Individual market: Insights into consumer behavior at the end of open enrollment

As the Affordable Care Act’s (ACA’s) first individual market open enrollment period (OEP) came to a close in April, we conducted our fifth national online survey to discern insights into how the 2014 individual market has evolved. We conducted the first four surveys between November 2013 and February 2014 and the fifth survey between April 7 and April 16, 2014.

The surveys have focused on both the intentions consumers expressed and the actions they reported taking during the 2014 OEP (especially their reports about how they shopped for, and evaluated, various plans and whether they decided to enroll or go uninsured). The surveys also explored consumers’ awareness of the ACA’s requirements and provisions (including potential subsidies and penalties) and other factors influencing their actions. Each survey included consumers reporting that they enrolled in healthcare coverage for 2014 (either on or off an exchange or by renewing an existing plan), those reporting that they shopped but did not enroll, and those reporting that they did not shop for health insurance during OEP.

All findings in this Intelligence Brief reflect the rapidly evolving individual insurance marketplace through April 16, 2014. As we discuss in the Appendix, these findings cannot be directly compared to publicly reported exchange enrollment data. Furthermore, we have based our findings on how respondents described their behavior, attitudes, and demographics, and the descriptions may naturally include some subjectivity. Nevertheless, the size of our sample – 2,874 respondents eligible for qualified health plans (QHPs) in April; 9,533 in total across the five surveys – and the answers they gave to the detailed questions we posed provide useful insights into the individual market’s evolution.

The key findings from our April survey confirm some of our earlier observations and provide an indication of how consumers may behave in the future:

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1 Our findings cannot be directly compared to publicly reported exchange enrollment data because our surveys covered the entire individual market, not just the federal and state exchanges. Furthermore, our survey was conducted only in English, and thus its findings cannot be compared against studies that included questions in Spanish or other languages.
Enrollment continued to grow – at the time of our April survey, 90 percent of the respondents who indicated that they had previously had coverage, and 13 percent of those who were previously uninsured, reported that they had enrolled in a plan. Of all respondents who reported having selected a new ACA plan at the time of the April survey (either on or off the exchanges), 26 percent reported being previously uninsured. This percentage is similar to the one we found in our February survey (27 percent).

Eighty-seven percent of all respondents who reported having selected a new 2014 ACA indicated that they had already paid their first premium. Reported payment rates were higher among those previously insured and those aged 30 or older. A slightly lower percentage of respondents (80 percent) reported that they definitely intend to pay future 2014 premiums; that intention was lower among those previously uninsured than among those previously insured (71 percent vs. 83 percent).

A higher percentage of those previously uninsured reported having shopped for a plan in our April survey than in our February survey (61 percent vs. 44 percent); however, the conversion rate – the percentage who said they had purchased a plan after shopping for one – remained much lower among the previously uninsured than among the previously insured (for example, 21 percent vs. 84 percent in April, and 23 percent vs. 71 percent in February).

As in earlier surveys, perceived affordability was the reason most often given for not enrolling by both previously insured and previously uninsured respondents. About 90 percent of all those citing perceived affordability challenges were subsidy-eligible, and among these subsidy-eligible respondents, awareness of the subsidies has remained low. (For example, 66 percent of the April respondents and 65 percent of the February respondents who were subsidy-eligible and who reported that they had shopped but did not enroll because of affordability concerns were unaware of their eligibility). Among previously uninsured, subsidy-eligible respondents, those who indicated that they were aware of the subsidies were almost three times as likely to have reported enrolling as those who were unaware.

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2 Our surveys measured whether individuals were covered prior to the time of application (as defined by the answer they gave to the question: “Which of the following best describes your primary insurance coverage in 2013? For most of the year I was covered by ....” with those we defined as being previously uninsured answering “I did not have health insurance, I was uninsured.”) Several other publicly reported OEP enrollment surveys (e.g., those from the Department of Health and Human Services, Gallup, and the New York State of Health Marketplace) measured whether individuals currently had health insurance at the time of their application. Our approach yields a lower estimate of the previously uninsured, because it distinguishes individuals who were uninsured for the majority of 2013 from those who only very recently became uninsured as a result of a plan cancellation. The latter group is categorized as previously insured in our survey. See the Appendix for a more detailed comparison with other publicly reported surveys.

