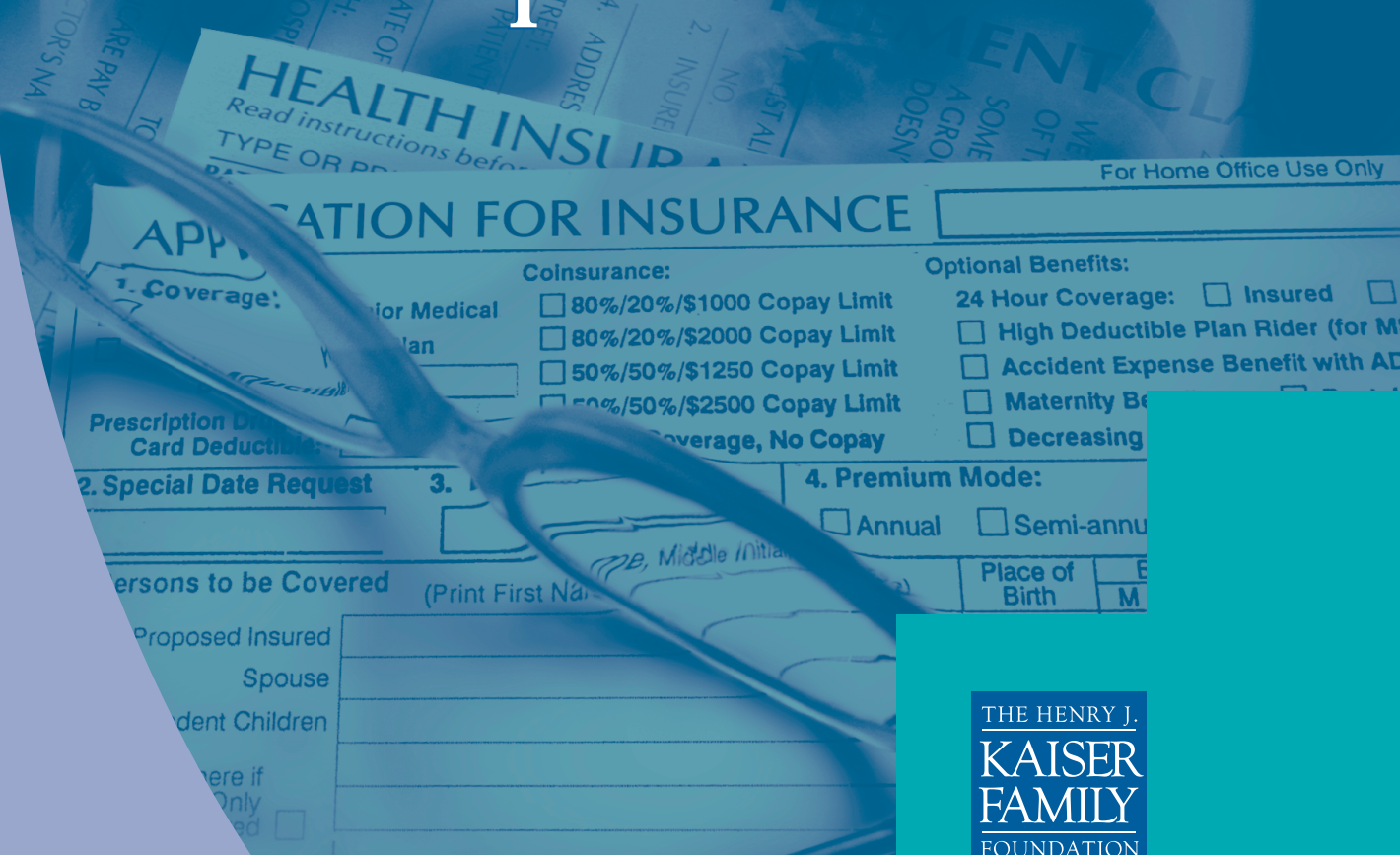


How accessible is

Individual Health Insurance

for consumers in less-than-perfect health?



THE HENRY J.
KAISER
FAMILY
FOUNDATION

Prepared for the Henry J. Kaiser Family Foundation by:
GEORGETOWN UNIVERSITY INSTITUTE FOR
HEALTH CARE RESEARCH AND POLICY; and
K.A. THOMAS AND ASSOCIATES

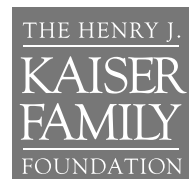
JUNE 2001

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Prepared for the Henry J. Kaiser Family Foundation by:

KAREN POLLITZ

RICHARD SORIAN

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EXECUTIVE SUMMARY

BACKGROUND

Most Americans obtain health insurance through an employer, but people who don't have access to such coverage and are ineligible for public programs like Medicaid and Medicare must rely on individually-purchased health insurance. Yet, the individual insurance market can be a difficult place to buy coverage, especially for people who are in less-than-perfect health. Access to and the cost of coverage is very much dependent on a person's health status, age, place of residence, and other factors. Understanding how this market works for people in different circumstances is important for several reasons. First, some 16 million Americans bought health insurance in the individual market in 1999. Second, anyone can find himself or herself in need of individual market coverage at some point in their lives. Common circumstances leading people to seek such coverage include self-employment, early retirement, working part time, divorce or widowhood, or "aging off" a parent's policy. Finally, federal policymakers are debating proposals to expand coverage for the uninsured by subsidizing their purchase of health insurance in the individual market through tax credits, so it is important to understand what this market can and cannot offer those who lack health insurance today.

METHODOLOGY

The Kaiser Family Foundation commissioned researchers at Georgetown University's Institute for Health Care Research and Policy to design a study testing access to coverage in the individual health insurance market by constructing seven hypothetical applicants and asking insurers to consider them as though they were real consumers. For each consumer, we asked 19 insurance companies and HMOs in eight markets around the country (Arlington Heights, Illinois; Austin, Texas; Corning, Iowa; Fresno, California; Miami, Florida; Richmond, Virginia; Tucson, Arizona; and Winamac, Indiana) how they would respond to an application for coverage. Communities were chosen based on geographic diversity and to test how the individual market functions in states with few restrictions on insurer practices. This resulted in a total of 60 applications per person and a total of 420 applications for the group. Each insurer was asked to "underwrite" the applicants (that is, to determine whether or not they would be offered coverage and on what terms) using a policy that included a \$500 deductible and a \$20 co-payment per physician office visit.

RESULTS FOR EACH OF THE APPLICANTS

Insurers responded to these hypothetical applications by either accepting the applicant for standard coverage at a standard rate for a healthy person (i.e., a "clean offer"), rejecting the applicant, offering coverage with special restrictions on covered benefits (e.g., to exclude benefits through a "rider"), or offering coverage at a higher-than-standard premium (i.e., a "rate-up" or surcharge). Some responses combined special benefit restrictions with a rate-up. The results for each of the consumers were as follows:

ALICE, a 24-year-old waitress with hay fever. Alice had her application rejected 5 times, or 8% of the time. She received 3 clean offers of coverage. The vast majority of offers (46 of 55) she received had limitations on benefits based on her health condition. Alice was offered policies with exclusion riders that would eliminate coverage for her hay fever or, in three cases, for her entire upper respiratory system. Other offers modified coverage under the policy by increasing the annual deductible from \$500 to \$2,500, or increasing the cost sharing (e.g., deductibles or coinsurance) for prescription drugs. Ten offers applied a premium surcharge, or rate-up, ranging from 20-40% (including four that restricted benefits as well). The average annual premium quoted to Alice was \$1,656, although the prices on her offers ranged from \$408 to \$4,596 per year.

BOB, a 36-year-old consultant who injured his knee in college and had it surgically repaired 10 years ago. Bob was turned down 7 times, or 12% of the time. He received 15 clean offers of coverage and was one of only two of the applicants who received at least one clean offer in each market where he applied. In 34 instances, carriers sought to limit Bob's coverage in some way. Most often, Bob was offered a policy that excluded coverage for his knee. He also had five offers with premium surcharges ranging from 25% to 40% (including one with benefit restrictions as well). The average annual premium quoted to Bob was \$1,764, although the prices on his offers ranged from \$588 to \$5,112 per year.

THE CRANE FAMILY (Cathy and Carl, both aged 36, daughter Cindy, 10, and son Colin, 12, who has asthma and recurring ear infections). The Crane family was offered coverage 60 times, but in nine cases the offer excluded Colin from the policy. The entire Crane family received 3 clean offers of coverage. The vast majority of offers to cover the entire family came with limitations. Some attached riders excluding coverage for Colin's asthma, other respiratory disorders, his ears, or even his entire respiratory system. The Cranes were also offered policies that imposed higher cost sharing on prescription drugs and other services, or that increased the annual deductible to \$2,500. Seventeen offers imposed premium rate-ups ranging from 20% to 50% (including 12 that also imposed benefit restrictions). The average annual premium quoted the Cranes was \$5,460, although the prices on their offers ranged from \$1,692 to \$15,444 per year.

DENISE, a 48-year-old actress and seven-year breast cancer survivor. Denise was rejected 26 times, or 43% of the time, and received 11 clean offers of coverage. However, she was also the only other applicant to receive one clean offer in each market where she applied. Of the 34 offers of coverage Denise received, 18 had limits on benefits covered. Most often the policies had riders excluding coverage for her treated breast, her implant, or cancer of any type. Eighteen offers imposed a premium surcharge, ranging from 40% to 100% (including 13 that were accompanied by some other benefit restriction). The average annual premium for Denise was \$3,912. The cost of coverage on her offers ranged from \$1,464 to \$16,344 per year.

EMILY, a 56-year-old widow who is "situationally depressed." Emily was rejected 14 times, or 23% of the time, while receiving 9 clean offers. Of the 46 offers she received, 23 limited benefits in some fashion, such as excluding coverage for depression or for any mental/nervous disorder and increasing cost sharing for prescription drugs. Thirty of Emily's offers imposed a premium surcharge, ranging from 20% to 50% (including 16 that also imposed some other special coverage limit or restriction). The average annual premium for Emily was \$4,056. Her offers ranged in price from \$1,920 to \$10,992 per year.

FRANK, a 62-year-old retired salesman who smokes, is overweight, and has high blood pressure. Frank was rejected 33 times (55%) and received 2 clean offers. Of his 27 offers of coverage, three included riders excluding coverage of his circulatory system. A total of 25 offers imposed a premium surcharge, ranging from 16% to 110% (including three that also limited benefits). The average annual premium offered to Frank was \$9,936, with a range from \$2,928 to \$30,048.

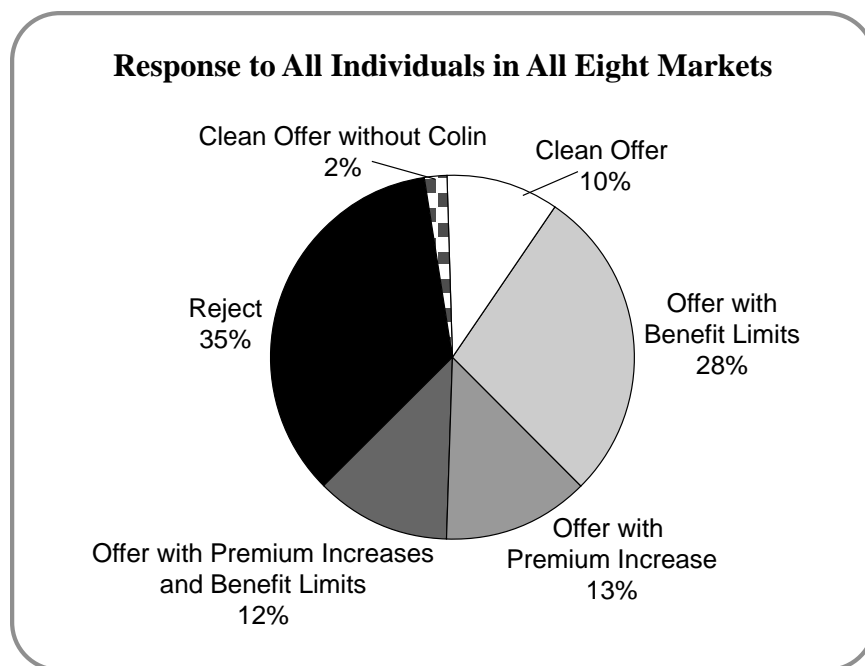
GREG, a 36-year-old writer who is HIV-positive. Insurers in the individual market generally consider HIV to be an "uninsurable" condition. As a result, Greg was rejected for coverage all 60 times.

RESULTS ACROSS ALL OF THE APPLICANTS

Taken as a group, the 7 hypothetical insurance consumers made 420 applications for coverage. Most of the time (90%), the consumers were unable to obtain the coverage for which they applied at a standard rate – only 43 clean offers of coverage were made (10%). They were rejected 154 times (including 9 cases where Colin was rejected but the remainder of his family was accepted), or 37% of the time. Greg accounted for 60 of the rejections. Among the 63% of applications that were accepted, the vast majority (53%) imposed benefit restrictions (118, representing 28% of all applications), premium surcharges (56, or 13%), or both (49, or 12%).

The average premium quoted for the five single applicants who received any offers of coverage was \$333 per month, or \$3,996 per year. Had these applicants been in perfect health (and therefore not denied coverage or rated-up), the average standard rate that would have been available to them would have been \$249 per month, or \$2,988 per year. The average premium rate-up, when applied on a single-only policy, was 38%.

Results varied somewhat across states, with differences in state insurance rules helping to explain some of that variation. For example, California and Indiana prohibit exclusion riders that limit benefits while other states we studied do not. Carriers in Fresno and Winamac had lower offer rates and imposed premium surcharges more frequently than insurers in other markets. On average, our applicants were offered coverage only about half of the time in Fresno and Winamac, compared to about two-thirds of the time in the other communities we studied. In addition, when offered coverage in Fresno and Winamac, our applicants had premium surcharges applied 58% and 82% of the time respectively, compared to only 25-39% of the time in the other markets studied.



IMPLICATIONS OF THE STUDY FOR CONSUMERS AND POLICYMAKERS

Implications for Consumers: Consumers who are in less-than-perfect health clearly face barriers to obtaining health insurance coverage in the individual insurance market. Insurance carriers often decline to cover people who have pre-existing medical conditions, and even when they offer coverage, frequently impose severe limitations on the coverage for any expenses related to the pre-existing condition or charge more to cover these expenses. This can price insurance out of the reach of many consumers in poor health or create significant gaps in coverage that could result in being underinsured.

The pattern of carrier responses to this group of hypothetical applicants might not be repeated for a different group with different health characteristics. For example, the fact that Greg had HIV made it almost certain he would be rejected by most or all carriers (some states require certain carriers in the individual market to offer coverage to all applicants). Similarly, Frank's multiple health risks (smoking, weight, high blood pressure) made it likely that he would be rejected quite often. But it is important to recognize, too, that many Americans would fit similar profiles. Like Colin Crane, nearly 17 million Americans suffer from asthma. Like Denise, 8.4 million Americans are cancer survivors. And like Greg, some 800,000 to 900,000 Americans are living with HIV, while millions of other Americans have arthritis, diabetes, or

other conditions insurers often consider “uninsurable.” Anyone with a health condition could face some difficulty obtaining coverage in the individual market.

At the same time, the actions of many carriers make it clear that medical underwriting is practiced very differently by different health insurers. Emily, for example, was rejected as often as she was offered coverage with a premium rate-up. Denise received one of the largest number of rejections, but also received one of the largest number of clean offers. Two plans that rejected Alice offered coverage to Frank. In fact, rarely were one carrier’s underwriting actions duplicated by any other carrier.

Consumers who are in perfect health can also face financial barriers to coverage in the individual market. Insurance carriers generally price coverage based on the age, sex, and geographic location of the applicant. Of the policies examined in this study, the “standard rates” – that is, the advertised premiums available to healthy consumers – for a 62-year old man were three to six times those available to a 24-year-old woman. Geographic price differences can also sometimes be dramatic. In this study, for example, carriers offering coverage in Miami charged premiums that were an average of twice those charged in Arlington Heights, Illinois, a suburb of Chicago. Premiums in Corning, Iowa, and Winamac, Indiana, – two small, rural communities – tended to be much lower than in other areas studied.

Healthy consumers may also find it difficult to purchase comprehensive coverage in the individual market. In particular, coverage for maternity benefits, mental health care, and prescription medications tends to be limited, especially in comparison to what is typically offered under group health plans.

Finally, the process of applying for individual coverage can be involved and expensive. Applying for individual health insurance can take anywhere from two to eight weeks, and consumers typically are asked to provide a personal check covering the first month’s premium with their applications, making “shopping around” for coverage an expensive prospect. Consumers don’t know whether coverage will be issued, or under what terms or at what cost, until the underwriting process is complete. Underwriting begins with the application itself, which asks consumers a series of questions about their current health status and health history. In some cases, insurers may ask for additional information, including copies of medical records or other information from the applicant’s physician, a sample of the applicant’s blood, urine or saliva, and/or a physical examination of the applicant by a paramedic. Some insurers also consult a database maintained by the insurance industry for information about adverse underwriting actions that may have been taken by other carriers.

Implications for Policymakers: Regulation of individual health insurance coverage is largely under the jurisdiction of states, and most have taken some action in response to these access problems. Many states have enacted high risk pools to make coverage available to residents when carriers turn them down or offer substandard coverage. These programs offer an important health insurance option to people who are otherwise unable to obtain private coverage. However, state high risk pool coverage is always more expensive than comparable private insurance policies. In addition, many states restrict covered benefits or cap enrollment in order to hold down pool costs. As a result, only about 100,000 individuals are enrolled in state high risk pools nationwide, raising questions about whether state high risk pools, as currently structured, are equipped to offer a meaningful coverage option to all those who may encounter barriers in the private individual market based on the results of this study.

A handful of states have rules prohibiting carriers from placing exclusionary riders (which eliminate coverage for pre-existing conditions) on policies. These states do not, however, limit other actions medical underwriters may take against applicants. The results of the study suggest that this produces an unintended consequence: carriers in these states decline more applicants and apply premium rate-ups more frequently on those applicants they do accept. California and Indiana, states that limit the use of exclusion riders, had lower offer rates and higher premium surcharge rates than study states that have no such prohibitions.

