Cite this article as:
D W Garnick, A M Hendricks, K E Thorpe, J P Newhouse, K Donelan and R J Blendon
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*Health Affairs* 12, no.3 (1993):204-212
doi: 10.1377/hlthaff.12.3.204

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How Well Do Americans Understand Their Health Coverage?

by Deborah W. Garnick, Ann M. Hendricks, Kenneth E. Thorpe, Joseph P. Newhouse, Karen Donelan, and Robert J. Blendon

Abstract: Data from two surveys are used in this DataWatch to explore Americans’ understanding of their health insurance. First, data from a national survey of consumers are used to examine if people with private health insurance correctly report their coverage for six services. Second, information from an evaluation of a pilot project of subsidized insurance in New York is used to investigate how well newly insured persons understand their coverage. Based on these surveys, almost all privately insured people understand the basic elements of their insurance plans but underestimate their coverage for mental health, substance abuse, and prescription drug benefits and overestimate their coverage for long-term care. People who are newly insured in physician networks or health maintenance organizations seem uncertain about what services their plan covers and restrictions on their choice of hospitals.

In the 1990s we would expect people to understand the basic provisions of their health insurance plans, for several reasons. The topic of health care is very important to the general public, as evidenced by their scoring health as the second most important issue in the 1992 national elections and the current focus in the media on health care reform. More employers offer multiple insurance options—provider networks, health maintenance organizations (HMOs), and traditional fee-for-service plans—requiring that people learn about the different plans to be able to choose coverage. The enormous growth in managed care plans means that more people have been exposed to them either through enrollment or through contact with friends who are enrolled.

Previous studies have not shed much light on how well people understand their current health insurance options, particularly managed care. These studies focused on people’s understanding of the health care system in general or Medicare in particular. Moreover, most of the studies used data from the late 1970s or focused on elderly persons. One recent study of...
224 new enrollees in a Blue Cross/Blue Shield plan and a major HMO found that neither group seemed to understand the mechanisms by which HMOs manage care, while the traditional plan was well understood by most respondents. The generalizability of those results is limited by the small and selective character of the sample-new university employees.4

In this DataWatch we update the earlier work with data from the 1990s) to explore the extent to which average Americans understand their health coverage. First, a national survey of consumers allows us to answer the question: Do people with private health insurance correctly report if they have coverage for six specific services? Second, an evaluation of New York State’s pilot programs for subsidized insurance presents a unique opportunity to study individuals who previously were uninsured or whose employer did not offer health insurance. Using these data, we examine the question: Do newly insured individuals understand how their plans work?

Evidence From A National Survey

Methods. If consumers know which services are covered by their health insurance plans, we would expect the results of a national survey of consumers with private insurance coverage to be roughly similar to national statistics on the number of workers covered by specified benefits, collected by surveying employers or reviewing benefit plans.5 Therefore, we compared data from two sources: (1) a survey conducted in February 1990, which asked a random sample of 1,093 consumers across the country about their coverage for ten types of care; and (2) three surveys conducted by the Bureau of Labor Statistics (BLS) in 1989 and 1990 that cover employee benefits in medium and large firms, state and local governments, and small private establishments.6 In the first survey, respondents were asked, “Does your health insurance cover all or part of your expense for X (for example, hospitalization)” In the second set of surveys, the BLS obtained data on plan provisions by reviewing the Summary Plan Descriptions and documents describing benefit plans, which also are distributed to employees, and by collecting information during visits to the sampled establishments.

We examined five services for which coverage is nearly universal (hospitalization, doctors’ visits, mental health services, alcohol and drug abuse treatment, and prescription drugs) and one service for which coverage is very rare (long-term care).7

Results. Consumers are knowledgeable about some aspects of their insurance coverage but are uninformed about others (Exhibit 1). While almost all respondents correctly identified that they had coverage for hospitalization and most (80 percent) knew that they had coverage for doctors’ visits, respondents seriously underreported several other important services.
Exhibit 1

