



Purchasing Health Insurance Online: Full Report

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by*

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Acknowledgments

The authors acknowledge and appreciate the participation of the many site representatives who participated in interviews and reviewed data used to prepare this report. In the course of the project, all sites were contacted and asked to participate in an interview, but a few did not respond (see Appendix A for details).

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Disclaimer

The online world is changing rapidly. The analysis upon which this report is based was completed between May and July 2002, but existing sites change often and new sites emerge frequently. Although some of the details presented here will quickly become outdated, the issues we highlight will be of ongoing relevance.

The information in this brief is not intended as an endorsement or recommendation of any specific site, and the omission of sites from this study does not imply anything about their quality. As with all Web sites, consumers should carefully read and evaluate site information before making purchases online.

Contents

- I. Background** 1
- II. Key Findings** 2
 - Online Capabilities and Limitations 2
 - Privacy 3
- III. Analysis** 5
 - Industry Overview 5
 - Type and Number of Health Plans and Products Offered Online 6
 - Benefit Information 7
 - Eligibility and Employer Contribution Guidelines 11
 - Provider Information 11
 - Drug Formulary 12
 - Health Plan Ratings 12
 - Obtaining a Quote 12
 - Comparing Products and Making a Choice 15
 - How the Application Process Works 16
 - How Medical Underwriting Works 17
 - Requesting an Application 18
 - Applying Online 19
 - Asking Questions 23
 - Privacy Analysis 24
- Appendix A: Methodology** 33
- Appendix B: Broker Site Information** 38
- Appendix C: Health Plan Site Information** 41
- Appendix D: Small Group Purchasing Alliance Site Information** 44
- Appendix E: Description of Criteria Used in Privacy Charts**
- Notes** 46

I. Background

In the year 2000, the use of the Web as a tool to purchase health insurance was in its infancy. Venture capital was pouring into ecommerce companies, promising a different way of doing business. New sites were emerging every month, and new business models were tested. In June of 2000, during this gold rush era, the California HealthCare Foundation (CHCF) published a report entitled “Health Insurance: Purchasing and Privacy Online for Individuals and Small Groups.” That analysis explored the value the Web brought to the purchase of health insurance for individual customers and small employers with 2–50 employees. The report examined three broker¹ sites: eHealthInsurance.com, HealthAxis.com, and Quotesmith.com, and described each site’s effectiveness in delivering useful information and product comparison tools, its business model, and its policies and practices with regard to consumer privacy.

The sites profiled in the June 2000 study demonstrated clear value to the consumer. Getting a quote and comparison shopping were easy to do online. The sites also provided some useful educational information for consumers. However, the study found considerable room for improvement in both site capabilities and site privacy policies and practices.

Since the release of the June 2000 report, the number of sites offering health plan information and comparison tools has increased significantly. Many of these sites offer improved tools to assist users in obtaining health insurance. This report evaluates the site capabilities, information collection practices, and privacy policies of this new generation of sites. This study expands upon the June 2000 study in two important ways. First, health plan and purchasing alliance sites, as well as broker sites, are included. Second, the sites are evaluated against the capabilities they offer to consumers shopping for Medicare insurance in addition to individual and small group products. For methodological details, see Appendix A.

This study includes the following types and numbers of sites:

- Eight broker sites, including three representative examples of sites entirely or partially “powered by” technology companies that provide turnkey quoting engine services
- Six health plan sites
- Two small group purchasing alliance sites
- One health plan/broker co-branded site

II. Key Findings

Online Capabilities and Limitations

1. When shopping for health insurance online, California consumers have hundreds of broker sites from which to choose.

The number of health insurance broker sites has risen dramatically since 2000 as many traditional brokers have added Web sites to their existing businesses. However, lacking guidance on which sites to visit, consumers shopping for insurance have no guarantee of finding high quality sites. Some of the sites are of questionable value to consumers, limited by poor user-interface design, a narrow range of site capabilities, and missing privacy policies. Others provide a wide range of consumer services and support.

2. Broker sites provide individuals and small employers (2–50 employees) with information about a staggeringly large number of health insurance products.

In the zip code analyzed for this study, broker sites offer an average of 38 individual and 81 small group products. On some sites, small employers requesting a quote are presented with over 100 product choices.

3. Health insurance sites serving individuals and small employers provide a wide range of capabilities to help them find a health plan.

Of the three groups we studied, consumers in the individual (nongroup) market have the most resources at their disposal—from educational information to product comparison tools. In order to use the more interactive tools, individuals are often asked to provide more information. Small employers can also get help researching and comparing products on broker sites, but are not well served by most health plan sites.

4. Serious flaws exist in the individual and small group benefit information displayed on broker sites.

In order to provide comparisons across the many health plans in California, brokers transfer benefit information from health-plan-supplied formats into their own custom formats. As part of this study, the information in these broker-created formats was compared with the health plans' own benefit charts. While some broker sites supply the health plan format in addition to their

own format, the incidence of errors and omissions in the broker-created formats is of great concern. Consumers are cautioned not to rely on this information; they should download benefit information directly from each health plan's own site before purchasing.

5. Individual purchasers can complete an application online without generating any paper, but for small employers and for consumers shopping for Medicare, applying remains a paper-based process.

Most health plan sites and two broker sites in our study offer online applications for individual products. One broker enables small group employers and employees as well as Medicare applicants to enter application information online, but applicants must still print, sign, and mail in the completed application. On all other sites, users must download and print an application or request that one be sent to them.

6. Fewer sites provide quotes and product information online for Medicare consumers than for other (individual and small group) consumers. The capabilities available to Medicare consumers are also more limited.

Only half of the broker sites in this study provide Medicare Supplement quotes online. On those sites, Medicare consumers have only 15 product choices, on average, compared to 81 for small group consumers. The Medicare sections of broker and health plan sites are less likely to offer tools that allow consumers to easily compare and select products, making getting a quote and learning about Medicare products more cumbersome.

7. Consumers could make a more informed health plan choice if sites added health plan quality ratings and improved their product selection tools.

Sites should provide health plan rating information or link to sites providing this information. A logical choice is HealthScope, sponsored by the Pacific Business Group on Health (PBGH). This site profiles California health plans using Health Plan Employer Data and Information Set (HEDIS) data.² The first generation of product-selection tools is a good start, but these tools could be further enhanced to help consumers make educated choices among the considerable number of products available to them.

Privacy

The June 2000 California HealthCare Foundation report reviewed the current state of online health insurance sites, including the privacy policies and practices of these sites. The report highlighted some gaps and weaknesses in the privacy policies and practices of three health insurance broker Web sites and suggested areas of improvement. Some of these improvements are apparent in the privacy policies of the health plan and broker sites that were reviewed for this report, such as greater detail about what information is collected from consumers and how it is used and disclosed. However, some of the weaknesses identified in 2000 persist, such as limited or no discussion of the collection of personal information by third parties and site business partners.

1. Almost all of the Web sites post a privacy policy; however, the policies vary in comprehensiveness.

Almost all of the health plan and health insurance broker sites that were reviewed for this report post privacy policies. But policies vary in the extent to which they address the key privacy principles of notice, consumer access, consumer choice/control, chain of trust, security, and enforcement. (More background regarding these principles is available in Appendix A.)

2. In order to comply with the Health Insurance Portability and Accountability Act (HIPAA) privacy regulation, which will take effect in April 2003, health plans will need to make both privacy policy and business practice changes.

As part of the Health Insurance Portability and Accountability Act of 1996, Congress included a requirement that if it failed to enact health privacy legislation by a legislative deadline, then the Department of Health and Human Services would be required to issue health privacy regulations. Under these regulations, consumers have a right to inspect and copy their own health information. Consumers will receive notice about how their personal health information will be used and shared with others and what options they have to restrict disclosures. They also will have the right to limit disclosures in many circumstances. Health plan sites that do not already offer consumers the opportunity to exercise such rights will need to modify current policies and practices to comply with the new privacy requirements. While the regulation only applies to individually identifiable health information created or received by a health plan or other entity covered by the regulation (“protected health information”), such as information related to an individual’s physical or mental condition, family history, medications, and genetic information, sites may find it good business practice to extend the protections to all personal information collected from individuals.

3. Almost all of the sites are silent on the issue of enforcement of their privacy policies.

Only two of the Web sites we reviewed discuss how their privacy policies are enforced. The other sites fail to inform consumers of disciplinary actions or specific complaint procedures for addressing the misuse or abuse of their personal information.

4. It is not always clear what information the consumer must provide to the site and what information is optional for site registration or obtaining an insurance application.

To register or request an application, the user is typically asked to provide a name, email address, gender, date of birth, and home and/or work phone number. A few sites even request a Social Security number or mother’s maiden name. A consumer may question the necessity of some of the information requested and find it intrusive, especially if the site does not indicate that submission of such information is optional or clarify why it may be relevant.

5. Some privacy policies only apply to information that may be collected through the site, while others apply more broadly. Consumers may be confused by such a distinction between online and offline information collection practices.

Because the collection and use of consumers’ personal information often begins online but continues offline—from insurance rate quotation to application processing—consumers may inaccurately assume that the privacy policy available on a site applies to all of the site’s information privacy practices, if the policy does not clearly indicate otherwise.

III. Analysis

Industry Overview

Broker Sites

Consumers today have many more choices when shopping for health insurance online than they did in 2000. Between 2000 and 2002, the number of broker-sponsored sites aimed at consumers shopping for health insurance in California skyrocketed. Today there are hundreds, if not thousands, of broker sites for consumers to visit. Ironically, this increase in broker sites presents a challenge for consumers. Lacking detailed information from any independent rating organizations, consumers have no objective information upon which to base a decision about which sites to visit.

While consumers may choose from among a large number of sites, many sites selling health insurance online are identical. A number of larger online-only health insurance brokers, such as Digital Insurance and eHealthInsurance.com, provide health insurance for popular Web sites like Yahoo or MSN. Regardless of which site the user enters from and whose logos are at the top of the page, the health insurance shopping experience is the same. In addition, some of the traditional offline brokers with Web sites have purchased pre-packaged sites. A few hundred dollars per month will buy a turnkey health insurance broker site or a quoting engine complete with product rates and benefits that can be added to an existing site.

Although the number of brokers selling health insurance online has increased, some pioneer online health insurance brokers have exited the market in the last two years. As going public and securing additional venture capital funding have become increasingly difficult, new companies have struggled. Some sites, like HealthAxis, which was included in the June 2000 CHCF study, have exited the direct-to-consumer health insurance market. Others have folded altogether.

As other online-only health insurance brokers have struggled to gain market share in California and around the country, eHealthInsurance.com, which remains privately held, has emerged as the top-producing online health insurance broker in California. According to two California health plans interviewed for this study, eHealthInsurance.com represents over 80 percent of the individual and family product applications coming from health insurance brokers whose primary

method of selling is online. eHealthInsurance.com is the top-producing broker, of any type, for individual and family products for most California health plans.

Health Plan Sites

Health plans have finally embraced the Web, recognizing the potential of their sites to increase sales. Over the last 18 months, most health plans have added individual and family product applications to their sites, providing consumers with a compelling reason to visit a health plan's site instead of, or in addition to, going to a broker site. Some health plans have also added medical group quality information and referrals to local agents, other features likely to enhance the consumer's shopping experience.

Blue Cross introduced a new co-branded site in the spring of 2002. Any Blue Cross broker can build a special version of the sales section of the Blue Cross site with his or her contact information prominently featured. The principle use of the co-branded site is as an adjunct to brokers' existing Web sites. Users interested in detailed information about Blue Cross products can link to a broker's Blue Cross co-branded site from the broker's regular site without the broker worrying that the user will get lost.

Small Group Purchasing Alliance Sites

The two California small group purchasing alliances, CaliforniaChoice and PacAdvantage, each market eight custom benefit packages from a number of health plans. By working with CaliforniaChoice or PacAdvantage instead of going directly to the health plans, small employers can increase the range of health plan choices for their employees and keep their paperwork to a minimum.

Neither the CaliforniaChoice nor the PacAdvantage Web sites yet offers a full range of information to prospective employer clients. Both sites provide basic information, including benefits and program rules, but neither provides quotes. These two sites are geared to support the brokers who sell through the CaliforniaChoice and PacAdvantage programs, as well as employers who have already bought health insurance through the programs. Neither site focuses on serving small businesses not yet participating in the purchasing alliances.

The next section provides summary analysis, presenting the common themes and issues that emerged from studying multiple sites. For more details about each individual site, see Appendices B–D.

Type and Number of Health Plans and Products Offered Online

Health Plan Sites

Health plan sites include information only about their own products. All include information about their individual and small group products.³ Information about Medicare+Choice products is available exclusively at health plan Web sites, as this product is not sold through brokers. Medicare Supplement⁴ products are available from four of the five health plans we studied.