A few states have enacted laws intended to make coverage in the individual health insurance market more evenly available to consumers. New York, for example, requires all individual market health insurance to be sold on a guaranteed issue, community rated basis – which means no resident can be turned down or charged more due to their health status, age, or gender. New York also requires insurers to sell standardized policies that cover maternity benefits, prescription drugs, and mental health care. Had our hypothetical consumers applied for health insurance in Albany, New York, they all would have been sold a standard policy at a standard rate without any exclusion riders or other coverage penalties for their health conditions. There is, however, a cost to such regulation. The average premium for our single applicants in Albany was \$4,104 per year. While that was only slightly higher than the average premium (\$3,996 a year) quoted to many of our applicants in less regulated markets, it is significantly higher than the standard rates (\$2,988 a year) charged to healthy applicants in those markets. In other words, young and healthy consumers would face greater financial barriers to coverage in New York and other tightly regulated states than they would in our test markets.

Inability to afford coverage is the primary reason why 43 million Americans are uninsured, and some federal policymakers have proposed addressing this affordability problem by offering tax credits to help people buy coverage in the individual insurance market. This study has implications for how well such tax credits would work. Even consumers with relatively mild health conditions face barriers in the individual insurance market as it's currently structured, including denials of coverage, limitations on benefits, and premium surcharges. A tax credit of \$1,000 for individuals (and \$2,000 for families) – a commonly proposed amount – would cover only 25% of the average annual premium quoted to the hypothetical single consumers in this study for a benefit package that includes a \$500 annual deductible. Even if these single consumers were in perfect health, they would face an average premium of \$2,988 per year in the markets we studied, three times the value of a \$1,000 tax credit. Most low income and many moderate income consumers would not be able to afford these premiums. Finally, the wide variation of premiums in this market suggests that while a flat tax credit of \$1,000 would cover a substantial portion of the premium in some cases – e.g., for Alice, a 24-year-old with a relatively mild health condition – it may not be sufficient for many consumers whose age, place of residence, or health status makes health insurance especially expensive.

I. BACKGROUND

The individual health insurance market plays a small but important role in our nation's system of health coverage. Americans—individuals, couples and families—often rely on this market when they cannot get health benefits from an employer or when they are ineligible for such public programs as Medicare or Medicaid. In 1999, 16 million Americans (or 6.7% of the population under age 65) were covered by an individual health insurance policy.¹

The size of this residual market belies its importance. Anyone can find himself or herself in need of individual insurance. Common circumstances that lead people to seek coverage in the individual market include “aging off” a parent's coverage, getting a job without health benefits, self-employment, working part time or taking extended leave, becoming divorced or widowed, and retiring before the age of 65, when Medicare coverage begins. Thus, people who are used to having employment-based or public coverage may still need individual health insurance at some point during their lifetime.

Interest in the individual insurance market has grown with the current debate over using tax credits to allow uninsured Americans to purchase coverage in this market. President Bush and several members of Congress have proposed expanding health insurance coverage for the uninsured by giving them refundable tax credits to purchase coverage in the individual market.² Under this approach, the number of Americans who rely on individual coverage could grow. One important question, then, is whether the private market would accept these new entrants. An often cited insurance industry rule-of-thumb estimates that 1% of the under-65 population is medically uninsurable—that is, in very poor health or at high risk of needing extensive health care services—and therefore would have difficulty obtaining or affording individual health insurance.³ At the same time, studies of the uninsured indicate that almost half of this population have less than very good health or are over age 55 and so at greater risk of developing poor health.⁴

In examining the individual market, we sought to answer several key questions:

- How does a person's past and current health affect their access to and cost of coverage in the individual market?
- What factors do insurers take into account when they assess or “underwrite”⁵ a consumer's applications for coverage in the individual market?
- What kinds of health benefits are available under individual market coverage and what does coverage cost?

In the past decade, states and the federal government have enacted numerous laws to protect consumers in the health insurance market. Protections are greatest in the so-called “group market,” where most privately insured people are covered. Under both federal and state law, a person can never be

1 March 2000 Current Population Survey.

2 For example, Senators Jeffords, Breaux, Frist, Lincoln, Snowe, Chafee, and Carper have introduced S. 590 to allow refundable tax credits for individually purchased health insurance. The President's Fiscal Year 2002 budget also sets aside funds for such a tax credit. In addition, there has been some discussion that employers who now provide health insurance benefits might instead offer a “defined contribution” that workers could then use to purchase individual coverage.

3 See for example, Laudicina, Susan, “State Health Risk Pools: Insuring the ‘Uninsurable,’” *Health Affairs*, Fall 1988, pages 97-104.

4 Glied, Sherry A., “Challenges and Options for Increasing the Number of Americans with Health Insurance,” a report series from the Commonwealth Fund Task Force on the Future of Health Insurance, January 2001, p. 6. See also “Health Insurance Coverage Uninsured in America: 1999 Data Update,” *A Chart Book of the Kaiser Commission on Medicaid and the Uninsured*, Second Edition, May/December 2000, available at www.kff.org.

5 Medical underwriting refers to the process an insurer uses to assess an applicant's health status and other risk factors that help predict the likelihood of future health expenses.

excluded from a group health plan because of her health or risk status. All group health plans must limit the type and tenure of coverage restrictions for pre-existing medical conditions. Almost all states limit how much more (if anything) small employers can be charged if someone in their group is sick. By contrast, in the individual market, some states have extended similar protections for consumers, but these laws vary quite sharply.⁶ For example:

- Only five states (ME, NH, NJ, NY, VT) guarantee all consumers access to the individual market at community rated premiums (i.e., premiums that do not vary because of their health status.) These states also limit special coverage exclusions that insurers can impose because of a consumer's health condition.
- In most other states, people can be turned down or charged more for individual health insurance because of their health status, age, and other factors. Insurers also can permanently exclude coverage for health conditions people have now or had sometime in the past.
- Some states are in between—protecting access to and limiting the price of coverage for some residents, but not for all. In particular, 8 states prohibit insurers from denying individual coverage to people (or families) leaving group coverage. There also are limits on how much these protected consumers can be charged if they are sick. These protections do not apply to other consumers (e.g., those who have a lapse in coverage of a month or more, or who try to move from one individual policy to another).

Only a small number of consumers seeking coverage in the individual market have protection through federal statute. The Health Insurance Portability and Accountability Act of 1996 (Public Law 104-191) requires insurers to sell a policy without coverage limits to consumers who have had at least 18 months of continuous insurance coverage and are moving from a group policy.⁷ HIPAA does not, however, limit what insurers charge for such coverage.⁸

Therefore, consumers' legal protections in the individual health insurance market very much depend on where they live, their coverage history, and other factors. This study examines how the individual insurance market provides health coverage to people, especially those with mild, moderate, or severe health conditions. It also examines coverage typically sold in the individual market and commonly advertised prices, or "standard rates," that are available to people who are in perfect health.

⁶ For more information about how health insurance is regulated in a given state, consult consumer guides prepared by Georgetown University researchers, available at www.healthinsuranceinfo.net.

⁷ These so-called "federally eligible individuals," must have exhausted COBRA coverage, not be eligible for any other group or public plan coverage, and apply for individual coverage within 63 days. In almost half the states, however, federally eligible individuals can still be turned down by private insurers and are only guaranteed the right to buy coverage from their state high risk pool.

⁸ In states that do not regulate individual market premiums, the General Accounting Office found that premiums charged to HIPAA-protected individuals are often 400% to 600% percent of standard rates.

II. STUDY METHODOLOGY

The Henry J. Kaiser Family Foundation commissioned researchers at Georgetown University to test the cost and accessibility of individual health insurance coverage for consumers with varying life and health circumstances. Georgetown researchers partnered with the National Association of Health Underwriters (NAHU)⁹ and a private risk management consultant to design and implement this study. Insurance carriers were provided with a description of seven hypothetical applicants and asked to “underwrite” these applications as if they were actual consumers. Insurers were asked to participate voluntarily and were promised anonymity.

Because insurers’ underwriting methods are proprietary and closely guarded, it was important that their participation in this survey be requested by people they know and trust—namely the agents and consultants with whom they do business. Georgetown’s partners also were able to provide important contextual information that helps to explain the implications of our findings and determine whether these results are consistent with their day-to-day experiences. Nineteen insurers—some local and some multi-state—responded to the survey, making it possible for each of our hypothetical consumers to “apply” for a total of 60 policies in a number of individual health insurance markets across the nation.

A. THE HYPOTHETICAL APPLICANTS

The seven hypothetical applicants had different ages, sex, and family composition. In addition, each had different health problems or health histories, ranging from mild to severe, some chronic and some not. Although they were not intended to be statistically representative of the general population, their health conditions are similar to those experienced by many, many others:

“ALICE,” a 24-year-old waitress with hay fever;
*An estimated 36 million Americans suffer from seasonal allergies.*¹⁰

“BOB,” a 36-year-old consultant with a college knee injury;
*An estimated 750,000 Americans incur recreational sports injuries each year¹¹ and 5 million people seek care for bad knees.¹² Knee problems cause 11.2 million visits to doctors’ offices each year and 1.4 million visits to an emergency room.*¹³

THE “CRANE” FAMILY, 36-year-old parents, 10-year-old son, Colin, has asthma and ear infections;
*More than 17 million Americans suffer from asthma.¹⁴ Ear infections are the second most common ailment among pre-school children with 50% of children experiencing at least one episode before age 1 and 35% of children having repeat episodes.*¹⁵

⁹ NAHU is a professional trade association of independent health insurance agents and brokers.

¹⁰ Source: American Academy of Allergy, Asthma and Immunology.

¹¹ Sources: Brain Injury Association.

¹² Source: Martin Miller, “Knee-Deep in Injuries,” Los Angeles Times, November 2, 1998, page S1.

¹³ Source: American Academy of Orthopaedic Surgeons.

¹⁴ Source: American Lung Association.

¹⁵ Source: American Speech Language Hearing Association.

“DENISE, ” a 48-year-old actress and 7-year breast cancer survivor;
*There are 8.4 million cancer survivors living in the U.S.*¹⁶

“EMILY, ” a 56-year-old widow with “situational” depression;
*An estimated 19 million Americans are living with depression.*¹⁷

“FRANK, ” a 62-year-old retiree who has high blood pressure, is overweight, and smokes;
*About one-quarter of Americans are considered obese; 23% suffer from hypertension; and 47 million smoke.*¹⁸

“GREG, ” a 36-year-old freelance writer who is HIV-positive.
*There are 800,000 to 900,000 Americans living with HIV/AIDS.*¹⁹

B. QUESTIONS POSED

We asked carriers for information about their most frequently sold policy in the individual market.²⁰ Since most carriers offer a choice of cost-sharing options, we specified policies with a \$500 annual deductible and a \$20 office visit co-payment. Together, the responding carriers identified 60 insurance policies in the eight markets we studied.

Carriers were asked to provide “standard rates” in effect October 1, 2000, that corresponded to the age and gender of our seven hypothetical applicants. The standard rate is the advertised premium, available only to the healthiest applicants. Typically, individual market carriers establish standard premiums that vary based on age, sex, and geography. Standard rates for consumers in their early 60s are several times higher than those charged people in their early 20s. Until the end of their childbearing years, women pay higher standard rates than men; after that, men pay more. Standard rates also vary geographically due to variations in health care costs and utilization and other factors. National carriers charge different rates for the same policy in different markets, within and across states.

Finally, all carriers in the markets we studied use medical underwriting to determine if the carrier is willing to cover an applicant’s future risk. This includes review of information included on the consumer’s application for insurance and, in some cases, requests for additional information, as well. Once a carrier has received all necessary information on an applicant, an underwriter makes a coverage decision. We asked carriers to answer the following questions:

1. Would you issue coverage to this applicant? If not, why not?
2. What additional information would you request? (e.g., medical history, MIB data,²¹ doctor’s records, etc.)
3. Would an exclusion rider be applied?²² If so, on what condition or body part? For how long? What’s the likelihood it could be removed?
4. Would a rate-up be applied?²³ For smoking? For other conditions? For how much? For how long?
5. Would any other benefit modifications (e.g., deductible, co-pay options) be applied?

16 Source: National Coalition for Cancer Survivorship.

17 Source: National Institute of Mental Health.

18 Source: Centers for Disease Control and Prevention.

19 Source: Centers for Disease Control and Prevention.CDC

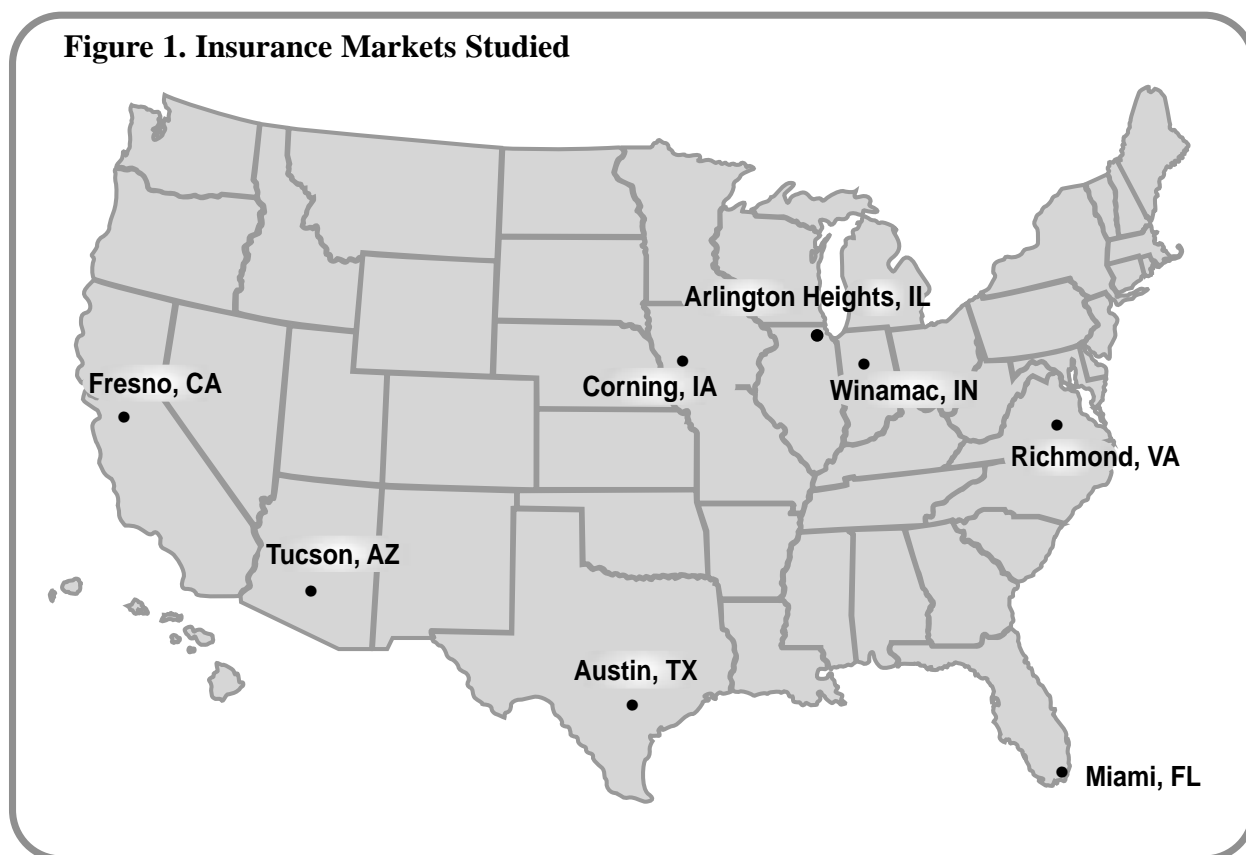
20 Short term, non-renewable coverage and limited benefit policies (such as accident-only policies or cancer policies) were not studied in this report. Some of the policy information was obtained from other sources by NAHU agents.

21 The Medical Information Bureau (MIB) is a national database maintained by the insurance industry. It contains medical information on millions of Americans that has been collected by underwriters.

22 An exclusion rider is an amendment to the insurance policy that specifically excludes coverage for a named health condition. Sometimes exclusion riders are broader, eliminating coverage for entire body parts or systems that a health condition might affect.

23 A rate-up refers to a premium rate increase that is applied to a person specifically because of his or her health or risk status.

Figure 1. Insurance Markets Studied



C. MARKETS

We chose to study the individual insurance markets in eight U.S. communities that are diverse in size and geographic location (see Figure 1). In addition, we chose communities in states that set few limits on medical underwriting by carriers in the individual market, recognizing that the price and availability of coverage might vary based on these factors. Finally, we chose markets in which NAHU agents were available to participate in this project. These markets are:

- **Arlington Heights, Illinois**—(population 75,000) a Midwestern suburb in the Chicago metropolitan area (population 8.9 million). Insurers are not limited in their ability to deny, modify, or price individual health insurance based on applicants' health or risk status, age, or other factors.
- **Austin, Texas**—(1.1 million metropolitan area) a mid-sized city in the South-Central region of the U.S. Insurers are not limited in their ability to deny, modify, or price individual health insurance based on applicants' health or risk status, age, or other factors.
- **Corning, Iowa**—(population 1,806) a small rural town in the Midwest. Iowa law requires insurers to guarantee issue coverage with rating limits to certain residents with prior continuous health insurance. Otherwise, insurers are not generally limited in their ability to deny, modify, or price individual health insurance based on applicants' health or risk status, age, or other factors.
- **Fresno, California**—(880,000 metropolitan area) a mid-sized Western city. Individual health insurers are required to guarantee issue coverage only to "federally eligible individuals" under HIPAA. California law prohibits individual market insurers from imposing exclusion riders on coverage in any market. Otherwise, insurers are not limited in their ability to deny, modify, or price individual health insurance based on applicants' health or risk status, age, or other factors.

