Personal Finance: Another Perspective

Insurance 3: Protecting Your Health through Health, Disability, and Long-term Care Insurance

(Updated 2020/02/18)

Objectives

A. Understand how health insurance relates to your personal financial plan and basic health insurance coverage and provisions

B. Understand the Key Areas of Disability Insurance

C. Understand the Key Areas of Long-term Care Insurance

D. Understand strategies to control health care costs

E. Understand strategies for health and disability, insurance for different life stages

A. Understand Health Insurance Relates to your PFP and Basic Health Coverage

- What does health insurance do?
  - It provides the necessary care should you or your dependents become hurt or injured
  - It protects you and your dependents from catastrophe caused by high medical expenses
  - Enables you to better budget for healthcare costs
  - Provides access to very good care without worrying about the cost
  - It provides peace of mind

The Need for Health Insurance

- President N. Eldon Tanner commented:
  - Nothing seems so certain as the unexpected in our lives. With rising medical costs, health insurance is the only way most families can meet serious accident, illness, or maternity costs, particularly those for premature births. . . Every family should make provision for proper health and life insurance (N. Eldon Tanner, "Constancy Amid Change," *Ensign,* Nov. 1979, 80).

Basic Health Care (continued)

- Where can you get healthcare?
  - If you are under 26, you can stay on your parents health insurance
  - You can continue to get health insurance through your work if it is provided
  - You can obtain healthcare coverage outside or inside of the marketplace during open enrollment
  - During open enrollment, you can purchase federally regulated and subsidized health insurance through private providers
  - You can purchase private health plans through a broker or directly from the provider at any time

Basic Health Care (continued)

- What are the major types of Health Care Coverage?
  - The four major types of Health Care Coverage are:
    - I. Basic health insurance
    - II. Major medical expense insurance
    - III. Dental and eye insurance
    - IV. Dread disease and accident insurance

I. Basic Health Insurance

- What is basic health insurance?
  - This is basic health coverage which covers hospital, surgical and physician expense insurance
  - What does it cover?
    - Hospital insurance. This covers hospitalization including room, board, nursing, and drug fees
    - Surgical insurance. This covers only the direct costs of surgery including the surgeon's and equipment fees
    - Physician expense insurance. This covers physicians' fees including office, lab, X-ray, and fees for other needed tests

II. Major Medical Insurance

- What is Major Medical Insurance?
  - This is major coverage of medical costs over and above the basic health insurance coverage
  - What does it cover?
    - Medical costs beyond the basic plan. These normally require a co-payment and/or a deductible
    - A stop-loss provision. This limits the total out-of-pocket expenses incurred by the insured to a specific dollar amount
    - A life-time cap for the insurance company. This limits the total amount the insurance company will pay over the life of a policy

III. Dental and Eye Insurance

- What is Dental and Eye Insurance?
  - This is insurance which covers only dental work and expenses relating to the eyes
  - What does it cover?
    - Generally, it is only partial costs of eye exams, glasses, contact lenses, dental work, and dentures.
      - Know your coverage, as the amount covered varies by plan provider
    - These plans are generally expensive, unless they are provided as part of an employer plan
      - Know what your plan covers before you go

IV. Dread Disease and Accident Insurance

- What is Dread Disease and Accident Insurance?
  - It is special insurance to cover a specific type of disease or accident
  - What does it cover?
    - Generally it provides only for 'specific' illnesses or accidents on the "covered" list
    - It provides a set maximum dollar amount of reimbursement
  - This insurance is generally expensive, unless included in your company's total health plan.
    - Generally, concentrate on making your health coverage as comprehensive as possible

Health Care Providers

- Who are the three major providers of health care?
  - 1. Group private health care plans
    - Fee-for-service (or traditional indemnity plans), managed health care (HMO, PPO, POS, and EPO)
  - 2. Non-group and individual health care plans
    - Individual, HDHP, and HSA
  - 3. Government-sponsored health care plans
    - Workers Compensation, Medicare and Medicaid