<table>
<thead>
<tr>
<th></th>
<th>Percent of privately insured persons reporting coverage (N = 1,093)</th>
<th>Percent of employers providing coverage (N = 1,647)</th>
<th>Small private firms (N = 2,016)</th>
<th>State/local governments (N = 1,333)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitalization</td>
<td>95%</td>
<td>98%</td>
<td>98%</td>
<td>100%</td>
</tr>
<tr>
<td>Doctors’ visits</td>
<td>80</td>
<td>97</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Mental health services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In hospital</td>
<td></td>
<td>96</td>
<td>97</td>
<td>99</td>
</tr>
<tr>
<td>Outpatient</td>
<td></td>
<td>92</td>
<td>96</td>
<td>95</td>
</tr>
<tr>
<td>Alcohol/drug abuse treatment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alcohol</td>
<td></td>
<td>97</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inpatient detoxification</td>
<td></td>
<td>-</td>
<td>98</td>
<td>99</td>
</tr>
<tr>
<td>Inpatient rehabilitation</td>
<td></td>
<td>-</td>
<td>78</td>
<td>82</td>
</tr>
<tr>
<td>Outpatient rehabilitation</td>
<td></td>
<td>-</td>
<td>72</td>
<td>76</td>
</tr>
<tr>
<td>Drug</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inpatient detoxification</td>
<td></td>
<td>-</td>
<td>94</td>
<td>98</td>
</tr>
<tr>
<td>Inpatient rehabilitation</td>
<td></td>
<td>-</td>
<td>73</td>
<td>79</td>
</tr>
<tr>
<td>Outpatient rehabilitation</td>
<td></td>
<td>-</td>
<td>68</td>
<td>74</td>
</tr>
<tr>
<td>Prescription drugs</td>
<td>71</td>
<td>95</td>
<td>96</td>
<td>92</td>
</tr>
<tr>
<td>Lone-term care</td>
<td>63</td>
<td>-</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Far fewer consumers indicated that their plans covered mental health services, alcohol and drug abuse treatment, or prescription drugs than the national employer surveys suggest. The only overreporting by consumers was for long-term care insurance; 63 percent of respondents reported having such coverage. Although this coverage was not included in the employer-based surveys reported here, other sources indicate that the number of policies sold is very small: 2.4 million as of 1991.8

Evidence From New York State

Methods. Do efforts to educate new enrollees about their subsidized health insurance plans work? To answer this question, we surveyed adults a year after they were enrolled in a New York State pilot project aimed at expanding health care coverage for the uninsured. All five plans in the project are either HMOs or provider networks with contracts with specific hospital providers. Contracting plans made extensive efforts to educate enrollees about the plans. We asked enrollees about three specific provisions of their coverage: out-of-area emergency services, annual physical examination, and choice of hospital.
Description of the pilot programs. Employer subsidy programs were established in the Albany region and in Brooklyn in May and June 1989. The employer makes the decision to purchase the insurance, and half of the premium is paid by the state, the other half by the employer. Employees are not directly involved in the decision to purchase insurance and are not permitted to contribute directly to premiums.

Individual subsidy programs provide health insurance at reduced premiums to low-income people who live in the target areas (Bronx, Manhattan, and five upstate counties), have annual incomes below 200 percent of federal poverty guidelines, and were not covered by private insurance, Medicare, Medicaid, or any other government health program in the preceding eighteen months. The insurance premiums are subsidized by 30 percent to more than 90 percent, depending on family income.

Pilot programs’ efforts to educate enrollees. Each contractor participating in New York’s pilot project attempts to inform enrollees about their coverage and the steps they must follow to receive care. Contractors reported making special efforts to educate their enrollees because the coverage is not the traditional, more familiar fee-for-service type. Informational efforts include individual in-person enrollment meetings, during which staff describe eligibility and benefits; brochures or videotapes; detailed enrollment contracts; question-and-answer documents in Spanish and English; and, at one plan, a required educational seminar.

Surveys of enrollees. Two telephone surveys of enrollees were conducted by Louis Harris and Associates: an initial survey in 1990 to obtain baseline information on access, utilization for the year before the survey, health status, and demographics, and a follow-up survey one year later to obtain data on the programs’ effects and enrollees’ opinions. The number of respondents for the questions concerning coverage under the subsidy programs depended on the response rates in both 1990 and 1991, which varied by site. Brooklyn had the lowest number of completed interviews both because the response rate in the first year was low (53 percent) and because the rate of second interviews was only 60 percent. For this analysis we excluded respondents who dropped out of the program before April 1991.

In the follow-up survey, enrollees were asked three specific questions about their health insurance coverage: whether the provider paid for emergency care when the enrollee was outside the provider’s service area; whether the provider paid for an annual physical exam; and whether the provider limited the patient’s choice of hospitals.

Although it was not explicitly offered as an option, respondents could answer “don’t know.” For the first two questions, the correct answer is clearly “yes.” The last question is problematic, however, because it can be interpreted in three ways. First, are patients limited to the hospitals that
contract with the plan? Second, are patients’ choices limited within that set of hospitals? Third, do enrollees feel constrained by the limited set of hospitals; that is, did they want to go to an excluded facility? According to the program design in all five sites, hospital care is limited to the set of hospitals that hold a contract with the health plan, but in no case is an individual’s choice of hospitals limited within that set.

