Understanding Health Insurance Literacy: A Literature Review

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The 2010 Affordable Care Act changed health insurance plans for both the insured and uninsured. Currently insured consumers need to understand changes that impact their purchase decisions, and newly eligible consumers need to understand how to purchase through the new health insurance marketplace. Health insurance literacy is a new concept that addresses the extent to which consumers can make informed purchase and use decisions. Consumers currently exhibit limited health insurance literacy. Researchers and educators need a comprehensive review of the literature and existing curriculum and materials to conduct research and to create and test educational programs that could increase health insurance literacy. This article provides a review of relevant literature and curricula. It offers implications for additional research, measurement of health insurance literacy, and development of educational programs to improve health insurance literacy in the United States.

Keywords: financial literacy; health insurance literacy; health insurance education; health insurance decision making

Health insurance is a focus of attention due to the 2010 Affordable Care Act (ACA), which changed health insurance plans and the marketplace impacting most individuals and families in the United States. Millions of Americans, including many who were previously not eligible for insurance, are expected to enroll in health insurance plans to improve access to care. Others with insurance will see a change in benefits (Patient Protection & Affordable Care Act, 2010).

Most Americans purchase health insurance through employers, although the percentage of employee-sponsored coverage declined from 69% to 60% between 1999 and 2010 (Fewer employees getting health insurance at work, 2013). Nearly 84% of the 49 million uninsured come from families with at least one worker; 62% include at least one full-time worker (American Public Health Association, 2012; Kaiser Family Foundation, 2012a). The ACA has created new opportunities to provide more affordable options for individuals and families (Patient Protection and Affordable Care Act [ACA], 2010) and is expected to extend

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coverage to over 31 million people by 2019 (APHA, 2012; ACA, 2010). Research suggests that health insurance is a complex financial product for consumers.

Consumers with documented low-to-moderate levels of financial, health, and health insurance literacy will be challenged to make health insurance purchases (Cude, 2005; Huston, 2010; Lusardi, 2008; National Association of Insurance Commissioners, 2010; Tennyson, 2011). There is an urgent need to help consumers understand health insurance and to help optimize decision making for their particular situation during open enrollment periods.

The National Institutes of Health, Institute on Medicine, released an ACA-focused report on how to help consumers understand and use health insurance. Navigators and in-person counselors will be funded to reach and enroll consumers. However, they may not have sufficient expertise or time to put health insurance purchases into a broader personal and family perspective and educate consumers about health insurance (Centers for Medicare & Medicaid Services, 2013; Patel et al., 2013).

Selecting health insurance is a complicated financial decision. Although financial literacy is believed to be an essential tool to make sound financial decisions, it might not be a skill for many consumers. Many Americans lack knowledge and skills to make informed financial decisions and to manage their assets (Fox, Bartholomae, & Lee, 2005; Lusardi, 2008). One such financial and health insurance literacy skill is managing risk through health insurance (McCormack, Bann, Uhrig, Berkman, & Rudd, 2009; Tennyson, 2011). Consumers think choosing a health insurance plan is important but they might make less than optimal health insurance choices for reasons such as low health insurance literacy, lack of information or misinformation, information overload, and time constraints (Farley Short et al., 2002; Frank & Lamiraud, 2009; Hanoch & Rice, 2011; Lako, Rosenau, & Daw, 2011; Sinaiko & Hirth, 2011). Lack of information or understanding how to use information could lead to a mismatch of insurance to needs. Consumers may be carrying too much or too little health insurance for their individual and family health and financial situations.

The ACA provides researchers and educators an opportunity for health insurance research and education. Consumer behavior can be influenced by education (McGregor, 2009). Effective education programs could improve consumers’ health insurance literacy and decision making. While there is little research on health insurance literacy education programs, the effectiveness of financial education programs in improving financial literacy has been documented as a successful way to invest in human capital (Lusardi, Michaud, & Mitchell, 2011).

Lusardi and Mitchell (2009) have suggested that effective financial literacy education uses simplification, personal approach, and target programs. Following an extensive review of financial education program evaluation, Fox et al. (2005) suggested that an overarching framework for evaluation of financial education programs should provide a guide for collecting information about program development, delivery, effectiveness, and accountability. Therefore, this article provides a review of relevant literature and curricula. It concludes with implications for additional research, measurement of health insurance literacy, and the development of educational programs to improve health insurance literacy in the United States.
METHODOLOGY

The review of literature was conducted in four parts: (1) financial literacy, (2) health literacy and health insurance literacy, (3) consumer decision making and choice, and (4) existing curriculum. The authors identified keywords and specific content areas to guide the search. Keywords included health education, education, adult education, financial literacy, adult literacy, health care, and health insurance from these content areas: (i) personal finance, (ii) consumer behavior, (iii) health insurance, (iv) health services, and (v) family and consumer sciences. Current health insurance literacy curriculum and education materials were researched through Internet search engines and clearinghouses such as the National Endowment for Financial Education, eXtension.org, and Jump$tart. Internet search included: Ebsco Host databases, PsychINFO, JSTOR databases, and Google Scholar.