Broker Sites

All eight broker sites in the study offer a complete range of medical insurance products—health maintenance organizations (HMOs), preferred provider organization (PPOs), and point-of-

service (POS)—for the individual and small group markets. If a broker site includes any products from a particular health plan, then it will typically include all of them, with the exception of Kaiser, whose individual products are only available directly from Kaiser. Some broker sites also sell short-term health insurance, chiropractic coverage, dental coverage, and term life insurance.

Only four broker sites in the study quote Medicare Supplement products online.⁵ Some of the brokers who do not quote Medicare Supplement products online do sell them offline. Many claimed that the demand for this product is too low to justify adding a Medicare Supplement section to their sites. Other brokers cited the need for differently trained staff to support Medicare calls and the fact that some health plans do not offer ongoing commissions on Medicare Supplement.

Table 1. Offerings of Broker Sites

Broker Sites	Number of Health Plans			Number of Products		
	Min.	Max.	Average	Min.	Max.	Average
Individual Products	2	9	6	11	56	39
Small Group Products	3	16	8	20	125	81
Medicare Supplement	2	4	3	12	23	15

Some brokers, like eHealthInsurance.com and Digital Insurance, intentionally limit the number of health plans and products they offer. By only including the top few health plans, they avoid overwhelming users with too many choices. By contrast, Quotit believes that consumers should have access to all health plans sold in the market and be allowed to make their own choices. Quotit, along with the other two companies selling online quoting engines to brokers, Quotes 4 Brokers and NextElevation, offers the greatest number of small group health plan and product choices. Each service quotes small group products directly from between 14 and 16 health plans and offers all of the PacAdvantage and CaliforniaChoice products, resulting in over 100 product choices for most employers.

Because the Medicare Supplement products are standardized and only ten types are available, Medicare consumers have a more limited set of choices to make. Once consumers have selected the product they prefer, they then need to pick a health plan. All the health plans offer the exact same set of benefits, but at varying prices. Online brokers offer a limited number of health plans for Medicare shoppers to choose from: between two and four. By contrast, a much larger number of health plans offer Medicare Supplement products through traditional channels.

Small Group Purchasing Alliance Sites

PacAdvantage offers products from seven health plans and CaliforniaChoice offers products from nine health plans.

Benefit Information

The Uniform Matrix is the format in which the Department of Managed Health Care (DMHC) in Sacramento requires health plans to display benefit information to prospective customers. The Uniform Matrices are detailed benefit charts of two to four pages in length. Each row on the

chart contains a different benefit, such as Outpatient Surgery, and the corresponding member copayment (e.g., \$50 or 30 percent). Certain benefit information must be included in a Uniform Matrix, but the categories and how they are grouped is not standard. One chart might have routine annual checkups listed under the category Preventive Care while another lists these under the heading Physician Office Visits. Changes to these charts must be reviewed and approved by the DMHC.

Individual and Small Group Products

Health plan and small group purchasing alliance sites. All of the health plan sites include benefit charts in the Uniform Matrix format for each individual and family product. The health plan and purchasing alliance sites also display benefits for small group products in the Uniform Matrix format, except for Health Net, which does not include small group benefit charts on its site.

Some health plans post the legal contract describing the product's benefits and provisions, the Evidence of Coverage (EOC), online for their individual products. The EOC is placed where applicants can review it prior to submitting an online application. Users interested in learning about a product's benefits prior to completing an application do not have access to the EOC. No health plans offer EOCs online for small group products. One important section of the EOC, exclusions and limitations,⁶ is available at four of the five health plan sites offering individual products and two of the five offering small group products. PacAdvantage's site includes a downloadable EOC with exclusions and limitations.

Broker sites. All broker sites in the study selling individual and small group health plans include benefit information. To enable consumers to easily compare benefits between products, brokers transfer information from health plan benefit charts into their own custom-made charts. These charts are used to display each product's benefits and to allow comparisons between products. The transfer of information from one chart to another introduces the potential for error. To determine the accuracy and comprehensiveness of these broker-created custom benefit charts, each site's custom benefit chart was compared against the health-plan-supplied chart for the following three products: the individual market Blue Cross PPO Share 2500 product, the small group Blue Cross PPO \$40 Copay product, and the small group Kaiser Northern California \$20 Traditional HMO.⁷

The results of this benefit comparison raise serious concerns. All of the broker-created custom benefit charts for the two Blue Cross PPO products contain numerous errors, some in over half of the listed benefits. The charts describing the Kaiser option also had many errors, but fewer than for the Blue Cross products. Because the Kaiser HMO product benefit design is simpler than Blue Cross's PPO product designs (no out-of-network coverage and 100 percent coverage for many services), there is less room for error. The better broker-created benefit charts omit numerous details, but details that apply to infrequently used benefits or have a small impact on the consumer. The worst charts are very confusing and/or replete with significant omissions and factual errors that may impact a consumer's decision to purchase the product.

Information about the deductible and out-of-pocket maximum, two important aspects of a product, is often incomplete. Charts list the deductible and out-of-pocket maximum amounts, but fail to note that these are per person numbers, that the deductible applies to the out-of-pocket

maximum, and that certain benefits are payable before the deductible is reached. Health plan sales brochures explain how the deductible and out-of-pocket maximum interact and what copayments apply to these amounts in the pages surrounding the benefit charts, but broker sites don't typically include this information. Better broker sites include links to a glossary, but the definitions are often short and not product specific.

Many of the formats used on broker sites are too simplistic to accommodate the increasingly complex benefit designs health plans are developing.⁸ Very complicated benefits, for example those with visit maximums and dollar value limits on what the health plan will pay, are routinely crammed into one line. Abbreviations like "cpy" for co-pay and "vst mx" for visit maximum are common. For example, the brand name prescription drug deductible is typically abbreviated as "Brand Rx Ded \$250." Some consumers don't understand abbreviations like "Ded," nor do they understand how the regular deductible and this special deductible interact.

Not one chart reviewed for this analysis accurately explained mental health benefits. The broker formats do not include space for two sets of mental health benefits. Most sites only list benefits for diagnoses not covered by AB88,⁹ failing to note that more generous benefits are available for certain diagnoses. Broker staff entering these benefits may lack the expertise to accurately translate more complex benefits like these between formats. Part of the blame for poor mental health benefit explanations for the Blue Cross PPO Share 2500 product, however, must rest with Blue Cross. Blue Cross's own Uniform Matrix for this product does not include mental health or substance abuse. The information is listed separately on the Blue Cross Web site and is not laid out in a chart format that can be easily copied by brokers.

Missing information, for entire covered services or for details about services listed, represents the most serious problem with the benefit information.

Costs for the following commonly used benefits are often missing completely:

- Preventive care, including routine annual physical exams for adults
- OB/GYN exams and any associated tests
- Well-child and well-baby visits
- Chiropractic and acupuncture visits
- Out-of-network benefits

Many of the listed benefits are often missing vital details, such as:

- Clarification that certain copayments are for in-network providers only
- Additional copayment (e.g., \$1,000) required for maternity care
- Additional copayment (e.g., \$35) charged for an emergency room visit if the patient is not admitted to the hospital

- Additional copayment (e.g., \$500) charged for each hospital admission at certain in-network hospitals
- Number of days supply of prescription drugs provided for each copayment (can range from 30 to 100 days)

Also present, but much less common than poorly explained benefits and missing information, are mistakes that appear to be typos. One site gives an incorrect out-of-pocket maximum, another provides incorrect out-of-network coinsurance, and another lists the chemical dependency inpatient benefit under the outpatient benefit.

Keeping benefit information current represents a huge challenge for brokers. Most broker sites include at least 75 different individual and small group products, with some sites including well over 200 products. Health plans can announce benefit changes at any time during the year and notice of benefit changes often arrives only 30 days in advance. Benefit changes are sometimes communicated to brokers before they have received regulatory approval. At the time of this analysis, Blue Cross is seeking regulatory approval to increase the coinsurance level on the Blue Cross PPO Share 2500 product from 25 percent to 30 percent. Blue Cross's Uniform Matrix lists the amount at 25 percent, but some broker sites have already made the change to 30 percent. Some health plans cause further work for brokers by only providing summary information about benefit changes in their announcements. The detailed and legally binding benefit descriptions found in the EOC are often not available to brokers until after the changes have become effective. Furthermore, health plans sometimes provide contradictory benefit information in different publications or communications.

A few brokers have arranged for health plans to check their benefit charts. Policies on when, for whom, and how these checks are performed vary by health plan. Health plans note that these reviews must be done by experienced staff and that the costs can be justified only for top-producing broker sites.

Many broker sites supplement their own benefit charts with the health plan's Uniform Matrix. Of the broker sites in this study, only eHealthInsurance.com includes these health-plan-supplied charts for all of the individual and small group health plans it sells. Californiahealthinsurance.org and Digital Insurance provide the Uniform Matrix for some individual and small group plans. HealthInsurance.com, Quotesmith.com, and Quick Quote include the Uniform Matrix for individual products from a few health plans only. Links to the Uniform Matrix charts are typically buried at the bottom of the broker-created benefit charts and poorly labeled. Digital Insurance's link is simply called "Details."

In addition to the Uniform Matrix, eHealthInsurance.com and Digital Insurance provide an exclusions and limitations list for each of the individual and small group plans they sell. An additional three sites include this information only for selected health plans, most commonly for individual coverage.

Broker sites could take a number of steps to improve the accuracy of their individual and small group benefit charts. First, translation and data entry errors could be significantly reduced with a well-designed quality assurance process. Second, brokers could redesign their formats to ensure

that details are not lost in an attempt to compress complex benefit information. Health plans should play their part as well by ensuring that complete benefit information is released more than 30 days in advance of changes and that their own benefit charts are comprehensive and accurate.

Consumer Caution

Consumers are cautioned not to rely on benefit information contained in broker site benefit charts. Once consumers identify a product they are interested in, they should review the Uniform Matrix for that product at the health plan's site.

Medicare Products

Health plan sites. Only Blue Shield's site includes detailed benefit information about Medicare Supplement plans. Blue Cross and Health Net both offer high-level Medicare Supplement benefit information, while PacifiCare's Secure Horizons site does not include benefit information for its Medicare Supplement products. All health plans selling Medicare+Choice products include benefit information on their sites. The level of detail varies for these Medicare+Choice benefit charts, but these charts are all approved by Centers for Medicare and Medicaid Services (CMS).¹⁰

Broker sites. Broker sites quoting Medicare Supplement products provide a varied amount of benefit information.¹¹ Only USHealthPlans.com uses the comprehensive three-column chart typically used for Medicare benefits: Medicare pays, the health plan pays, and you pay. Because Medicare Supplement benefits are standardized and changes are released months in advance of when they take effect, the risk of benefits being incorrect is low. An analysis of the accuracy of Medicare benefits on broker sites was not included in this study.

Eligibility and Employer Contribution Guidelines

Small group employers need to understand the health plan guidelines for employee eligibility (number of employees who must participate, etc.) and employer contribution requirements for any health plan they are considering. One of five health plan sites and five of eight broker sites provide this health-plan-specific information. The Employer Handbook available on the PacAdvantage site provides easy-to-understand, comprehensive information on this topic.

Provider Information

Provider Directories

Consumers shopping for health insurance online will find it easy to determine if providers important to them are in the network of a health plan they are considering. All health plan sites in the study include provider directories, and all broker and small group purchasing alliance sites include prominent links to those directories. These directories include the networks used for individual products, small group products, and Medicare+Choice products. With the exception of the CaliforniaChoice and PacAdvantage sites, each of which has a directory that consolidates providers across all of the products it offers, consumers must search each health plan's network separately to determine if specific providers are included. The online provider directories at each

health plan's own site are usually more up-to-date than online consolidated directories or paper directories.

Medical Group Level Quality Information

Both Blue Cross and PacifiCare have also added Medical Group level quality information to their sites. Providing this information is a step in the right direction, but technical questions about using this data to make medical group comparisons and to select a health plan mean that it may have limited value to consumers.

Drug Formulary

For some consumers, whether or not certain drugs are covered can influence the health plan selection decision. All health plan sites in the study offer a searchable drug formulary. Some of the health plans include highly visible links to the formulary within the sales area of the site whereas other sites only provide formulary links from the home page. None of the broker sites in the study includes links to health plan formularies.

Health Plan Ratings

Financial Ratings

Three sites in the study include information on health plan financial ratings from multiple organizations, including Moody's and AM Best.