We looked at responses to the three questions in two ways. First, we included all of the respondents (including those who were not sure of an answer) and examined the percentage that answered correctly. Next, we considered only those respondents who answered either yes or no. If these enrollees guessed the answer, we would expect them to be correct for any one question about 50 percent of the time. Therefore, only if the percentage that answered correctly (affirmatively) is significantly over 50 percent can we conclude that the enrollees understood and were not guessing the answer. If the percentage that answered correctly is significantly under 50 percent, enrollees may actually misunderstand their coverage.

Results. Most of these newly covered individuals did not fully understand how their managed care plans operate, despite serious efforts by providers to inform them (Exhibit 2). Overall, fewer than a third of enrollees could answer all three questions correctly; for four of the five plans, fewer than one-fifth could answer all three questions correctly.

Respondents were most knowledgeable about the fact that all of the plans covered an annual physical examination; more than half answered correctly. The other two questions, which pertain to how care is organized, were less well understood. About 60 percent of respondents enrolled in the Albany and Bronx areas stated that the plan paid for emergency care

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**Exhibit 2**


<table>
<thead>
<tr>
<th></th>
<th>Employer subsidy</th>
<th>Individual subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Brooklyn (N = 24)</td>
<td>Albany (N = 149)</td>
</tr>
<tr>
<td></td>
<td>Upstate (N = 63)</td>
<td>Bronx (N = 49)</td>
</tr>
<tr>
<td>Plan pays for annual physical exam</td>
<td>58.3%</td>
<td>55.0%</td>
</tr>
<tr>
<td>Plan pays for emergency care when outside the area</td>
<td>29.2</td>
<td>60.4&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Plan limits choice of hospitals</td>
<td>41.7</td>
<td>34.2</td>
</tr>
<tr>
<td>All three questions correct</td>
<td>16.7</td>
<td>14.8</td>
</tr>
</tbody>
</table>

Source: Surveys conducted for An Evaluation of New York State Regional Pilot Projects for the Uninsured (see Note 9).

Note: This sample reflects respondents who answered “yes,” “no,” or “don’t know” to the three survey questions.

<sup>a</sup> Significantly higher than Albany at .05 level.

<sup>b</sup> Significantly higher than Brooklyn at .01 level.

<sup>c</sup> Significantly higher than Brooklyn at .05 level.

<sup>d</sup> Significantly higher than all four other regions at .01 level.
outside the area. However, in the other three areas, 52 percent or fewer answered this question correctly. In fact, as few as 29.2 percent of respondents in Brooklyn understood that their plan covered out-of-area emergency care despite explicit wording in the Health Insurance Plan of Greater New York (HIP) handbook: “Should you need emergency medical care while temporarily outside of the HIP service area—anywhere in the world—your hospital care will be covered in full and medical care will be covered for reasonable charges as defined by HIP.”

Are the people who chose to enroll in the individual subsidy programs more knowledgeable than the employer-subsidy program enrollees whose employers made the decision to enroll? We might expect the answer to be yes because the decision to enroll required finding out about the coverage before enrolling. Indeed, respondents from the Bronx and Manhattan—two of the individual subsidy programs—were significantly more likely to know that their plan covered an annual physical examination. However, in terms of knowing that out-of-area emergency care is covered, respondents from the program in the Bronx were no more knowledgeable than were respondents from the employer-based programs in Albany. Therefore, the act of seeking out the information to enroll appears to be somewhat associated with people’s ability to remember certain aspects of their coverage.

Except for respondents in Manhattan, fewer than 42 percent of respondents knew that their plan limited their choice of hospitals. This question may have been hard for enrollees to answer because of the fact that limited choice of hospitals is a difficult concept to communicate to enrollees.

Exhibit 3 excludes only the subset of respondents who answered “don’t know” to any of the three questions. Except for Brooklyn (where the number of respondents is small), respondents from all four other sites were significantly more likely to answer the questions about physical exams and out-of-area emergency care correctly than if they had guessed an answer.

<table>
<thead>
<tr>
<th></th>
<th>Employer subsidy</th>
<th>Individual subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Brooklyn</td>
<td>Albany</td>
</tr>
<tr>
<td>Plan pays for annual physical exam</td>
<td>70.0%</td>
<td>68.9%</td>
</tr>
<tr>
<td>Plan pays for emergency care when outside the area</td>
<td>63.6</td>
<td>89.1^a</td>
</tr>
<tr>
<td>Plan limits choice of hospitals</td>
<td>62.5</td>
<td>48.1</td>
</tr>
</tbody>
</table>

Source: Surveys conducted for An Evaluation of New York State Regional Pilot Projects for the Uninsured (see Note 9).

Note: This sample excludes respondents who answered “don’t know” to any of the three survey questions.

^a Significantly above .5 at .01 level.