REVIEW OF LITERATURE

Financial Literacy

Financial literacy is essential to sound consumer financial decisions in increasingly complex financial markets. Financial literacy is defined as “… the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being” (U.S. Department of Treasury, 2008).

Financial literacy affects financial decision making regarding insurance, retirement plans, and more (Lusardi, 2008). A high level of financial literacy is not prevalent in the United States. Some groups, such as racial minorities, women, and those with less education may be more vulnerable than others (Lusardi, 2008). Increasing adult consumer financial literacy is a policy objective to improve the goal of consumer well-being through better decision making in financial management for all consumers including vulnerable groups (Huston, 2010).

A metastudy of financial literacy found that most studies focused on investing and savings, while only 16 out of 52 surveys (30.8%) included any questions about insurance (Huston, 2010; Tennyson, 2011). Using an insurance literacy scale, Tennyson (2011) found that U.S. consumers had low levels of insurance literacy associated with low consumer confidence in insurance decision making. Those with low insurance literacy and low confidence were more likely to seek informal sources of insurance information like friends and family (Tennyson, 2011). In health insurance decision making, consumers face similar issues as when making other types of decisions as both financial services and the health insurance marketplace have become increasingly complex and specialized. These decisions require consumers to have higher levels of sophistication and involvement (McCormack et al., 2009).

Health Literacy

The Institutes of Medicine (2004) defined health literacy as “… the degree to which individuals have the capacity to obtain, process, and understand basic health information and services necessary to make appropriate health decisions”
A study of American adults determined that only 12% were fully health literate; the majority were at or below basic health literacy (Kutner, Greenberg, Jin, & Paulsen, 2006). Levels of health literacy are predictive of personal health (American Medical Association, 1999). Health literacy affects the ability of individuals to provide self- and family care especially preventative care. When people do not understand how to access information or services, they are more likely to get costly medical care in advanced stages of poor health (Vernon, Trujillo, Rosenbaum, & DeBuono, 2007).

Health literacy and finances are related—poor health affects finances and lack of financial resources can contribute to poor health. Braun, Kim, and Anderson (2009) explored the relationship between the two and concluded that both are essential to personal health and finance decisions.

Health Insurance Literacy

McCormack et al. (2009) developed and tested a health insurance literacy scale for Medicare programs and found low-to-moderate levels of health insurance literacy among older adults. In 2011, 12 experts in financial literacy, health literacy, and/or health insurance plans were invited to a roundtable to define health insurance literacy and to recommend how to measure it. The roundtable was hosted by Consumers Union, the University of Maryland College Park, and the American Institutes of Research (AIR). Health insurance literacy was defined as “... knowledge, ability, and confidence to find and evaluate information about health plans, select the best plan for his or her family for their own or their family’s financial and health circumstances, and use the plan once enrolled” (Quincy, 2012a). In 2013, the AIR released a standardized measure of health insurance literacy with three purposes: “(i) assess a person’s ability to make informed decisions when selecting and using health insurance, (ii) is designed for use of the population’s level of education, and (iii) is a tool with a series of multiple-choice questions that are easily understood.” The topic areas included insurance terms, information seeking, document literacy, and cognitive skills such as numeracy and ability to assess health insurance value (AIR, 2013). The tool is intended for use by educators, policy makers, and researchers to better understand the health insurance literacy of U.S. consumers. Using this validated tool, educators could design education and outreach to match the complexity and type of information provided to the ability of target groups (AIR, 2013).

Consumer Decision Making in Health Insurance

While it is assumed that consumers make informed choices based on the cost and quality of competing health plans, research has documented that many consumers are overwhelmed by health insurance plan options and that consumers are not confident in their ability to choose (Quincy, 2011a). To make health insurance decisions, consumers need: clarity of financial aspects of available plans; reliable and easy-to-understand information; an effective way to navigate through the myriad options available to them in the health insurance marketplace; and sources they can trust (Farley Short et al., 2002; Hanoch & Rice, 2011; Hibbard, Slovic, Peters, & Finucane, 2002; Quincy, 2011a,b,c; Wroblewski, 2007).
Primary insurance variables in previous studies of health plan choices included price, quality, choice of provider, benefits/coverage breadth, and plan convenience; price was found to be the most significant factor. Other factors such as quality were not widely studied (Scanlon, Chernew, & Lave, 1997). Consumers seem to be interested primarily in financial cost but they might not fully understand the financial implications of health insurance plans (Farley Short et al., 2002; Quincy, 2011b, 2012b; Royalty & Hagens, 2005; Smith & Rogers, 1986; Wroblewski, 2007). In addition to premiums, consumers are interested in the cost of prescriptions, copays for primary and specialist care, in-and out-of-network fees, and estimation of out-of-pocket expenses (Barringer & Milkovich, 1996; Royalty & Hagens, 2005; Sinaiko & Hirth, 2011; Walsh, Fitzgerald, Gurley-Calvez, & Pellillo, 2011; Wroblewski, 2007). Walsh et al. (2011) reported that consumers chose a more appropriate plan for their needs when they were able to obtain specific plan details.