Consumer and Clinical Ratings

Consumers interested in selecting a quality health plan will want to consider both subjective ratings from consumers, such as "the physician listened to my concerns," and objective measures of clinical outcomes, such as immunization rates and asthma-attack-related hospitalizations. Most health plan sites display their National Committee for Quality Assurance (NCQA) status,¹² but none provides information about their performance on any third party consumer ratings or clinical outcomes measurements.

Of the broker sites, only eHealthInsurance.com addresses health plan quality in any detail. The set of articles entitled "Your Guide to Choosing Quality Health Care" from the Agency for Healthcare Research and Quality (AHRQ) includes helpful advice for consumers on how to select a high quality health plan and links to governmental and consumer advocacy organizations. Californiahealthinsurance.org provides a link to PBGH's California-only site, HealthScope, which enables consumers to compare quality across health plans, hospitals, and medical groups. No other sites we studied included this link.

Obtaining a Quote

Broker Sites

Anyone shopping for individual products, Medicare Supplement products, or small group products can get real-time quotes at all of the broker sites in this study. Quotes on broker sites match those available either by calling the broker or by contacting the health plan. Obtaining a quote on broker sites is simple, typically requiring only a few clicks and some basic information. Broker sites are designed around this feature and they have made it easy to use.

Required Information. Most broker sites only ask for zip code and age or date of birth to provide an individual or Medicare Supplement quote. Some sites, however, also request gender, tobacco use, county of residence, date enrolled in the Medicare program, and contact information, such as email addresses and phone numbers.

To obtain a small group quote, broker sites typically ask for zip code, company name, and other company information (such as contact person, phone number, email address and the company's standard industrial classification code), as well as date of birth, zip code and/or gender of each employee to be covered. Two sites, Quotesmith.com and Quick Quote allow small employers to get quotes without providing any personal or company contact information.

Consumer Caution

Quick Quote asks for some additional sensitive information for individual and Medicare Supplement quotes. The individual quote information page asks for height, weight, number of children, whether the applicant or other family member is pregnant, whether the individual is employed in a hazardous occupation, and what listed medical conditions the applicant has been treated for or taken medication for in the past five years. Medicare Supplement shoppers must furnish their occupation and respond to a series of medical questions about hospitalization, confinement, surgery, and other treatments. Although no personal contact information is requested with this highly sensitive information, consumers still may find Quick Quote's questions intrusive. The site does not specify if the information is required, nor does it explain what it does with the information (this information is not necessary to generate a quote in California).

Displaying quote results. The format for displaying quote results is quite similar across broker sites. Almost all sites display quote results from lowest to highest price and most display the same information. Six of eight sites include health plan name, product name, deductible, and office visit co-pay along with monthly premium on the small group quote results page. Quotesmith.com is unique in indicating for how many months the quoted rate is guaranteed for a small group product before it may increase. Quotesmith.com is also the only site to provide short-term health quotes along with individual and family product quotes, ensuring that consumers are made aware of this alternative to regular individual coverage.¹³

Calculating rates. In addition to providing total costs, four of the eight sites also calculate the employer's portion of the premium cost based on employer-provided contribution information. eHealthInsurance.com goes one step further by showing the employer's portion of the premium cost for each employee and any applicable dependents. To obtain this information on Californiahealthinsurance.org, users must call to request a special password.

Another difference among broker sites is the methodology used to calculate small group quotes. Small group insurance regulations in California allow health plans discretion in setting their base rates, but health plans can only vary the premium for any specific small group up or down by ten percent. Most broker sites quote each health plan's standard small group rates. At HealthInsurance.com, quotes are shown with "standard cost," but employers can opt to look at the "lowest cost" and "highest cost" rates as well. Quotit offers its broker clients a choice: Their

site can quote the standard rate or the site can make necessary adjustments up or down by ten percent based on employer group size and demographics.

Rate accuracy. This study did not examine rate accuracy on broker sites, but during interviews a number of brokers noted that rates become outdated because health plans routinely release individual and small group rates only 30 days in advance of changes. This does not allow adequate time to update rate information and provide new rates to online shoppers. Because Medicare rates change only once per year and are known a few months in advance, brokers do not face the same issues with Medicare rates.

Health Plan Sites

Individual products. All of the health plan sites provide quotes for their individual products. Like broker sites, health plan sites require zip code and age (or age group or date of birth) to generate an individual quote. A few sites also ask for the county of residence. Unlike broker sites, health plan sites do not ask for contact information. Generating a quote on a health plan site is more cumbersome than on most broker sites, typically requiring extra clicks and a more circuitous path.

Small group products. Only Kaiser's site provides small group quotes. Kaiser's quoting feature is not as easy to use as those found on the better broker sites. To obtain a quote on Kaiser's site, users must provide zip code, date of birth, and age of each employee to be covered. Users must also provide contact information. Kaiser calculates the premium split between employer and employee. Kaiser's "Contributions Worksheet" included with the quote is particularly helpful. The dynamic tool enables the consumer to repeatedly alter the employer percentage paid for employees and dependents to see what the resulting employer/employee required contribution would be.

Medicare products. Finding the correct rate for Medicare products on a health plan site is not as easy as for individual and small group products. None of the health plans offer a quoting capability for Medicare+Choice. Users must first confirm that they live in the health plan's Medicare+Choice service area by looking at a county/zip code table or a map. Then, they must download a Summary of Benefits brochure for the rate tables.¹⁴ No personal information need be provided to look at Medicare+Choice rates.

Blue Cross and Blue Shield both have quoting tools for their Medicare Supplement products for which consumers need to provide zip code and age (or age group). Health Net simply includes rate tables for Medicare Supplement. PacifiCare's Secure Horizons site does not include rates for its Medicare Supplement product.

Small Group Purchasing Alliance Sites

The small group purchasing alliance sites do not offer any online quoting capability. PacAdvantage is building a "cost estimator" for introduction later in 2003. This tool will not generate binding quotes, only estimates.

Comparing Products and Making a Choice

Educational Information

Most health plan sites include articles or Frequently Asked Questions (FAQs) that provide individual (nongroup) consumers with information to help them choose a product. Only Blue Cross provides this information for small employers. Health plan sites typically explain the differences between HMOs, PPOs, and fee-for-service products and what to consider when shopping for health insurance. Health plan sites are uneven in their explanation of the Medicare program and the product choices available through Medicare. PacifiCare's Secure Horizons site includes good information on these topics. However, that information is located in the "Member" part of the site, while those shopping for coverage are directed to the "Guest" part of the site.

All brokers provide some educational information to help consumers and employers select a product. Some of this information is very rudimentary, that is, a one-line answer to a FAQ. A few broker sites stand out for the high quality and comprehensiveness of the information they post. Examples include:

- "Checkup on Health Insurance Choices" and "Choosing and Using a Health Plan," from the Agency for Health Care Policy and Research (eHealthInsurance.com)
- "Buyer's Guide for Health Insurance" (not sourced or dated; Quotit)
- Lifestyle Profiles provide information for people in 14 different situations ranging from Recently Laid Off to Self Employed/Consultant (some articles have author and date; Digital Insurance).
- "Health Insurance for Business Owners" guide (eHealthInsurance.com)
- "The Insurance Guide for Small Business Owners" and "Ask Employees What They Want" (Digital Insurance)
- Articles on the Medicare program and product options (on Quotesmith.com's subsidiary consumer information site; Insure.com,)
- "2001 Guide to Health Insurance for People with Medicare," published by CMS (eHealthInsurance.com, Quotesmith.com, and Quick Quote)

Sort and/or Filter Quote Results

Another very useful feature, given the large number of products available, is the ability to sort or filter quote results. Most broker sites enable the user to sort or filter quotes based on health plan or on product attributes like product type or deductible level. Appendix B lists which sites do so. eHealthInsurance.com and Quick Quote both offer drop-down boxes at the top of the individual and small group quote results pages, allowing consumers to refine their criteria after the first set of quotes has been presented. This enables consumers to quickly iterate through various sets of products, targeting a few to learn more about.

Interactive Product Comparison Capability

After identifying a number of potential products, consumers typically move on to side-by-side comparisons. Most broker sites allow consumers to compare benefits and rates for between two and six products. Refer to Appendix B for more detail on which sites provide this feature. While most health plan sites still use static grids to compare features among products, Blue Shield, Health Net, and PacifiCare have added interactive side-by-side product comparisons like those found on broker sites. The Health Net and PacifiCare comparison feature for individual products is easy to use. Consumers can compare an unlimited number of products, navigating between the pages is simple, benefit information is well laid out, and rollovers provide explanations for unfamiliar terms. Blue Shield also provides comparisons across individual products and Medicare Supplement products, but they are not as easy to use as the Health Net or PacifiCare comparisons.

Product Selection Tool

Four health plan and broker sites in this study offer product recommendations based on consumer needs: Blue Shield, Health Net, PacifiCare, and Quick Quote. Consumers are typically asked to respond to between two and seven questions about the people to be covered, geographic location, price sensitivity, copayment level preferences, and willingness to switch doctors. Blue Shield's product selection tools for individual (nongroup) and Medicare consumers stand out for a few reasons. First, the tools are jargon-free and they enable the user to check if their physician is part of Blue Shield's network. Second, the individual (nongroup) version of the tool asks individual consumers for how long they'll need the insurance and then recommends short-term health insurance products if appropriate. Finally, the Medicare version of the product selection tool includes both Medicare Supplement and Medicare+Choice products.

Only PacAdvantage provides a product selection tool for small groups. PacAdvantage's "Pac Plan Chooser" is only available to PacAdvantage members, that is, employees of employers that have chosen PacAdvantage coverage. Users of the "Pac Plan Chooser" are asked to provide a zip code, age, and descriptions of prescription use and medical service expected for the coming year. The tool is noteworthy in its ease of use and its effective integration of provider, quality, benefit, and health plan rules information.

The current tool selection is clearly a first generation attempt; the types of questions, number of recommendations, and display of recommended products would all benefit from more attention. Some of the tools do not incorporate price or network information. Many health insurance shoppers are bewildered by the complexity of the products and focus only on price, the top few benefits, and whether certain physicians are in the health plan's network. Today, consumers cannot easily integrate information about the comprehensiveness of a product's benefits or the quality of the health plan into their decision making process. More sophisticated tools could help consumers evaluate a wider range of information about each product in light of what is most important to them personally.

How the Application Process Works

Applying for coverage is a complex process that may be unfamiliar to many. Consumers shopping for individual and Medicare insurance, offline or online, need to understand how to submit an application, under what circumstances medical underwriting is required, how to get

status updates, and how long it takes to get a decision. Most health plan sites analyzed for this study (three of five) and a minority of broker sites (two of eight) provide some information about the application process for individual insurance. None of the health plan sites analyzed for this study, and only one of the broker sites, provided any information about the application process for Medicare products.

How Medical Underwriting Works

Individual Products

Information about health plan underwriting practices is scarce. None of the health plan sites in this study includes information about the health plan's use of medical records review, common causes for rejection, pre-existing conditions clauses, or the possibility that the application will be accepted, but at a higher premium (i.e., "rated up"). As a rule, health plans do not provide this information in printed sales materials either. Traditional brokers, however, often provide their clients with information about each health plan's underwriting practices, including which health plans are more lenient. For individual consumers with current or past health issues, this expertise is often more valuable than the broker's ability to recommend a specific type of product. Advice about health plan underwriting practices is available by phone from many online brokers, but not on their sites. Broker sites typically contain a disclosure at the bottom of the quote results page indicating that underwriting is required and that rates shown may not be the final rates. No explanation beyond this is offered. Brokers and health plans believe that any more information might scare off potential customers.

Insure.com, Quotesmith.com's consumer education insurance site, which consumers can access from Quotesmith.com's home page, includes articles explaining California's laws governing pre-existing conditions and providing tips on shopping for health insurance if you are pregnant, overweight, or have a chronic condition. Most articles on Insure.com include an author; all have a date stamp.

For consumers who are denied private individual insurance, other alternatives exist. Some health plan and broker sites (three of five and three of eight respectively) include information about these alternatives. Topics covered include COBRA;¹⁵ HIPAA Guaranteed Issue products;¹⁶ Medical Risk Managed Insurance Program (MRMIP), California's state-funded medical insurance product for the uninsurable; and Healthy Families, California's health insurance product for certain low-income families. Quotesmith.com's Insure.com site provides the best information on COBRA, MRMIP, and HIPAA Guaranteed Issue products.

Small Group Products

Very few sites (two of eight broker sites and one of five health plan sites) explain that California has guaranteed issue for small groups with 2–50 lives and that health plans are restricted in the range of rates they can charge small groups. Information on the time it takes to get a decision for small groups and on the status of applications being reviewed is also noticeably absent from the sites in this study.