- **Miami, Florida**—(3.7 million metropolitan area) a large city in the Southeast. Individual health insurers are required to guarantee issue coverage to “federally eligible individuals” under HIPAA and to certain other residents leaving coverage under fully insured group health plans. Florida law prohibits insurers from denying coverage to consumers or imposing exclusion riders based on breast cancer treated two or more years in the past. Otherwise, insurers are not generally limited in their ability to deny, modify, or price individual health insurance based on applicants’ health or risk status, age, or other factors.
- **Richmond, Virginia**—(961,000 metropolitan area) a mid-sized Southern city. Most insurers are not limited in their ability to deny, modify, or price individual health insurance based on applicants’ health or risk status, age, or other factors. Virginia law does, however, require Blue Cross/Blue Shield plans to guarantee issue coverage to any state resident seeking insurance.
- **Tucson, Arizona**—(804,000 metropolitan area) a mid-sized urban market in the Southwest. Individual health insurers are required to guarantee issue coverage only to “federally eligible individuals” under HIPAA. Otherwise, Arizona law does not limit insurers’ ability to deny, modify, or price individual health insurance based on applicants’ health or risk status, age, or other factors.
- **Winamac, Indiana**—(population 2,262) a small rural town in the Midwest. Indiana law prohibits insurers from imposing exclusion riders. Otherwise, insurers are not limited in their ability to deny, modify, or price individual health insurance based on applicants’ health or risk status, age, or other factors.

D. PARTICIPATING CARRIERS

Nineteen insurance carriers participated in our study, including six Blue Cross/Blue Shield plans, six HMOs, and seven national or regional commercial carriers that write individual health insurance coverage in multiple states. As a result, we were able to study 6 to 9 insurers in each geographic market. In all but one of the markets studied, carriers were drawn from those insurers that comprise a majority of market share.²⁴

E. UNDERWRITING DECISIONS

Once an underwriter has gathered all necessary information on an applicant, the underwriter makes a decision on whether to issue coverage and, if so, at what price and under what terms. We report on the following outcomes:

- **Accept** the applicant for coverage under the plan at standard rates—this is sometimes called a “clean offer”;
- Accept the applicant, but **limit benefits** covered under the plan. This can be accomplished through an amendment (or “rider”) to the plan contract that excludes coverage for a specific health condition, body part, or body system; or insurers can limit coverage in other ways (for example, increase the comprehensive annual deductible or the cost-sharing on prescription drugs.)
- Accept the applicant for coverage under the plan but **increase the premium** above standard rates (also called a “rate-up”);
- Accept the applicant, but **limit benefits and charge a higher premium.**
- **Reject** the applicant.

²⁴ Trigon Blue Cross/Blue Shield dominates the Richmond individual insurance market but did not participate in our survey.

III. HOW DID EACH OF THE APPLICANTS FARE?

Each of our seven applicants applied for 60 policies, for a total of 420 applications and decisions. Carrier responses to our applicants are summarized below. (See Section IV for additional findings and Appendix A for details of carrier action on all applications.)

“ALICE”

Alice is a 24-year-old single waitress who works in a restaurant that does not offer its employees health insurance benefits. She is 5 feet 3 inches tall and weighs 125 pounds and doesn't smoke. Alice suffers from seasonal hay fever (allergic rhinitis) and, for the last two years, has been getting weekly allergy shots and, during peak hay fever season (about 30 days), takes 60 mg. of Allegra twice a day. She is otherwise in excellent health.

Alice received 55 offers of coverage (92%) in 60 applications, but she received only three “clean” offers of standard coverage at standard rates. In fact, Alice received more denials of coverage (5) than she did clean offers (3). Most (46) of Alice's offers included some form of benefit limit, most often an exclusion of coverage of her hay fever and all other allergic conditions. In three cases, however, the exclusion rider applied more broadly to Alice's entire upper respiratory system. Twice carriers increased Alice's annual deductible to \$2,500 instead of the \$500 deductible she requested. Fifteen offers modified her drug coverage by increasing the deductible and other cost sharing for prescriptions. Six of Alice's offers had a premium rate-up; and four offers imposed both a benefit limit and a rate-up. When rate-ups were applied, the average premium increase was 25%.

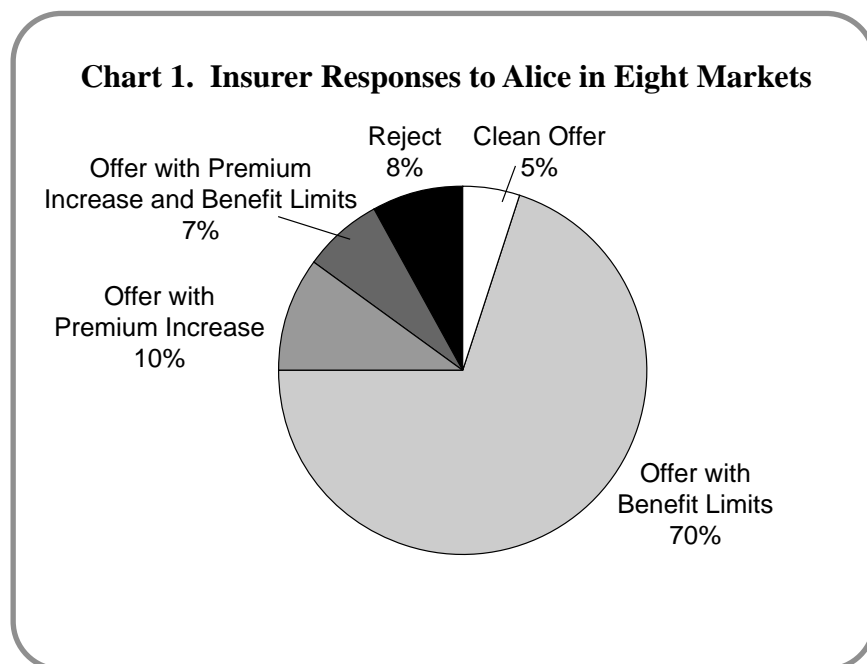


Table 1. Summary of Offers for Alice in Each Market

Market	Applications	Denials	Clean Offers	Offers with Benefit Limits	Offers with Premium Increase	Offers with Benefit Limits and Premium Increase
Arlington Heights, IL	8	0	1	7	0	0
Austin, TX	9	0	2	7	0	0
Corning, IA	7	0	0	6	1	0
Fresno, CA	7	2	0	1	2	2
Miami, FL	7	1	0	6	0	0
Richmond, VA	6	0	0	6	0	0
Tucson, AZ	9	1	0	8	0	0
Winamac, IN	7	1	0	1	3	2
All Markets	60	5	3	42	6	4

Looking market-by-market, Alice received at least one offer of coverage in all eight markets, but got “clean” offers in only two—Arlington Heights and Austin. In four markets (Fresno, Miami, Tucson, and Winamac), Alice’s application was rejected at least once. (See Table 1)

The average premium offered to Alice was \$138 a month or \$1,656 a year. Premiums ranged from a low of \$34 a month to a high of \$383. Even within markets, the premiums offered Alice varied significantly—by a factor of almost 2:1 or more. (See Table 2)

Table 2. Summary of Monthly Premiums for Alice in Each Market

Market	Offers	Lowest Premium	Highest Premium	Average Premium	Ratio Highest:Lowest
Arlington Heights, IL	8	\$67	\$199	\$141	3.0
Austin, TX	9	\$84	\$166	\$121	2.0
Corning, IA	7	\$58	\$148	\$112	2.6
Fresno, CA	5	\$34	\$333	\$141	9.9
Miami, FL	6	\$111	\$383	\$257	3.4
Richmond, VA	6	\$62	\$171	\$118	2.8
Tucson, AZ	8	\$66	\$199	\$122	3.0
Winamac, IN	6	\$77	\$148	\$109	1.9
All Markets	55	\$34	\$383	\$138	11.4

“BOB”

Bob is a 36-year-old single consultant to several Internet companies. Because he is self-employed, Bob must buy insurance in the individual market. Bob is 5 feet 9 inches tall and weighs 155 pounds, is in excellent health, does not smoke, and is physically active (plays volleyball). Ten years ago, Bob underwent arthroscopic surgery on his left knee, which he injured in college. His knee is now stable but causes him occasional pain when he exercises. Bob wears a knee brace when he plays volleyball and takes over-the-counter ibuprofen. His doctor says there is nothing that can be done medically to strengthen the knee.

Bob received 53 offers of coverage (88%) and was rejected seven times (12%). He received 15 clean offers (25%), the largest number in our study. In 33 of the offers Bob received (64%), carriers limited coverage with an exclusion rider on his surgically repaired knee. Five times, these “ridered” offers also included other benefit limitations that increased his prescription drug deductible and eliminated the co-payment option for physician visits by imposing a deductible and coinsurance instead. In addition, five of Bob’s offers imposed a premium rate-up, with this surcharge averaging 31%.

On a local basis, Bob received at least one clean offer in every market. However, Bob was denied coverage at least once in four markets, including three times in Fresno, California. (See Table 3)

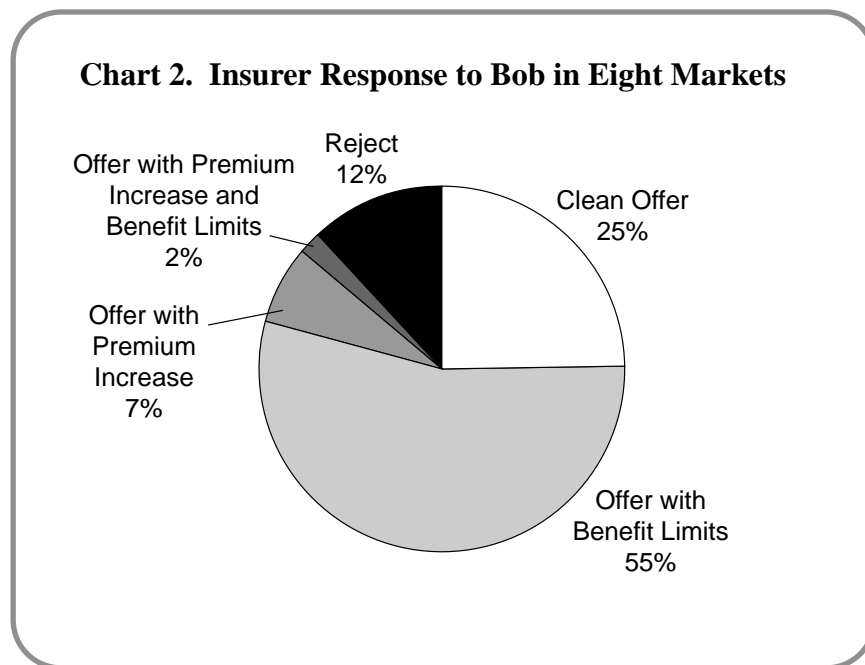


Table 3. Summary of Offers for Bob in Each Market

Market	Applications	Denials	Clean Offers	Offers with Benefit Limits	Offers with Premium Increase	Offers with Benefit Limits and Premium Increase
Arlington Heights, IL	8	0	2	6	0	0
Austin, TX	9	0	2	7	0	0
Corning, IA	7	0	2	4	1	0
Fresno, CA	7	3	4	0	0	0
Miami, FL	7	1	1	5	0	0
Richmond, VA	6	0	1	5	0	0
Tucson, AZ	9	1	2	6	0	0
Winamac, IN	7	2	1	0	3	1
All Markets	60	7	15	33	4	1

Bob's average premium was \$147 a month or \$1,764 a year. His premiums ranged from a high of \$426 a month to a low of \$49 a month. In most markets, the price of coverage offered to Bob varied by a factor of 2:1 or more. (See Table 4)

Table 4. Summary of Monthly Premiums for Bob in Each Market

Market	Offers	Lowest Premium	Highest Premium	Average Premium	Ratio Highest:Lowest
Arlington Heights, IL	8	\$100	\$222	\$150	2.2
Austin, TX	9	\$80	\$202	\$126	2.5
Corning, IA	7	\$98	\$164	\$121	1.7
Fresno, CA	4	\$49	\$270	\$137	5.5
Miami, FL	6	\$111	\$426	\$269	3.8
Richmond, VA	6	\$69	\$190	\$124	2.8
Tucson, AZ	8	\$92	\$222	\$131	2.4
Winamac, IN	5	\$104	\$150	\$130	1.4
All Markets	53	\$49	\$426	\$147	8.7

“CRANE FAMILY”

Carl and Cathy Crane are both 36 years old and they have two children. Both work part-time (he’s a caterer, she’s a librarian) so that one of them can be home to take care of their children. Neither parent is eligible for employer-sponsored health benefits so they must buy coverage in the individual market. Carl is 6 feet 3 inches tall and weighs 210 pounds. Cathy is 5’10” and weighs 130. Both are in excellent health and are non-smokers.

The Cranes’ daughter Cindy is 10 years old and in excellent health. Colin is 12 and has asthma. Colin uses an Asmacort inhaler twice a day to control his condition. Once or twice a month, Colin needs to supplement his treatment with a Proventil inhaler. Twice in the last three years Colin has had to go to an emergency room during a severe asthma attack. His last attack was in December 1999, after which his doctor prescribed Prednisone (20 mg a day for three days). He has had no attacks since then. Colin also has recurrent ear infections (two in the last year) that are treated with a single prescription antibiotic.

The Crane family was offered coverage under every policy for which it applied. However, nine of the offers (15%) extended coverage to three members of the family but excluded Colin. None of the carriers declined to cover the entire Crane family because of Colin’s health. The Cranes received only three clean offers of coverage for the entire family. Among the remaining offers to cover the entire family, 43 imposed one or more benefit limits, including:

- exclusion riders for Colin’s asthma (36);
- exclusion riders for Colin’s ears (7);
- exclusion riders for Colin’s entire respiratory system (3);
- increased cost sharing for prescription drugs (13); and
- increased cost sharing for doctor’s office visits (6).

Seventeen offers included premium rate-ups, averaging 30%. The highest rate-ups were for 50%.

Chart 3. Insurer Responded to the Cranes in Eight Markets

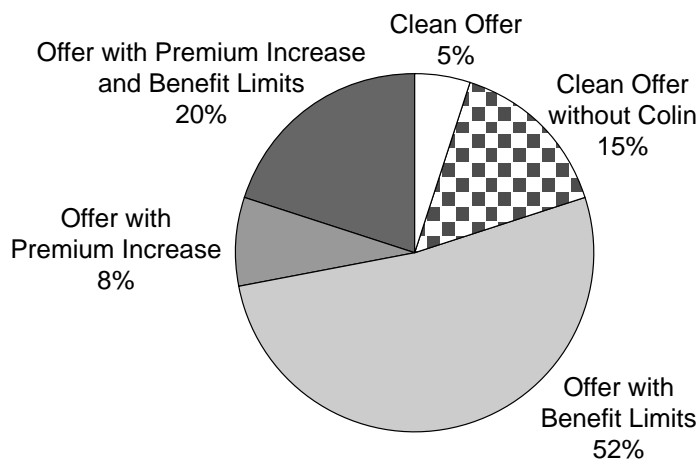


Table 5. Summary of Offers for the Cranes in Each Market

Market	Applications	Denials	Offers without Colin	Clean Offers	Offers with Benefit Limits	Offers with Premium Increase	Offers with Benefit Limits and Premium Increase
Arlington Heights, IL	8	0	0	1	5	0	2
Austin, TX	9	0	1	0	6	0	2
Corning, IA	7	0	0	0	5	1	1
Fresno, CA	7	0	3	1	1	1	1
Miami, FL	7	0	1	0	4	0	2
Richmond, VA	6	0	0	0	4	0	2
Tucson, AZ	9	0	2	1	5	0	1
Winamac, IN	7	0	2	0	1	3	1
All Markets	60	0	9	3	31	5	12

On a market-by-market basis, the Cranes received clean offers in only three markets (Arlington Heights, Fresno, and Tucson.) Colin was rejected at least once in five markets, including three times in Fresno. (See Table 5)

The average premium quoted for the Cranes was \$455 a month or \$5,460 a year. Monthly premiums ranged from a high of \$1,287 a month to a low of \$141. In most markets, the price of coverage quoted for the Cranes varied by a factor of at least 2:1. (See Table 6)

Table 6. Summary of Monthly Premiums for the Cranes in Each Market

Market	Offers	Lowest Premium	Highest Premium	Average Premium	Ratio Highest:Lowest
Arlington Heights, IL	8	\$324	\$612	\$462	1.9
Austin, TX	9	\$287	\$575	\$414	2.0
Corning, IA	7	\$278	\$574	\$384	2.1
Fresno, CA	7	\$141	\$732	\$451	5.2
Miami, FL	7	\$383	\$1,287	\$803	3.4
Richmond, VA	6	\$257	\$534	\$397	2.1
Tucson, AZ	9	\$258	\$600	\$389	2.3
Winamac, IN	7	\$279	\$508	\$363	1.8
All Markets	60	\$141	\$1,287	\$455	9.1

“DENISE”

Denise is a 48-year-old single actress. Because of the seasonal nature of her occupation, Denise is not eligible for employer-sponsored coverage and must buy insurance in the individual market. She previously had coverage with a local HMO, but the plan closed three months ago and Denise has not had time to apply for new coverage until now. Denise is 5 feet 6 inches tall, weighs 145 pounds, does not smoke, and exercises daily. In 1992, she was diagnosed with stage-1 breast cancer and underwent a modified mastectomy followed by four rounds of chemotherapy and seven weeks of radiation therapy. She had no lymph node involvement and no metastases. In 1993, Denise had breast reconstruction surgery and a saline implant. Denise has had annual follow up visits and mammograms and there has been no evidence of recurrence, nor does she have any other health problems.

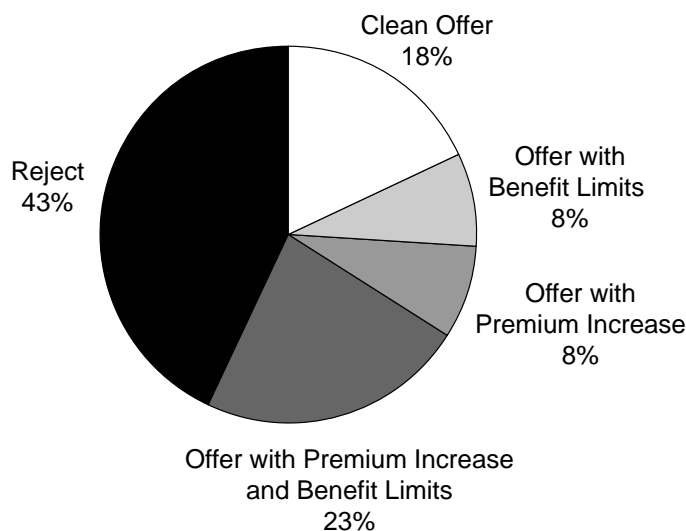
Denise received 34 offers of coverage (57%), including 11 clean offers. Even so, carriers rejected Denise 26 times (43%). Eighteen offers imposed one or more benefit limits including:

- 6 with no coverage for cancer;
- 9 with no coverage for implants;
- 1 with no coverage for her treated breast; and,
- 7 with higher cost sharing for prescription drugs and doctor’s office visits.