Type and quality of sources of information are likely to contribute to decision making. Farley Short et al. (2002) found that most consumers prefer two or three sources of information from the following ranked highest to lowest: (i) health plan sponsors (employers); (ii) health insurance companies; (iii) family or friends; and (iv) medical doctors. Research has shown that consumers are wary about the information they receive from employers and health insurance companies. Consumers are concerned that information sources will attempt to coerce them into “bottom-line friendly” policies rather than to policies which are best for their situation (Hibbard et al., 2002). In contrast, information provided by physicians was often looked upon favorably (Walsh et al., 2011).

How the information is presented is also important. Hibbard et al. (2002) found that consumers perform well when presented information in a single format but their performance deteriorates when formats are combined or become too complex. Quincy (2011b,c, 2012b) suggested that difficulty in understanding terms, inability to properly calculate true costs, and financial uncertainty add to the difficulty in choosing a health insurance plan. Research also showed that consumers lose interest, ignore available information, and ultimately choose inappropriate plans when faced with multiple choices (Frank & Lamiraud, 2009; Hanoch & Rice, 2011; Lako et al., 2011; Sinaiko & Hirth, 2011).

Research conducted by Consumers Union provided consumer recommendations to improve health insurance information. Among these are improving glossary and definition terms, plan-specific examples to allow consumers to understand their health plan, and examples of consumer’s out-of-pocket spending (Quincy, 2011b).

Research has called for helping consumers make better health insurance decisions (Frank & Lamiraud, 2009; Hanoch & Rice, 2011; Hibbard et al., 2002; Wroblewski, 2007). Hibbard et al. (2002) found that consumers perform well when given a tool that presents information in a simple format that allows them to compare plan aspects without viewing unneeded or cluttered information. Plan summaries highlighting specifics were found to improve consumer performance (Wroblewski, 2007). Consumers do not perform well when given too many choices in the health insurance marketplace (Frank & Lamiraud, 2009; Hanoch & Rice, 2011; Quincy, 2012c). In addition to tools to apply their knowledge and skills effectively, consumers need education to enhance health
insurance literacy. Educational interventions could reduce cognitive demands by making information helpful, providing decision-making tools, making tools as personalized as possible, and offering consumers trusted resources (Quincy, 2012c).

Curricula and Material Review

The purpose of the curricula and material review was to identify existing health insurance curricula and determine the extent to which the curricula addressed needs identified in the review of literature. This included a review of materials from the Cooperative Extension Service, nonprofits and foundations, and government information sources.

The review began with curricula and educational materials produced by the Cooperative Extension Service. Curricula for adults and families were located in five states (University of Missouri Extension, 2012; University of Wisconsin Cooperative Extension, 2013; Texas A & M University Extension, 2012; North Carolina State University Cooperative Extension, 2009). The University of Missouri’s “Making Money Count” curriculum (2012) includes health insurance lesson plans and tools to assist consumers in identifying and purchasing health insurance plans that work best for themselves and their families. Most of these personal finance curricula included information on the importance of health insurance as a risk management tool.

The University of Wisconsin materials (2013) focused on health insurance through a public policy lens. The University of Wisconsin has produced a “Health Reform” Web site allowing Wisconsin residents to stay current on their state’s progress through the health reform process and ACA impact on Wisconsin. North Carolina State University Cooperative Extension (2009) produced a downloadable document explaining what types of coverage are available to residents. Together, these extension materials cover basic details of health insurance such as plan types, terms and definitions, and explanation of basic benefits. Most address the family aspect of purchasing health insurance in contrast to focusing on consumers’ reading materials or attending an educational session. None of the materials explained total expenses associated with purchasing health insurance. Most materials did not include information about the levels of financial, health, and health insurance literacy required to use the materials, and they did not indicate any testing with consumers.