Requesting an Application

Requesting and Receiving an Application

Over half of the sites in this study enable consumers to request that an application be sent to them by mail. Another popular approach is to offer a downloadable version of the application. While most downloadable applications are blank, Quotesmith.com pre-fills the application with the information the user provided to obtain the quote. Some sites allow consumers to request that an application be sent via email or fax, but this is less common.

Individual consumers have the greatest number of ways in which they can receive an application. Small group and Medicare shoppers are less likely to be able to request or obtain an application online. Californiahealthinsurance.org does not provide consumers with the ability to request an application online. Instead, consumers are encouraged to call and request an application. Refer to Appendices B–D for a detailed breakdown of which sites offer which methods for which products.

Required Information

Individual. To receive an application by mail from a health plan site, the user must provide a name and mailing address. About half of the sites also allow individuals to download and print an application to complete offline without providing personal information. Broker sites generally ask for a name and contact information when users request an application. Most of these sites also give users the option of downloading and printing an application to complete offline without providing contact information.

Consumer Caution

To request an individual application, the Quotit-operated sites ask for weight; height, gender and fax number are optional. Digital Insurance requires the user to register with the site before he or she can request an application or download and print the application. To register, the user must provide name, address, phone number, email address, and mother's maiden name in addition to creating a password. Digital's individual application form asks for a Social Security number, although submission of this information is optional. It is not clear what purpose registration serves or why Digital Insurance asks the user for Social Security number and mother's maiden name. No explanation is provided as to what purposes this information might be used for in the future. Consumers should be aware that at most other sites they need not register or provide information other than contact information when requesting an application.

Medicare. Users who want an application mailed to them must generally provide a name and address. Some sites also request a date of birth, phone number, and email address. Blue Shield and USHealthPlans.com also allow users to download the application directly from the site—no personal information is required.

Consumer Caution

Quick Quote asks for a driver's license number and Social Security number. This information seems unnecessary for obtaining a Medicare Supplement product application that the individual may ultimately choose not to complete.

Small group. Users requesting that a Kaiser small group application be mailed to them must provide contact information, including contact name, company name, address, and phone number.

Blue Cross enables users to download the group application without providing any contact information. Employers who request an application on broker sites, using any delivery method, must typically provide contact information (e.g., name, address, phone number, and email address).

Consumer Caution

Individuals and small group employers who request an application on one of the sites powered by Quotit must provide contact information, including address, phone, and email. Quotit, which hosts these sites on its own servers, transfers this information to its broker clients via email. Regular email is not a secure method of transmission and is vulnerable to hackers, but users of these sites are never told that their information will be transmitted in this way. In fact, the Quotit sites reviewed for this study do not have privacy policies.

Applying Online

Health Plan Sites

In the past 18 months, four of five health plans in the study have added an online application for their individual and family products. Only Blue Shield does not offer this capability.

Blue Cross, Health Net, and Kaiser all enable consumers to submit the application online; PacifiCare requires consumers to print out the completed application, sign it, and mail it in. Some sites enable online payment for the first month's premium and require an electronic signature. Part of the application process at Kaiser and PacifiCare includes the opportunity to review the EOC. Consumers completing a Blue Cross application online can access sections of the EOC (Exclusions and Limitations, Rights and Obligations, and Privacy) during the acknowledgment step of the application process, but the entire EOC is not yet available online.

Required information. To complete an individual application online, health plan sites ask that the user first register with the site. To register, the user is typically asked to create a username and password and provide a name, email address, gender, date of birth, and home and/or work phone number. Kaiser also asks for marital status, street address, and mother's maiden name; the last four digits of the person's Social Security number are used, along with the username and

Table 2. Capabilities in Connection with Individual (Nongroup) Online Application

	Blue Cross	Health Net	Kaiser	PacifiCare
Saves work in progress	✓	✓	✓	✓
Requires online payment for first month	✓	✓	Not with application	✗
Requires electronic signature	✓	✓	✗	✗
EOC available	Partial	✗	✓	✓
Requires hard-copy follow-up with ink signature	✗	✗	✗	✓

password, to log in. If the user completes an application online, the personal information provided during registration appears in the relevant data fields when the individual begins the application process. As expected, these online applications request the same types of personal and sensitive health information that an application completed offline requires (e.g., family history, Social Security number, list of relevant diseases and conditions).

Application limitations. Online applications offer the potential to benefit consumers, but they must work and be easy to use if those benefits are to be realized. Unfortunately, all of the current health plan online applications have serious flaws. The most significant problem encountered during the study was that the applications were repeatedly unavailable and froze up mid-session. Consumers who have entered half of their information and are unable to complete the application are likely to become very frustrated. Another set of problems is related to poor user interface design. This study did not include usability testing, but some basic problems were identified during the capabilities analysis. With the exception of Kaiser’s application, the steps in the process and types of information the applicant will need to provide are not clearly explained up front; the user is unaware until the very end that a credit card will need to be provided. Other things liable to frustrate applicants include small, difficult-to-read fonts and cryptic questions with no supporting explanations.

Broker Sites

Three of eight broker sites in the study offer an online application, but only for select health plans. Many broker sites do not make clear that consumers cannot apply online until after the user clicks a button labeled “apply” and is presented with a form to request an application package.

HealthInsurance.com/Celtic. HealthInsurance.com’s site includes an individual product application from Celtic. Celtic’s application is noteworthy because it looks like it is on HealthInsurance.com’s site, but is actually on Celtic’s site. All of the data entered by the consumer during the application process goes straight to Celtic. Before the user arrives at the Celtic site, however, he or she must register on the HealthInsurance.com site, respond to a few questions, and provide contact information. Then, only after the user obtains a list of quotes for

the health plans available through HealthInsurance.com and selects Celtic can he or she begin completing the application. At this stage, consumers must create a second user name and password for the application process, re-entering personal information they have already given to HealthInsurance.com.

The Celtic application requests standard personal and health information (e.g., family history, Social Security number, list of relevant diseases and conditions). It enables the user to create an electronic signature, pay the first month's premium online by credit card, and submit the application online without submitting any paper. Finally, applicants can also apply for the Celtic QuikCoverage option: "With Celtic QuikCoverage, eligible applicants can be covered immediately if they can answer 'No' to all the health questions in the application, are within the Company's height, weight and age guidelines and have acceptable occupations/vocations."

eHealthInsurance.com. eHealthInsurance.com stands out from other broker sites in its paperless approach to the application process. The broker does not offer its clients the option to download or be mailed the application to complete offline. Users must complete the application online. eHealthInsurance.com is also the only broker site in our study with an online application for small group and Medicare Supplement products. To apply for an individual, Medicare Supplement, or small group plan at eHealthInsurance.com, users must first register with the site by providing an email address and creating a password. Registration allows the user to save his or her information and return to the site at a later date to finish the application.

From an individual consumer's point of view, applying online at eHealthInsurance.com is similar to applying at the health plan's own site. The application itself asks the same questions and requires the same personal and sensitive health information (e.g., family history, Social Security number, list of relevant diseases and conditions). The EOC is not available online, but exclusions and limitations are. Consumers who opt for online submission (print, sign, and mail-in is also a choice) must provide an electronic signature and credit card or bank draft to pay the first month's premium. Once the consumer clicks "apply," the application information is placed in a locked file and eHealthInsurance.com staff review it for any problems. Once any necessary corrections have been made by the applicant, the data is placed in a secure extranet to which each health plan's staff have access. Some health plans download a version of the application, print it out, and re-key it into their systems. Other health plans retrieve the data in a format that can be imported into their systems. Electronic submission is available for Blue Cross, Blue Shield, and Health Net, but not for PacifiCare. Applicants can find out their application's status online after it has been received by eHealthInsurance.com. For most applicants the process is entirely paperless. However, a small group of applicants are contacted later for a "wet signature" when their physicians refuse to release medical records without one.

Medicare applicants on eHealthInsurance.com must also complete the entire application online, providing Social Security number, medical history, and contact information. The information the applicant entered is then transferred to a downloadable application. After printing the application, the applicant must sign it, attach the first month's premium check, and mail it to eHealthInsurance.com. eHealthInsurance.com reviews the application and submits it to Blue Cross or Blue Shield via Federal Express.

The small group application process occurs in two steps. First, the employer completes the employer application online, prints it, signs it, and mails it to eHealthInsurance.com; the supporting paperwork must be mailed along with the application. Second, the employer provides each employee with a user ID and password and instructs the employees to visit eHealthInsurance.com. The employee then completes the employee application (including employee and dependent medical histories when required by the health plan), prints it, signs it, and mails it to eHealthInsurance.com. Employers cannot access employee health information, but can monitor which employees have submitted applications. eHealthInsurance.com is building the capability to store faxes from employers in a digital format, enabling each employer's supporting paperwork to be faxed, stored, and transferred to the health plans electronically.

Links to Blue Cross co-branded sites. HealthInsurance.com and some of Quotit's clients have added links to their organizations' co-branded Blue Cross site, created through Blue Cross's Agent Connect program. Consumers who link to their broker's co-branded Blue Cross site can complete the Blue Cross application on that site. Any information the consumer already shared with a broker, including age, zip code, contact information, or the name of the product they want does not get transferred, creating a potentially frustrating experience. The broker's name is automatically inserted into the application for the broker to receive credit for the sale.

Future of Online Applications

Individual and Medicare products. From the individual (nongroup) or Medicare consumer's point of view, applying online has a number of advantages. Consumers comfortable with online transactions who do not need hand-holding are likely to continue to patronize broker sites that include online applications. They will also begin using the health plans' online applications in greater numbers. The major selling point used by health plans and brokers alike is that applying online decreases the time it takes to receive a decision. Compared to sending an application through the mail, applying online can save two to four days. However, faxing, the method used by most brokers, saves only a day or so because data entry is necessary. While every day counts for consumers who are uninsured, a few days saved may seem insignificant to those individual consumers who must wait four to six weeks for a decision that requires a review of their medical records. Medicare applications are generally processed more quickly. Another time-saving advantage to consumers is that applications submitted electronically are rarely returned because of incomplete or missing information, a common problem with paper applications.

While overall consumer support for applying online is likely to be moderate, health plans will push the use of their online applications for their individual (nongroup) and family products. The reason is simple: Processing an online application costs significantly less than processing a paper application. A number of high-cost steps can be eliminated: the initial check for incomplete or missing information, data entry of the application information into the health plan's systems, and mailing incomplete applications back to consumers. Kaiser is already receiving around half of its individual application volume via its site. The other three health plans with online applications also aspire to substantially increase the percentage of their applications arriving via the Web. None of the health plans viewed the broker's role as an impediment to this goal. All of the health plans that work with brokers give the broker credit for the sale if the consumer enters the broker's name on the application.

Like the health plans, brokers, too, want to see more individual applications come via the Web. Providing a way for their clients to submit an application online is the top site-development priority for most brokers interviewed for this study. Many of the larger broker sites plan to create and host applications for each health plan, just as eHealthInsurance.com has done. Other brokers will simply create links to the online applications at each of the health plan sites. These brokers cite the prohibitive expense of creating and maintaining online applications for each health plan. A third group of brokers is looking to health plans to tighten the linkage between broker sites and the health plan's online application. Brokers do not want valuable clients who are ready to buy to get lost or wander off before they've completed an application.

Health plans cited regulatory constraints (including differing rulings from CMS regulators across the country), low interest from Medicare consumers, and competing internal priorities as reasons why they had not yet created an online Medicare application. Brokers focused on low demand from Medicare consumers as the reason they had not done so.

Small group products. Many factors contribute to the continued reliance on paper, mail, and fax to complete and transmit small group applications. First, most health plans in California and the purchasing alliances sell small group insurance exclusively through brokers. Only Kaiser and PacifiCare also sell direct to small group employers. Health plans designing an online application for small groups would need to consider the needs of three distinct audiences: employers, brokers, and employees. Providing differential access to these audiences and coordinating updates among them would require a more complex and more expensive software application than those currently used by health plans for their individual product applications. Some health plans with online individual product applications aim to take what they have learned and apply it next to building a small group application online. Second, the small group application process requires submission of many documents only available in a paper format, such as the DE-6 or proof of incorporation. Any Web application submission process will necessarily be incomplete.

Asking Questions

Virtually all consumers and small employers shopping for health insurance eventually call to ask questions or seek advice in selecting a product. This is true even for individual consumers who do all of their research online and who apply online. All of the broker sites studied employ licensed brokers who answer questions and provide advice over the phone. Health plans provide phone access to their in-house sales representatives for consumers interested in individual plans and Medicare. Kaiser and PacifiCare sales representatives serve small employers purchasing directly from these health plans. Of the health plan and broker sites, only Blue Cross and Kaiser offer extended evening hours. No sites offer phone support during the weekend.