^b Significantly above .5 at .05 level.
Implications

In the current era of heightened debate about health care, we might expect Americans to understand more about their coverage than in the past. However, based on two recent surveys we find that their knowledge is uneven. While almost all privately insured Americans understand a simple basic element of their insurance plan—that they have coverage for hospital care and physician visits—they underestimate their coverage for mental health or substance abuse treatment and prescription drugs and overestimate their coverage for long-term care. Moreover, many people who are newly insured in physician networks or HMOs through a subsidy program and who are the object of extensive educational outreach are still uncertain about services that their plan covers and restrictions on their choice of hospitals. However, the large majority of those enrollees who answered yes or no to the survey questions know that their plan pays for an annual physical exam and for emergency care outside their area.

In this DataWatch we analyzed services covered in existing surveys that were designed for other purposes. Thus, several concerns may be raised about the current policy relevance of our findings. First, there may be some concern that consumers’ knowledge about their coverage may be lower if they are asked about services that are not areas of high discretionary use. However, two services we studied, physical examinations and emergency services, are areas of high discretionary use. For emergency services, the RAND Health Insurance Experiment showed a substantial response to cost sharing. People with no cost sharing had emergency department expenses that were 42 percent higher than the expenses of those with cost sharing. A second concern is that consumers may be less knowledgeable about services for which there is low variability among plans. In the New York survey there was little variability among plans because all were part of a legislatively mandated insurance subsidy program. For the national survey there also was low variability in many of the services reported. If there is low variability, then we would expect that everyone would know that insurance plans in general did or did not cover a benefit. Hence, our findings of low knowledge level, if anything, overstate the case. Third, additional areas may be of great interest, such as limits on choice of doctors or coverage for high-technology procedures. However, we have little reason to think that had we asked about these other services, knowledge would have been markedly greater.

Why don’t people understand their coverage? We can postulate six explanations. First, employers or insurers may not communicate this information in a way that enrollees find easy to understand and assimilate. For example, lists of the services included in a plan are insufficient if people
cannot consider what services are not covered. The Summary Plan Descriptions routinely distributed to employees vary in completeness and in the level of detail in describing services. In many instances, for example, coverage for substance abuse treatment or for mental health care may not be clearly specified. The concept of what a limited choice of hospitals means is an especially tricky issue to communicate. Second, people may be interested in investigating the details about their insurance coverage only when they are ill and need care. We could not examine this issue in the New York sample, however, because only 8 percent of people reported their health status as fair or poor. Third, people who are covered by multiple plans, such as families with dual coverage because of two wage earners, may become confused about how the different plans operate. Fourth, better knowledge might be associated with higher income or more years of education. However, we found that neither factor was significant in the New York data, and we could not examine this issue with the national data. Fifth, people may not know much about services they do not anticipate using; long-term care services are more likely to be of interest to older enrollees. Finally, for some services, coverage is so minimal that enrollees may perceive that the services are not covered. For example, if only detoxification and not rehabilitation services are covered, enrollees may think that substance abuse care is not covered.

**Suggestions for the future.** This review of two recent surveys on people’s knowledge about their health insurance coverage provides lessons for researchers and employers. Researchers need to remember that accurate assessments of people’s coverage cannot be obtained merely by asking them. Rather, information should be obtained from the insurance plans directly. Employers or insurers who want enrollees to have a complete and clear understanding of their coverage should realize that simply providing informational booklets will not be sufficient to educate people about concepts that may be new to them and are complicated to communicate.

As proposals for health reform are unveiled, a tremendous amount of information undoubtedly will be available to consumers through the media and from competing health plans. In addition, there is likely to be a basic benefit package offered to everyone. The results we report here suggest that new ways of obtaining information about health plans and a standard package of benefits will help consumers to better understand their coverage.

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The authors thank Catherine Comstock, Maura Bluestone, and two anonymous reviewers for their helpful comments.
NOTES


5. These comparisons will not be exact because 12 percent of privately insured persons purchase individual policies that are not captured by employer surveys. Employee Benefit Research Institute, Sources of Health Insurance and Characteristics of the Uninsured, Special Report (Washington: EBRI, February 1992), 18, Table 5; and EBRI, Primary Source of Health Insurance Coverage for Nonelderly and Elderly Americans, EBRI Issue Brief 123 (Washington: EBRI, 1991).


7. We did not compare vision or dental care, for which respondents to the Louis Harris survey reported 45 percent and 56 percent coverage, respectively, because the results are ambiguous when the employer surveys do not report near-universal coverage.


10. These questions were chosen to evaluate consumers’ basic knowledge of their coverage. The questions were developed because of issues raised in focus groups concerning out-of-area coverage for persons who work and live in two different areas of New York.


12. Multivariate results are available from the authors at the Institute for Health Policy, The Heller School, Brandeis University, 415 South Street, Waltham, Massachusetts 02254-9110.