1. Private Health Care Plans

- What are fee for-service plans?
  - These are health care plans where the doctor bills the patient directly, and the patient is reimbursed, to a specific percentage, by the insurance company
- Advantages
  - They provide the greatest flexibility for choosing doctors and hospitals.
- Disadvantages
  - These plans are expensive and require paperwork

Private Health Care Plans (continued)

- What are managed health care providers?
  - These are insurance companies which provide pre-paid health care plans to employers and individuals.
  - Advantages
    - They pay for and provide health care services and provide the most efficient payment of bills
  - Disadvantages
    - They limit choices to the doctors and hospitals and require policy holders to pay a monthly premium and share the cost of care.
  - There are four main types of managed car providers

Private: Managed Health Care Plans

- i. Health Maintenance Organizations (HMOs)?
  - HMOs are prepaid insurance plans which entitle members to the services of specific doctors, hospitals and clinics.
  - Advantages
    - It is a system of doctors and hospitals for a flat fee, and emphasize preventive medicine, with a small co-pay for services rendered
  - Disadvantages
    - They provide little choice of doctors /hospitals, and service may be less than at other facilities and referrals sometimes difficult to get

Private: Managed Health Care Plans (continued)

- ii. Preferred Provider Organizations (PPOs)?
  - Insurance plans which are a cross between the traditional fee-for-service and an HMO, where in-plan providers fees are covered, and out-of-plan providers results in higher fees
  - Advantages
    - PPOs provides health care at a discount to fee-for-service plans, and provide a group of doctors which work at reduced costs to participants, with additional fees to a non-member doctor or center
  - Disadvantages
    - PPOs are more expensive than HMOs and use of non-PPO providers results in higher costs

Private: Managed Health Care Plans (continued)

- iii. Point of Service Plans (POS)
  - Has attributes of HMOs, PPOs, and indemnity plans, with the point at which benefits are received determines the amounts of benefits paid
- Advantages
  - POS may include HMO, PPO, and indemnity type programs
- Disadvantages
  - POS may also have a gatekeeper

Private: Managed Health Care Plans (continued)

- iv. Exclusive Provider Organization (EPO)
  - A health plan similar to an HMO, but operates through an insurance company.
  - Advantages
    - It is funded through an insurance company, with health care provided by contracted providers
    - Offers lower cost
  - Disadvantages
    - Only care received from contracted providers is covered (unless in an emergency situation)

2. Non-group/Individual Plans

- What are non-group or individual health care plans?
  - i. Non-group Plans
    - These are health insurance plans which cover individuals on a case-by-case basis and are traditionally a most expensive type of coverage
  - Advantages
    - They provide a custom policy to the purchaser
  - Disadvantages
    - They are expensive, usually 15% - 60% more expensive than a group policy and may require subscribers to pass a medical exam

High Deductible Plans

- ii. High Deductible Plans
  - It is a form of catastrophic coverage with lower premiums and higher deductibles and is intended to cover catastrophic illnesses.
  - Advantages
    - Very low cost, as it covers only catastrophic illnesses
  - Disadvantages
    - High costs for medical coverage should it be needed

Health Savings Accounts (HSA)

- iii. Health Savings Accounts (HSA)
  - If you have a qualified high-deductible health plan (a plan with a minimum deductible of $1,400 for self and $2,800 for a family in 2020) you can also have an HSA.
    - Contributions can be made by an individual or an employer ($3,550 self, $7,100 family, with catch up limits for those over 55 of $1,000)
    - Maximum annual out of pocket expenses are $6,900 single and $13,800 family
    - Individuals contribute each year into an account that grows tax-free to pay for future qualified medical and retiree health expenses

Health Savings Accounts (continued)

- Advantages
  - You are paying for "qualified medical expenses" on a tax-free basis
  - Can be used to pay for medical expenses before you reach your deductible limits
  - Earnings grow tax-free, and carry over into retirement
  - Distributions may be used for spouse or kids
- Disadvantages
  - Deductibles are high
  - If distribution not for qualified medical expenses, then it is included in income and subject to a 10% penalty (no penalty after age 65)
  - Not for the seriously ill