Most health plans also provide small employers with phone numbers for their sales offices, which will make referrals to local brokers. Blue Cross skips this step by providing referrals on its site. "Agent Finder" provides zip-code-based referrals to independent brokers, online brokers, and to Blue Cross home office representatives.

At all eight broker sites, consumers shopping for individual, Medicare, or small group insurance can ask their questions online and get a response back via email. Four of five health plans also allow individual consumers to submit a question online and get a response back via email.

However, only two health plan sites allow this for Medicare consumers and only one health plan site does so for small employers.

Digital Insurance, eHealthInsurance.com, and Quick Quote also offer live chat. With live chat, a special message window appears on the user's screen. The user then poses a question and gets a response a minute or so later from a site representative, typically a licensed agent. The users can ask as many questions as they like.

Privacy Analysis

Information Collection: Issues of Concern and Areas for Improvement

In one study, more than 75 percent of the respondents were concerned about Web sites sharing their information without their permission, and this impacts their willingness to use the Web for health-related activities.¹⁷ In this review of health plan and broker sites, such polling data are particularly relevant. As discussed above, when obtaining quotes, registering with a site, requesting an application, or applying for insurance online, the user is asked to share personal information with the health plan or broker. Some of the sites in this study requested information that appears irrelevant to the transaction. For example, why would a site ask for a driver's license number in order to mail out an application? And why would a site need a Social Security number and mother's maiden name to allow users to register and obtain a quote? Given the public concern about providing personal information to a Web site, sites should evaluate their current information collection practices and determine the minimum information they need to collect.

Sites can also improve their information collection practices by explaining—before the user begins entering data—what information must be provided for each service or transaction. Many sites do not clearly indicate at the beginning of a transaction what information will be requested from the individual on subsequent pages. Some also fail to mark what information is optional versus what information is required to complete the transaction and proceed to other portions of the site. Sites should conform to the Web convention of adding an asterisk to required fields. Blue Cross and Health Net both use this approach on their sites. Alternatively, Digital Insurance notes “optional” in parentheses to indicate optional fields.

Because the amount and type of information collected from individuals may vary with the type of product (individual, Medicare, or small group), a good privacy policy would state in detail what, when, and how information is collected, and what privacy protections are available. This explanation, or links to it, should also be available on the pages where the user is asked to provide information. Informing individuals up front about the site's information collection policies and practices gives individuals a meaningful opportunity to decide whether to provide the information requested in order to obtain the information or service that they seek.

Although broker sites do not forward information users provide in the course of generating a quote or requesting an application to health plans (only eHealthInsurance.com provides the ability to submit an application online to a number of health plans), neither do they delete or destroy information users have provided once it is no longer needed. The privacy policies of these sites do not specify that this information will not be deleted or destroyed, nor do they provide individuals the option to delete the information from the site's database. This may raise

privacy concerns for some consumers because it is not apparent how the sites may use their information in the future. In fact, some brokers indicated that they do use past users' contact information for marketing purposes even though this use of the contact information was not explained when it was collected. If an individual's information is no longer needed, sites should remove that information from their databases and/or allow individuals to delete it.

Privacy Policies

Until the compliance date (April 14, 2003) of the federal health privacy regulation issued by the U.S. Department of Health and Human Services (HHS) pursuant to the Health Insurance Portability and Accountability Act of 1996 (HIPAA), there is little legal protection for health information—online or offline. For online activities, the Federal Trade Commission (FTC) has the authority to prosecute Web sites that engage in unfair or deceptive practices, such as noncompliance with their own information privacy policies. However, it remains to be seen whether the FTC will take action to challenge sites that fail to post privacy policies or post poorly drafted privacy policies.¹⁸ To the extent that there are specific state law requirements to protect the confidentiality of health information collected by specific entities, these requirements may extend to Web sites as well. For purposes of this report, privacy policies were evaluated against the FTC's Fair Information Practice Principles and the privacy requirements of the HIPAA privacy regulation.

Consumer Caution

This report evaluates the privacy policies of the health plan and broker Web sites. It does not include a review of the sites' actual practices. A report published by the California HealthCare Foundation in January 2000 documented that the information practices on major health Web site were often in conflict with the sites' existing privacy statements.¹⁹ Consumers should be aware that there could be inconsistencies between a site's policies and its practices.

Almost all of the health plan and broker Web sites reviewed for this report had a privacy policy and/or made some assurances about privacy on their site. However, the sites powered by Quotit did not have privacy policies. Quotit confirmed that a privacy policy is not part of the pre-packaged site; brokers may add their own policies, but apparently few do.

The June 2000 CHCF report on the state of online health insurance sites looked at the privacy policies and practices of three broker sites, including eHealthInsurance.com and Quotesmith.com. eHealthInsurance.com appears to have addressed the concerns that were raised in its 2000 evaluation. However, while there is now a link to Quotesmith.com's privacy policy on the home page, the types of weaknesses that were identified in privacy policies two years ago, such as no discussion of security measures or how information is shared with third parties and business partners, persist. Similar weaknesses are prevalent in some of the privacy policies that were reviewed for this report—the policies generally fail to provide details of certain information practices, specifically regarding chain of trust (how the information may be treated after it is transmitted to a third party), consumer choice (consumers' ability to make choices about how their information will be used and shared), and enforcement of the site's policies.

Charts summarizing the privacy policies of brokers, health plans, and the small group purchasing alliances can be found in Appendices B–D.

Frequently Asked Questions

1. Do sites post privacy policies on the home page?

In order for users of a site to be aware of the site’s policies and practices, the privacy policy must be easily accessible. It is especially important that the policy be prominently displayed on pages that require individuals to submit personal information. Surprisingly, two of the health plan sites did not have a link to their privacy policies on the home page (PacifiCare’s Secure Horizons and the Blue Cross Agent Connect site). For information about Secure Horizon’s Web privacy policy, the user must go to the site’s “Terms of Use” page. PacAdvantage’s privacy policy is only available after the user gets to the interactive part of its site, the “PacPlan Chooser,” which compares health plan costs, quality, services, and doctors. Since the Blue Cross Agent Connect site is a Blue Cross co-branded site, the Blue Cross privacy policy applies. However, there is no link to that policy.

All of the broker sites had a link to their privacy policies on the home page except the two sites powered by Quotit (ezHealthPlans and eHealthShopper). The privacy policies were also available on the internal pages of the broker sites, with the exception of CaliforniaInsurance.com and the Quotit-powered sites. While the privacy policy was available on the home page and the main California health plan page of USHealthPlans.com, it was no longer accessible on pages where the user enters information to request a quote or an application.

2. Does the same policy apply throughout the site?

With a few exceptions, the privacy policy for each site generally applied to all of its online information collection, use, and disclosure, regardless of whether the consumer is seeking information on or applying for an individual product, small group product, or Medicare product. However, the privacy policy available on the “Personal Advantage” pages of Kaiser’s individual plans section of the site, for example, is different from the policy available on the small group and Medicare sections of the site. Similarly, the privacy policy on HealthInsurance.com’s individual and small group sections of the site is different from the policy available on the Medicare portions of the site. The policy on the Medicare product pages is eHealthInsurance.com’s privacy policy for partner and co-branded sites since the Medicare portion is powered by eHealthInsurance.com.

While it may make sense for a site to have a different policy that applies to certain portions of its site (e.g., a stricter privacy policy that applies to transactions requiring greater collection of personal information), sites should be very clear that they have different policies so that individuals will not assume that the policy available on the home page applies to the entire site. Sites should consider directing users from the home page to each policy and/or providing links within each policy to the site’s other privacy policies. For example, when a consumer clicks on the privacy policy link on CaliforniaChoice’s home page, a window pops up containing both the site’s Web site privacy policy and enrollment (in the CaliforniaChoice program) privacy policy.

3. Does the policy apply to all information collection practices online and offline?

Some of the policies deal only with the information that may be collected through the site, while other policies apply more broadly, addressing all information collected, whether online or offline. The fact that many health plan and broker Web sites post privacy policies on their sites is encouraging, especially since offline brokers do not typically provide written privacy policies to individuals applying for insurance. Posting a privacy policy makes it more likely that visitors to the site will be better informed about the site's information practices.

However, drawing a distinction between online and offline information collection practices may mislead and confuse the user. How are consumers to determine what information they provide to a site is protected if they obtain a quote online but submit their application by regular mail? Since the process occurs in sequential steps, from insurance quotation to application, it would be reasonable for a consumer to assume that an entity's privacy policy applies to all information they submit to the health plan or broker from beginning to end, unless the policy clearly indicates otherwise. Even if the only information collected online is anonymous or demographic information, interaction with the site may continue offline, so sites should inform users that there are different privacy policies available and encourage individuals to review all of these policies.

4. Does the policy inform consumers of what information is collected and when and how that information is collected?

Health plan and broker sites generally specify what types of information they collect and when and how that information is collected, although some address these questions more comprehensively than others. Blue Shield of California, for example, informs consumers that personal information is collected from them during registration (both members and nonmembers of Blue Shield), and when the consumer is using the site's "finding a plan" feature (all users) or contacting Blue Shield (members). PacifiCare's policy provides examples of information that may be collected from consumers, such as information provided by the consumer's employer or physician or medical reporting agencies, or personal information that the consumer may provide to the site on surveys and applications.

Two of the broker sites (Quotesmith.com and Quotit), however, are silent about what personal information they may collect online or offline, and when and how that information may be collected. On Quotesmith.com, the application is processed offline, so it appears that only demographic information (birth date, height, weight, tobacco use, gender, occupation, and zip code) is collected at the site from consumers interested in health plans offered by Quotesmith.com.

5. Do the policies inform users of how their information will be used and disclosed?

Most of the health plan and broker sites specify how the information they collect will be used and disclosed. Some of the policies are much more comprehensive than others. Kaiser, for example, identifies the various uses and disclosures that may be made by the site and provides examples, such as using information to respond to customer requests and disclosing information to persons who perform audits or legal or operation services for Kaiser. Blue Shield states that it will disclose some limited personal information to marketing analysis affiliates who perform marketing analyses on its behalf and are contractually bound to maintain the information they receive in confidence. The Quotit-powered sites, however, do not mention how any information

collected from consumers will be used, whether online or offline, as they do not have privacy policies.

Key privacy issues. Obtaining quotes and applying for health insurance requires the disclosure of certain personal information—whether online or offline. Health plan and broker sites should be using their privacy policy as a means of communicating to their visitors what types of personal information are being collected, what information is and is not required to use the site, why certain information is necessary, and how information provided to the site will be used and by whom. All sites should make these policies available on the pages where information is collected from users. Most policies would also be enhanced by including more information about the overall application and underwriting process and how the site uses consumer-provided information.

Areas for improvement. Health plans should review the notice requirements of the federal privacy regulation to ensure their privacy policies meet the HIPAA regulation's standards with respect to users' health information. The regulation requires health plans that maintain a Web site providing information about their customer services and benefits to prominently post their privacy notice on the site.²⁰ The notice must include the following information: a description of an individual's rights with respect to their identifiable health information and how the individual may exercise those rights; the legal duties of the site; the anticipated uses and disclosures of this information that may be made without the individual's written consent or authorization; how an individual can file complaints with the site and the Secretary of HHS; how the site will provide the individual with a revised notice if the notice is changed; and identify a contact person for additional information. Brokers also should consider the HIPAA regulation as a guide since they may have contractual relationships with health plans that require them to comply with specific privacy protections and disclosure restrictions.

6. Do consumers have a right to inspect and correct their information?

Only half of the health plan privacy policies indicate that individuals may view and/or correct the information they provide to the site. Health Net also informs users that they can remove their information from its database so users do not receive future communications or services from Health Net. All of the broker policies, except Quotesmith.com and the Quotit-powered sites, inform individuals that they can view and/or correct their information. Typically, where users can save registration profiles or applications, the sites will enable them to see and correct their own information.

7. Do consumers have a right to an accounting of disclosures of their information?

None of the sites gives users a right to an accounting of disclosures of their information made by the sites. An accounting of disclosures would provide users with a list of all persons who may have received their information outside of the health plan or broker.

Key privacy issues. It is important that a site inform individuals of whether or not they have access to the information they provide to the site. Individuals should have a right to see, copy, supplement, or amend their information so that they can correct errors where appropriate. Individuals should also be given a right to receive an accounting of disclosures of their information made by the site. An accounting of disclosures is useful in detecting alleged

violations of confidentiality. It also documents individuals to whom certain information has been released, even information that the individual authorized for disclosure.

Areas for improvement. If a site does not already give individuals the right to see and correct their health information, they may be required to do so under the HIPAA privacy regulation. While consumer access under the regulation is limited to information that fits under the category of “protected health information” as defined by the regulation,²¹ it would be good business practice to extend this right to include other personal information as well.

