



Individual and Family Health Insurance
Researching, Shopping and Buying Health
Insurance: The Insurance Exchange Effect

Table of Contents

Page Number	Topic
2	Introduction
3	The Process for Buying Individual and Family Health Insurance
4	The Insurance Exchange Effect
5	Individuals and Families Choose Lower Cost Health Plans at Point of Purchase
6	The Insurance Exchange Effect: Individual Plans
7	The Insurance Exchange Effect: Family Plans
8	Price Guidelines for Individual Health Plans by Age Range
9	Price Guidelines for Family Health Plans by Age Range
10	Additional Conclusions
11	Keys to Balancing Premiums and Deductibles
12	Methodology

Introduction

Today, businesses and employers provide health insurance for most insured Americans. Over 157 million Americans (over 52 percent of the population) have health coverage through their work.¹

In this current employer-based model, consumers do not actively participate in the research or shopping process. Health benefits managers and human resource managers are responsible for choosing plans that best suit the budget and health needs of employees. Typically, the employee is limited to a choice between a PPO and an HMO.

This lack of involvement in the employer-based structure means that Americans have very limited experience shopping for health insurance.

That's why millions who are now looking for health insurance turn to the Internet. The Web is quickly becoming a consumer's primary tool to research available health plans and even purchase coverage.

Data in this study shows online insurance shoppers have distinct trends that can be used as a reference point for consumers beginning the shopping process.

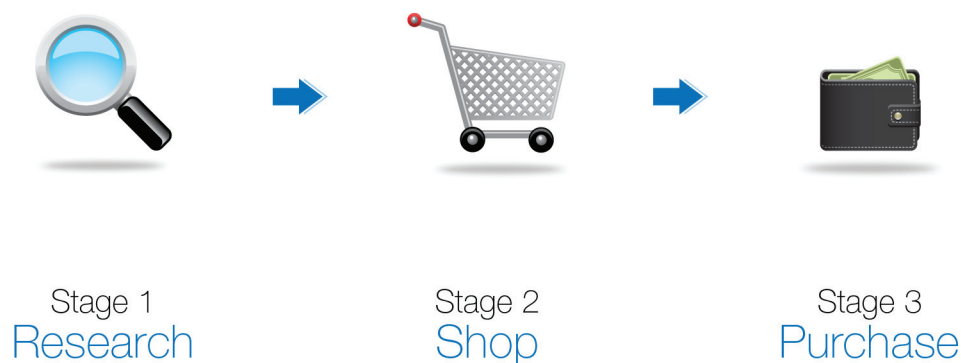
The first step toward providing better education for health insurance consumers is to provide shoppers with a guideline of what to expect and a pricing reference for both single individuals and families.

The study reveals a surprising new trend in the online insurance marketplace and provides insight into the health insurance purchase process.

¹ Source: Kaiser Family Foundation, Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2008 and 2009 Current Population Survey

The Process for Buying Individual and Family Health Insurance

This study examines the premium and deductible choices throughout the three main stages of the process of purchasing individual health insurance: The Research Stage, the Shopping Stage and the Purchase Stage.



Stage 1 – Research:

Consumers considered to be in the “research” stage requested health insurance quotes and instantly viewed a list of health plans available in their state. Every plan that is clicked on this list is considered to be “researched” as a part of this study. Those in the research stage typically click on many different plans with varying costs and benefits. When a consumer clicks on a plan, they are directed to the plan’s online application.

Stage 2 – Shopping:

From the multiple options clicked in the research stage, consumers who reach the “shopping” stage narrowed those clicks to specific plans they intend to purchase. Each plan chosen in the “shopping” stage indicates that a consumer has completed one or more pages of an online application for that plan.

Stage 3 – Purchase:

Consumers considered to be in the “purchase” stage include policyholders who fully submit an application and are accepted into coverage. Plans in the purchase stage as a part of this study are in-force and policyholders are actively paying premiums.