Health Savings Accounts (continued)

- **High Deductible Health Plan Contributions, Deductibles and Limits**
- Max. Contributions:

	Self	Family	Catch-Up *
2018	$3,450	$6,900	$1,000
2019	$3,500	$7,000	$1,000
2020	$3,550	$7,100	$1,000

- Minimum Deductibles

2018	$1,350	$2,650
2019	$1,350	$2,700
2020	$1,400	$2,800

- Maximum Out-of-Pocket Expenses:

2018	$6,650	$13,300
2019	$6,750	$13,500
2020	$6,900	$13,800

3. Government-Sponsored Health Care Plans

- What are government-sponsored health care plans?
    - These are insurance plans which are sponsored either by the state or the federal government
- These plans fall under three headings:
    i. Workers' Compensation
    ii. Medicare
    iii. Medicaid

i. Workers' Compensation

- What is Workers' Compensation?
  - Workers compensation is state insurance program that insures against work-related accidents and illness
  - Advantages
    - Workers' Compensation provides insurance to workers injured on the job, regardless of whether they have other health insurance or not
  - Disadvantages
    - It only covers work-related accidents and illnesses
    - Coverage is determined by state law and varies state by state

ii. Medicare

- What is Medicare insurance?
  - Medicare insurance provides medical benefits to the disabled and to those 65 and older who are covered by Social Security.
  - Its cost is covered through Social Security taxes
- Advantages
  - Individuals can get insurance that would be prohibitively expensive through other channels
- Disadvantages
  - It doesn't cover all the costs and expenses

Medicare (continued)

- Medicare is Divided into three parts: A,B, C
  - Medicare Part A is compulsory and covers all hospital related expenses, such as bed and board, operating room costs, and lab tests. Patient pays a deductible and coinsurance payment
  - Medicare Part B is voluntary, with a monthly charge. It covers doctors' fees and other outpatient treatment. Patient pays a premium, deductible, and 20% of approved charges
  - Medicare Part C (Medicare Advantage) provides three program alternatives: coordinated care plans, private fee-for-service Medicare, and health savings accounts (HSAs)

Medicare (continued)

- What is Medigap insurance?
  - Private insurance which covers the gaps between the two parts of Medicare. It covers more costs
  - Advantages
    - It covers the additional costs of Medicare insurance and is in 10 standardized contracts
    - It can't be rejected if you enroll within 6 months of enrolling in Medicare Part B
  - Disadvantages
    - It is expensive, so shop around as the costs vary

iii. Medicaid

- What is Medicaid insurance?
  - Medicaid is a medical assistance program, operated jointly by the states and federal government, to provide health care coverage to low income, blind, or aged persons
- Advantages
  - Medicaid payments may be used to offset the premiums, deductibles, and co-payments incurred with Medicare.
- What are its disadvantages
  - There is no guarantee that this plan will be around in its present form

Questions

Health Insurance Summary 2020

Fin200/Fin418/MBA620 (2/18/20)