Eighteen offers included a premium rate-up, averaging 56%.

Like Bob, Denise received at least one clean offer in every market. She also was declined at least once in each market, although her one rejection in Miami may have been made in error.²⁵ Florida law prohibits insurers from denying coverage or imposing exclusion riders based on breast cancer if treatment ended more than two years prior to application. Florida does not prohibit premium rate-ups for breast cancer survivors. Denise’s three most severe premium surcharges—each 100%—occurred in Miami. (See Table 7)

Chart 4. Insurer Responses to Denise in Eight Markets



²⁵ Initially, a second carrier responded that they would reject Denise’s application in Miami, but subsequently notified us that this answer was mistaken and changed it.

Table 7. Summary of Offers for Denise in Each Market

Market	Applications	Denials	Clean Offers	Offers with Benefit Limits	Offers with Premium Increase	Offers with Benefit Limits and Premium Increase
Arlington Heights, IL	8	4	1	1	0	2
Austin, TX	9	5	1	1	0	2
Corning, IA	7	3	1	1	0	2
Fresno, CA	7	3	2	0	1	1
Miami, FL	7	1	2	0	3	1
Richmond, VA	6	2	1	1	0	2
Tucson, AZ	9	4	2	1	0	2
Winamac, IN	7	4	1	0	1	1
All Cities	60	26	11	5	5	13

The average premium quoted for Denise was \$326 a month or \$3,912 a year. Monthly premiums ranged from a high of \$1,362 to a low of \$122. Within markets, the variation in premiums offered was considerable. (See Table 8)

Table 8. Summary of Monthly Premiums for Denise in Each Market

Market	Offers	Lowest Premium	Highest Premium	Average Premium	Ratio Highest:Lowest
Arlington Heights, IL	4	\$178	\$435	\$283	2.4
Austin, TX	4	\$152	\$473	\$289	3.1
Corning, IA	4	\$164	\$293	\$215	1.8
Fresno, CA	4	\$178	\$287	\$245	1.6
Miami, FL	6	\$398	\$1,362	\$720	3.4
Richmond, VA	4	\$122	\$272	\$208	2.2
Tucson, AZ	5	\$157	\$286	\$221	1.8
Winamac, IN	3	\$185	\$337	\$237	1.8
All Markets	34	\$122	\$1,362	\$326	11.2

“EMILY”

Emily is a 56-year-old widow whose husband died suddenly in January 2000. Emily has never worked outside the home. She briefly obtained individual coverage with an HMO in the state where she and her husband lived, but recently, Emily moved back to her hometown to be near old friends, and so must buy coverage there. Emily is 5 feet 4 inches tall, weighs 125 pounds, and does not smoke. Since her husband's death, she has suffered from situational depression and her internist prescribed 20 mg. of Prozac a day. Otherwise, Emily is in excellent health.

The responses to Emily's application were the most diverse of the group. Insurers were fairly evenly divided on whether to reject Emily, apply a premium rate-up, or impose both benefit limits and a premium rate-up. Overall, Emily received 46 offers (77%) and 14 denials (23%). She received 9 clean offers. Twenty-three of her offers imposed restrictions on covered benefits including:

- 1 excluded treatment for depression;
- 6 excluded treatment for all mental/nervous disorders;
- 8 increased cost sharing for psychotropic drugs; and
- 7 increased the cost sharing for all prescription drugs and imposed coinsurance (rather than a co-pay) on all doctor visits.

Almost two-thirds (30) of Emily's offers imposed premium rate-ups, averaging 26% and ranging from 20-50%. Four offers indicated the rate-up would end as soon as Emily ceases treatment for depression; 10 indicated the rate-up would continue for one year after treatment ends; 7 would continue for at least two years; 9 would be indefinite or permanent.

Locally, Emily received a clean offer in six of seven markets where she applied. She also was rejected at least once in each market, including three times in Tucson. (See Table 9)

Chart 5. Insurer Response to Emily in Eight Markets

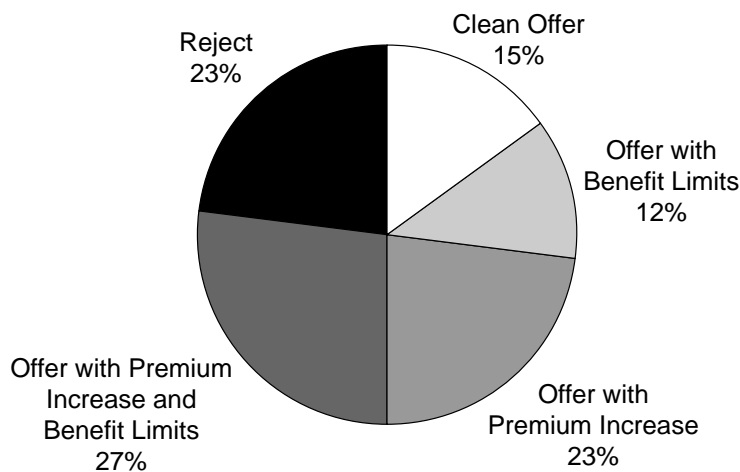


Table 9. Summary of Offers for Emily in Each Market

Market	Applications	Denials	Clean Offers	Offers with Benefit Limits	Offers with Premium Increase	Offers with Benefit Limits and Premium Increase
Arlington Heights, IL	8	2	1	1	2	2
Austin, TX	9	2	2	1	2	2
Corning, IA	7	1	1	2	1	2
Fresno, CA	7	2	1	0	2	2
Miami, FL	7	1	1	1	2	2
Richmond, VA	6	1	0	1	2	2
Tucson, AZ	9	3	2	1	1	2
Winamac, IN	7	2	1	0	2	2
All Markets	60	14	9	7	14	16

The average premium offered to Emily was \$338 a month or \$4,056 a year. Monthly premiums ranged from a high of \$916 to a low of \$160. In most markets, the cost of coverage offered Emily varied by a factor of 2:1 or more. (See Table 10)

Table 10. Summary of Monthly Premiums for Emily in Each Market

Market	Offers	Lowest Premium	Highest Premium	Average Premium	Ratio Highest:Lowest
Arlington Heights, IL	6	\$270	\$530	\$353	2.0
Austin, TX	7	\$186	\$482	\$313	2.6
Corning, IA	6	\$184	\$379	\$262	2.1
Fresno, CA	5	\$160	\$552	\$333	3.5
Miami, FL	6	\$349	\$916	\$590	2.6
Richmond, VA	5	\$185	\$376	\$272	2.0
Tucson, AZ	6	\$196	\$530	\$302	2.7
Winamac, IN	5	\$207	\$328	\$257	1.6
All Markets	46	\$160	\$916	\$338	5.7

“FRANK”

Frank is a retired 62-year-old salesman. During his career, he moved from job to job, often experiencing breaks in his health insurance coverage and never being covered continuously more than one year. He is 6 feet tall and weighs 245 pounds, smokes half a pack of cigarettes a day, and has high blood pressure that is controlled with Hyzaar (one tablet daily). Frank’s blood pressure has averaged 138/88 for the last year.

Frank received 27 offers (45%) and 33 denials of coverage (55%). Next to Greg, who was HIV-positive, Frank had the highest denial rate of all the hypothetical applicants. Once Frank was denied coverage solely on the basis of his age. He received only two clean offers. Three carriers offered to cover Frank but imposed a rider excluding coverage for his entire circulatory system.

All but two of Frank’s offers imposed rate-ups—averaging 57%—and of all applicants, he experienced the most severe rate-ups, including seven of 100% or more. Most rate-ups were permanent, but six times, carriers indicated Frank could apply in one year to have the rate-up removed. Three times Frank was told the rate-up would be dropped if he lost weight and quit smoking for one year. Frank’s two clean offers were at the carriers’ standard “smoker” rate, which is higher than the standard rate available to non-tobacco users.

On a market-by-market basis, Frank received at least one offer in each market, but a clean offer in only two (Arlington Heights and Austin.) He was rejected multiple times in every market, including a majority of the time in five markets. (See Table 11)

Chart 6. Insurer Responses to Frank in Eight Markets

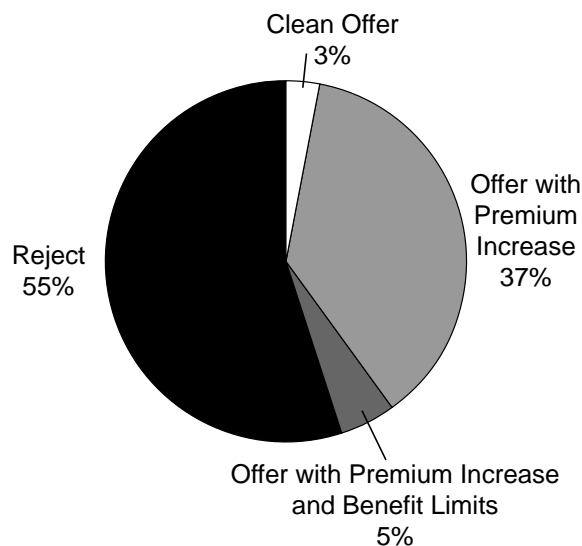


Table 11. Summary of Offers for Frank in Each Market

Market	Applications	Denials	Clean Offers	Offers with Benefit Limits	Offers with Premium Increase	Offers with Benefit Limits and Premium Increase
Arlington Heights, IL	8	3	1	0	3	1
Austin, TX	9	4	1	0	3	1
Corning, IA	7	4	0	0	3	0
Fresno, CA	7	5	0	0	2	0
Miami, FL	7	4	0	0	3	0
Richmond, VA	6	3	0	0	2	1
Tucson, AZ	9	6	0	0	3	0
Winamac, IN	7	4	0	0	3	0
All Markets	60	33	2	0	22	3

Frank's average premium was \$828 a month or \$9,936 a year, the highest in our study. Monthly premiums ranged from a high of \$2,504 to a low of \$244. In each market, premiums offered varied by a factor of almost 2:1 or more.

Table 12. Summary of Monthly Premiums for Frank in Each Market

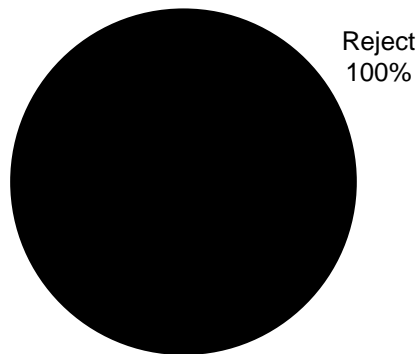
Market	Offers	Lowest Premium	Highest Premium	Average Premium	Ratio Highest:Lowest
Arlington Heights, IL	5	\$394	\$1,764	\$832	4.5
Austin, TX	5	\$244	\$1,206	\$615	4.9
Corning, IA	3	\$602	\$1,115	\$794	1.9
Fresno, CA	2	\$356	\$877	\$617	2.5
Miami, FL	3	\$805	\$2,504	\$1,556	3.1
Richmond, VA	3	\$270	\$1,399	\$756	5.2
Tucson, AZ	3	\$528	\$1,273	\$882	2.4
Winamac, IN	3	\$493	\$883	\$638	1.8
All Markets	27	\$244	\$2,504	\$828	10.3

“GREG”

Greg is a 36-year-old freelance writer who must buy health insurance on his own. Greg is 6 feet tall, weighs 175 pounds, does not smoke, jogs daily, and plays tennis once a week. He is also HIV-positive and has been taking combination drug therapy for the past 18 months. Greg’s HIV viral load is undetectable. He sees his family doctor and an infectious disease specialist for regular checkups, which have not indicated any other health problems.

Greg received zero offers of coverage because carriers generally consider HIV to be an “uninsurable” condition.^{26 27}

Chart 7. Insurer Responses to Greg in Eight Markets



²⁶ Under Virginia law, Greg would have received coverage from that state’s Blue Cross/Blue Shield plan, which did not participate in our survey.

²⁷ Other conditions commonly considered “uninsurable” include: anorexia nervosa (or other severe eating disorders), arthritis, brain or spinal cord injury, cancer (recently diagnosed or treated), chemical dependency, coronary heart disease, cystic fibrosis, diabetes, epilepsy, hemophilia, hepatitis C, kidney disease, Lou Gehrig’s disease, lupus, multiple sclerosis, muscular dystrophy, organ transplant, osteoporosis, paraplegia or quadriplegia, Parkinson’s disease, and stroke. In some state high risk pools (programs that offer coverage to uninsurable people), a person diagnosed with one of these conditions is automatically deemed eligible for pool coverage. Pregnancy is also grounds for denial by most carriers. (See application in Appendix B)

IV. RELEVANCE TO OTHER INDIVIDUAL MARKET APPLICANTS

Taken as a group, the experiences of the hypothetical applicants suggest that people who are in less-than-perfect health may face substantial difficulties purchasing health insurance in the individual market. This section discusses the general relevance of the experiences of our hypothetical applicants—along with other information gathered as part of this study—to other consumers in the individual health insurance market, regardless of their health status.

A. ACCESS TO MEDICALLY UNDERWRITTEN COVERAGE

The health problems of our applicants are not exotic; they are experienced by many millions of Americans. Even so, our group of hypothetical applicants was not intended to be statistically representative of the general population. Indeed, their collective outcomes might have been different had insurers been faced with a different set of hypothetical applicants. Greg, for example, accounted for 60 of the 154 rejections experienced by our group. The denial rate for our group might have been lower if none of our hypothetical applicants had been HIV-positive, but it would have been higher had two applicants been so. Further, the fact that insurers responded so differently to the same applicant suggests that results might have changed had different insurers participated in our study. Even so, the findings of this study confirm that health insurers in the individual market rely heavily on medical underwriting to ensure that the consumer bears the cost of treatment for pre-existing medical conditions. This can create barriers to obtaining affordable coverage for people who have even mild health problems.

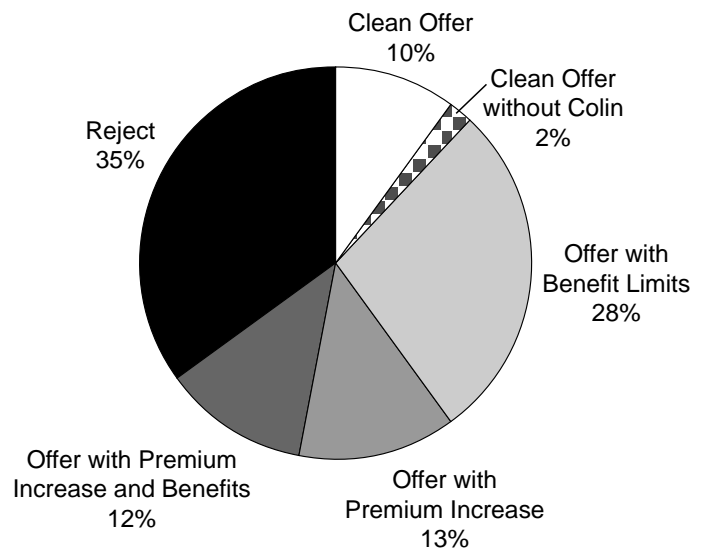
Taken as a group, our 7 hypothetical applicants received:

- 154 denials of coverage (37%), including 60 for Greg alone;
- 43 clean offers of coverage (10%);
- 118 offers of coverage with “riders” or other forms of restrictions (28%);
- 56 offers of coverage at higher than standard premiums (13%); and,
- 49 offers with higher premiums and coverage restrictions (12%). (See Chart 8)

In addition:

- Every applicant was denied coverage on at least some applications, ranging from a low of 5 (Alice) to a high of 60 (Greg).
- Six applicants received at least one clean offer. But only two applicants (Bob and Denise) received a clean offer in every market.
- Four applicants were turned down at least once in every market.
- Five applicants got at least one offer of each type (i.e., a clean offer, a denial, a rate-up, a benefit limit, and a combination rate-up/benefit limit.)

Chart 8. Insurer Responses to All Applicants in Eight Markets



Differences in state health insurance regulation help to explain some differences in offers. In California and Indiana—the only two states in our study that prohibit exclusion riders—carriers rejected our applicants more often than they did in other markets and they imposed premium rate-ups more often. These actions appear to have been substituted for exclusion riders, which insurers relied on more heavily in markets where they are permitted. (See Table 13) In addition, different types of insurers appear to have different approaches to medical underwriting. HMOs that participated in our study tended to simply accept or reject all applicants and generally had lower offer rates, while national commercial carriers used a wider range of underwriting responses (e.g., riders and rate-ups) and generally had higher offer rates.