The “Insurance Exchange Effect”

An Insurance Exchange is an online marketplace for individual health insurance which integrates Web-based plan comparison tools, online applications for coverage and guidance from experienced professional agents. These agents are licensed with major insurance carriers and serve as trusted advisors to help consumers make an informed health insurance decision.

The data in this study shows the comparison of the premiums and deductibles chosen in each of the three main stages of buying health coverage online. The “Insurance Exchange Effect” shows that in the final purchase stage, consumers choose health plans with lower average premiums and lower average deductibles than in the research and shopping stages.

This Effect occurs because consumers successfully use an Insurance Exchange’s online tools to compare plans and take advantage of professional advice from trusted advisors. The Effect is noticeable with regards to plans for both single individual and families.

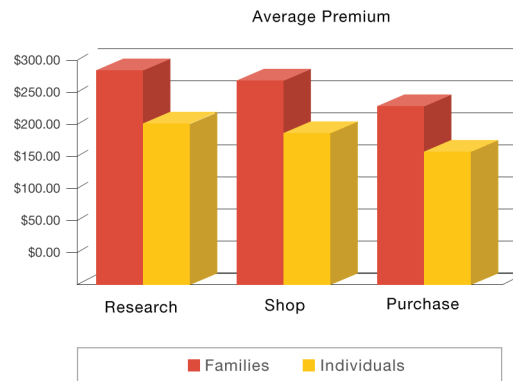
Average Premiums for the Three Stages of Purchasing Health Insurance



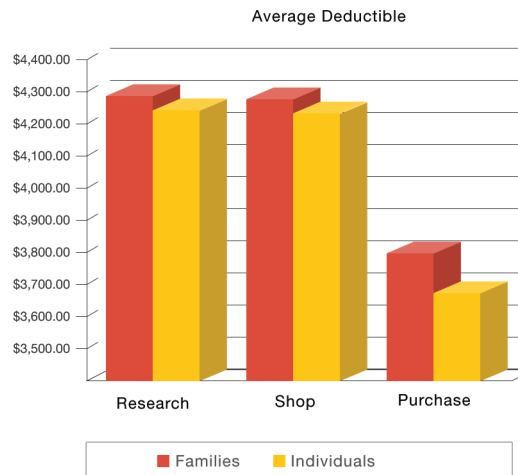
Individual and Families Choose Lower Cost Health Plans at Point of Purchase

The graph visualizations below depict the average premiums and average deductibles of the plans single individuals and families choose in the process of purchasing health insurance.

Both individual and family plans have a steady Insurance Exchange Effect. As consumers progress toward purchasing coverage, they opt for plans with lower premiums.



As a part of the Insurance Exchange Effect, consumers also choose lower deductibles at the final purchase stage.

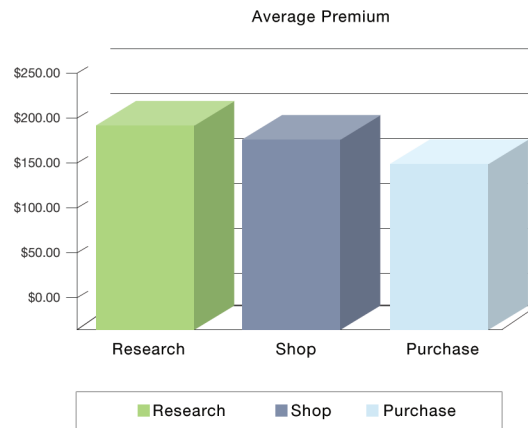


The Insurance Exchange Effect for Individual Health Plans

The data below illustrates the Insurance Exchange Effect for individual plans in actual average values. The values between the three main stages are expressed as a dollar amount and a percentage. The Insurance Exchange Effect on premiums and deductibles are both shown below.