	Group Private Health Plans					Flexible	Non-group and Individual Health Plans			Government Health Plans		
Description	**Fee for Service**	**HMOs**	**PPOs**	**POSs**	**EPOs**	**Spending Account**	**Individual Plans**	**High Deductible**	**HSAs**	**Workers Comp.**	**Medicare**	**Medicaid**
Description	Fee for Service Plans are plans where the doctor bills the patient directly, and the patient is reimbursed, to a specific percentage, by the insurance company	Health Maintenance Organizations are prepaid insurance plans which entitle members to the services of specific doctors, hospitals and clinics who work for the HMO	Preferred Provider Organizations are plans which are a cross between the traditional fee-for-service and an HMO, where in-plan providers fees are covered, and out-of-plan providers results in higher fees	Point of Service Plans have attributes of HMOs, PPOs, and indemnity plans, with the point at which benefits are received determines the amounts of benefits paid	Exclusive Provider Organizations are plans similar to an HMO, but operate through an insurance company and services are covered only if you use doctors and specialists in the plan's network	FSA's are not a health plan but a benefit provided by many Group Private Plans where a specific amount of money can be set apart to pay for qualified medical expenses (deductibles, medications, eye glasses, etc.) with pre-tax dollars.	Individual Plans are plans which cover individuals on a case-by-case basis and are traditionally a most expensive type of coverage	A High Deductible Health Plan (HDHP) is a plan with lower premiums and higher deductibles. It is a form of catastrophic coverage, intended to cover catastrophic illnesses.	Health Savings Accounts are a high deductible health plan with special tax-saving characteristics. Can be used as an individual plan or as part of a work plan	Workers Compensation is a state program that provides wage replacement and medical benefits to employees injured in the course of employment. These are state laws, and claims are handled by administrative law judges.	Medicare is a national health care program that provides health insurance to those age 65 and older, as well as to younger people with some disability status.	Medicaid is a joint Federal and State program that helps with medical costs for those with limited income and resources, as well as offers benefits not normally covered by Medicare, like nursing home care and personal services
Key Issues	A health model where services are unbundled and paid for separately. It leads to greater choice for the insured, but may lead to dependence on the quantity of care, rather than quality.	Using only network doctors and hospitals can significantly reduce overall costs. However, when patients are shielded from cost sharing by health insurance, they may welcome any service that might do some good.	Using only network doctors and hospitals can reduce overall costs, and having higher costs for out-of-network visits incentivized fewer outside visits.	The POS offers lower medical costs in exchange for more limited health choices. Enrollees are required to choose a primary care physician, their "point of choice" who is in essence a medical gatekeeper	EPOs are a network of medial care providers who contract with the insurance company to offer reduced cost services, the assumption being a lower revenue per person but a higher number of insured visits	FSAs require the planning of possible health expenses. Allows the payment of medical expenses with pre-tax dollars; however, if you fail to use it each year you will lose it.	It is more difficult for comprehensive coverage for individuals, as the insurance companies cannot spread the risks over a broader population, so costs significantly higher	Imprudent choices by consumers may be avoided by a HDHP if they are held financial responsible through high copayments and deductibles.	HSA consumers can allocate their medical expenses better if they are held financially responsible. HSAs can not only be used for health care, but after age 59.5, for retirement expenses as well.	Injured employees get wage replacement and medical coverage in exchange for the employee giving up their right to sue	Medicare is funded by a payroll tax, beneficiary premiums, and US Treasury revenue. However, as medical costs increase and individuals live longer, this is getting increasingly expensive	The largest source of funding for health care related services for low income individuals
Advantages	These provide the greatest flexibility for choosing doctors and hospitals. They define the percent of each claim the policy will cover and the insured must pay before a claim is eligible for reimbursement	HMOs offer a system of doctors and hospitals for a flat fee, and emphasize preventive medicine, with a small co-pay for services rendered	PPOs provide health care at a discount to fee-for-service plans, and provide a group of doctors which work at reduced costs to participants, with additional fees to a non-member doctor or center	POSs may include HMO, PPO, and indemnity type programs.	EPOs are funded through an insurance company, with health care provided by contracted providers and offers lower cost to insured. No primary care provider is required, although you must have preauthorization.	Allows the payment of medical expenses (deductibles, co-pays, prescriptions, etc.) with pre-tax dollars; however, if you fail to use it each year you will lose it.	Individual plans provide a custom policy to the purchaser	HDHPs offer lower premiums than traditional plans. It is also a requirement for having an HSA.	HSA contributions offer a triple benefit: tax deductible contributions, tax-free growth, and tax-free withdrawals for qualified medical expenses. Can be used to pay your expenses before you reach your deductible limits	These supposedly limit the need for litigation and provide monetary awards to cover loss of wages and compensate for permanent physical impairments and medical expenses	Covers 80% of the allowable charge for medical expenses for those age 65 and older.	Offers health insurance coverage to those who would normally not be able to afford such coverage. It also offers benefits such as nursing home care and personal services
Disadvantages	Plans are expensive and require significant paperwork	HMOs offer little choice of doctors or hospitals, and service may be less than at other facilities. Referrals sometimes difficult to get. They generally won't cover out-of-network care except in an emergency	PPOs are more expensive than HMOs and use of non-PPO providers results in higher costs	POS plans require you to get a referral from your primary care doctor in order to see a specialist. For patient visits outside the network, the patient is responsible to fill our forms, send bills for payment, and keep all receipts.	Only care received from contracted providers and hospitals is covered (unless in an emergency situation). It may be quite restrictive, so make sure you understand the contract	If you fail to use your FSA set apart amount each year for qualified expenses, you lose that money that you did not spend each year.	Individual plans are expensive, usually 15% - 60% more expensive than a group policy and may require subscribers to pass a medical exam	High Deductible individual plans must have a deductible of $1,350 and family of $2,700. The maximum out-of-pocket expenses are $6,650 individual and $13,300 family. There are concerns that patients may delay care due to high costs.	HSA deductibles are high (see left column), not for the seriously ill, and if distributions not for medical expenses, 10% penalty and considered income	Insured give up their right to sue their employers. Employees are a specific list, and may not include all workers. Only covers injuries sustained on the job	Beneficiaries must come up with the remaining 20% of costs, and significant out-of-pocket costs, including deductibles and copays; costs of uncovered services, i.e., dental, hearing, and vision care; and costs related to Medicare's lifetime and per-incident limits	Eligibility is categorical, one must be a member of a specific category defined by statute, which are defined state to state.
Sources of Information:	www.healthcare.gov, as well as your company's HR department	www.healthcare.gov as well as your company's HR department	www.healthcare.gov as well as your company's HR department	www.healthcare.gov as well as your company's HR department	www.healthcare.gov as well as your company's HR department	Work with your as well as your company's HR department	www.healthcare.gov Look on the web for specific plans	www.healthcare.gov Look on the web for specific plans	www.healthcare.gov Look up HSA administrators on the web	Utah: www.laborcommission.utah.gov	Federal www.medicare.gov	Utah and Federal: www.medicaid.utah.gov, and www.medicaid.gov