Table 13. Summary of Types of Offers by Market

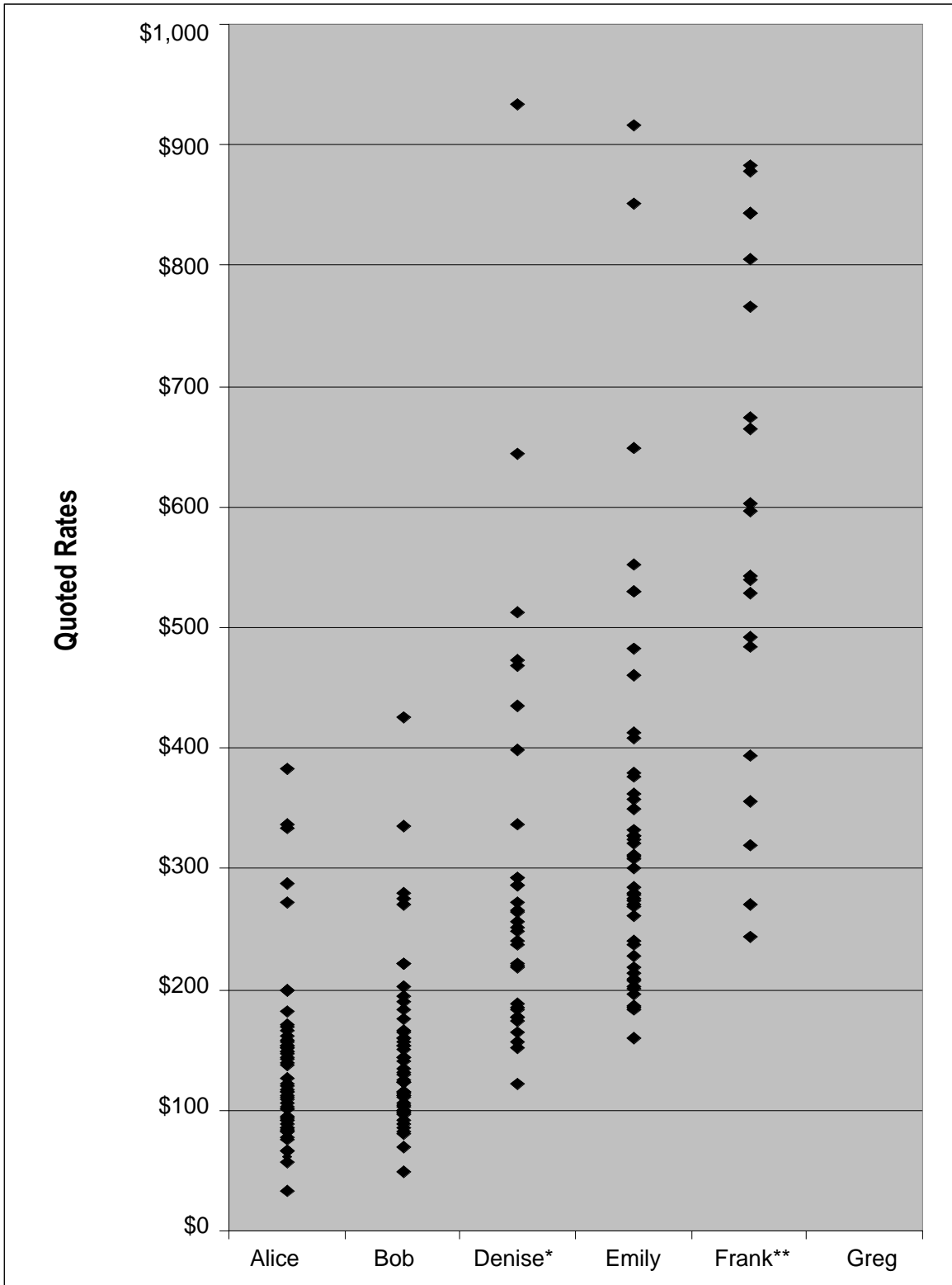
Market	Offer Rate	Clean Offer Rate	Percent of Offers That Include:		
			Premium Rate-Up	Benefit Limit	Combined Rate-Up and Benefit Limit
Arlington Heights, IL	70% (39 of 56)	18% (7 of 39)	13% (5 of 39)	51% (20 of 39)	18% (7 of 39)
Austin, TX	67% (42 of 63)	19% (8 of 42)	12% (5 of 42)	52% (22 of 42)	17% (7 of 42)
Corning, IA	69% (34 of 49)	12% (4 of 34)	21% (7 of 34)	53% (18 of 34)	15% (5 of 34)
Fresno, CA *	49% (24 of 49)	33% (8 of 24)	33% (8 of 24)	8% (2 of 24)	25% (6 of 24)
Miami, FL	67% (33 of 49)	12% (4 of 33)	24% (8 of 33)	48% (16 of 33)	15% (5 of 33)
Richmond, VA	71% (30 of 42)	7% (2 of 30)	13% (4 of 30)	57% (17 of 30)	23% (7 of 30)
Tucson, AZ	59% (37 of 63)	19% (7 of 37)	11% (4 of 37)	57% (21 of 37)	14% (5 of 37)
Winamac, IN *	55% (27 of 49)	11% (3 of 27)	56% (15 of 27)	7% (2 of 27)	26% (7 of 27)

* Exclusion riders are prohibited by state law.

B. IMPACT OF MEDICAL UNDERWRITING ON PREMIUMS

People with health conditions will pay significantly more for health insurance in the individual market than people who are healthy. Once again, while the average premiums quoted for our group of applicants are reflective of that group, the overall pattern suggests that premium surcharges are another barrier real-life applicants with health problems should anticipate. The average premium quoted for our five single applicants who received any offers of coverage was \$333 per month or \$3,996 a year. Had these applicants been in perfect health (and therefore never denied or rated-up), the average standard rate that would have been available to them would have been \$249 per month, or \$2,988 per year. (See more discussion of standard rates below.) Of the 215 offers of coverage our single applicants received, 88 (41%) included a premium increase. The average premium rate-up, when applied on a single-only policy, was 38%.

**Chart 9. Monthly Premiums Quoted for Hypothetical Applicants,
October 1, 2000**



* Scale does not permit monthly premium for one plan to be shown. That monthly premium is \$1,362.

** Scale does not permit monthly premium for 7 plans to be shown. Those monthly premiums are \$1,115; \$1,206; \$1,273; \$1,358; \$1,399; \$1,764; \$2,504

Premiums also varied tremendously for each of our applicants, suggesting that reliance on any “benchmark” premium for individual coverage may be problematic. (See Chart 9) Several factors seemed to drive this premium variation:

- Significantly higher premiums charged in certain geographic areas, especially, Miami;
- Significantly higher premiums for older applicants (Emily and Frank);
- Imposition of especially severe rate-ups (for Denise and Frank);
- Differences in the design of policies (e.g., some policies don’t cover mental health, or impose lower lifetime limits or higher cost-sharing).

C. IMPACT OF MEDICAL UNDERWRITING ON THE CONTENT OF COVERAGE

Seventy-seven percent of the time, our hypothetical applicants were unable to obtain the standard coverage for which they applied. Instead, their policies were issued with special restrictions on covered benefits, their cost sharing requirements were increased, or both. No carrier restricted the lifetime maximums of the policy. Nearly two-thirds (63%) of the offers made to our applicants imposed restrictive features, including:

- Elimination of coverage for specific medical conditions, such as Alice’s allergies, Colin’s asthma, or Emily’s depression;
- Elimination of coverage for specific body parts, such as Bob’s knee or Denise’s breast;
- Elimination of coverage for entire body systems, such as Alice’s and Colin’s respiratory systems and Frank’s circulatory system;
- Elimination of coverage for certain benefits, such as psychotropic drugs; and
- Elimination of certain cost-sharing options, such as the \$500 annual deductible (replaced by a \$2,500 deductible) or the physician office co-pay (replaced by a deductible and 20% coinsurance.)

D. OTHER COSTS AND INFORMATION INVOLVED IN THE APPLICATION PROCESS

We learned that the process of applying for individual health insurance can take anywhere from two to eight weeks to complete and can be expensive for both the insurer and the consumer. Carriers rely on agents—either their own employees or independent brokers—to work with consumers to ensure that the information collected is accurate and complete. Consumers also rely on agents to guide them through the application process and advise them on which carrier might be more likely to offer them coverage.

Consumers typically are asked to include a personal check covering the first month’s premium with their application. Some carriers cash those checks and later refund the amount to those who do not buy a policy; others hold the check and return it un-cashed if no coverage is issued. Either way, a consumer who wishes to “shop” for coverage faces a significant financial barrier to doing so.

Many carriers ask consumers if they have ever been declined by another insurer or offered coverage that was rated-up or modified. A “yes” response to this question could result in additional investigation by a carrier, which could affect an applicant’s chance of getting coverage. This, too, can complicate the process of comparison shopping.

Most applications ask about the consumer’s age, sex, current health status and health history, income, and occupation. (See Appendix B for an example of an application for individual health insurance.) In many cases, the carrier makes its decision based only on the application form. Often, carriers may ask for additional information to help them make underwriting decisions.

In the course of their 420 applications, the additional information requests for our hypothetical consumers came as follows:

- 179 requests for further specific medical history, such as information about dosage on prescription medications;
- 140 requests for a copy of the applicants' medical records or other written statement by their treating physicians;
- 46 requests for the applicant to submit samples of blood, saliva or urine for laboratory testing;
- 38 requests for data on the applicant from Medical Information Bureau (MIB); and,
- 21 requests for a physical examination of the applicant by a paramedic.

E. COVERAGE FOR PEOPLE WHO CAN PASS MEDICAL UNDERWRITING

Even consumers who are in perfect health may find it difficult to purchase comprehensive coverage in the individual market. Healthy consumers also can face financial barriers to coverage based on their age, sex, and where they live.

Standard Policies

In most standard policies that are for sale in the individual market, consumers will find certain coverage features or limitations not typically found in group health plans. Among the 60 policies we studied, we noted the following limitations in particular:

Maternity coverage—Nearly half (27) of the 60 policies studied did not cover maternity services. Another 27 policies offered maternity coverage only for an additional (often considerable) premium. Optional maternity riders usually required a waiting period (of 9 months to 3 years) before benefits would be fully covered. One company imposed an additional cap of \$4,000 on covered benefits under the maternity rider. Only 6 policies included maternity benefits as part of the standard benefit package.

Mental health and substance abuse—Coverage for mental health and substance abuse treatment also was very limited. Six policies had no coverage for these services; 28 policies covered some mental health care, but no substance abuse treatment. None of the policies covered mental/nervous treatment as other health services, although in 6 policies there was parity in coverage under certain circumstances—usually for specified severe mental or nervous conditions. Instead, policies imposed various limits—usually in combination—on mental health coverage.

Low lifetime and annual caps were used most often to limit coverage for mental health care. Twenty-seven policies imposed lifetime caps, usually of \$10,000. By comparison, lifetime caps for other health services ranged from \$1 million to \$6 million under all of the policies studied. Thirty-three policies imposed annual caps (sometimes instead of, but often in addition to lifetime caps), usually of \$3,500 or less.²⁸

Many policies also limited covered inpatient days (30 days was the typical limit) and outpatient visits (usually at 25 or fewer.) Nine policies also limited coverage for drugs to treat mental or nervous disorders. Finally, many policies excluded all coverage for any expenses arising from attempted suicide, self-inflicted injury, or use of intoxicating or hallucinogenic drugs not prescribed by a physician.

Prescription drugs—Most policies included coverage for outpatient prescription drugs. Four capped drug coverage—one at \$1,500 a year and three others at \$1,000/year. Only one policy included no drug coverage. As we found, however, access to prescription drug coverage under most policies is dependent on

²⁸ In large group health plans, the Mental Health Parity Act of 1996 (MHPA) requires parity in the application of aggregate lifetime and annual dollar limits on mental health benefits with dollar limits on other medical/surgical benefits. The MHPA does not require parity for other terms of mental health coverage (such as cost sharing or the number of covered visits); nor does it apply to substance abuse treatment benefits. The MHPA also has a "sunset" provision, which means it will cease to apply to benefits for services furnished on or after September 1, 2001.

medical underwriting. Companies often imposed separate (and higher) deductibles on drugs for consumers with pre-existing medical conditions.

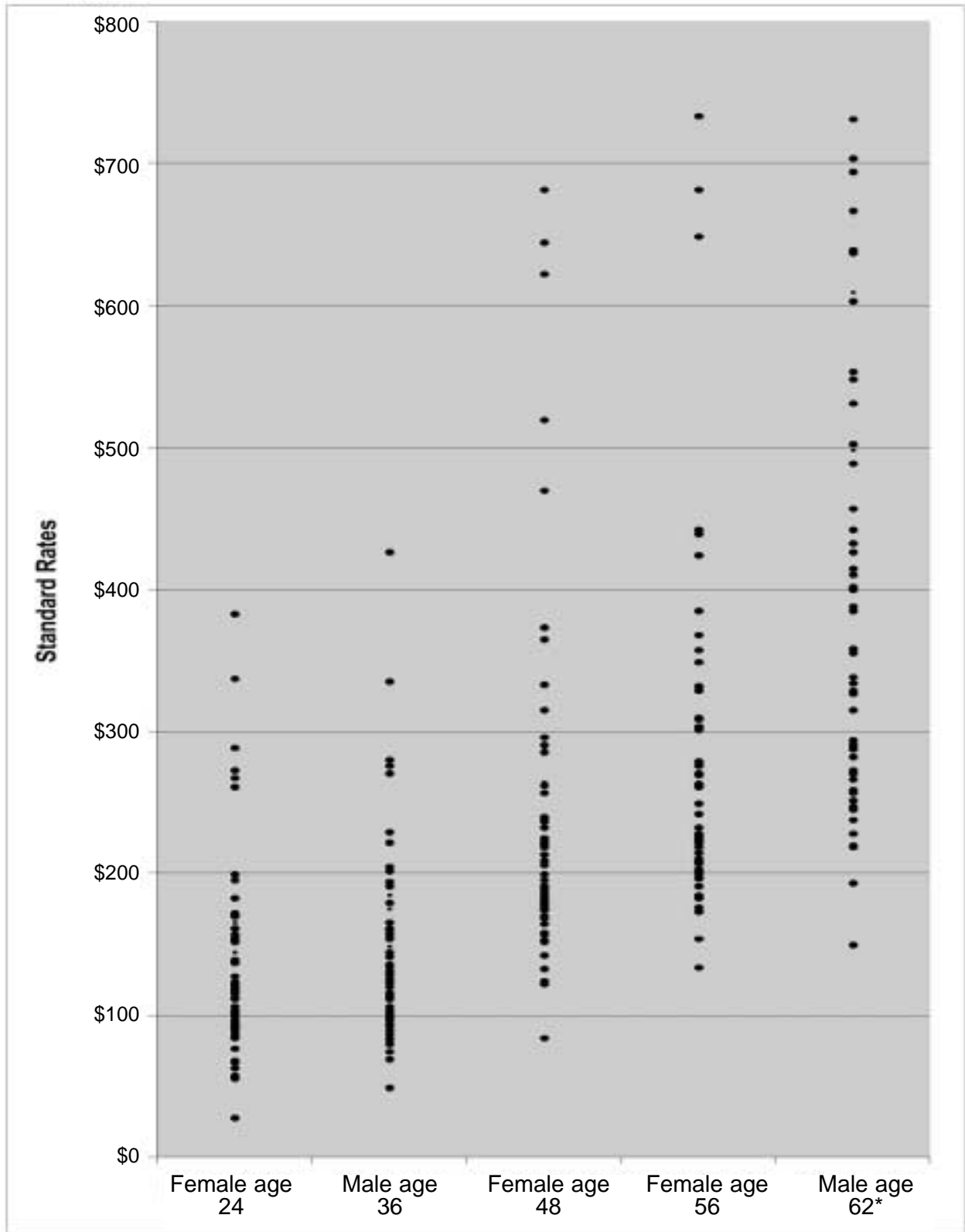
Coverage limits for HIV/AIDS—Eight policies capped lifetime coverage for HIV- and AIDS-related care at \$25,000 or less.

Standard Rates

Our examination of policies offered for sale in the individual insurance market indicates that the price of coverage is highly variable. Among the 60 policies studied, the average standard premium for a single applicant (for the ages and genders we specified) was \$249 a month or \$2,988 a year. This average, however, obscures the tremendous variation in actual premiums due to age, gender, and geographic differences, as well as differences in covered benefits. (See Chart 10) In particular:

- All carriers adjust premiums for gender and age. The standard rate for a healthy 62-year-old man was three to six times that for a healthy 24-year-old woman.
- Geographic variation in premiums was widespread. Policies sold in rural communities (e.g., Corning, Iowa, and Winamac, Indiana) were significantly cheaper than those in big cities such as Miami or Chicago. Premiums in Miami were roughly double those charged in other areas.
- Standard rates also varied because of differences in covered benefits. For example, the least expensive policy studied included no maternity coverage, a \$1,000 annual cap on prescription drug coverage, a limit of 2 physician office visits per year at the co-pay, and extremely tight limits on coverage for care outside of the plan network.
- The interactive impact of these factors—age, gender, geography, and benefit differences—produced striking variation at the extremes. For example, a 24-year-old healthy female in Winamac, Indiana can pay \$55/month for a policy with a \$2 million lifetime limit that offers no physician office visit co-pay option and covers no inpatient mental health care; while a 62-year-old healthy male in Miami, Florida, can pay \$1,132/month for a policy with a \$5 million lifetime limit that requires only a \$15 co-pay for office visits and provides some coverage for both inpatient and outpatient mental health care.

Chart 10. Standard Rate Monthly Premiums for 60 Plans in 8 Markets, October 1, 2000



* Scale does not permit monthly premium for 5 plans to be shown. Those monthly premiums are \$840, \$852, \$982, \$1,132, and \$1,252

V. WHAT WOULD HAPPEN IN A TIGHTLY REGULATED MARKET?

We also sought to examine the potential impact on consumers of regulation of the individual insurance market. Five states—Maine, New Hampshire, New Jersey, New York, and Vermont—have enacted comprehensive regulation of the individual market that guarantee access to coverage regardless of health status. For example, New York state requires all health insurers to guarantee issuance of all insurance products to all applicants and to price policies using community rating. As a result, no one can be turned down because of their health status or other risk factors, nor can they be charged more because of their health status, age, or other factors. Carriers also are required to sell a standard policy, making price comparison of coverage easier. Had our hypothetical applicants applied for coverage to carriers in Albany, New York:

- Every applicant would have been issued a policy;
- No applicant would have been charged more because of their health status, age or gender;
- No exclusionary riders would be attached; and,
- No other special benefit limitations would apply. (See Table 14 on following page.)

States that adopt comprehensive market reforms are, however, making a tradeoff. In return for guaranteeing access to coverage for all consumers regardless of health status or age, premiums are higher for the community overall. The average premium our single applicants would have paid in Albany (\$4,104 per year) is somewhat higher than the average premium they were quoted in the other markets we studied (\$3,996), although the coverage in Albany would not be subject to special restrictions. However, the price of coverage in Albany is significantly higher than the average standard rate (\$2,988 per year) our applicants would have paid in less tightly regulated markets had they been in perfect health. For example, healthy people in their 20s and 30s would face greater financial barriers to standard coverage in Albany than they would have, on average, in any of our eight test markets. Healthy people in their 40s and 50s would pay about the same, while those in their 60s would pay less for coverage in Albany.