3 Respondents who answered the question “Are you planning to pay your health insurance premiums for the remainder of 2014?” by selecting “I will definitely make all payments” were categorized as intending to pay.
- Of those reporting that they remained without coverage after the 2014 OEP, 23 percent indicated that they intend to purchase coverage in 2015. Among those who reported having purchased coverage for 2014, 50 percent indicated that they plan to enroll in 2015. Close to half (48 percent) of all respondents not planning to enroll in 2015 were unaware of the penalty for lack of coverage. After they were informed about the penalty, the percentage of respondents reporting that they planned to enroll in 2015 rose by 6 points among those currently uninsured (to 29 percent) and by 5 points among those currently insured (to 55 percent).

**Enrollment growth continued, but the percentage of newly enrolled who were previously uninsured did not further increase**

Reported enrollment rates increased steadily across our five surveys (Exhibit 1). Of the 2,874 QHP-eligible respondents in April’s survey, 51 percent indicated they had enrolled in an individual plan, just under half of whom said they had enrolled in an ACA plan.

Between November and April, enrollment rates rose steadily among both previously uninsured and previously insured respondents (Exhibit 2). In all of the surveys, however, enrollment rates remained much lower among those previously uninsured than among those previously insured (13 percent vs. 90 percent in our April survey, for example). Of all
previously insured respondents who reported having enrolled in a 2014 plan, 60 percent indicated that they had renewed their 2013 policy or selected a pre-ACA policy prior to January 1st.

Between February and April, the rate of enrollment growth among those reporting having purchased new plans – on or off the exchanges – was consistent across coverage types (previously insured and previously uninsured). Accordingly, the coverage mix of those enrolling in 2014 plans remained steady. Among the April respondents who selected a new 2014 product, 26 percent had been previously uninsured (Exhibit 3). The corresponding figure in our February survey was 27 percent. These rates exceed those in our earlier surveys (11 percent in November, December, and January).
Reported payment rates are high overall, particularly among older respondents and those previously insured

Among the April respondents reporting having purchased a new 2014 ACA plan, 87 percent indicated that they had already paid their first premium, up from 77 percent in February.\(^4\)

However, reported payment rates varied by age: 78 percent among 18- to 29-year olds, compared with about 90 percent among older respondents (those aged 30 to 64). Reported payment rates also varied by previous coverage type, but to a lesser degree: 89 percent among those previously insured, compared with 83 percent among those previously uninsured (Exhibit 4).

\(^4\) These numbers do not distinguish between different effective dates for the start of 2014 coverage; consumers have 30 days from their effective date until premium for coverage is due.
When we asked the respondents who indicated having purchased a new 2014 ACA plan about their intention to pay future premiums for the remainder of this year, 80 percent reported that they “will definitely make all payments.” This rate also varied by coverage type (83 percent of those previously insured, compared with 71 percent of those previously uninsured). The intention to pay future premiums was similar in all age groups (about 80 percent).

**Although more previously uninsured respondents shopped for plans, their conversion rate remained low, often because of perceived affordability**

Between our February and April surveys, the percentage of previously uninsured respondents reporting having shopped for coverage rose from 44 percent to 61 percent (see Exhibit 2). However, only 21 percent of the previously uninsured respondents in our April survey who indicated that they had shopped for coverage reported enrolling in a plan (Exhibit 5). This conversion rate is much lower than the conversion rate reported by previously insured respondents in all of our surveys. In April, it was 84 percent.
In our April survey, 72 percent of the respondents who reported that they shopped but did not buy were both previously uninsured and subsidy-eligible. Perceived affordability remained the most common reason for exiting the purchase process; it was cited by 59 percent of all April respondents who reported shopping but not enrolling and by 64 percent of the subsidy-eligible respondents who reported that behavior. Eighty-eight percent of all those citing perceived affordability challenges were subsidy-eligible. Consistent with our February findings, most of the subsidy-eligible respondents (66 percent) who cited perceived affordability as the reason they stopped shopping were aware of neither their eligibility nor the amount for which they were eligible.

Nevertheless, both factors appear to be strong contributors to enrollment. For example, previously uninsured, subsidy-eligible shoppers who indicated that they knew their subsidy amounts were almost three times as likely to report having enrolled as those who did not (Exhibit 6). Consistent with this finding, 71 percent of the respondents who reported shopping but not enrolling indicated that they would be more likely to enroll if they had more information about the cost of different plans (including subsidy eligibility, net-of-subsidy premium amounts, out-of-pocket maximums, and expected out-of-pocket total cost).
Perceived affordability was also the reason offered most often for not enrolling among those reporting that they had not even shopped for coverage; it was cited by 71 percent of all respondents in this group and by 75 percent of the subsidy-eligible individuals in this group. Ninety percent of those citing perceived affordability challenges who did not shop were subsidy-eligible. Seventy-nine percent of the subsidy-eligible respondents who cited perceived affordability as the reason they did not shop were unaware of their eligibility or the amount of subsidy for which they were eligible.