B. Understand the Key areas of Disability Insurance

- What is disability insurance?
  - Disability is similar to life insurance, but is really "earning-power" insurance
    - Insurance that in the event that income is interrupted due to illness, sickness, or accident, you will still have income
  - Who needs disability insurance?
    - Anyone who depends on income from a job
  - What are the odds of being disabled?
    - The Social Security Administration states: "Studies show that a 20-year-old worker has a 3-in-10 chance of becoming disabled before reaching retirement age." http://www.ssa.gov/dibplan/

Disability Insurance (continued)

- What are the sources of disability insurance?
  - Employers, Government and Private providers
    - The definition of disability from an employer can be different than from an individual policy
  - Isn't worker's compensation sufficient?
    - What about if the accident is not work-related?
      - Coverage is determined by individual states, with wide variability
      - Social Security benefits vary depending on how many years you have paid into the system, your salary, how long the disability is expected to last

Disability Insurance (continued)

Table 1. Different Types of Disability Insurance

Individual Disability Income	For personal protection, to provide income to individuals in the event of a disability.
Group Disability Income	For businesses to provide the owners and employees short-term and/or long-term benefits in the event of a disability.
Social Security Disability Income	Provides benefits to individuals covered under the Social Security system.
Workers' Compensation	Provides benefits to employees who incurred a job-related disability.
Disability Overhead Expense	Provides a monthly benefit for covered overhead expenses when a business owner is totally or partially disabled.
Key-Person Disability	Provides a benefit to the business in the event the key person is disabled.