Table 14. Summary of Carrier Responses to Hypothetical Applicants in Albany, New York

Applicant	Carrier	Response	Riders/Benefit Limits	Rate Increase	Monthly Premium
Alice, Bob, Denise, Emily, Frank, Greg	Carrier 1 — HMO	Accept	--	--	\$320
	Carrier 1 — PPO	Accept	--	--	\$364
	Carrier 2 — HMO	Accept	--	--	\$248
	Carrier 2 — PPO	Accept	--	--	\$324
	Carrier 3 — HMO	Accept	--	--	\$352
	Carrier 3 — PPO	Accept	--	--	\$422
	Carrier 4 — HMO	Accept	--	--	\$310
	Carrier 4 — PPO	Accept	--	--	\$325
	Carrier 5 — HMO	Accept	--	--	\$350
	Carrier 5 — PPO	Accept	--	--	\$400
Average premium					\$342
Highest to lowest					1.7 : 1
Crane Family	Carrier 1 — HMO	Accept	--	--	\$833
	Carrier 1 — PPO	Accept	--	--	\$947
	Carrier 2 — HMO	Accept	--	--	\$745
	Carrier 2 — PPO	Accept	--	--	\$973
	Carrier 3 — HMO	Accept	--	--	\$896
	Carrier 3 — PPO	Accept	--	--	\$1,076
	Carrier 4 — HMO	Accept	--	--	\$805
	Carrier 4 — PPO	Accept	--	--	\$844
	Carrier 5 — HMO	Accept	--	--	\$938
	Carrier 5 — PPO	Accept	--	--	\$1,071
Average premium					\$913
Highest to lowest					1.4 : 1

Source: New York State Insurance Department, <http://www.ins.state.ny.us> October 1, 2000.

VI. WHAT OPTIONS DO REAL PEOPLE HAVE

It is worth considering what options our applicants would face had they been real people applying for individual health insurance in the eight markets we studied.

Option A: Shop Around

Based on the offers they received in our survey, it may seem logical to conclude that most of our consumers could have obtained coverage if they simply “shopped around.” This is not necessarily the case. First, a real person could only apply for coverage in the community in which he or she lives. It also is unlikely that consumers seeking coverage in this market would apply for more than one policy at a time since they would be required to pay one-month’s premium with each application. Finally, shopping around could have negative consequences with some carriers. For example, in the Fresno market, Emily got one clean offer, was denied coverage twice, and received four offers with premium increases. If Emily had applied first to any of the carriers who rejected or rated her, it might have hurt her chances for finding the one clean offer. While seasoned insurance agents try to steer an applicant to the carrier most likely to accept them, the only way to truly know the result is by applying. Even the agents who gathered data for this study were surprised by some of the results.

Option B: Change Jobs or Work Status

Since many employers do offer health benefits to their workers and their dependents, and because it is illegal for group health plans to exclude participants based on health status, some of our consumers (Alice, Bob, Denise and Greg) could try to switch jobs in order to gain benefits. Both Cranes are working part-time; one or both could try to switch to longer hours if that would gain them coverage. Frank could come out of retirement, and Emily, who has never been employed, could try to find an entry-level job with health benefits.

Option C: Accept the Offer

Most of our consumers (Alice, Bob, Denise, Emily, and Frank) received at least one offer of coverage and could accept the coverage offered them. In many cases, doing so would have meant that, while expenses related to any new health condition would be covered up to the policy maximum, health care expenses related to their pre-existing condition would not be covered (reimbursed) by their carrier or would be covered but at additional cost.

Option D: Apply to a “High-Risk Pool”

Currently 28 states (including 6 of our study states) operate high-risk pools that offer coverage to consumers who have been turned down by private insurers or who have an “uninsurable” medical condition. These programs can offer a very important option for access to health insurance for people with health problems. However, to hold down the cost of high risk pool programs, states have adopted features that may make this option less available to some. Coverage in state high risk pools can have significant limits²⁹ and premiums generally are set at 150-200% of age-adjusted standard rates, which can make coverage especially expensive for older consumers. And, in a few states, access to these programs is capped. Florida’s pool is closed to new enrollees, and California and Illinois have enrollment ceilings, so applicants might be on waiting lists for several months or longer. Enrollment in state high risk pools tends to be very low as a result of all these features. In all, some 100,000 people are enrolled in state high risk pools, and over half of these people are accounted for by just two state programs—Minnesota and California.³⁰

²⁹ California’s high risk pool, for example, sets an annual cap on covered benefits of \$75,000 per year.

³⁰ Communicating for Agriculture, “Comprehensive Health Insurance for High-Risk Individuals – A State-by-State Analysis,” Fergus Falls, MN: Communicating for Agriculture, Inc., 2000.

Option E: Move

Consumers could move to a state like New York that regulates the individual insurance market more stringently.

Option F: Remain Uninsured

Finally, consumers can, and do, decide to forego coverage and remain uninsured. For some, safety net programs (such as the Ryan White program for persons with HIV/AIDS) may offer access to certain health care services for free or at reduced prices.

VII. IMPLICATIONS

This study provides a glimpse into the operation of the individual health insurance market and how it works for people with mild to severe health conditions. For many, the individual market is the market of last resort. Yet, based on this study, the availability of individually-purchased coverage is highly unpredictable and, for some, inaccessible. This has implications not only for consumers themselves, but for policymakers as well, who are struggling with how to improve the functioning of the individual health insurance market and to expand coverage for the 43 million Americans who are uninsured.

Implications for Consumers: Consumers who are in less-than-perfect health clearly face barriers to obtaining health insurance coverage in the individual insurance market. Insurance carriers seek to avoid covering people who have pre-existing medical conditions, and when they offer coverage, often impose limitations on the coverage they sell. This can price insurance out of the reach of many consumers in poor health or create significant gaps in coverage that could result in being underinsured.

The pattern of carrier responses to this group of hypothetical applicants might not be repeated for a different group with different characteristics. For example, the fact that Greg had HIV made it almost certain he would be rejected by most or all carriers (some states require certain carriers in the individual market to offer coverage to all applicants). Similarly, Frank's multiple health risks (smoking, weight, high blood pressure) made it likely that he would be rejected quite often. But it is important to recognize, too, that many Americans would fit similar profiles. Like Colin Crane, nearly 17 million Americans suffer from asthma. Like Denise, 8.4 million Americans are cancer survivors. And like Greg, some 800,000 to 900,000 Americans are living with HIV, while millions of other Americans have arthritis, diabetes, or other conditions insurers often consider "uninsurable." Anyone with a health condition could face some difficulty obtaining coverage in the individual market.

At the same time, the actions of many carriers make it clear that medical underwriting is practiced differently by different insurers. Emily, for example, was rejected as often as she was offered coverage with a premium rate-up. Denise received one of the largest number of rejections, but also received one of the largest number of clean offers. Two plans that rejected Alice offered coverage to Frank. In fact, rarely were one carrier's underwriting actions duplicated by any other carrier.

Consumers who are in perfect health also can face barriers to coverage in the individual market. Insurance carriers generally price coverage based on the age, sex, and geographic location of the applicant. Of the policies examined in this study, the "standard rates"—that is, the advertised premiums available to healthy consumers—for a 62-year old man were three to six times those available to a 24-year-old woman. Geographic price differences can also sometimes be dramatic. In this study, for example, carriers offering coverage in Miami charged premiums that were, on average, about twice those charged in Arlington Heights, Illinois, a suburb of Chicago. Premiums in Corning, Iowa, and Winamac, Indiana,—two small, rural communities—tended to be much lower than in other areas studied.

Healthy consumers may also find it difficult to purchase comprehensive coverage in the individual market. In particular, coverage for maternity benefits, mental health care, and prescription medications tends to be limited, especially in comparison to what is typically offered under group health plans.

Finally, the process of applying for coverage can be involved and expensive. Applying for individual health insurance can take anywhere from two to six weeks, and consumers typically are asked

to provide a personal check covering the first month's premium with their applications, making "shopping around" for coverage an expensive prospect. Underwriting begins with the application itself, which asks consumers a series of questions about their current health status and health history. In some cases, insurers may ask for additional information, including copies of medical records or other information from the applicant's physician, a sample of the applicant's blood, urine or saliva, and/or a physical examination of the applicant by a paramedic. Some insurers also consult a database maintained by the insurance industry for information about adverse underwriting actions that may have been taken by other carriers. While insurance agents can advise consumers on the probable outcomes of underwriting, the results can be highly variable, and this uncertainty makes it hard for consumers to comparison shop.

In the group insurance market, where most privately-insured Americans are covered by an employer, consumers tend to face fewer access, pricing, and coverage issues arising from medical underwriting. Under group coverage, the risk associated with any individual's medical costs are spread across the entire group, and individual workers in a firm that offers coverage cannot be denied access or charged more because of their health status. These differences provide important context for proposals that would shift coverage from the group to individual markets—whether by providing tax credits to subsidize individually-purchased insurance or by shifting employment-based coverage to a "defined contribution" where workers receive cash to buy insurance on their own.

Implications for Policymakers: Regulation of individual health insurance coverage is largely under the jurisdiction of states, and most have taken some action in response to these access problems. Many states have enacted high risk pools to make coverage available to residents when carriers turn them down or offer substandard coverage. These programs offer an important health insurance option to people who are otherwise unable to obtain private coverage. However, state high risk pool coverage is always more expensive than comparable private insurance policies. In addition, many states restrict covered benefits or cap enrollment in order to hold down pool costs. As a result, only about 100,000 individuals are enrolled in state high risk pools nationwide, raising questions about whether state high risk pools, as currently structured, are equipped to offer a meaningful coverage option to all those who may encounter barriers in the private individual market based on the results of this study.

Some states have rules prohibiting carriers from placing exclusionary riders (that eliminate coverage for pre-existing conditions) on policies. These states do not, however, limit other actions medical underwriters may take against applicants. Our study suggests that this produces an unintended result: carriers in such states decline more applicants and apply premium rate-ups more frequently on those they do accept. California and Indiana, states that limit the use of exclusion riders, had lower offer rates and higher premium surcharge rates than those of other states in our study that have no such prohibition.

A few states have enacted laws intended to make coverage in the individual health insurance market more evenly available to consumers. New York, for example, requires all individual market health insurance to be sold on a guaranteed issue, community rated basis—which means no resident can be turned down or charged more due to their health status, age, or gender. New York also requires insurers to sell standardized policies that cover maternity benefits, prescription drugs, and mental health care. Had our hypothetical consumers applied for health insurance in Albany, New York, they all would have been sold a standard policy at a standard rate without any exclusion riders or other coverage penalties for their health conditions. There is, however, a cost to such regulation. The average premium for our single applicants in Albany was \$4,104 per year. While that was only slightly higher than the average premium (\$3,996 a year) quoted to many of our applicants in less regulated markets, it is significantly higher than the standard rates (\$2,988 a year) charged to healthy applicants in those markets. In other words, young and healthy consumers would face greater financial barriers to coverage in Albany than in our test markets.

Inability to afford coverage is the primary reason why 43 million Americans are uninsured, and some federal policymakers have proposed addressing this affordability problem by offering tax credits to help people buy coverage in the individual insurance market. This study has implications for how well such tax credits would work. Even consumers with relatively mild health conditions face barriers in the individual insurance market as it's currently structured, including denials of coverage, limitations on benefits, and premium surcharges. A tax credit of \$1,000 for individuals (and \$2,000 for families)—a commonly proposed amount—would cover only 25% of the average annual premium quoted to the hypothetical single consumers in this study for a benefit package that includes a \$500 annual deductible. Even if these single consumers were in perfect health, they would face an average premium of \$2,988 per year in the markets we studied, three times the value of a \$1,000 tax credit. Most low income and many moderate income consumers would not be able to afford these premiums. Finally, the wide variation of premiums in this market suggests that while a flat tax credit of \$1,000 would cover a substantial portion of the premium in some cases—e.g., for Alice, a 24-year-old with a relatively mild health condition—it may not be sufficient for many consumers whose age, place of residence, or health status makes health insurance especially expensive. ■

APPENDIX A **SUMMARY OF INSURER RESPONSES TO
7 HYPOTHETICAL APPLICANTS**

The following tables provide detail on the responses of insurers to each hypothetical applicant in each of the eight markets studied. The reader should note that carrier responses in each market are shown in order of the type of response. Rejections are listed first, then clean offers, offers with benefit limits, offers with premium increases, and offers with both benefit limits and premium increases. Thus, the carrier listed as (1) for Alice in Austin may not be the same carrier that is listed as (1) for Bob in Austin. Data are shown this way to make it harder to deduce the identity of a carrier in any given market because carriers participating in this study were promised anonymity.

ALICE'S SUMMARY TABLE

Carrier	Response	Benefit Limits	Rate Increase	Monthly Premium
Arlington Heights, Illinois				
1	Clean Offer	--	--	\$157
2	Offer with Benefit Limits	Rider allergies	--	\$67
3	Offer with Benefit Limits	Rider allergies	--	\$121
4	Offer with Benefit Limits	Rider allergies	--	\$152
5	Offer with Benefit Limits	Rider allergies Remove doctor office copay; increase Rx deductible to \$250	--	\$158
6	Offer with Benefit Limits	Rider allergies, asthma, or any allergic conditions	--	\$199
7	Offer with Benefit Limits	Rider allergies w/ immuno-therapy No \$0 deductible on drug card	--	\$183
8	Offer with Benefit Limits	Rider upper respiratory	--	\$91
Average Premium				\$141
Ratio Highest:Lowest Premium				3.2
Austin, Texas				
1	Clean Offer	--	--	\$84
2	Clean Offer	--	--	\$102
3	Offer with Benefit Limits	Rider allergies	--	\$89
4	Offer with Benefit Limits	Rider allergies	--	\$101
5	Offer with Benefit Limits	Rider allergies	--	\$139
6	Offer with Benefit Limits	Rider allergies Remove doctor office copay; increase Rx deductible to \$250	--	\$166
7	Offer with Benefit Limits	Rider allergies, asthma, or any allergic conditions	--	\$152
8	Offer with Benefit Limits	Rider allergies w/ immuno-therapy Decline to issue drug card coverage	--	\$161
9	Offer with Benefit Limits	Rider upper respiratory	--	\$92
Average Premium				\$121
Ratio Highest:Lowest Premium				2.0
Corning, Iowa				
1	Offer with Benefit Limits	Rider allergies	--	\$58
2	Offer with Benefit Limits	Rider allergies	--	\$95
3	Offer with Benefit Limits	Rider allergies	--	\$112
4	Offer with Benefit Limits	Rider allergies Remove doctor office copay; increase Rx deductible to \$250	--	\$102
5	Offer with Benefit Limits	Rider allergies, asthma, or any allergic conditions	--	\$144
6	Offer with Benefit Limits	Rider allergies w/ immuno-therapy No \$0 deductible on drug card	--	\$123
7	Offer with Premium Increase	--	25% rate up	\$148
Average Premium				\$112
Ratio Highest:Lowest Premium				2.6
Fresno, California (Exclusion riders are prohibited)				
1	Reject	--	--	---
2	Reject	--	--	---
3	Offer with Benefit Limits	\$2,500 deductible offered	--	\$142
4	Offer with Premium Increase	--	20% rate up	\$34
5	Offer with Benefit Limits and Premium Increase	Certain very rich plans not available	20% rate up	\$109
6	Offer with Premium Increase	--	25% rate up	\$85
7	Offer with Benefit Limits and Premium Increase	No \$0 deductible on drug card	25% rate up	\$333
Average Premium				\$141
Ratio Highest:Lowest Premium				9.9

ALICE'S SUMMARY TABLE (continued)

Carrier	Response	Benefit Limits	Rate Increase	Monthly Premium
Miami, Florida				
1	Reject	--	--	---
2	Offer with Benefit Limits	Rider allergies	--	\$111
3	Offer with Benefit Limits	Rider allergies	--	\$153
4	Offer with Benefit Limits	Rider allergies	--	\$272
5	Offer with Benefit Limits	Rider allergies Remove doctor office copay; increase Rx deductible to \$250	--	\$288
6	Offer with Benefit Limits	Rider allergies, asthma, or any allergic conditions	--	\$383
7	Offer with Benefit Limits	Rider allergies w/ immuno-therapy Decline to issue drug card coverage		\$337
Average Premium				\$257
Ratio Highest:Lowest Premium				3.4
Richmond, Virginia				
1	Offer with Benefit Limits	Rider allergies	--	\$77
2	Offer with Benefit Limits	Rider allergies	--	\$127
3	Offer with Benefit Limits	Rider allergies Remove doctor office copay; increase Rx deductible to \$250	--	\$118
4	Offer with Benefit Limits	Rider allergies, asthma, or any allergic conditions	--	\$171
5	Offer with Benefit Limits	Rider allergies w/ immuno-therapy Decline to issue drug card coverage	--	\$154
6	Offer with Benefit Limits	Rider upper respiratory	--	\$62
Average Premium				\$118
Ratio Highest:Lowest Premium				2.8
Tucson, Arizona				
1	Reject	--	--	---
2	Offer with Benefit Limits	Rider allergies	--	\$66
3	Offer with Benefit Limits	Rider allergies	--	\$86
4	Offer with Benefit Limits	Rider allergies	--	\$93
5	Offer with Benefit Limits	Rider allergies	--	\$106
6	Offer with Benefit Limits	Rider allergies	--	\$137
7	Offer with Benefit Limits	Rider allergies Remove doctor office copay; increase Rx deductible to \$250	--	\$115
8	Offer with Benefit Limits	Rider allergies, asthma, or any allergic conditions	--	\$199
9	Offer with Benefit Limits	Rider allergies w/ immuno-therapy Decline to issue drug card coverage		\$170
Average Premium				\$122
Ratio Highest:Lowest Premium				3.0
Winamac, Indiana (Exclusion riders are prohibited)				
1	Reject	--	--	--
2	Offer with Benefit Limits	\$2,500 deductible offered	--	\$83
3	Offer with Premium Increase	--	20% rate up	\$82
4	Offer with Premium Increase	--	25% rate up	\$115
5	Offer with Benefit Limits and Premium Increase	Decline to issue drug card coverage	25% rate up	\$146
6	Offer with Benefit Limits and Premium Increase	Remove doctor office copay; increase Rx deductible to \$500	25% rate up	\$148
7	Offer with Premium Increase	--	40% rate up	\$77
Average Premium				\$109
Ratio Highest:Lowest Premium				1.9