Nonprofit organizations and foundations have produced educational programs [LIFE Foundation, 2012; Griffith Foundation, 2006; National Association of Insurance Commissioners (NAIC) 2012; American Academy of Pediatrics and Children’s Hospital Association (AAP & CHA) 2012]. Griffith Foundation (2006) and LIFE Foundation (2012) specifically targeted youth. The goal of engaging youth is to prepare them for the health insurance marketplace when they are adults. The AAP and CHA (2012) partnered with the University of Wisconsin to produce information describing current Medicaid benefits for families in need of healthcare coverage for their children. NAIC’s “InsureUOnline” offers consumers general insurance information and provides contact information for state and jurisdiction insurance commissioner offices (NAIC, 2012).
In response to ACA, government agencies, nonprofits, consumer groups, and universities have created a large number of informational materials. Consumer Reports (2012, 2013) produced consumer informational materials on changes that will affect consumers when the ACA is fully implemented and on key questions to ask about health insurance. The “Update on Health Reform” Web site allows consumers to receive the latest health reform information (Consumer Reports, 2013).

Health-focused foundations and organizations have provided ACA information (American Public Health Association [APHA], 2012; Kaiser Family Foundation [KFF], 2012b). The APHA and KFF take a similar approach in describing how the ACA will impact health insurance for Americans and what that means for individuals and families. Both have up-to-date information available to consumers through their Web sites (APHA, 2012; KFF, 2012b).

APHA provides an overview of the basics of the ACA: a list of frequently asked questions and timely downloadable handouts and presentations (APHA, 2012). KFF provides basic information on the ACA and consumer tools to understand finances (KFF, 2012b). A “subsidy calculator” enables consumers to determine eligibility for financial assistance based on income, family size, and tobacco usage (KFF, 2012b). Snapshots of state programs are also available from KFF. Consumers can visit KFF’s Web site and learn which states are creating their own exchanges, which states are opting for the federal government’s exchange, and which are partnering (KFF, 2012b).

State governments are regulating their responses to the ACA and are responsible for communicating those responses to their population. As a result, several states have produced Web sites for their residents to learn about the change in ACA (Maryland Health Benefit Exchange, 2012; Washington State Office of the Insurance Commissioner, 2013; Washington Health Benefit Exchange, 2013). The main purpose of these Web sites is to connect consumers to the new health insurance marketplace.

Maryland’s approach provides consumers with a timeline detailing open and closing dates for open enrollment, as well as effective dates of coverage for new health insurance plans (MHBE, 2012). Washington State’s “Health Plan Finder” is organized to allow both consumers and small businesses to compare health plans, find financial assistance, and enroll online (WHBE, 2013). Washington State’s Office of the Insurance Commissioner’s Web site and handouts describe health insurance changes the state is making and how they will impact individuals, families, businesses, and seniors (WSOIC, 2013). These Web sites include tools to allow consumers to compare plans and find additional information, like financial assistance eligibility, to make the best decision for themselves and their families.

The federal government is using a Web site, Healthcare.gov, as their primary consumer resource for ACA information (Department of Health & Human Services, 2013). Healthcare.gov provides consumers with direct access to the ACA text, key features of the law, and a detailed timeline of implementation. The Web site also provides a basic understanding of how the health insurance exchanges operate. The main difference between Healthcare.gov and state Web sites is that the former provides consumers with an understanding of the ACA and some information about health insurance, while the latter focuses on connecting consumers to healthcare exchanges to purchase insurance (DHHS, 2013; MHBE, 2012; WSOIC, 2013).
The review found more informational materials and decision-making tools than health insurance educational curriculum. Little evidence was found of curriculum or materials development and testing based on research to enhance health insurance literacy.

IMPLICATIONS

Implementation of the ACA presents a teachable moment for consumer educators as all Americans will be affected by changes in health insurance. Currently insured consumers need to understand changes that impact their purchase decisions, and newly eligible consumers need to understand how to purchase through the new health insurance marketplace. Consumers need sources of current information they can trust.

Health insurance literacy—knowledge, ability, and confidence to effectively choose and use health insurance—is a relatively new concept. Even without standardized measures of health insurance literacy, the authors found evidence that many consumers do not know how to get and process information to make optimal health insurance choices for their situation.

A standardized measure of health insurance literacy in development will cover insurance terms, information seeking, document literacy, and cognitive skills such as numeracy and ability to assess health insurance variables (AIR, 2013). The measure will help researchers collect baseline and impact data over time. Educators can use the measure to develop and tailor curricula and materials based on levels of health insurance literacy. The authors recommend that educators develop research-based educational curriculum by incorporating the already-identified core topics in health insurance for consumers with differing levels of literacy.

Policy makers can use the results to determine whether changes are needed in the implementation of the ACA and to financial literacy education. Results from a curriculum that is research based and that has been evaluated will provide evidence of the extent to which consumers are meeting the challenge of making sound health insurance purchase decisions. Sound decisions are a key step toward improving the health and well-being of consumers and families.

REFERENCES