Disability Insurance (continued)

- What are the key areas of disability insurance?
  - 1. Definition of disability
    - What does the policy consider a disability?
      - Stick with a policy that defines disability as an inability to perform your normal job.
  - 2. Residual or part-time payments when returning to work part-time
    - Some policies offer partial disability payments that allow workers to return to work part-time
      - These payments make up the difference between part-time and full-time work

Disability Insurance (continued)

- 3. Benefit Duration
  - Policies state how long the benefits will continue
    - Most policies provide for a maximum period or until the disability ends (or age 65 or 70).
    - Short-term disability provide benefits from 6 months to 2 years, after a wait of 8 to 20 days
    - Get a long-term policy as your emergency fund protects short-term
- 4. Waiting or Elimination Period
  - Policies determine the waiting period before the benefits begin, with most having periods of between 1 and 6 months with the longer the waiting period, the less-expensive the policy

Disability Insurance (continued)

- 5. Waiver of Premium
  - What is the waiver of premium?
    - It is a good idea to have a waiver of premium provision, which waives the premium payments if you become disabled
- 6. Non cancelable
  - Make sure your policy is one that cannot be cancelled. This protects you and guarantees your policy is renewable

Disability Insurance (continued)

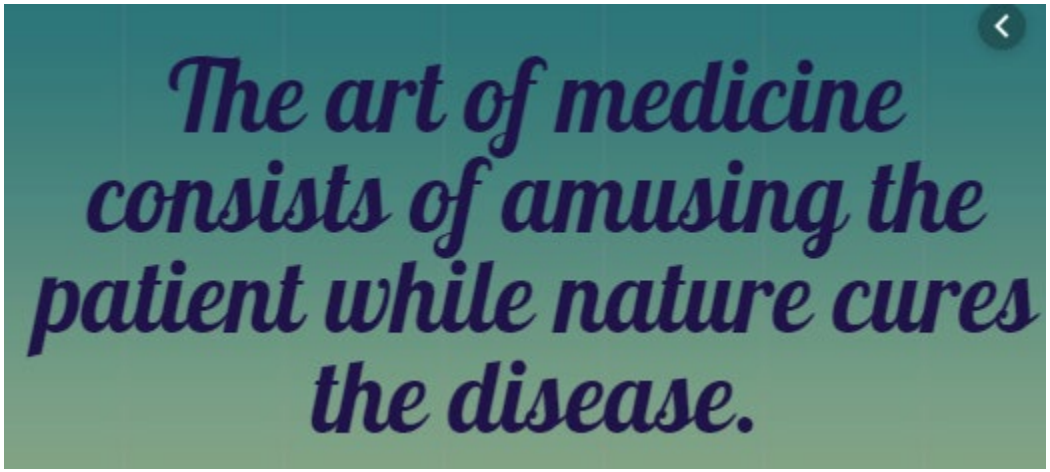
- 7. Rehabilitation Coverage
  - What is the rehabilitation coverage?
    - This provides for vocational rehabilitation, allowing the policyholder to be retrained for employment through employment-related educational and job-training programs.
- 8. Cost of Living Rider
  - This provides for inflation adjustments to protect you from the impact of inflation

Disability Insurance (continued)

- How much coverage should I have?
  - Enough coverage to maintain your living standard should you no longer be able to work
    - If you have sufficient savings, you may not need much insurance, perhaps only 30% of after-tax income
    - If you have little savings, you may need a lot, perhaps 80%
  - How expensive is disability coverage?
    - Generally, the annual premium will be around 1-2% of the income replaced
      - It's expensive, but may be cheaper through work

Questions

- Any questions on disability insurance?



C. Understand the Key areas of Long-term Care Insurance

- What is long-term care (LTC) and long term care insurance (LTCI)?
  - LTCI covers the costs the cost of nursing home and long-term home health care expenses
  - Advantages
    - It provides a daily dollar benefit for the costs of long-term care
    - It provides help to those with a family history of long-term disabilities
  - Disadvantages
    - It is expensive, with many exceptions and conditions for coverage

Long-Term Care Insurance (continued)

- The four main providers of Long-term care are:
  - Self-insurance
  - Medicaid
  - Medicare and
  - Long Term Care Insurance

Long-Term Care Insurance (continued)

- What are the key areas of LT Care Insurance?
- 1. Comprehensive or facilities only plans
  - Comprehensive plans help pay for care received at home as well as in LTC facilities
  - Facilities only plans require care at LTC facilities, which include nursing homes, assisted living, and hospice and respite care facilities (generally cheaper)
- 2. Daily Benefit Amount
  - This is either the maximum amount or actual amount the insurance will pay per day for covered services
  - Some contracts offer benefits on a monthly or weekly basis (understand the rules for your policy)