BOB'S SUMMARY TABLE

Carrier	Response	Benefit Limits	Rate Increase	Monthly Premium
Arlington Heights, Illinois				
1	Clean Offer	--	--	\$125
2	Clean Offer	--	--	\$194
3	Offer with Benefit Limits	Rider knee	--	\$135
4	Offer with Benefit Limits	Rider knee	--	\$115
5	Offer with Benefit Limits	Rider knee	--	\$157
6	Offer with Benefit Limits	Rider knee	--	\$222
7	Offer with Benefit Limits	Rider knee	--	\$100
8	Offer with Benefit Limits	Rider knee Remove doctor office copay; increase Rx deductible to \$250	--	\$154
Average Premium				\$150
Ratio Highest:Lowest Premium				2.2
Austin, Texas				
1	Clean Offer	--	--	\$80
2	Clean Offer	--	--	\$166
3	Offer with Benefit Limits	Rider knee	--	\$99
4	Offer with Benefit Limits	Rider knee	--	\$114
5	Offer with Benefit Limits	Rider knee	--	\$83
6	Offer with Benefit Limits	Rider knee	--	\$144
7	Offer with Benefit Limits	Rider knee	--	\$202
8	Offer with Benefit Limits	Rider knee	--	\$89
9	Offer with Benefit Limits	Rider knee Remove doctor office copay; increase Rx deductible to \$250	--	\$161
Average Premium				\$126
Ratio Highest:Lowest Premium				2.4
Corning, Iowa				
1	Clean Offer	--	--	\$103
2	Clean Offer	--	--	\$123
3	Offer with Benefit Limits	Rider knee	--	\$98
4	Offer with Benefit Limits	Rider knee	--	\$98
5	Offer with Benefit Limits	Rider knee	--	\$160
6	Offer with Benefit Limits	Rider knee Remove doctor office copay; increase Rx deductible to \$250	--	\$100
7	Offer with Premium Increase	--	25% rate up	\$164
Average Premium				\$121
Ratio Highest:Lowest Premium				1.7
Fresno, California (Exclusion riders are prohibited)				
1	Reject	--	--	---
2	Reject	--	--	---
3	Reject	--	--	---
4	Clean Offer	--	--	\$124
5	Clean Offer	--	--	\$106
6	Clean Offer	--	--	\$49
7	Clean Offer	--	--	\$270
Average Premium				\$137
Ratio Highest:Lowest Premium				5.5

BOB'S SUMMARY TABLE (continued)

Carrier	Response	Benefit Limits	Rate Increase	Monthly Premium
Miami, Florida				
1	Reject	--	--	---
2	Clean Offer	--	--	\$335
3	Offer with Benefit Limits	Rider knee	--	\$184
4	Offer with Benefit Limits	Rider knee	--	\$111
5	Offer with Benefit Limits	Rider knee	--	\$280
6	Offer with Benefit Limits	Rider knee	--	\$426
7	Offer with Benefit Limits	Rider knee Remove doctor office copay; increase Rx deductible to \$250	--	\$276
Average Premium				\$269
Ratio Highest:Lowest Premium				3.8
Richmond, Virginia				
1	Clean Offer	--	--	\$154
2	Offer with Benefit Limits	Rider knee	--	\$86
3	Offer with Benefit Limits	Rider knee	--	\$131
4	Offer with Benefit Limits	Rider knee	--	\$190
5	Offer with Benefit Limits	Rider knee	--	\$69
6	Offer with Benefit Limits	Rider knee Remove doctor office copay; increase Rx deductible to \$250	--	\$115
Average Premium				\$124
Ratio Highest:Lowest Premium				2.8
Tucson, Arizona				
1	Reject	--	--	---
2	Clean Offer	--	--	\$99
3	Clean Offer	--	--	\$175
4	Offer with Benefit Limits	Rider knee	--	\$96
5	Offer with Benefit Limits	Rider knee	--	\$113
6	Offer with Benefit Limits	Rider knee	--	\$92
7	Offer with Benefit Limits	Rider knee	--	\$141
8	Offer with Benefit Limits	Rider knee	--	\$222
9	Offer with Benefit Limits	Rider knee Remove doctor office copay; increase Rx deductible to \$250	--	\$112
Average Premium				\$131
Ratio Highest:Lowest Premium				2.4
Winamac, Indiana (Exclusion riders are prohibited)				
1	Reject	--	--	--
2	Reject	--	--	--
3	Clean Offer	--	--	\$123
4	Offer with Premium Increase	--	25% rate up	\$150
5	Offer with Premium Increase	--	40% rate up	\$130
6	Offer with Premium Increase	--	40% rate up	\$104
7	Offer with Benefit Limits and Premium Increase	Remove doctor office copay; increase Rx deductible to \$500	25% rate up	\$144
Average Premium				\$130
Ratio Highest:Lowest Premium				1.4

THE CRANE FAMILY'S SUMMARY TABLE

Carrier	Response	Benefit Limits	Rate Increase	Monthly Premium
Arlington Heights, Illinois				
1	Clean Offer	--	--	\$382
2	Offer with Benefit Limits	Rider asthma	--	\$392
3	Offer with Benefit Limits	Rider asthma	--	\$324
4	Offer with Benefit Limits	Rider asthma, allergic disorders, bronchitis, sinusitis, or any other obstructive respiratory disorder	--	\$534
5	Offer with Benefit Limits	Rider asthma Remove doctor office copay; increase Rx deductible to \$250	--	\$519
6	Offer with Benefit Limits	Rider asthma and ear No \$0 deductible on drug card	--	\$612
7	Offer with Benefit Limits and Premium Increase	Rider asthma	20% rate up	\$560
8	Offer with Benefit Limits and Premium Increase	Rider respiratory system	20% rate up	\$375
			Average Premium	\$462
			Ratio Highest:Lowest Premium	1.9
Austin, Texas				
1	Accept without Colin	--	--	\$305
2	Offer with Benefit Limits	Rider asthma	--	\$287
3	Offer with Benefit Limits	Rider asthma	--	\$360
4	Offer with Benefit Limits	Rider asthma	--	\$299
5	Offer with Benefit Limits	Rider asthma, allergic disorders, bronchitis, sinusitis, or any other obstructive respiratory disorder	--	\$469
6	Offer with Benefit Limits	Rider asthma Remove doctor office copay; increase Rx deductible to \$250	--	\$575
7	Offer with Benefit Limits	Rider asthma and ear Decline to issue drug card coverage	--	\$543
8	Offer with Benefit Limits and Premium Increase	Rider asthma	20% rate up	\$551
9	Offer with Benefit Limits and Premium Increase	Rider respiratory system	20% rate up	\$338
			Average Premium	\$414
			Ratio Highest:Lowest Premium	2.0
Corning, Iowa				
1	Offer with Benefit Limits	Rider asthma	--	\$278
2	Offer with Benefit Limits	Rider asthma and ear	--	\$334
3	Offer with Benefit Limits	Rider asthma, allergic disorders, bronchitis, sinusitis, or any other obstructive respiratory disorder	--	\$334
4	Offer with Benefit Limits	Rider asthma Remove doctor office copay; increase Rx deductible to \$250	--	\$350
5	Offer with Benefit Limits	Rider asthma and ear No \$0 deductible on drug card	--	\$387
6	Offer with Premium Increase	--	50% rate up	\$574
7	Offer with Benefit Limits and Premium Increase	Rider asthma	20% rate up	\$429
			Average Premium	\$384
			Ratio Highest:Lowest Premium	2.1
Fresno, California (Exclusion riders are prohibited)				
1	Clean Offer	--	--	\$445
2	Accept without Colin	--	--	\$510
3	Accept without Colin	--	--	\$141
4	Accept without Colin	--	--	\$732
5	Offer with Benefit Limits	\$2,500 deductible offered	--	\$592
6	Offer with Premium Increase	--	50% rate up	\$351
7	Offer with Benefit Limits and Premium Increase	Certain very rich plans not available	50% rate up	\$386
			Average Premium	\$451
			Ratio Highest:Lowest Premium	5.2

THE CRANE FAMILY (continued)

Carrier	Response	Benefit Limits	Rate Increase	Monthly Premium
Miami, Florida				
1	Accept without Colin	--	--	\$383
2	Offer with Benefit Limits	Rider asthma	--	\$497
3	Offer with Benefit Limits	Rider asthma, allergic disorders, bronchitis, sinusitis, or any other obstructive respiratory disorder	--	\$917
4	Offer with Benefit Limits	Rider asthma Remove doctor office copay; increase Rx deductible to \$250	--	\$951
5	Offer with Benefit Limits	Rider asthma and ear Decline to issue drug card coverage	--	\$1,155
6	Offer with Benefit Limits and Premium Increase	Rider asthma, bronchitis, ears	25% rate up	\$434
7	Offer with Benefit Limits and Premium Increase	Rider asthma	20% rate up	\$1,287
Average Premium				\$803
Ratio Highest:Lowest Premium				3.4
Richmond, Virginia				
1	Offer with Benefit Limits	Rider asthma	--	\$274
2	Offer with Benefit Limits	Rider asthma, allergic disorders, bronchitis, sinusitis, or any other obstructive respiratory disorder	--	\$427
3	Offer with Benefit Limits	Rider asthma Remove doctor office copay; increase Rx deductible to \$250	--	\$403
4	Offer with Benefit Limits	Rider asthma and ear No \$0 deductible on drug card	--	\$485
5	Offer with Benefit Limits and Premium Increase	Rider asthma	20% rate up	\$534
6	Offer with Benefit Limits and Premium Increase	Rider respiratory system	20% rate up	\$257
Average Premium				\$397
Ratio Highest:Lowest Premium				2.1
Tucson, Arizona				
1	Clean Offer	--	--	\$395
2	Accept without Colin	--	--	\$258
3	Accept without Colin	--	--	\$280
4	Offer with Benefit Limits	Rider asthma	--	\$278
5	Offer with Benefit Limits	Rider asthma	--	\$318
6	Offer with Benefit Limits	Rider asthma, allergic disorders, bronchitis, sinusitis, or any other obstructive respiratory disorder	--	\$483
7	Offer with Benefit Limits	Rider asthma Remove doctor office copay; increase Rx deductible to \$250	--	\$330
8	Offer with Benefit Limits	Rider asthma and ear Decline to issue drug card coverage	--	\$562
9	Offer with Benefit Limits and Premium Increase	Rider asthma	20% rate up	\$600
Average Premium				\$389
Ratio Highest:Lowest Premium				2.3
Winamac, Indiana (Exclusion riders are prohibited)				
1	Accept without Colin	--	--	\$373
2	Accept without Colin	--	--	\$331
3	Offer with Benefit Limits	\$2,500 deductible offered	--	\$282
4	Offer with Premium Increase	--	50% rate up	\$446
5	Offer with Premium Increase	--	40% rate up	\$279
6	Offer with Premium Increase	--	40% rate up	\$323
7	Offer with Benefit Limits and Premium Increase	Remove doctor office copay; increase Rx deductible to \$500	25% rate up	\$508
Average Premium				\$363
Ratio Highest:Lowest Premium				1.8

DENISE'S SUMMARY TABLE

Carrier	Response	Benefit Limits	Rate Increase	Monthly Premium
Arlington Heights, Illinois				
1	Reject	--	--	--
2	Reject	--	--	--
3	Reject	--	--	--
4	Reject	--	--	--
5	Clean Offer	--	--	\$264
6	Offer with Benefit Limits	Rider implants	--	\$178
7	Offer with Benefit Limits and Premium Increase	Rider implants and cancer	40% rate up	\$257
8	Offer with Benefit Limits and Premium Increase	Remove doctor office copay; increase Rx deductible to \$500	50% rate up	\$435
Average Premium				\$283
Ratio Highest:Lowest Premium				2.4
Austin, Texas				
1	Reject	--	--	--
2	Reject	--	--	--
3	Reject	--	--	--
4	Reject	--	--	--
5	Reject	--	--	--
6	Clean Offer	--	--	\$240
7	Offer with Benefit Limits	Rider implants	--	\$152
8	Offer with Benefit Limits and Premium Increase	Rider implants and cancer	40% rate up	\$293
9	Offer with Benefit Limits and Premium Increase	Remove doctor office copay; increase Rx deductible to \$1,000	50% rate up	\$473
Average Premium				\$289
Ratio Highest:Lowest Premium				3.1
Corning, Iowa				
1	Reject	--	--	--
2	Reject	--	--	--
3	Reject	--	--	--
4	Clean Offer	--	--	\$164
5	Offer with Benefit Limits	Rider implants and cancer	--	\$184
6	Offer with Benefit Limits and Premium Increase	Rider implants and cancer	40% rate up	\$221
7	Offer with Benefit Limits and Premium Increase	Remove doctor office copay; increase Rx deductible to \$500	50% rate up	\$293
Average Premium				\$215
Ratio Highest:Lowest Premium				1.8
Fresno, California (Exclusion riders are prohibited)				
1	Reject	--	--	---
2	Reject	--	--	---
3	Reject	--	--	---
4	Clean Offer	--	--	\$287
5	Clean Offer	--	--	\$178
6	Offer with Premium Increase	--	75% rate up	\$249
7	Offer with Benefit Limits and Premium Increase	Certain very rich plans not available	50% rate up	\$266
Average Premium				\$245
Ratio Highest:Lowest Premium				1.6

DENISE'S SUMMARY TABLE (continued)

Carrier	Response	Benefit Limits	Rate Increase	Monthly Premium
Miami, Florida*				
1	Reject	--	--	---
2	Clean Offer	--	--	\$644
3	Clean Offer	--	--	\$469
4	Offer with Premium Increase	--	100% rate up	\$512
5	Offer with Premium Increase	--	100% rate up	\$398
6	Offer with Premium Increase	--	100% rate up	\$1,362
7	Offer with Benefit Limits and Premium Increase	Remove doctor office copay; increase Rx deductible to \$500	50% rate up	\$933
Average Premium				\$720
Ratio Highest:Lowest Premium				3.4
* In Florida, carriers are not allowed to deny or rider coverage based on breast cancer if treatment was completed more than two years prior to application date.				
Richmond, Virginia				
1	Reject	--	--	--
2	Reject	--	--	--
3	Clean Offer	--	--	\$218
4	Offer with Benefit Limits	Rider implants	--	\$122
5	Offer with Benefit Limits and Premium Increase	Rider implants and cancer	40% rate up	\$222
6	Offer with Benefit Limits and Premium Increase	Remove doctor office copay; increase Rx deductible to \$500	50% rate up	\$272
Average Premium				\$208
Ratio Highest:Lowest Premium				2.2
Tucson, Arizona				
1	Reject	--	--	---
2	Reject	--	--	---
3	Reject	--	--	---
4	Reject	--	--	---
5	Clean Offer	--	--	\$237
6	Clean Offer	--	--	\$157
7	Offer with Benefit Limits	Rider breast	--	\$174
8	Offer with Benefit Limits and Premium Increase	Rider implants and cancer	40% rate up	\$252
9	Offer with Benefit Limits and Premium Increase	Remove doctor office copay; increase Rx deductible to \$500	50% rate up	\$286
Average Premium				\$221
Ratio Highest:Lowest Premium				1.6
Winamac, Indiana (Exclusion riders are prohibited)				
1	Reject	--	--	--
2	Reject	--	--	--
3	Reject	--	--	--
4	Reject	--	--	--
5	Clean Offer	--	--	\$189
6	Offer with Premium Increase	--	40% rate up	\$185
7	Offer with Benefit Limits and Premium Increase	Remove doctor office copay; increase Rx deductible to \$500	50% rate up	\$337
Average Premium				\$237
Ratio Highest:Lowest Premium				1.8

EMILY'S SUMMARY TABLE

Carrier	Response	Benefit Limits	Rate Increase	Monthly Premium
Arlington Heights, Illinois				
1	Reject	--	--	--
2	Reject	--	--	--
3	Clean Offer	--	--	\$276
4	Offer with Benefit Limits	Rider mental/nervous	--	\$357
5	Offer with Premium Increase	--	20% rate up	\$279
6	Offer with Premium Increase	--	20% rate up	\$270
7	Offer with Benefit Limits and Premium Increase	Psych drugs not covered by drug card	25% rate up	\$530
8	Offer with Benefit Limits and Premium Increase	Remove doctor office copay; increase Rx deductible to \$500	25% rate up	\$409
Average Premium				\$354
Ratio Highest:Lowest Premium				2.0
Austin, Texas				
1	Reject	--	--	--
2	Reject	--	--	--
3	Clean Offer	--	--	\$202
4	Clean Offer	--	--	\$186
5	Offer with Benefit Limits	Rider mental/nervous	--	\$332
6	Offer with Premium Increase	--	20% rate up	\$312
7	Offer with Premium Increase	--	20% rate up	\$219
8	Offer with Benefit Limits and Premium Increase	Psych drugs not covered by drug card	25% rate up	\$482
9	Offer with Benefit Limits and Premium Increase	Remove doctor office copay; increase Rx deductible to \$1,000	25% rate up	\$460
Average Premium				\$313
Ratio Highest:Lowest Premium				2.6
Corning, Iowa				
1	Reject	--	--	--
2	Clean Offer	--	--	\$269
3	Offer with Benefit Limits	Rider depression	--	\$213
4	Offer with Benefit Limits	Rider mental/nervous	--	\$184
5	Offer with Premium Increase	--	20% rate up	\$240
6	Offer with Benefit Limits and Premium Increase	Psych drugs not covered by drug card	25% rate up	\$379
7	Offer with Benefit Limits and Premium Increase	Remove doctor office copay; increase Rx deductible to \$500	25% rate up	\$285
Average Premium				\$262
Ratio Highest:Lowest Premium				2.1
Fresno, California (Exclusion riders are prohibited)				
1	Reject	--	--	---
2	Reject	--	--	---
3	Clean Offer	--	--	\$308
4	Offer with Premium Increase	--	50% rate up	\$321
5	Offer with Premium Increase	--	20% rate up	\$160
6	Offer with Benefit Limits and Premium Increase	Certain very rich plans not available	20% rate up	\$324
7	Offer with Benefit Limits and Premium Increase	Psych drugs not covered by drug card	25% rate up	\$552
Average Premium				\$333
Ratio Highest:Lowest Premium				3.5

EMILY'S SUMMARY TABLE (continued)