Insurance Exchange Effect: Individual Plans

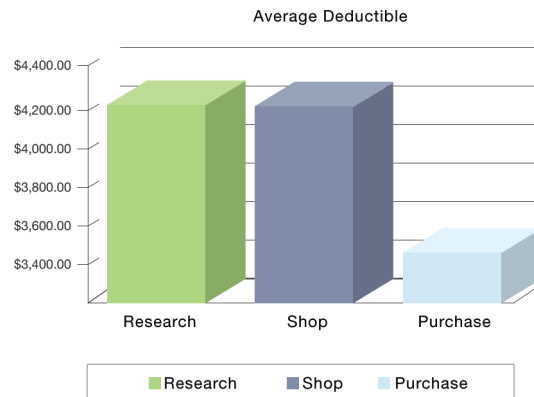
- In the first stage (research), average premiums are \$202.51. In the second stage (shop), average premiums are \$188.18. In the second stage, single individuals choose average premiums **7.07%** lower than in the first stage (an average of **\$14.32 per month**).
- In the final stage (purchase), average premiums are \$160.33. In the final stage, single individuals choose average premiums **14.8%** lower than in the second stage (an average of **\$27.85 per month**)
- In the final stage (purchase), individuals choose premiums that are **20.83%** lower (or an average of **\$42.18 per month**) than the first stage (research).



In the final stage (purchase), single individuals choose plans with premiums 20.83% lower than in the first stage (research).

Family Deductibles

- In the first stage (research), average deductibles are \$4,262.18. In the second stage (shop), average deductibles are \$4,253.21. In the second stage, single individuals choose average deductibles **0.21%** lower than in the first stage (an average of **\$8.97 per year**).
- In the final stage (purchase), average deductibles are \$3,706.38. In the final stage, single individuals choose average deductibles **12.86%** lower than in the second stage (an average of **\$546.83 per year**).
- In the final stage (purchase), single individuals choose deductibles that are **13.04%** lower (or an average of **\$555.80 per year**) than the first stage (research).



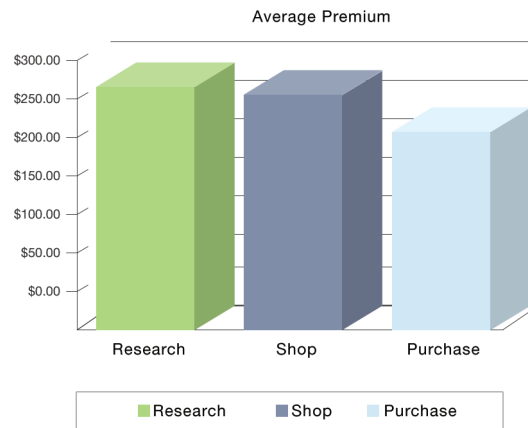
In the final stage (purchase), single individuals choose plans with deductibles 13.04% lower than in the first stage (research).

The Insurance Exchange Effect for Family Health Plans

Similar to individual plans, applicants for family plans also experience the Insurance Exchange Effect. The data below illustrates the Insurance Exchange Effect for family plans in actual average values. The values between the three main stages are expressed as a dollar amount and a percentage. The Insurance Exchange Effect on premiums and deductibles are both shown below.

Insurance Exchange Effect: Family Plans

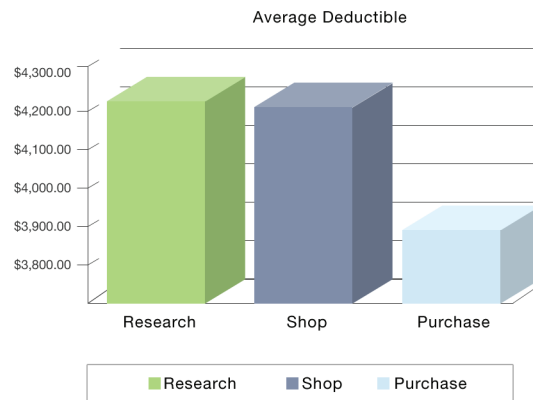
- In the first stage (research), average premiums are \$283.50. In the second stage (shop), average premiums are \$272.56. In the second stage, families choose average premiums **3.86%** lower than in the first stage (an average of **\$10.94 per month**).
- In the final stage (purchase), average premiums are **\$232.43**. In the final stage, families choose average premiums **14.72%** lower than in the second stage (an average of **\$40.13 per month**).
- In the final stage (purchase), families choose premiums that are **18.01%** lower (or an average of **\$51.07 per month**) than the first stage (research).