Long-Term Care Insurance (continued)

- 3. Benefit period
  - This is the amount of time that you wish to receive the benefits, from 2 to 10 years or unlimited
  - Your total lifetime benefit is your daily benefit * your benefit period
- 4. Elimination or waiting period
  - Your elimination period is a period of time during which you are eligible for benefits before the insurance company will begin paying your claim
- 5. Inflation protection
  - There are options to help you protect yourself against the increased costs of care in the future

Questions

- Any questions on long-term care insurance?

F. Understand Health Plans and Strategies

- The best methods of controlling health care costs are:
  - 1. Live a healthy lifestyle
  - 2. Use a group plan (work) or subsidized plan
  - 3. Use a medical reimbursement or flexible spending account
  - 4. Use a Health Savings Account (HSA)
  - 5. Consider COBRA when changing jobs
  - 6. Choose no health care coverage if you already have coverage through a spouse (this is not recommended unless already have coverage)

Be Wise in Shopping for Insurance

Additional guidance includes:

1. Always compare rates
   - Consider only high-quality insurance companies.
     - Check with AM Best at http://www.ambest.com/ and other insurance rating companies for stability
2. First protect yourself from the catastrophic illness or accident
   - Avoid policies with major exclusions
   - Get the "needed" major coverage first before the "nice" coverage
   - Make sure your policy has a sufficiently high cap

Shopping for Health Insurance (continued)

3. Buy an individual policy if not covered at work
    - Consider a high deductible health savings account (HSA)
    - Consider joining a PPO or HMO to reduce costs
    - Remember group plans are generally less expensive
4. Consider higher deductibles to reduce premiums
    - Consider raising deductibles to get better coverage
    - Avoid polices that are not guaranteed renewable or that have a low minimum lifetime coverage amount

Health Strategies (continued)

- Health Insurance

  Single students

  - If under 26, you may still be able to be on your parent's insurance
  - If no parent's insurance, you can be on a BYU Health Insurance Plan
  - If not on your parent's insurance, look into a Health Savings Account for inexpensive coverage
  - Build your Emergency Fund to meet your immediate needs for emergencies

Health Strategies (continued)

- Health Insurance

  Young Marrieds

  - If planning for children and still on parent's insurance, ensure parents insurance covers pregnancy. Deductible may be per person, and the baby is a person
  - If income levels are low, may be eligible for Medicaid
  - If married without kids, compare your group plans to a Health Savings Account to see which plan has the best coverage for the costs
  - Once children come, switch to a traditional group plan to meet your family's needs
  - Use a flexible spending plan if offered by your employer to reduce your medical expenses
  - Build your Emergency Fund to meet your needs

Health Strategies (continued)

- Health Insurance

  Married with families

  - Make sure you have sufficient health insurance to meet your family needs
  - Review your insurance needs annually during the open period to be most cost effective with your health expenses
  - Use a flexible spending plan if offered by your employer to reduce your medical expenses

Health Strategies (continued)

- Health Insurance

  Empty nesters

  - Make sure you have sufficient health insurance to meet your family needs
  - Review your insurance needs annually during the open period to be most cost effective with your health expenses
  - As children leave home, make adjustments to your health insurance to be cost effective with your coverage
  - Use a flexible spending plan if offered by your employer to reduce your medical expenses

Health Strategies (continued)

- Plans and Strategies

  Disability Insurance

  - Look to company provided insurance, as it is generally cheaper
  - Because of the high cost of short-term disability insurance, keep an Emergency Fund of 4-5 months, which should be sufficient to get by until Social Security Disability or Worker's Compensation is available
  - For long-term disability, look to Social Security and Worker's Compensation Funds

Health Strategies (continued)

- Plans and Strategies

  Long-term Care Insurance

  - Because of the high cost of long-term care insurance, continue to save 20% of every dollar I earn after college and will invest it wisely and carefully.
  - Then, when care is required, I will have the resources needed to take care of myself and my spouse

Review of Objectives

A. Do you understand how health insurance relates to your personal financial plan and basic health insurance coverage and provisions?