Carrier	Response	Rate Increase	Rate Increase	Monthly Premium
Miami, Florida				
1	Reject	--	--	---
2	Clean Offer	--	--	\$349
3	Offer with Benefit Limits	Rider mental/nervous	--	\$648
4	Offer with Premium Increase	--	50% rate up	\$413
5	Offer with Premium Increase	--	50% rate up	\$363
6	Offer with Benefit Limits and Premium Increase	Psych drugs not covered by drug card	25% rate up	\$852
7	Offer with Benefit Limits and Premium Increase	Remove doctor office copay; increase Rx deductible to \$500	25% rate up	\$916
Average Premium				\$590
Ratio Highest:Lowest Premium				2.6
Richmond, Virginia				
1	Reject	--	--	--
2	Offer with Benefit Limits	Rider mental/nervous	--	\$301
3	Offer with Premium Increase	--	20% rate up	\$237
4	Offer with Premium Increase	--	20% rate up	\$185
5	Offer with Benefit Limits and Premium Increase	Psych drugs not covered by drug card	25% rate up	\$376
6	Offer with Benefit Limits and Premium Increase	Remove doctor office copay; increase Rx deductible to \$500	25% rate up	\$262
Average Premium				\$272
Ratio Highest:Lowest Premium				2.0
Tucson, Arizona				
1	Reject	--	--	---
2	Reject	--	--	---
3	Reject	--	--	---
4	Clean Offer	--	--	\$196
5	Clean Offer	--	--	\$201
6	Offer with Benefit Limits	Rider mental/nervous	--	\$328
7	Offer with Premium Increase	--	20% rate up	\$274
8	Offer with Benefit Limits and Premium Increase	Psych drugs not covered by drug card	25% rate up	\$530
9	Offer with Benefit Limits and Premium Increase	Remove doctor office copay; increase Rx deductible to \$500	25% rate up	\$280
Average Premium				\$302
Ratio Highest:Lowest Premium				2.7
Winamac, Indiana (Exclusion riders are prohibited)				
1	Reject	--	--	--
2	Reject	--	--	--
3	Clean Offer	--	--	\$209
4	Offer with Premium Increase	--	20% rate up	\$229
5	Offer with Premium Increase	--	20% rate up	\$207
6	Offer with Benefit Limits and Premium Increase	Psych drugs not covered by drug card	25% rate up	\$311
7	Offer with Benefit Limits and Premium Increase	Remove doctor office copay; increase Rx deductible to \$500	25% rate up	\$328
Average Premium				\$257
Ratio Highest:Lowest Premium				1.6

FRANK'S SUMMARY TABLE

Carrier	Response	Benefit Limits	Rate Increase	Monthly Premium
Arlington Heights, Illinois				
1	Reject	--	--	--
2	Reject	--	--	--
3	Reject	--	--	--
4	Clean Offer**	--	--	\$484
5	Offer with Premium Increase	--	23% rate up	\$674
6	Offer with Premium Increase	--	20% rate up	\$844
7	Offer with Premium Increase	--	110% rate up	\$1,764
8	Offer with Benefit Limits and Premium Increase	Rider circulatory system	40% rate up	\$394
Average Premium				\$832
Ratio Highest:Lowest Premium				4.5
Austin, Texas				
1	Reject	--	--	--
2	Reject	--	--	--
3	Reject	--	--	--
4	Reject	--	--	--
5	Clean Offer**	--	--	\$244
6	Offer with Premium Increase	--	35% rate up	\$542
7	Offer with Premium Increase	--	20% rate up	\$766
8	Offer with Premium Increase	--	100% rate up	\$1,206
9	Offer with Benefit Limits and Premium Increase	Rider circulatory system	40% rate up	\$319
Average Premium				\$615
Ratio Highest:Lowest Premium				4.9
Corning, Iowa				
1	Reject	--	--	--
2	Reject	--	--	--
3	Reject	--	--	--
4	Reject	--	--	--
5	Offer with Premium Increase	--	36% rate up	\$664
6	Offer with Premium Increase	--	20% rate up	\$602
7	Offer with Premium Increase	--	110% rate up	\$1,115
Average Premium				\$794
Ratio Highest:Lowest Premium				1.9
Fresno, California (Exclusion riders are prohibited)				
1*	Reject	--	--	---
2	Reject	--	--	---
3	Reject	--	--	---
4	Reject	--	--	---
5	Reject	--	--	---
6	Offer with Premium Increase	--	50% rate up	\$356
7	Offer with Premium Increase	--	20% rate up	\$877
Average Premium				\$617
Ratio Highest:Lowest Premium				2.5
*Carrier does not issue coverage to applicants this age.				
**Higher standard smoker rate applies				

FRANK'S SUMMARY TABLE (continued)

Carrier	Response	Benefit Limits	Rate Increase	Monthly Premium
Miami, Florida				
1	Reject	--	--	---
2	Reject	--	--	---
3	Reject	--	--	---
4	Reject	--	--	---
5	Offer with Premium Increase	--	16% rate up	\$805
6	Offer with Premium Increase	--	20% rate up	\$1,358
7	Offer with Premium Increase	--	100% rate up	\$2,504
Average Premium				\$1,556
Ratio Highest:Lowest Premium				3.1
Richmond, Virginia				
1	Reject	--	--	--
2	Reject	--	--	--
3	Reject	--	--	--
4	Offer with Premium Increase	--	20% rate up	\$597
5	Offer with Premium Increase	--	110% rate up	\$1,399
6	Offer with Benefit Limits and Premium Increase	Rider circulatory system	40% rate up	\$270
Average Premium				\$756
Ratio Highest:Lowest Premium				5.2
Tucson, Arizona				
1	Reject	--	--	---
2	Reject	--	--	---
3	Reject	--	--	---
4	Reject	--	--	---
5	Reject	--	--	---
6	Reject	--	--	---
7	Offer with Premium Increase	--	36% rate up	\$528
8	Offer with Premium Increase	--	20% rate up	\$844
9	Offer with Premium Increase	--	100% rate up	\$1,273
Average Premium				\$882
Ratio Highest:Lowest Premium				2.4
Winamac, Indiana (Exclusion riders are prohibited)				
1	Reject	--	--	--
2	Reject	--	--	--
3	Reject	--	--	--
4	Reject	--	--	--
5	Offer with Premium Increase	--	35% rate up	\$540
6	Offer with Premium Increase	--	20% rate up	\$493
7	Offer with Premium Increase	--	110% rate up	\$883
Average Premium				\$638
Ratio Highest:Lowest Premium				1.8

GREG'S SUMMARY TABLE

Carrier	Response	Benefit Limits	Rate Increase	Monthly Premium
Arlington Heights, Illinois				
1	Reject	--	--	---
2	Reject	--	--	---
3	Reject	--	--	---
4	Reject	--	--	---
5	Reject	--	--	---
6	Reject	--	--	---
7	Reject	--	--	---
8	Reject	--	--	---
Austin, Texas				
1	Reject	--	--	---
2	Reject	--	--	---
3	Reject	--	--	---
4	Reject	--	--	---
5	Reject	--	--	---
6	Reject	--	--	---
7	Reject	--	--	---
8	Reject	--	--	---
9	Reject	--	--	---
Corning, Iowa				
1	Reject	--	--	---
2	Reject	--	--	---
3	Reject	--	--	---
4	Reject	--	--	---
5	Reject	--	--	---
6	Reject	--	--	---
7	Reject	--	--	---
Fresno, California				
1	Reject	--	--	---
2	Reject	--	--	---
3	Reject	--	--	---
4	Reject	--	--	---
5	Reject	--	--	---
6	Reject	--	--	---
7	Reject	--	--	---

GREG'S SUMMARY TABLE (continued)

Carriers	Response	Benefit Limits	Rate Increase	Monthly Premium
Miami, Florida				
1	Reject	--	--	---
2	Reject	--	--	---
3	Reject	--	--	---
4	Reject	--	--	---
5	Reject	--	--	---
6	Reject	--	--	---
7	Reject	--	--	---
Richmond, Virginia				
1	Reject	--	--	---
2	Reject	--	--	---
3	Reject	--	--	---
4	Reject	--	--	---
5	Reject	--	--	---
6	Reject	--	--	---
Tucson, Arizona				
1	Reject	--	--	---
2	Reject	--	--	---
3	Reject	--	--	---
4	Reject	--	--	---
5	Reject	--	--	---
6	Reject	--	--	---
7	Reject	--	--	---
8	Reject	--	--	---
9	Reject	--	--	---
Winamac, Indiana				
1	Reject	--	--	---
2	Reject	--	--	---
3	Reject	--	--	---
4	Reject	--	--	---
5	Reject	--	--	---
6	Reject	--	--	---
7	Reject	--	--	---

SAMPLE APPLICATIONS FOR INDIVIDUAL HEALTH INSURANCE

Identifying information about the insurance company has been deleted from this application. Questions asked on this application are typical of other applications reviewed as part of this study.

APPLICATION FOR INSURANCE to _____ For Home Office Use Only

1. Coverage: <input type="checkbox"/> Major Medical <input type="checkbox"/> Hospital Plan Deductible: _____ Prescription Drug Card Deductible: _____		Coinsurance: <input type="checkbox"/> 80%/20%/\$1000 Copay Limit <input type="checkbox"/> 80%/20%/\$2000 Copay Limit <input type="checkbox"/> 50%/50%/\$1250 Copay Limit <input type="checkbox"/> 50%/50%/\$2500 Copay Limit <input type="checkbox"/> 100% Coverage, No Copay		Optional Benefits: 24 Hour Coverage: <input type="checkbox"/> Insured <input type="checkbox"/> Spouse <input type="checkbox"/> High Deductible Plan Rider (for MSA) <input type="checkbox"/> Accident Expense Benefit with AD&D <input type="checkbox"/> Maternity Benefit <input type="checkbox"/> Dental Benefit <input type="checkbox"/> Decreasing Term Life Policy				
2. Special Date Request _____		3. Deposit Tendered _____		4. Premium Mode: <input type="checkbox"/> Annual <input type="checkbox"/> Semi-annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly PAC				
5. Persons to be Covered (Print First Name, Middle Initial, Last Name)		Place of Birth	Birthdate	Age	Sex	Height	Weight	
Proposed Insured			M	D	Y			
Spouse								
Dependent Children								
Check here if Child(ren) Only are to be covered <input type="checkbox"/>								
6. Proposed Insured is <input type="checkbox"/> single <input type="checkbox"/> married		7. If Proposed Insured is married and spouse is not to be covered, give reason why: _____						
8. Does anyone to be covered live outside the Proposed Insured's household? (If "YES" explain on page 3.) <input type="checkbox"/> YES <input type="checkbox"/> NO								
9. a. Is any family member, whether to be covered or not, now pregnant? <input type="checkbox"/> YES <input type="checkbox"/> NO b. Is any family member applying for the placement or adoption of a newborn child? <input type="checkbox"/> YES <input type="checkbox"/> NO c. Is any other person now pregnant by a person proposed for coverage? (If a., b., or c. is answered "YES" the policy applied for cannot be issued.) <input type="checkbox"/> YES <input type="checkbox"/> NO								
10. Have you or your spouse, if applying, used tobacco or nicotine in any form in the past year? Proposed Insured: <input type="checkbox"/> YES <input type="checkbox"/> NO Spouse: <input type="checkbox"/> YES <input type="checkbox"/> NO								
11. Home Address Street No. _____ City _____ State _____ Zip Code _____ Phone _____								
12. Payor (if other than Proposed Insured) _____ Relationship _____								
13. Billing Address (if different from residence) Street No. _____ City _____ State _____ Zip Code _____ Phone _____								
14. Occupation	Occupation/Duties	Employer's Name	Phone #	Average Monthly Earnings	Social Security #			
Proposed Insured								
Spouse								
If retired or unemployed, state reason _____								
15. PRESENT INSURANCE: Does any person to be covered have medical insurance in force or pending with or any other company, including individual, group, health service plans such as Blue Cross/Blue Shield, HMOs, or similar plans, as well as expense incurred and indemnity policies, including specified disease policies, such as those for cancer? (Answer "YES" if any person has a current Medicare or Medicaid eligibility card.) <input type="checkbox"/> YES <input type="checkbox"/> NO								
Name of Company & Policy Number		Hospital/Surgical		Major Medical		Is coverage to be replaced?		Termination Date
		Rm & Bd	Misc	Subj Max	Deductible	Maximum		
							<input type="checkbox"/> YES <input type="checkbox"/> NO	
							<input type="checkbox"/> YES <input type="checkbox"/> NO	
If "YES" complete Replacement Form #1121 NO COVERAGE SHOULD BE CANCELLED PRIOR TO NOTIFICATION OF FINAL UNDERWRITING ACTION.								
16. PREVIOUS INSURANCE: If not presently insured, has any person to be covered had medical insurance coverage, as defined above, in the past 12 months? (If "YES" state termination date and reason on page 3.) <input type="checkbox"/> YES <input type="checkbox"/> NO								
17. Will any person to be covered to the best of his/her knowledge or belief, become eligible for any form of medical insurance in the next 6 months? (If "YES" explain on page 3.) <input type="checkbox"/> YES <input type="checkbox"/> NO								

IMPORTANT — All Questions Pertain to ALL Persons to be Covered.	Yes	No
18. Is any person to be covered currently taking medication or receiving medical treatment of any kind; or has any person to be covered taken medication or received medical treatment of any kind within the past 3 months?	<input type="checkbox"/>	<input type="checkbox"/>
19. Has any person to be covered ever had any symptoms of, diagnosis of, or treatment or medication for:		
a) allergy, asthma, bronchitis, tuberculosis, pneumonia, emphysema, sinusitis, shortness of breath, sleep apnea, or any other disease or disorder of the lungs or respiratory system?	<input type="checkbox"/>	<input type="checkbox"/>
b) anemia, elevated cholesterol, high blood pressure, heart attack, heart murmur, chest pain, irregular heartbeat or palpitations, varicose veins, phlebitis, stroke, or any other disease or disorder of the blood, heart or circulatory system?	<input type="checkbox"/>	<input type="checkbox"/>
c) stomach or duodenal ulcer, colitis, rectal disorder, hernia, hepatitis, cirrhosis, or any other disease or disorder of the gastrointestinal tract, liver, gallbladder or spleen?	<input type="checkbox"/>	<input type="checkbox"/>
d) epilepsy, convulsions or seizures, paralysis, fainting, dizziness, depression, anxiety, eating disorder, behavioral disorder, or any other emotional, nervous, mental, brain or nervous system disease or disorder?	<input type="checkbox"/>	<input type="checkbox"/>
e) kidney or bladder disorder, prostatitis, any other disease or disorder of the genitourinary tract; or sexually transmitted disease?	<input type="checkbox"/>	<input type="checkbox"/>
f) any disease or disorder of the breast including augmentation; or any male/female reproductive organ disorder including implants, infertility, irregular menstruation, Caesarean Section or other complications of pregnancy?	<input type="checkbox"/>	<input type="checkbox"/>
g) diabetes or sugar intolerance, thyroid, pituitary, adrenal, pancreas, or other gland disorder?	<input type="checkbox"/>	<input type="checkbox"/>
h) sight, speech or hearing impairment, ear infections, earaches, tonsillitis or any other disease or disorder of the eyes, ears, nose, or throat?	<input type="checkbox"/>	<input type="checkbox"/>
i) cancer, tumor, cyst, or growth of any kind; or any disease or disorder of the skin or lymph nodes?	<input type="checkbox"/>	<input type="checkbox"/>
j) arthritis, amputation, disorders of the knee, jaw, back, or spine, bone or joint disorder, muscular pain or strain, or any other disease or disorder of the connective tissue or muscular-skeletal system?	<input type="checkbox"/>	<input type="checkbox"/>
20. Has any person to be covered, within the past 10 years:		
a) been treated for drug usage or alcoholism, or been a member of Alcoholics Anonymous?	<input type="checkbox"/>	<input type="checkbox"/>
b) used narcotics, barbiturates, amphetamines, psychedelic drugs, cocaine or marijuana? (If "YES" state when used, amounts, and frequency.)	<input type="checkbox"/>	<input type="checkbox"/>
21. Has any person to be covered, within the past 5 years:		
a) consulted, been examined or treated by any medical practitioner (Physician, Chiropractor, Psychologist, or other health care provider)? (If "YES" answer 1, 2 and 3 below.)	<input type="checkbox"/>	<input type="checkbox"/>
1) Was the exam, consultation or treatment prompted by complaints or symptoms?	<input type="checkbox"/>	<input type="checkbox"/>
2) Were there any abnormal findings?	<input type="checkbox"/>	<input type="checkbox"/>
3) Was any medication, treatment or therapy prescribed or recommended?	<input type="checkbox"/>	<input type="checkbox"/>
b) been to, been confined in, or advised to go to a clinic, hospital or other medical facility for treatment, observation or laboratory work?	<input type="checkbox"/>	<input type="checkbox"/>
c) had a fever of more than three weeks' duration, weight loss of more than 15 pounds in two months, diarrhea of more than one months' duration, persistent skin rash or oral lesions (infections or sores of the mouth)?	<input type="checkbox"/>	<input type="checkbox"/>
d) been a user of alcoholic beverages in excess of 14 drinks per week? (If "YES" show who and how many drinks per week - 1 drink = 12 oz of beer, 4 oz of wine, 1 oz of hard liquor.)	<input type="checkbox"/>	<input type="checkbox"/>
22. Has any person to be covered ever been diagnosed as having, or received treatment or medication for, AIDS (Acquired Immune Deficiency Syndrome), ARC (Aids Related Complex), or any other immunological deficiency, or ever tested positive for AIDS or HIV (Human Immunodeficiency Virus) antibodies?	<input type="checkbox"/>	<input type="checkbox"/>
23. Has any person to be covered ever had any other illness, injury, or received any treatment or medication, not reported in Questions 18 through 22?	<input type="checkbox"/>	<input type="checkbox"/>
24. Within the past 2 years, has any person to be covered flown in any aircraft other than as a passenger, engaged in any racing, parachuting, scuba diving activities, or other hazardous sports or does he/she intend to do so in the next 12 months? (If "YES" circle activity and complete Aviation and Sports Questionnaire Form #1001.)	<input type="checkbox"/>	<input type="checkbox"/>
25. Is any person to be covered NOT a legal permanent resident of the United States? (If "YES" complete U.S. Residence Form #1314.)	<input type="checkbox"/>	<input type="checkbox"/>