In addition, health plans should revise their privacy policies to include a consumer’s right to an accounting of disclosures of “protected health information” made by the health plan as required by the federal privacy regulation. Under the federal regulation, an accounting of disclosures would include the date of each disclosure; the name and, if known, the address of the entity or person who received the information; a description of the information disclosed; a statement of the purpose of the disclosure; and other documents specified in the regulation.

8. Do consumers have a right to opt in or out of uses or disclosures of their information?

Most of the sites are silent about an individual’s right to limit uses or disclosures of their information. If they give individuals a choice, it is usually to opt out of marketing communications or surveys. A few policies state that if users wish to opt out of disclosures to third parties, they can contact the site. Blue Shield is the only site that gives individuals an opportunity to specifically opt in to receive additional correspondence, other third party information, and marketing research studies. Unless the user opts in, Blue Shield assumes that the user does not want to receive any communications from Blue Shield or its affiliates.

Key privacy issue. Assuming consumers have consented to the use of their information unless they opt out places the burden on the consumer to take affirmative action to safeguard their information.

Area for improvement. Health plan and broker sites should increase consumer opportunity to opt in to information uses and disclosures (e.g., for marketing, surveys, and “quality assurance”), rather than requiring that consumers opt out. Under the HIPAA privacy rule, health plans will be required to obtain specific authorization for certain types of marketing uses and disclosures of a consumer’s personal health information. To the extent that brokers are acting on behalf of or performing services for health plans, they will be considered “business associates” of the health plans and will be bound contractually to similar privacy requirements.

On August 9, 2002, HHS issued final modifications to the privacy rule.²² Under these modifications, a health plan must obtain an individual’s prior written authorization to use his or her “protected health information” for most marketing purposes. However, the rule defines the term “marketing” narrowly, so that it does not include many of the activities that most people consider marketing. For example, a health plan is not engaging in marketing when it communicates to its enrollees about health-related products and services that would enhance or substitute for their existing benefits. The health plan, however, may not use member information to send communications to them about the health plan’s other lines of insurance, such as life insurance.

9. Do the policies explain the site's security measures?

Almost all of the health plan and broker sites discuss the security measures they use to safeguard personal information. Some focus only on the electronic security measures, while others also include procedural safeguards. None of the privacy policies, however, address whether different measures are used for sensitive information.

Key privacy issue. Appropriate safeguards should be in place to protect personal health information from unauthorized uses and disclosures. The sites' policies should inform users if and how their personal information is protected so that users can make informed decisions about whether or not to provide information.

Area for improvement. Most of the sites explain their security measures. Given the sensitive health information that may be provided to the health plan or broker, especially during the application process, sites should discuss physical and procedural safeguards in addition to electronic safeguards. For example, while PacifiCare does not modify its security measures based on the sensitivity of the information that it collects, it does address electronic safeguards (e.g., user passwords, firewall technology, and data encryption) and physical safeguards (e.g., locked files) as well as procedural policies (e.g., limited, need-to-know employee access, such as to underwrite coverage or provide customer service). Sites should consider reassuring users that sensitive information will be adequately protected online and offline.

10. Do the policies identify the site's business partners and other third parties that may have access to consumers' personal health information?

Most of the sites use the terms "third party," "affiliates," or "partners" in their policies but very few identify the individual third parties that might collect and/or have access to the information consumers provide to the health plan or broker site. Only PacifiCare provides a list of all family companies at the end of its policy. Its policy also identifies types of third parties with whom PacifiCare may share consumers' personal information, and states that PacifiCare maintains written contracts with third parties to ensure that the information is used for a legitimate business purpose. Blue Shield's corporate confidentiality policy identifies the types of disclosures that are required or permitted by law and the types of third parties that may receive consumers' information from Blue Shield.²³

eHealthInsurance.com states that it does not disclose personal information to any third parties, and identifies the three exceptions to this rule: health insurance companies that the users have chosen to process their application, companies that help eHealthInsurance.com process or service the user's application (these entities are not allowed to use the information for their own purposes and are contractually obligated to maintain strict confidentiality), and regulators or law enforcement authorities as required or permitted by law.

Most of the health plan and broker sites state that they may link to other sites, but that their policies do not apply to these sites.

Key privacy issues. For individuals to make informed, meaningful choices about the uses and disclosures of their information, they need adequate notice of third parties that may have access to their information and how these third parties will use the information. Furthermore, individuals should be informed of the privacy protections, or lack thereof, for their personal

information when it is transferred to downstream users and processors. Such notice about the flow of information to parties outside the Web site is critical to building trust between the consumer and the health plan or broker site.

Areas for improvement. The federal privacy regulation will require health plans to enter into contracts only with their business associates (i.e., entities that are acting on behalf of the health plan or performing a service for the health plan). As was also recommended in the June 2000 CHCF report, sites that have linking agreements or conduct business with any third party involving the use of personal information collected from users of the site should consider establishing “chain-of-trust” agreements ensuring that information transferred to other sites is also subject to privacy protection. If a site states that its policy does not apply to linked sites, it should notify the user whenever the user is leaving its site.

11. Do the policies explain how the sites will enforce their policies?

None of the privacy policies, except PacifiCare’s policy, Blue Shield’s corporate confidentiality policy, and CaliforniaChoice’s enrollment privacy policy, explain how the site’s privacy policies will be enforced. If an employee of the site misuses a consumer’s information, are there specific procedures for filing a complaint? Will disciplinary action be taken? PacifiCare’s policy, for example, states that their employees are required to comply with the policies and procedures to protect the confidentiality of the user’s personal information. If an employee violates the privacy policy, he or she is subject to a disciplinary process.

12. If changes are made to the privacy policy, does the policy explain how information submitted under previous policies will be treated and how consumers will be informed of the changes?

Most of the Web sites do not mention how consumers will be informed if the sites make changes to their privacy policies. Even fewer sites discuss how they will treat information that was collected prior to the changes. Of the health plan sites, only CaliforniaChoice, Kaiser, and Blue Shield mention that they may make changes to their policies but they do not say how they will treat information collected under previous policies. Half of the broker sites mention that changes may be made to their policies, but only eHealthInsurance.com and HealthInsurance.com state how the information will be treated. eHealthInsurance.com gives users the option to decide whether or not the new changes apply to their information. HealthInsurance.com states that information collected before changes are made will be secured according to the previously applicable policy.

Key privacy issues. For a privacy policy to be truly effective, mechanisms must be in place to enforce a site’s privacy policy and practices. Consumers should also be adequately informed that privacy policies are subject to change and how the changes will affect information collected prior to any changes. This is especially important if a site is subsequently purchased by another company or is dissolved.²⁴

Areas for improvement. Under the federal privacy regulation, the health plan would be required to expressly reserve its right to change the terms of its privacy policy with respect to users’ health information and to specify that such changes will apply to previously created or received health information. If it does not reserve its rights to change a privacy practice stated in the policy, it is bound by the privacy practices in the policy with respect to personal health

information created or received while that policy was in effect. The change would apply only to information created or received after the effective date of the revised policy. This requirement only applies to protected health information, but sites may consider applying this to their privacy policies, regardless of whether or not the information they collect is protected by the new regulation.

13. Does the policy explain the site's use of cookies?

While almost all of the policies state whether or not they use cookies²⁵ during a user's visit, the sites that require cookies for certain transactions generally include a statement such as: "If you decline to use cookies, you may have difficulty navigating through parts of the Web site." However, as the user navigates the site, there is nothing to indicate when the user is required to accept cookies and when the acceptance of cookies is optional. Hence, if users choose to decline cookies halfway through the application process, for example, they may find that they need to restart the process. Only eHealthInsurance.com's policy states that even without a cookie, the user can use most of the features of the site, including obtaining quotes and applying for an insurance policy. CaliforniaInsurance.com asks for cookies but includes no mention of them in its privacy policy. USHealthPlans.com states in its privacy policy that it does not "implement" the use of cookies. The site asks for cookies, but the user is not required to accept them. USHealthPlans.com should consider clarifying to users that not implementing the use of cookies does not mean that the site will not ask for them. Similarly, CaliforniaChoice's privacy policy states that it does not presently use cookies, but the site asks for cookies.

Key privacy issues. User profiles generated by the collection of information through cookies help sites determine what information, products, and services are used by consumers. Cookies are numbers assigned by a site to each user. However, personal data can be linked to the number when an individual provides identifiable information to the site. Hence, a site should clearly inform consumers how it uses cookies, when consumers are required to accept cookies, and what type of information is collected through cookies, so that users can make informed decisions about providing identifiable information to the site.

Areas for improvement. In their privacy policies, most of the sites describe cookies and how they may be used. However, sites should also specify when the user may be required to accept cookies and when they may be optional.

Appendix A: Methodology

Site Selection Methodology

Sites were selected to represent the types of sites California consumers would likely encounter when shopping for health insurance online. Inclusion of a site in the study does not imply that the site is more important or of higher quality than others. Nor does exclusion from the study imply the reverse. Sites were selected on the basis of objective criteria, not including measures of quality or ease of use.

Between March 15 and April 10, 2002, one investigator (Taylor) performed the search for broker, health plan, and small group purchasing alliance sites. The search methodology and evaluation criteria are described below.

Broker Sites

Candidates for the broker portion of the study were gathered by following up leads from:

- Sites included in the study “Health Insurance Purchasing and Privacy Online for Individual and Small Groups,” published in June 2000 by the California HealthCare Foundation
- Sites evaluated by the authors of the above-referenced study, but excluded because they did not meet the study criteria or were not functional by the study cut-off date
- Top ten sites in the Fall 2001 Gomez.com ranking of online “Insurance Marketplaces”
- Nielsen/Net Ratings Top 25 Web Properties for the week ending March 10th, 2002
- Web Search Engines—Google and Alta Vista, using the search terms “Health Insurance Quote California,” “Health Insurance Quote,” and “California Medicare Supplement Health Insurance Quote”
- References found while researching the above sites

Based on the research above, 56 potential broker sites for the 2002 study were identified. Next, in order to ensure that we included broker sites with the broadest capabilities, the following criteria were applied:

- Provide real-time online quotes for individual and family products from two or more health plans in California
- Provide real-time online quotes for Medicare or small group (2–50 employees) products from two or more health plans in California

- Enable an insurance application to be printed out, completed, and mailed/faxed back or completed online and submitted electronically for one or more products (individual and family, small group, and/or Medicare) from one or more health plans

Eight sites representing the various types of sites consumers are likely to encounter were selected from the resulting list. These included ecommerce sites selling health insurance online, both across California and nationwide, and traditional local brokers who use the services of a technology company to power part or all of a site. Among traditional brokers, only those contracting with a technology company for at least part of their site met the study criteria. No stand-alone traditional broker site met the inclusion criteria.

Table A-1. Broker Sites Included in the Study

No.	Broker Site	Products Offered	URL
1	eHealthInsurance.com (ecommerce site)	I, SG, M	eHealthInsurance.com
2	Quotesmith.com	I, SG, M	Quotesmith.com
3	Quick Quote (ecommerce site)	I, SG, M	QuickQuote.com
4	Quotit’s “Commerce” product (the sites of two of Quotit’s clients, eHealthShopper.com and EZHealthPlans.com, were used to analyze this product’s capabilities)	I, SG	eHealthShopper.com
5	Californiahealthinsurance.org (quotes powered by Quotes 4 Brokers technology; this is a for-profit broker site)	I, SG	Californiahealthinsurance.org
6	USHealthPlans.com (quotes powered by NextElevation technology)	I, SG, M	ushealthplans.com
7	Digital Insurance	I, SG	DigitalInsurance.com
8	HealthInsurance.com (ecommerce site)	I, SG, M	HealthInsurance.com

I = Individual and Family products; SG = Small Group products; M = Medicare products.

Small Group Purchasing Alliance Sites

Many small group employers shopping for health coverage in California consider purchasing their insurance through one of two large purchasing alliances serving the 2–50 employees market. Both alliances offer custom benefit packages from a range of health plans. The CaliforniaChoice program (CalChoice.com) is administered by Word and Brown, one of the state’s largest General Agents.²⁶ PacAdvantage (PacAdvantage.org) is operated by Pacific Business Group on Health (PBGH), a nonprofit organization that also purchases health care for some of California’s largest employers. Word and Brown requires employers to work with an independent broker to purchase health insurance through the CaliforniaChoice program. The PacAdvantage program refers potential customers to a local broker to purchase its products, but

will sell directly to customers in select circumstances. Capabilities for prospective employer clients are limited on both of these sites.