B. Do you understand the key areas of Disability Insurance?

C. Do you understand the key areas of Long-term Care Insurance?

D. Do you know how to control your health care costs?

E. Do you have some ideas on strategies for health insurance for different stages of life?

Case Study #1

Data

- Steven has a $1 million major medical policy with a $500 deductible, an 80% co-insurance provisions, and a $5,000 stop-loss limit. He recently incurred $10,500 of covered medical expenses.

Calculations

- What amount will the insurer pay in this situation?
- How much will Steven pay?

Steven has a $1 million major medical policy with a $500 deductible, an 80% co-insurance provisions, and a $5,000 stop-loss limit. He recently incurred $10,500 of covered medical expenses.

Case Study #1 Answers

- The insured pays the deductible first ($500), then the insurance company and the insured split the remainder (80%/20%), up to the stop-loss limit of the insured ($5,000).

Total Expenses	$10,500		Insurer Pays	Steven Pays
Deductible	500		$0	$500
Remaining	10,000	80/20 split	8,000	2,000
Total Payments	$10,500		$8,000	$2,500

Case #2

- Bill is thinking about getting health insurance. What questions should he ask to protect his health and the health of his family?

- These questions and major ideas were taken from Lisa Collier Cool in the April 2006 Readers Digest. She recommends:

Key Questions to Ask (continued)

- 1. What is the real bottom line.
  - Determine the total costs of your health insurance. Total costs include not just the annual costs, but any deductibles for lab work, emergency care, and other coverage.
  - Make sure the deductible is annual, and not for every time you visit the doctor.
  - Also understand what it takes to reach the family deductible.
  - In addition, weigh co-payments for lab tests, hospital care, emergency room visits, etc.

Key Questions to Ask (continued)

- Finally, make sure you know your annual out-of-pocket maximum, or the maximum you will have to spend each year before the health plan pays 100% of all additional costs.
- 2. How well protected are you from catastrophic costs?
  - Check your plan to determine the limits the insurance company will pay over you or a member of your family's lifetime.
    - A low cap, such as $100,000, would leave you exposed to additional costs over that amount from a major accident or disease.

Key Questions to Ask (continued)

- 3. Will you be able to use your regular doctors?
  - Check the list of available doctors and hospitals for any plan that you are considering.
    - Since many doctors may accept a range of plans, discuss with your current doctor which plans they accept, and if they would consider working with your "prospective" new health plan.

Key Questions to Ask (continued)

- 4. How complicated is it to see a specialist?
  - With most of these plans, there generally is a medical "gatekeeper" that you must work through to see a specialist.
    - This gatekeeper decides whether or not the referral is necessary. Depending on your type of plan, it could be harder to see specific specialists.
  - Make sure you understand what you are getting into before you commit.

Key Questions to Ask (continued)

- 5. Do you have a choice of hospitals?
  - Most insurance plans are associated with specific hospitals and doctors.
    - Check to make sure that the plan covers your doctors and the hospital they are affiliated with, as well as any nearby hospitals where you may be treated in an emergency.
    - Also determine how your care would be handled if you were sick or hurt while traveling.

Key Questions to Ask (continued)

- 6. Are your prescriptions covered?
  - If you plan includes prescription coverage, ask for its "formulary" or the list of prescription drugs it covers.
    - Some plans have a tiered coverage where coverage is grouped into different groups.
    - Some drugs may not be covered at all if the insurance company considers that group of drugs experiments.

Key Questions to Ask (continued)

- 7. What other benefits are included?
  - In addition to health care, some policies may also cover additional areas, such as dental and vision care, hearing aids, and other items.
    - In addition, many also include services to keep you healthy, including discounts on gym memberships, weight loss, and smoking cessation programs. (Lisa Collier Cool, "7 Key Questions to Ask," *Readers Digest*, April 2006, pp. 102-103)