In the final stage (purchase), families choose plans with premiums 18.01% lower than in the first stage (research).

Family Deductibles

- In the first stage (research), average deductibles are \$4,313.09. In the second stage (shop), average deductibles are \$4,303.68. In the second stage, families choose average deductibles **0.22%** lower than in the first stage (an average of **\$9.41 per year**).
- In the final stage (purchase), average deductibles are \$3,820.44. In the final stage, families choose average deductibles **11.23%** lower than in the second stage (an average of **\$483.24 per year**).
- In the final stage (purchase), families choose deductibles that are **11.42%** lower (or an average of **\$492.65 per year**) than the first stage (research).



In the final stage (purchase), single individuals choose plans with deductibles 11.42% lower than in the first stage (research).

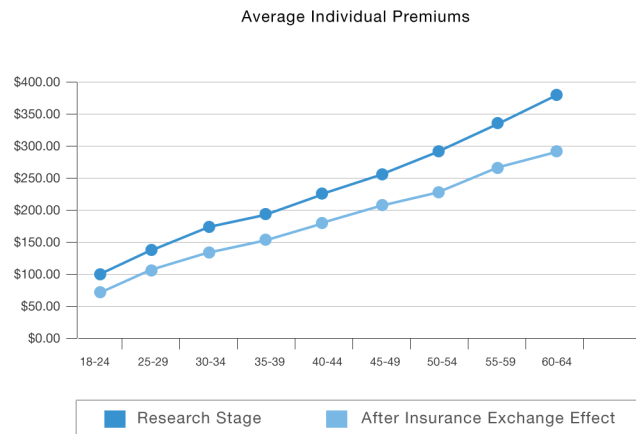
Price Guidelines for Individual Plans by Age Range

The following graphs provide information about the average premiums by age range groups. The following premiums were taken from the first stage (research) of the process because it is the first point of contact for consumers in the process.

The top line in the graph represents the average individual premiums for each age range the first stage (research). The line below represents the premiums adjusted to the Insurance Exchange Effect in the final stage (purchase). The difference between the two lines is 20.83% because single individuals in the final purchase stage chose plans 20.83% lower than the first research stage.

These guidelines can provide a picture of what individuals can expect of their final monthly premium when shopping for health insurance online.

In the final stage (purchase), single individuals chose plans with premiums 20.83% lower than the first stage (research) due to the Insurance Exchange Effect.



Individual Premiums Rate Chart

Age Range	Avg. Premium	Insurance Exchange Effect	Difference
18-24	\$100.11	\$79.26	\$20.85
25-29	\$132.04	\$104.54	\$27.50
30-34	\$173.06	\$137.02	\$36.04
35-39	\$195.98	\$155.16	\$40.82
40-44	\$225.56	\$178.58	\$46.98
45-49	\$256.90	\$203.39	\$53.51
50-54	\$290.56	\$230.04	\$60.52
55-59	\$330.30	\$261.51	\$68.79
60-64	\$374.44	\$296.45	\$77.99

The Insurance Exchange Effect causes single individuals in the final stage (purchase) to choose premiums up to \$77.99 lower than the first stage (research).

The average premiums shown in the second column of this table reflects plans researched by actual consumers in the first stage (research) of the process.

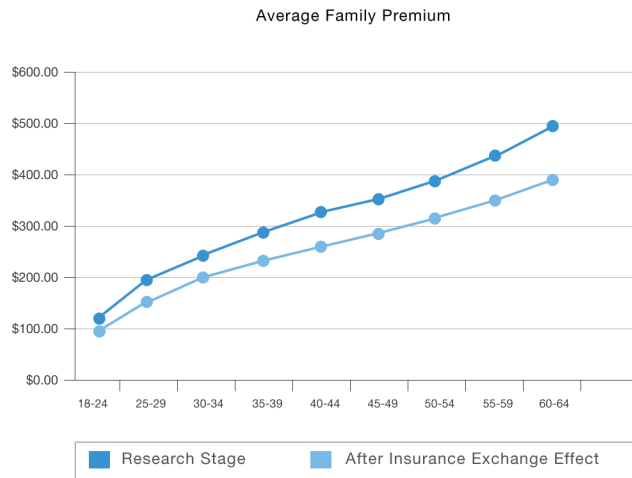
Price Guidelines for Family Health Plans by Age Range