Health Plan Sites

A list of health plans was created according to the following process:

1. A list of the largest California health plans based on data from “California Managed Care Review 2001” was prepared.²⁷ Health plans with over 100,000 commercial enrollees in 1999 were included.
2. Nationwide (formerly CalFarm) was added to the list because brokers are selling individual and family products from this health plan on their sites and because Nationwide has significant market share in the individual and family market in parts of California. Nationwide was not on the “California Managed Care Review 2001” list because it does not sell HMO products.
3. American Association of Retired Persons’ (AARP) product, which is supplied by United, was added because it represents over 50 percent of current Medicare Supplemental policies in California.²⁸
4. Prudential and Maxicare were removed from the list because they no longer operate independently in California.

After assembling an up-to-date list of the 11 largest health plans in California, the following criteria were applied:

1. Does the health plan actively sell two or more of the following products in California: individual and family, small group, Medicare Supplement, or Medicare+Choice? This criterion eliminated Aetna (small group only), Cigna (small group and nonactively marketed individual and family), Lifeguard (small group only), and United (none).
2. Is substantive information (over two pages) for prospective purchasers of individual, small group, or Medicare products in California available on the company’s Web site? This criterion eliminated AARP and Nationwide.

The six health plan sites included in this study are shown in table A-2.

The study also includes a limited assessment of the capabilities and privacy policy of the co-branded site Blue Cross offers to its agents, Agent Connect. The Agent Connect sites include information found in the sales area of Blue Cross’s regular site with the sponsoring broker’s contact information displayed prominently throughout the site.

Table A-2. Health Plan Sites Included in This Study

No.	Site Name	Products	URL
1	Blue Cross	I, SG, M	www.bluecrossca.com
2	Blue Shield	I, SG, M	www.mylifepath.com
3	Health Net	I, SG, M	www.healthnet.com
4	Kaiser	I, SG, M	www.kp.org
5	PacifiCare	I, SG	www.pacificare.com
6	PacifiCare/Secure Horizons	M	www.securehorizons.com

I = Individual and Family products; SG = Small Group products; M = Medicare products.

Site Review Methodology

Sites were reviewed by one investigator (Taylor) for capabilities and consumer value and by another team of investigators (Goldman and Choy) for privacy policies. The methodology for each of these reviews is described below.

Site Capabilities

Each of the sites was visited on at least five separate occasions. Features were tested and examined, and rate quotes and ancillary information obtained. These site visits took place between May and July 2002, with a final site visit occurring in the last two weeks of July 2002. For the review of broker-created custom benefit charts for individual and small group products, three of each site's custom benefit charts were compared to the health plan's Web site benefit charts. Blue Cross and Kaiser products were selected for comparison because the greatest number of broker sites carried these two health plans. Blue Cross's individual and family PPO Share 2500 Plan, Blue Cross's small group PPO \$40 Copay Plan, and Kaiser's small group Traditional HMO Plan 20-N serving Northern California were selected. This analysis took place between July 15 and July 22, 2002. An effective date of September 1, 2002, was used for the quotes.

One investigator (Taylor) invited representatives of each site profiled in the study to be interviewed regarding site capabilities and handling of user-supplied data. All study sites except Digital Insurance, Secure Horizons (PacifiCare), and Quick Quote participated in interviews. Many sites also reviewed and provided feedback on the results of the site capabilities analysis for their site. No site representatives reviewed the final report.

Limitations

- Sites were analyzed based on their individual (nongroup), Medicare, and small group product offerings.
- Sites were evaluated based on the health insurance health plans and products offered in California only.
- The online world changes rapidly. While this information was accurate at the time of writing, capabilities of existing sites may have changed and new sites may have emerged since that time.

Information Collection

The information collection practices of the health plan and broker sites are documented in this report. To gather this data, we behaved like typical users of the site and observed what information was requested and required by the sites to obtain insurance quotes, register as users with the site, and apply for health insurance or request an application. We also looked at sites that offered interactive tools to help users select specific products based on their responses to certain questions in addition to the usual quotation and application tools. The site visits took place between May and June 2002.

When reviewing the sites, we also asked whether or not the sites used cookies. Cookies are small text files a Web site places on a computer's hard drive so that the site can track users as they conduct transactions on the site and collect information about the user's visit. At health insurance and broker sites, cookies might be used during the insurance quote and application process to keep track of data being provided by the user. Cookies are also used to observe how customers are using the site.

Privacy Policies

For purposes of this report, the privacy policies of the health plan and broker sites were evaluated against criteria based on the Federal Trade Commission's Fair Information Practice Principles, which include: (1) Notice: People should be told how their information will be used and by whom; (2) Access and Control: People should have access to their records and be offered choices about how their information will be used; (3) Security: Information should be collected, maintained and disclosed in a manner that safeguards personal information; and (4) Enforcement: There should be mechanisms in place to enforce the privacy protections in order for these protections to be effective.

We also evaluated the privacy policies against the federal health privacy rule. Under HIPAA, the Secretary of HHS was required to issue regulations if Congress failed to enact comprehensive privacy legislation. HHS issued a landmark federal health privacy regulation in December 2000. While most health plans (offline and online) have until April 14, 2003, to implement the rule, we evaluated the sites against the privacy rule to highlight the improvements and changes that these sites may be required to make to their privacy policies in order to comply with the regulation.

The HIPAA privacy regulation makes no distinction between online and offline activities, but it does impose specific requirements on certain health care entities, including health plans. Many of these requirements are based on the FTC's Fair Information Practice Principles.²⁹ The privacy regulation applies to health plans but it does not apply directly to brokers. Under the regulation, brokers would be considered agents or business partners of the health plans if they act on behalf of or perform services for the plans. Personal health information collected and transmitted by these agents should and would be protected as well (chain of trust).³⁰ The privacy rule requires that health plans enter into contracts with their "business associates" that require the recipients of health information not to use or disclose the information other than as permitted or required by the contract or as required by law, and to implement appropriate safeguards to prevent inappropriate uses and disclosures.

Findings and analyses are based on the privacy policies downloaded from each site between May and July 2002.

Appendix B: Broker Sites

	California Health Insurance	Digital Insurance	eHealth Insurance.com	Health Insurance.com	Quick Quote	Quotesmith.com	Quotit	USHealth Plans
Site Capabilities								
Health insurance markets served	I, SG	I, SG	I, SG, M	I, SG, M*	I, SG, M	I, SG, M	I, SG	I, SG, M
Number of health insurance companies offered								
Individual and family products	8	2	4	5	4	9	7	5
Small group products	16	4	5	6	3	7	15	14
Medicare products					2	4		4
Quotes								
Real-time quotes	✓	✓	✓	✓	✓	✓	✓	✓
Employer/employee premium breakdown (SG)	✓		✓	✓	✓			
Plan Information								
Benefits in Uniform Matrix [†] Format (I, SG)								
All health plans			I, SG					
Selected health plans only	I, SG	I, SG		I	I	I		
Online provider directories	✓	✓	✓	✓	✓	✓	✓	✓
Choosing a product								
Sort and/or filter quote results	I, SG	I	I, SG, M	I, SG	I, SG	I, SG, M	I, SG	I, SG
Interactive product comparison capability	I, SG	I, SG	I, SG	I, SG	I, SG, M		I	I, SG

* HealthInsurance.com refers consumers to eHealthInsurance.com for Medicare Supplement insurance so the capabilities are identical and addressed under eHealthInsurance.com.

[†] Uniform Matrices are benefit charts provided by the health plans and reviewed by the Department of managed Health Care (DMHC) in Sacramento. See analysis section for details.

[‡] Only for Celtic products.

I = Individual and Family products (nongroup); SG = Small Group products; M = Medicare Supplement products.

	California Health Insurance	Digital Insurance	eHealth Insurance.com	Health Insurance.com	Quick Quote	Quotesmith.com	Quotit	USHealth Plans
Choosing a product (continued) Product selection tool					I			
Applying								
Request application packet be mailed		I, SG		I, SG	I, SG, M	I, SG, M	I, SG	I, SG, M
Download application	I	I, SG		I		I	I, SG	I, M
Complete application online			I, SG, M	I [†]				
Hard-copy application follow-up required			SG, M					
Live chat		✓	✓		✓			
Privacy Criteria								
Privacy policy available	✓	✓	✓	✓	✓	✓		✓
On home page	✓	✓	✓	✓	✓	✓		✓
Privacy seals		✓	✓					
Uses cookies	✓	✓	✓	✓	✓	✓	✓	✓
Notice								
What is collected	✓	✓	✓	✓	✓	✓		✓
When it is collected	✓	✓	✓	✓	✓			✓
How it is collected	✓	✓	✓	✓				✓
How it is used	✓	✓	✓	✓	✓			✓
When it is disclosed	✓	✓	✓	✓	✓	✓		✓
When policy changes made	✓	✓	✓	✓				
Inform users of links		✓	✓	✓	✓			✓
Inform users of cookies		✓	✓	✓	✓			✓

* HealthInsurance.com refers consumers to eHealthInsurance.com for Medicare Supplement insurance so the capabilities are identical and addressed under eHealthInsurance.com.

† Uniform Matrices are benefit charts provided by the health plans and reviewed by the Department of managed Health Care (DMHC) in Sacramento. See analysis section for details.

‡ Only for Celtic products.

I = Individual and Family products (nongroup); SG = Small Group products; M = Medicare Supplement products.

	California Health Insurance	Digital Insurance	eHealth Insurance.com	Health Insurance.com	Quick Quote	Quotesmith.com	Quotit	USHealth Plans
Choice control Opt in Opt out			✓	✓				
Access Right to review Right to correct Accounting of disclosures Right to delete	✓ ✓	✓ ✓	✓	✓ ✓	✓ ✓			✓ ✓
Security Measures discussed Secure site	✓	✓ ✓	✓ ✓	✓ ✓	✓ ✓		✓	✓
Enforcement How policy is enforced Notice of treatment of information if policy changes			✓	✓				
Chain of Trust Identifies partners/affiliates Bound by site's policy/contract	✓	✓	✓ ✓	✓ ✓		✓		

* HealthInsurance.com refers consumers to eHealthInsurance.com for Medicare Supplement insurance so the capabilities are identical and addressed under eHealthInsurance.com.

† Uniform Matrices are benefit charts provided by the health plans and reviewed by the Department of managed Health Care (DMHC) in Sacramento. See analysis section for details.

‡ Only for Celtic products.

I = Individual and Family products (nongroup); SG = Small Group products; M = Medicare Supplement products.

Appendix C: Health Plan Sites

	Blue Cross of California	Blue Cross Agent Connect	Blue Shield of California*	Health Net	Kaiser Permanente [†]	PacifiCare	PacifiCare/ Secure Horizons
Site Capabilities							
Health insurance markets served	I, SG, M		I, SG, M	I, SG, M	I, SG, M	I, SG	M
Quotes							
Rates available online	I, M		I, M	I, M	I, SG, M	I	M
Employer/employee premium breakdown (SG only)					SG		
Plan information							
Benefits in Uniform Matrix format (I, SG only)	I, SG		I, SG	I	I, SG	I	
Online Provider Directories	✓		✓	✓	✓	✓	✓
Choosing a product							
Sort and/or filter quote results			I	I	One I (nongroup);	I	
Interactive product comparison capability			I, M	I	one M;	I	
Product selection tool			I, M	I	choice of SG	I	
Applying							
Request application packet be mailed	M		I, M	I	SG, M	I	
Download application	I, SG		M	I	I	I	
Complete application online	I			I	I	I	
Hard-copy application follow-up required						I	
Live chat	✗		✗	✗	✗	✗	✗
Locate an agent	✓		✗	✗	✗	✗	✗

I = Individual and Family products (nongroup); SG = Small Group products; M = Medicare Supplement products.

* Includes Blue Shield's Web privacy policy and its corporate confidentiality policy (addresses rights of prospective, current, and former members).

[†] The privacy policy available for the Personal Advantage section of the Kaiser Permanente site is different from the policy on the rest of the site.

	Blue Cross of California	Blue Cross Agent Connect	Blue Shield of California*	Health Net	Kaiser Permanente [†]	PacifiCare	PacifiCare/ Secure Horizons
Privacy Criteria							
Privacy policy available	✓		✓	✓	✓	✓	✓
On home page	✓		✓	✓	✓	✓	
Privacy seals							
Uses cookies	✓	✓	✓	✓	✓	✓	✓
Notice							
What is collected	✓		✓	✓	✓	✓	✓
When it is collected	✓		✓	✓	✓	✓	✓
How it is collected			✓	✓	✓	✓	✓
How it is used			✓	✓	✓		✓
When it is disclosed			✓	✓	I only	✓	✓
Notice of changes to policy	✓				I only		✓
Inform users of cookies	✓		✓	✓	✓		✓
Inform users of links	✓		✓	✓	✓		
Choice control							
Opt in			✓				
Opt out				✓	✓	✓	
Access							
Right to review			✓		I only		
Right to correct			✓	✓	I only		
Accounting of disclosures							
Right to delete				✓			
Security							
Measures discussed	✓		✓	✓	I only	✓	
Secure site	✓		✓	✓	✓	✓	

I = Individual and Family products (nongroup); SG = Small Group products; M = Medicare Supplement products.

