disclosures are perfect when initially rolled out. Evidence from testing and our survey suggest that the SBC could be improved in several ways. For example:

- Add more coverage examples, including at least one showing an expensive illness like breast cancer.
- Ensure that the medical costs displayed in the coverage examples represent realistic price levels. The current use of Medicare pricing is too low.
- Test moving coverage examples closer to the front of the form so that more consumers are aware of them.
- Add a row for premium back to the form. While the tested versions contained this information, it was removed in the final rule.<sup>14</sup>
- Work with a designer to improve the look and feel of the form.<sup>15</sup>
- Engage in activities to increase consumer awareness of the form.
- Improve insurer oversight with respect to compliance with the rule.

## Require Consumer Testing and Monitoring of New Disclosures

The value of consumer testing has been firmly established. Unfortunately, there is no uniform federal policy with respect to pre-testing and monitoring federally-required, consumer-facing disclosures.<sup>16</sup> As a result, many disclosures are not tested or monitored to assess their consumer impact.

Going forward, consumer pre-testing and post-launch monitoring should be required and funded by the governmental entity that requires the disclosure. This effort should be commensurate with the number of consumers expected to view the disclosure. We recommend that all findings from monitoring and testing be made publicly available, to ensure independence and as an aid in the development of other materials for consumers.

Thank you for the opportunity to comment on this very important consumer benefit.

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<sup>14</sup> Opponents of premium information argued that it was not specifically required by statute but testing and common sense shows that it is integral to achieving the statutory goal of allowing consumers to “compare coverage.” The NAIC recommendations conveyed to HHS included recommendations for how to include premium information when necessary underwriting information was not available.

<sup>15</sup> While the NAIC worked very hard to provide their recommendations to the tri-agencies and successfully engaged a diverse group of stakeholders, a designer has not yet been engaged to professionally improve the look and feel of the form. As this report shows, alternate approaches to layout may further improve consumers’ ability to use the form:

[http://www.naic.org/documents/committees\\_b\\_consumer\\_information\\_110505\\_literacy\\_review.pdf](http://www.naic.org/documents/committees_b_consumer_information_110505_literacy_review.pdf)

<sup>16</sup> Impressive work in this area includes CFPB’s the “Know Before You Owe” design and testing efforts with respect to mortgage disclosures ([http://files.consumerfinance.gov/f/201207\\_cfpb\\_report\\_tila-respa-testing.pdf](http://files.consumerfinance.gov/f/201207_cfpb_report_tila-respa-testing.pdf)) and the redesign of the energy star label for appliances (<http://www.energystar.gov/ia/business/downloads/FTCs%20Appliance%20Labeling%20Rule.pdf>).

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### Web Links for the SBC Testing Studies

<b>Study Topic</b>	<b>When</b>	<b>Whose Study</b>	<b>Web Link to Study</b>
Pages 1-4 of new health insurance disclosure	Sept-Oct 2010	<b>CU</b>	<a href="http://prescriptionforchange.org/wordpress/wp-content/uploads/2011/09/CU_Consumer_Testing_Report_Dec_2010.pdf">http://prescriptionforchange.org/wordpress/wp-content/uploads/2011/09/CU_Consumer_Testing_Report_Dec_2010.pdf</a>
		<b>AHIP</b>	<a href="http://www.naic.org/documents/committees_b_consumer_information_101012_ahip_focus_group_summary.pdf">http://www.naic.org/documents/committees_b_consumer_information_101012_ahip_focus_group_summary.pdf</a>
“Coverage Facts Label” (pages 5-6)	May 2011	<b>CU</b>	<a href="http://prescriptionforchange.org/wordpress/wp-content/uploads/2011/08/A_New_Way_of_Comparing_Health_Insurance.pdf">http://prescriptionforchange.org/wordpress/wp-content/uploads/2011/08/A_New_Way_of_Comparing_Health_Insurance.pdf</a>
		<b>AHIP/BCBSA</b>	<a href="http://www.naic.org/documents/committees_b_consumer_information_110603_ahip_bcbsa_consumer_testing.pdf">http://www.naic.org/documents/committees_b_consumer_information_110603_ahip_bcbsa_consumer_testing.pdf</a>
Actuarial Value Concepts	May 2011	<b>CU</b>	<a href="http://prescriptionforchange.org/wordpress/wp-content/uploads/2011/10/prescriptionforchange.org_testing_actuarial_value_concepts.pdf">http://prescriptionforchange.org/wordpress/wp-content/uploads/2011/10/prescriptionforchange.org_testing_actuarial_value_concepts.pdf</a>