The following graphs provide information about the average premiums by age range groups. The following premiums were taken from the first stage (research) of the process because it is the first point of contact for consumers in the process.

The top line in the graph represents the average family premiums for each age range the first stage (research). The line below represents the premiums adjusted to the Insurance Exchange Effect in the final stage (purchase). The difference between the two lines is 18.01% because families in the final purchase stage chose plans 18.01% lower than the first research stage.

These guidelines can provide a picture of what families can expect of their final monthly premium when shopping for health insurance online.

Each age bracket indicates the average premium a consumer might expect to pay when shopping for a family health insurance plan.



Family Premiums Rate Chart

Age Range	Avg. Premium	Insurance Exchange Effect	Difference
18-24	\$123.10	\$100.92	\$22.18
25-29	\$196.06	\$160.74	\$35.32
30-34	\$242.05	\$198.45	\$43.60
35-39	\$286.90	\$235.22	\$51.68
40-44	\$317.98	\$260.70	\$57.28
45-49	\$345.46	\$283.23	\$62.23
50-54	\$379.24	\$310.92	\$68.32
55-59	\$425.35	\$348.72	\$76.63
60-64	\$477.80	\$391.73	\$86.07

The Insurance Exchange Effect causes families in the final stage (purchase) to choose premiums up to \$86.07 lower than the first stage (research).

The average premiums shown in the second column of this table reflects plans researched by actual consumers in the first stage (research) of the process.

Conclusions

The Insurance Exchange Effect

As a result of using an Insurance Exchange to purchase health coverage, consumers ultimately choose lower cost plans in the final stage (purchase). This Insurance Exchange Effect influences a consumer's health plan choice because of the combination of useful online health plan comparison tools and the assistance of experienced agents.

Online comparison tools are an essential piece of an Insurance Exchange, giving consumers a convenient and easy way to view a list of health plans available in their state.

Agents are experts in locating health plans that best suit each consumer's unique insurance needs. Because agents have a professional understanding of how health insurance works, consumers are better equipped to make an informed decision. It is this that allows consumers to find plans with lower premiums and lower deductibles than initially considered.

One strategy agents use to find a lower premium for consumers is known as the "buy down" strategy. In the buy down strategy, lower premiums can be obtained when plans with fewer or limited benefits are chosen. For example, a plan with a fixed number of covered doctor visits per year has a lower premium than a plan with unlimited covered doctor visits.

However, consumers choose lower deductibles in the final stage (purchase) which indicates that benefits are maintained or improved.

Agents also stay up-to-date on upcoming price cuts for certain plans or carriers, identify plans with cheaper health care networks, and help consumers carefully complete their applications to avoid mistakes that can lead to unnecessary premium increases.

These are just a few strategies that can lower premiums as part of the Insurance Exchange Effect.

Higher Average Deductibles

The average deductibles in the research, shopping and purchase stages in this study are higher than national averages cited by such sources as the American Health Insurance Plans Center for Policy and Research.

We found that this study has higher average deductibles because an online shopper is more willing to take on additional financial risk to obtain lower monthly premiums.

Though higher deductibles are a sign of increased financial risk, consumers in this study do not actually perceive these health plans to be riskier or more expensive. This is reiterated from online consumer surveys conducted by GoHealthInsurance.com.

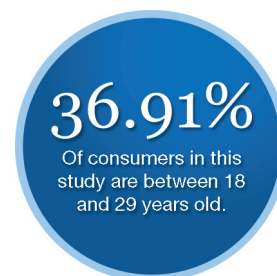
For those who responded to the GoHealthInsurance Customer Experience survey,² 81.32% of GoHealthInsurance users who eventually purchased a plan said that the plan they bought met or beat prior price expectations. The survey sample included 1,014 consumers.