* Includes Blue Shield's Web privacy policy and its corporate confidentiality policy (addresses rights of prospective, current, and former members).

[†] The privacy policy available for the Personal Advantage section of the Kaiser Permanente site is different from the policy on the rest of the site.

	Blue Cross of California	Blue Cross Agent Connect	Blue Shield of California*	Health Net	Kaiser Permanente[†]	PacifiCare	PacifiCare/ Secure Horizons
Enforcement							
How policy is enforced			✓				✓
Notice of treatment of information if policy changes							
Chain of trust							
Identifies partners/affiliates			✓	✓			✓
Bound by site's policy/contract			✓				✓

I = Individual and Family products (nongroup); SG = Small Group products; M = Medicare Supplement products.

* Includes Blue Shield's Web privacy policy and its corporate confidentiality policy (addresses rights of prospective, current, and former members).

[†] The privacy policy available for the Personal Advantage section of the Kaiser Permanente site is different from the policy on the rest of the site.

Appendix D: Small Group Purchasing Alliance Sites

	California Choice*	PacAdvantage
Site Capabilities		
Health insurance markets served	SG	SG
Number of health insurance companies offered	7	9
Quotes		
Real-time quotes	X	X
Employer/employee premium breakdown	X	X
Plan information		
Benefits in Uniform Matrix [†] format		
All health plans	✓	✓
Selected health plans only		
Online provider directories	✓	✓
Choosing a Plan		
Sort and/or filter quote results	X	X
Interactive product comparison capability	X	✓
Product selection tool	X	✓
Applying		
Request application packet be mailed	X	X
Download application	X	X
Complete application online	X	X
Hard-copy application follow-up required		
Live chat	X	X
Privacy Criteria		
Privacy policy available		
On home page	✓	✓
Privacy seals		
Uses cookies	✓	✓
Notice		
What is collected	✓	✓
When it is collected	✓	
How it is collected	✓	✓

Note: Unlike the health plan and broker sites, neither California Choice nor PacAdvantage provides online quoting or interactive plan comparison tools. Their online information collection activities are limited and the level of privacy protection is generally consistent with those more limited activities.

* The chart covers CaliforniaChoice's Web site privacy policy and enrollment (in CaliforniaChoice program) privacy policy.

[†] Uniform Matrices are benefit charts provided by the health plans and reviewed by the Department of Managed Health Care (DMHC) in Sacramento. See analysis section for details.

SG = Small Group products.

	California Choice*	PacAdvantage
Privacy Criteria (continued)		
Notice (continued)		
How it is used	✓	✓
When it is disclosed	✓	✓
Notice of changes to policy	✓	
Inform users of cookies	✓	✓
Inform users of links	✓	✓
Choice/Control		
Opt in		
Opt out	✓	
Access		
Right to review		
Right to correct		
Accounting of disclosures		
Right to delete		
Security		
Measures discussed	✓	
Secure site	✓	
Enforcement		
How policy is enforced	✓	
Notice of treatment of information if policy changes		
Chain of trust		
Identifies partners/affiliates	✓	
Bound by site's policy/contract	✓	

Note: Unlike the health plan and broker sites, neither California Choice nor PacAdvantage provides online quoting or interactive plan comparison tools. Their online information collection activities are limited and the level of privacy protection is generally consistent with those more limited activities.

* The chart covers CaliforniaChoice's Web site privacy policy and enrollment (in CaliforniaChoice program) privacy policy.

† Uniform Matrices are benefit charts provided by the health plans and reviewed by the Department of Managed Health Care (DMHC) in Sacramento. See analysis section for details.

SG = Small Group products.

Appendix E: Description Of Criteria Used In Privacy Charts

Privacy Criteria	Definitions
Privacy policy available? On home page? Privacy seals? Uses cookies?	Does the site have a privacy policy? Is the site's privacy policy available on its home page? Does the site subscribe to a privacy seal/certificate program, such as TRUSTe? Does the site ask for cookies?
Notice	
What is collected?	Does the privacy policy state what information is collected about users?
When is it collected?	Does the policy state when information is collected from visitors?
How is it collected?	Does the policy state how personal information is collected by the site?
How is it used?	Does the policy state how personal information will be used?
When is it disclosed?	Does the policy state when and/or to whom personal information will be disclosed?
Notice of when policy changes?	Does the policy inform individuals of how they will be informed of any changes that the site makes to its privacy policy?
Inform users of cookies?	Does the policy inform individuals whether or not the site uses cookies and/or how cookies are used?
Inform users of links?	Does the policy inform users about links to third party sites and whether these third parties are bound by the site's privacy policy?
Choice/Control	
Opt in?	Does the policy indicate whether and/or when consumers have the opportunity to opt in to specific uses and disclosures of their personal information, such as for marketing and survey purposes?
Opt out?	Does the policy inform consumers that their personal information will be used or disclosed for certain purposes (e.g., for marketing or surveys) unless the consumer opts out of the specific uses or disclosures?

Access	
Right to review?	Does the policy inform individuals of their right to review the information that they provide to the site?
Right to correct?	Does the policy inform individuals of their right to correct/amend/supplement their information collected and maintained by the site?
Accounting of disclosures?	Do the policy indicate whether or not individuals have a right to an accounting of disclosures made by the site?
Right to delete?	Does the policy indicate whether or not individuals have a right to delete or have his or her information removed from a site's database?
Security	
Measures discussed?	Does the privacy policy explain the site's security measures for personal information collected and maintained by the site?
Secure site?	Is there an indication on the site or by the site that a person is entering or leaving a secure portion of the site? For example, is there a lock symbol at the bottom of the browser window when individuals enter personal information to register with the site?
Enforcement	
How is policy enforced?	Does the privacy policy inform users how the site will enforce its policies, such as disciplinary actions for the misuse of an individual's information by the site's employees?
Notice of treatment of information if policy changes?	Does the policy explain to users how the site will treat information that it collects if it decides to make changes to its privacy policy?
Chain of Trust	
Identifies partners/affiliates?	Does the policy identify its business partners and/or affiliates?
Bound by site's policy/contract?	Does the policy indicate whether the site's partners or affiliates are bound by the site's privacy policy or by contract to safeguard consumers' information?

Endnotes

1. Throughout this report, the term broker is used to identify persons who are licensed to sell insurance. Technically, some of these individuals may be agents, not brokers.
2. Health Plan Employer Data Information Set (HEDIS) measures both consumer satisfaction and clinical outcomes for health plans.
3. PacifiCare had taken down the Small Group sales area of its site in anticipation of updating this section, so we did not include an evaluation of PacifiCare's Small Group site capabilities.
4. Blue Cross's products are technically Medicare Select products. Medicare Select products have standard Medicare Supplement benefits, but access a network.
5. An additional site, HealthInsurance.com, passes its Medicare Supplement referrals to eHealthInsurance.com and collects the finder's fee. Because this capability is identical to that of eHealthInsurance.com's own Medicare section, this site is not included separately in the analysis.
6. Exclusions and limitations is a comprehensive listing (typically multiple pages in length) of what the plan does not cover and important restrictions on coverage. Some exclusion and limitations will apply widely (i.e., to all PPO or HMO plans), while others are specific to the particular plan.
7. Please see the methodology section for an explanation of why these three plans were chosen.
8. *Insurance Markets: Small Businesses and Individuals Face Greater Cost Sharing and Complexity*, California HealthCare Foundation (April 2002).
9. Mental health care coverage for a specified set of "severe" mental health diagnoses and certain childhood emotional disturbances must be provided at the same member cost as medical conditions per California Assembly Bill 88.
10. Between 12 and 34 separate covered services are listed in the Medicare+Choice benefit charts reviewed for this study, with most charts indicating only the amount to be paid by the member.
11. Between 12 and 19 separate covered services are listed on the broker site Medicare Supplement benefit charts.
12. NCQA is an independent organization that accredits health plans.

13. Short-term health plans do not require underwriting, are available for limited time periods—typically up to one year—and are not renewable.
14. This is the format in which health plans are required to present benefit and rate information to prospective Medicare+Choice customers by CMS, the federal agency that regulates Medicare.
15. Under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), employees who voluntarily resign from a job or are terminated for any reason other than “gross misconduct” are guaranteed the right to continue under their former employer’s group plan for up to 18 months at their own expense. In many cases, their spouses and dependent children are also eligible for COBRA coverage, sometimes for as long as three years.
16. Per federal law, persons who have continuous health coverage and meet certain criteria cannot be denied private individual health insurance. The product that health plans offer to serve this population are commonly called “HIPAA Guaranteed Issue” plans. They are similar to the standard individual and family plan products, but the rates are considerably higher; there are no caps on the premiums health plans can charge.
17. Ethics Survey of Consumer Attitudes about Health Web Sites, conducted by Cyber Dialogue and the Institute for the Future for the California HealthCare Foundation and the Internet Healthcare Coalition (January 2000).
18. An earlier California HealthCare Foundation study found significant gaps and weaknesses in the privacy policies and practices of major health Web sites. See Janlori Goldman, Zoe Hudson, and Richard Smith, *Privacy: Report on the Privacy Policies and Practices of Health Web Sites*, prepared for the California HealthCare Foundation (January 2000). Following the release of this report, members of Congress sent a letter to the FTC calling for an investigation. The FTC investigated some of the sites reviewed in the report and only after the sites made improvements to their policies did the FTC end its investigation.
19. Janlori Goldman, Zoe Hudson, and Richard M. Smith, *Report on the Privacy Policies and Practices of Health Web Sites*, prepared for the California HealthCare Foundation (January 2000).
20. Privacy Rule, § 164.520(c)(3), available at <http://www.hhs.gov/ocr/combinedregtext.pdf>.
21. “Protected health information” is individually identifiable health information that is transmitted or maintained by a health plan, health care provider, or health care clearinghouse. Individually identifiable health information as defined in the privacy rule is information that is a subset of health information, including demographic information collected from an individual, and
 - (1) is created or received by a health care provider, health plan, employer, or health care clearinghouse; and
 - (2) relates to the past, present, or future physical or mental health or condition of an

individual; the provision of health care to an individual; or the past, present or future payment for the provision of health care to an individual; and

(i) that identifies the individual; or

(ii) with respect to which there is a reasonable basis to believe the information can be used to identify the individual.

Privacy Rule, § 164.501, available at <http://www.hhs.gov/ocr/combinedregtext.pdf>.

22. Standards for Privacy of Individually Identifiable Health Information; Final Rule, 45 CFR Parts 160 and 164, 67 Fed. Reg. 53181, 53182-53190, 53267 (August 14, 2002), available at <http://www.hhs.gov/ocr/hipaa/privrulet.txt>.
23. In Blue Shield's privacy policy, there is a link to Blue Shield's corporate confidentiality and nondisclosure policy.
24. For example, when Toysmart.com, an online toy seller, went bankrupt, the company advertised an asset auction that included its customer database as an auction item, despite promises in its privacy policy that customers' data would not be disclosed to outside parties.
25. Cookies are small text files stored on the hard disk of a consumer's computer. A cookie is activated when a user visits a Web site. Each site has its own cookie file, which is recorded on the consumer's hard drive. It is possible for a Web site to use cookies to create a profile of each visitor to the site, but these profiles remain anonymous unless the consumer provides the Web site with additional personal information. Cookies may be either "permanent," in that they result in a permanent file written to a consumer's hard disk, or "within-session," in which tracking is performed for the duration of a single session only.
26. General Agents provide quoting support tools and handle aspects of the interaction with the health plan for smaller brokers. They receive a percentage of the commission in return.
27. *California Managed Care Review 2001*, by Allan Baumgarten for the California HealthCare Foundation (2001).
28. *Accident and Health Covered Lives 2002*, California Department of Insurance, available at www.ca.insurance.gov.
29. *Records, Computers, and the Rights of Citizens*, U.S. Department of Health, Education, and Welfare (1973).
30. See Janlori Goldman and Zoe Hudson, "Virtually Exposed: Privacy and E-Health," 19 *Health Affairs* 140-148 (November/December 2000); Angela Choy, Zoe Hudson, Joy Pritts and Janlori Goldman, "Exposed Online: Why the new federal health privacy regulation doesn't offer much protection to Internet users," with support from the Pew Internet and American Life Project (November 2001).