Concerns about affordability were common even among those previously insured. Fifty percent of the respondents in this group who reported shopping but not enrolling, and 66 percent of those who had not shopped, cited affordability as the reason.

Most currently uninsured and half of the currently insured reported that they do not yet plan to enroll in 2015; penalty awareness raised these numbers slightly

Forty-nine percent of the respondents in our April survey – 87 percent of the previously uninsured and 10 percent of the previously insured – indicated that they did not enroll during the 2014 OEP. Of these respondents, 23 percent reported their intention to purchase coverage in 2015 (Exhibit 7). An additional 45 percent reported planning to wait and see how the exchanges evolved and what employers would be offering before making a decision; 32 percent reported planning to remain uninsured.

Among the respondents reporting enrollment in a 2014 plan, 50 percent indicated their intention to enroll again in 2015; only 4 percent reported planning to let their insurance lapse in 2015. The remainder reported they would wait and see what happens.
Close to half (48 percent) of all respondents not planning to enroll in 2015 were unaware of the penalty for lack of coverage (60 percent of those currently uninsured and 31 percent of those currently insured). After they were informed about the penalty, their intended purchase behavior changed somewhat: the percentage of respondents reporting that they planned to enroll in 2015 rose by 6 points among those currently uninsured (to 29 percent) and by 5 points among those currently insured (to 55 percent). Two reasons were offered most often by those who did not intend to enroll despite awareness of the penalty: 49 percent believed the penalty would be less than the cost of health insurance, and 24 percent did not think they needed health insurance.

Fifty-nine percent of the respondents not intending to enroll in the 2015 OEP indicated that additional tools and information would be “extremely helpful” during the enrollment process, potentially increasing their likelihood to enroll. Examples of the types of information include an understanding of expected out-of-pocket cost (45 percent), an understanding of subsidy eligibility (38 percent), and learning what benefits are covered under different plans (38 percent).

The preliminary findings presented in this Intelligence Brief provide a perspective on the emerging individual market through April 16th. These findings are directional indicators only, based on publicly reported enrollment data and our own national online consumer survey.

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Appendix

Survey overview

Through a collaboration of McKinsey Advanced Healthcare Analytics (MAHA) and the McKinsey Center for U.S. Health System Reform, we are regularly surveying a national sample of QHP-eligible uninsured, individually insured, or previously group-insured consumers throughout the individual market’s OEP. This research is independently funded by McKinsey & Company without contribution from any third party. The objective is to understand the 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.

To date, we have completed five 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

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-Medicaid eligible (income above 100 percent FPL in states with no Medicaid expansion and above 138 percent FPL in states with expansion)
- Primary 2013 coverage (by self-report) was no insurance, individual insurance, or group insurance that did not continue into 2014 (whether by participant’s choice or employer discontinuation)

Weighting: Each response was weighted separately (using 2012 population data) for the previously uninsured, individually insured, and group-insured segments, using the following factors:

- Age
- Gender
- Geography
In addition, responses were weighted across reported primary 2013 coverage using 2012 population data for insurance coverage status.

**Summary of survey questions in Intelligence Brief**

**Current actions and channel usage:** Which of the following describe your actions relating to healthcare coverage since October 1, 2013 (this open enrollment period)?

- I have not shopped for 2014 health insurance anywhere (e.g., online, with an agent, calling someone)
- I shopped but have not selected / paid for health insurance for 2014
- My 2013 existing health insurance policy was automatically renewed by my health insurer for 2014 (I will not be receiving government subsidy)
- I shopped for health insurance, but decided to renew my 2013 existing health insurance policy with my health insurer for 2014 (I will not be receiving government subsidy)
- I shopped and selected a new health insurance product for 2014 (either with the same insurance company or with a different company), but have not paid for the new health insurance (8 options provided to describe actions respondents took)
- I shopped and selected and paid for new health insurance for 2014 (either with the same insurance company or with a different company) (8 options provided to describe actions respondents took)

**Reasons for not completing selection / purchase:** I shopped but have not selected or paid for any health insurance, because … (11 options provided to describe reasons, including perceived lack of affordability and other reasons).

**Intended purchasing action:** Do you plan to purchase individual health insurance either on or off the Public Health Exchange during the next open enrollment period (Nov-Feb) for health coverage in 2015? (4 options provided to describe actions).