Another factor that contributes to the higher level of deductibles is the young average age of the consumers in the study. The data shows that a large portion of consumers who begin their health insurance search online are younger than 30 years old — more than one third (36.91 percent) are between 18 and 29 years old. In addition, the average age of consumers in this study who eventually purchased a policy is 32.1 years old.

Age Range Price Guidelines

These guidelines can provide a picture of where shoppers can expect average premiums to fall during the health insurance shopping process depending on their age range. The rates were taken from the first stage (research) because it is the initial point of contact, where first consumer expectations are set. The graphs show the difference in average premium between the first stage (research) and the final stage (purchase) after the Insurance Exchange Effect is factored. The premiums shown in this table are the premiums that individuals and families chose in the research stage of the process.

² Source: GoHealthInsurance Consumer Surveys, Your Experience at GoHealthInsurance.com, June 2009.



Balancing Premiums and Deductibles

One major element of a health plan that affects insurance premiums is the deductible. Because Premiums and deductibles usually have a strong inverse relationship, consumers are required to find a healthy balance between the two. The knowledge of an experienced advisor can be of assistance with this decision as many different factors can contribute to finding a desired premium-deductible balance.

Like all other forms of insurance, deductibles are a method of sharing financial risk with the insurance company. The more financial risk a policyholder is willing to take, the more the insurance company is willing to lower that policyholder's monthly premiums. This concept of taking on more risk through a higher deductible is one of the strategies that can be used to obtain a lower premium.

Other strategies may include choosing a plan with limited routine doctor visits or more restricted health care provider networks such as a Health Maintenance Organization (HMO) plan.

When looking for comprehensive health coverage, insurance experts at GoHealthInsurance recommend that deductibles don't exceed \$5,000 for individuals and \$10,000 for family plans. Plans with higher deductibles than this recommended maximum can lower premiums, but typically don't provide appropriate coverage for most people. Applicants should always review his or her finances carefully to be assured the deductible could be met should a medical emergency occur.

It's also important to factor in the copayment level of a health insurance plan. Health plans that include copayments for basic health care services, such as preventive care, provide more robust coverage. The level of copayment, a fixed dollar amount, also affects premiums.

Methodology

More than 34,515 consumers were included in this study, with more than 26,500 individual plans and 7,900 family plans. The consumers in this data study used the service provided by GoHealthInsurance.com during the third business quarter of 2009.

As a part of the service, consumers viewed a list of plans available in their state online and had the opportunity to speak with an agent.

Consumers included in the study are between the ages of 18 to 64 years old.

The term “individuals” indicates a reference to a single, non-married shopper without any children or other dependents. Alternatively, the term “families” refers to shoppers who have added one or more dependents — spouses or children — to his or her policy.

The Research Stage:

Consumers considered to be in the “research” stage requested health insurance quotes and instantly viewed a list of health plans available in their state. Every plan that is clicked on this list of plans is considered to be “researched” as a part of this study. Typically, researchers click on multiple plans with varying costs and benefits in this stage, which provided a wide array of data for this study. Consumers proceed to the online application of that particular plan as a result of each click. This includes both the premium and deductible of the plan under this definition.

The Shopping Stage:

After comparing multiple options in the research stage, consumers who reach the “shopping” stage have narrowed their choices to specific plans they intend to purchase. Each plan chosen in the “shopping” stage indicates that a consumer has completed one or more pages of an online health insurance application for that plan. This includes both the premium and deductible of the plan under this definition.

The Purchase Stage:

Consumers considered to be in the “purchase” stage include policyholders who fully submit an application and are accepted into coverage. Plans in this study are in-force and policyholders are actively paying premiums. This includes both the premium and deductible of the plan under this definition. The premiums of the in-force policies in this study are the rates set for policyholders after the underwriting process.

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