Preparedness of Americans for the Affordable Care Act

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Significance

The ultimate success of the Affordable Care Act (ACA) depends on how well the health insurance exchanges can bring the benefits of private competition to individuals in the form of lower premiums. Doing so requires that individuals, when shopping for health insurance, correctly weigh the benefits and costs of various insurance options. Our work suggests that the overall population, and even more so those most likely affected by the ACA, is not well equipped to do so. We documented low levels of ACA and health insurance knowledge in the month preceding the introduction of the exchanges. We propose that simplified options, decision aids, and health insurance product design to address the limited understanding of health insurance contracts will be crucial for ACA's success.

Abstract

This paper investigates whether individuals are sufficiently informed to make reasonable choices in the health insurance exchanges established by the Affordable Care Act (ACA). We document knowledge of health reform, health insurance literacy, and expected changes in healthcare using a nationally representative survey of the US population in the 5 wk before the introduction of the exchanges, with special attention to subgroups most likely to be affected by the ACA. Results suggest that a substantial share of the population is unprepared to navigate the new exchanges. One-half of the respondents did not know about the exchanges, and 42% could not correctly describe a deductible. Those earning 100–250% of federal poverty level (FPL) correctly answered, on average, 4 out of 11 questions about health reform and 4.6 out of 7 questions about health insurance. This compares with 6.1 and 5.9 correct answers, respectively, for those in the top income category (400% of FPL or more). Even after controlling for potential confounders, a low-income person is 31% less likely to score above the median on ACA knowledge questions, and 54% less likely to score above the median on health insurance knowledge than a person in the top income category. Uninsured respondents scored lower on health insurance knowledge, but their knowledge of ACA is similar to the overall population. We propose that simplified options, decision aids, and health insurance product design to address the limited understanding of health insurance contracts will be crucial for ACA's success.

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Supporting Information

Appendix (PDF)

Correction to the Supporting Information

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