**Current payment status:** Of all respondents who said that they enrolled in new 2014 ACA plan, whether they paid their first month premium was determined by their answer to the above “Current actions and channel usage” question. (See last two options, i.e., “I shopped and selected … but have not paid” and “I shopped and selected and paid….”)

**Future payment intentions:** Are you planning to pay your health insurance premiums for the remainder of 2014? (5 options)
Additional topics included in survey research

Healthcare attitude, including attitudes towards health insurance coverage, perceived importance of health insurance compared to other financial considerations, and loyalty to payors / providers

Utilization experience, including frequency and type of 2014 plan healthcare service use to date and experience when attempting to access services, and indicators of 2013 health status

Awareness of ACA, including awareness and understanding of different aspects of legislation (e.g., channels for gaining awareness, OEP timing, presence / amount of penalty, mental health parity) and impact on 2014 and 2015 intended purchase action

Shopping experience, including triggers for shopping, channels for information gathering and purchasing, influencers on purchase decisions and factors most important in purchase decision, shopping experience (e.g., length of time, number of interactions, clarity of information)

Purchase details, including features of products purchased (price, network breadth, HMO/PPO, brand) by key consumer demographics and trade-offs considered (awareness / consideration of payor brand, price point, network breadth)

Caveats

Four important points help clarify how these survey findings should be interpreted.

■ Some of the respondents purchased coverage through channels other than the online exchanges. Furthermore, the respondents to our surveys included consumers who renewed or purchased insurance policies through brokers or directly from carriers. As a result, the numbers in our survey cannot be directly compared to the publicly reported exchange enrollment numbers. More details about the differences in methodology used by the Department of Health and Human Services (HHS) and other organizations can be found in the Issue Brief “Health insurance marketplace: Summary enrollment report for the annual open enrollment report” published by HHS.5

■ Our survey was conducted only in English. Thus, it does not reflect the behavior or attitudes of those people who would have preferred a survey in Spanish or another language.

■ The respondents’ previous insurance coverage (uninsured or insured) was defined by their answers to the question: “Which of the following best describes your primary insurance coverage in 2013? For most of the year I was covered by ….” Respondents were categorized as previously uninsured if the answer they selected was “I did not have health insurance, I was uninsured.”

Categorization of the respondents’ purchasing behavior was also based on self-report. Those categorized as having *renewed their 2013 policy or enrolled in a pre-ACA plan* include respondents who were automatically renewed by their 2013 insurer, elected to renew their pre-ACA policy, or enrolled in a pre-ACA policy with an effective date prior to January 1, 2014. Those categorized as having *selected a new 2014 ACA plan* include previously insured respondents who switched from one carrier to another or who switched policies but stayed with the same carrier, as well as previously uninsured respondents who enrolled in a 2014 plan (either on or off the exchanges).

**Glossary**

**Shop for health coverage:** Includes activities such as gathering information about insurance products, comparing different products, and getting quotes

**Renew 2013 policy:** Previously individually insured respondents whose policies were automatically renewed or who decided to renew existing policies with their current insurer

**Enroll in pre-ACA policy:** Respondents who enrolled in a pre-ACA policy for 2014 coverage with an effective date prior to January 1st

**Select new 2014 ACA policy:** Respondents who are either previously insured who switched policies (either switching from one carrier to another, or switching policies but staying with the same carrier), or previously uninsured who enrolled. Refers to policies that are either QHPs (either an on-exchange plan or an off-exchange plan that is identical to an on-exchange plan), or ACA plans (off-exchange only plan that complies with all ACA rules but is not sold on the exchange so never received QHP-certification). Includes those who paid their premium and those who had not yet paid at the time of the survey

**Enroll in health coverage:** Having health coverage for 2014, either through renewal or purchase of a new health plan

**Previous insurance:** Based on self-reported response to this question: “Which of the following best describes your 2013 primary insurance coverage? For most of the year, I was covered by:”

- “I did not have health insurance, I was uninsured” (respondents categorized as uninsured)
- “Insurance purchased by me or my spouse / partner (i.e., not through employer), or “My employer, my spouse / partner's employer, my parents, or my school, however, I will NOT continue this in 2014” (respondents categorized as previously insured)

**Subsidy-eligible:** 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). For respondents in non-Medicaid expansion states, they were identified as subsidy-eligible if their income falls between 100-400 percent of the federal poverty level (FPL). For respondents in Medicaid expansion states, they were identified as subsidy-eligible if their income falls between 138-400 percent FPL.
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