



Personal Finance: Another Perspective

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

(Updated 2018/10/17)



Objectives

- A. Understand how health insurance relates to your personal financial plan
- B. Understand Obamacare and basic health insurance coverage and provisions
- C. Understand the Key Areas of Disability Insurance
- D. Understand the Key Areas of Long-term Care Insurance
- E. Understand strategies to control health care costs
- F. Understand strategies for health and disability, insurance for different states of your life



A. Understand Health Insurance and your Personal Financial Plan

- What does health insurance do?
 - It protects you and your dependents from financial catastrophe
 - It provides the necessary care should you or your dependents become hurt or injured
 - 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).



B. Understand Obamacare and Basic Health Insurance Coverage and Provisions

- Obamacare (the Affordable Health Care Act) brought many changes to the health care industry. You should understand:
 - Obamacare doesn't create health insurance—it regulates the industry
 - Many people who have health insurance can keep their coverage (but not all people)
 - Young adults can stay on their parents plan till age 26
 - If you don't have coverage, you can use the Health Insurance Marketplace during the open period



Obamacare (continued)

- Other features of Obamacare
 - You can obtain private health insurance during each year's annual enrollment period
 - If you don't have insurance, you are taxed
 - The cost of your insurance is on a sliding scale
 - You cannot be denied coverage based on health status, and there are no pre-existing coverage limitations and no lifetime coverage limits on your policy



Obamacare (continued)

- Getting healthcare through Obamacare
 - 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



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 three areas does basic health insurance cover?
 - Hospital insurance. This covers hospitalization expenses 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. Private health care plans
 - Fee-for-service (or traditional indemnity plans)
 - Managed health care (HMO, PPO)
 - 2. Non-group (individual) health care plans
 - 3. Government-sponsored health care plans



1. Private Health Care Plans

- What are private health care plans?
 - These are health care plans sold by private insurance companies to individuals and employers as part of a benefits package
- What are fee for-service or traditional indemnity 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



Private Health Care Plans (continued)

- What are their advantages?
 - They provide the greatest flexibility for choosing doctors and hospitals.
 - They define the percent of each claim the policy will cover
 - They define the amount the insured must pay before a claim is eligible for reimbursement
- What are their disadvantages?
 - Generally these plans are expensive and require more 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.
 - There are four main types of managed care:
 - i. Health maintenance organizations (HMOs)
 - ii. Preferred provider organizations (PPOs)
 - iii. POS Plans (POS)
 - iv. Exclusive Provider organization (EPOs)



Private Health Care Plans (continued)

- What are their advantages?
 - They pay for and provide health care services to policy holders
 - They provide the most efficient payment of bills
- What are their disadvantages?
 - They limit choices to the doctors and hospitals that participate.
 - They require policy holders to pay a monthly premium and share the cost of care.



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.
 - They are the most popular form of managed health care, due to their costs, which are roughly 60% of fee-for-service plans



Private: Managed Health Care Plans (continued)

- What are their advantages?
 - They provide a system of doctors and hospitals for a flat fee, and emphasize preventive medicine and efficiency
 - Subscribers pay a relatively small co-pay for services rendered
- What are their disadvantages?
 - They provide little choice of doctors and hospitals. As such, service may be less than at other facilities and referrals sometimes difficult to get
 - Generally, gatekeeper physicals are used



Private: Managed Health Care Plans (continued)

- ii. Preferred Provider Organizations (PPOs)?
 - PPOs are insurance plans which are essentially a cross between the traditional fee-for-service and an HMO.
 - PPOs are organizations where in-plan providers fees are covered, and out-of-plan providers results in higher fees
 - Insurers negotiate with a group of doctors and hospitals to provide care at reduced rates, while giving insurers the ability to go to non-plan doctors



Private: Managed Health Care Plans (continued)

- What are their advantages?
 - PPOs provides health care at a discount to fee-for-service plans
 - They provide a group of doctors which work at reduced costs to the participants, while assessing an additional fee if the participant uses a non-member doctor or center
- What are their disadvantages?
 - PPOs are more expensive than HMOs
 - Use of non-PPO providers results in higher out-of-pocket costs



Private: Managed Health Care Plans (continued)

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



Private: Managed Health Care Plans (continued)

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



2. Non-group Coverage Plans

- What are non-group or individual health care plans?
 - These are health insurance plans which cover individuals on a case-by-case basis
 - These are traditionally the most expensive type of coverage



Non-group Coverage Plans (continued)

- What are their advantages?
 - They provide a custom insurance policy to the purchaser
- What are their disadvantages?
 - They are expensive, usually 15% - 60% more expensive than a group policy
 - They may require subscribers to pass a medical exam



Non-group Coverage Plans (continued)

- When switching between jobs, utilize COBRA if available
 - Before you sign up for non-group coverage health care plans, check the company ratings and claim service
 - Avoid a company that raises premiums with claims and that has policies which can be cancelled



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
- What are its advantages?
 - Workers' Compensation provides insurance to workers injured on the job, regardless of whether they have other health insurance or not
- What are its 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
- What are the advantages?
 - Individuals can get insurance that would be prohibitively expensive through other channels
- What are the 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 doesn't Medicare cover?
 - Medicare doesn't cover the total costs for all services. You must pay certain amounts
 - In addition, there are limitations to the coverage, such as out-of-hospital prescription drugs and limitations to the number of days in skilled nursing facilities



Medicare (continued)

- What is Medigap insurance?
 - Insurance which covers the gaps between the two parts of Medicare. It is sold by private companies, provides for the gaps in Medicare coverage
- What are the advantages of Medigap insurance?
 - It covers the additional costs of Medicare insurance
 - It is limited by Federal law to 10 standardized contracts (A-J), except in 3 states
 - It can't be rejected for health reasons if you enroll within 6 months of enrolling in Medicare Part B
- What are the 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
- What are its 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

- Any questions on basic health insurance plans?



C. 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
 - 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)

- How much coverage should I have?
 - You should have enough coverage to maintain your living standard should you no longer be able to work
 - Your investment income will not stop with a disability, but your income from working will stop
 - 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%



Disability Insurance (continued)

- What are the key areas of disability insurance?
 - 1. Definition of disability
 - What exactly does the policy consider a disability?
 - Stick with a policy that defines disability as an inability to perform your normal job.
 - A combination definition may include “if you can’t perform your normal job for the first 2 years, and afterwards any occupation for which you are reasonably suited” may be acceptable



Disability Insurance (continued)

- 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 benefits for a maximum period or until the disability ends (or the disabled reaches age 65 or 70).
 - Short-term disability policies generally provide benefits from 6 months to 2 years, after a wait of 8 to 20 days
 - Only a long-term policy makes much sense. Your emergency fund protects short-term



Disability Insurance (continued)

- 4. Waiting or Elimination Period
 - Policies determine the waiting period before the benefits begin
 - Most policies have waiting periods of between 1 and 6 months.
 - Generally 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 expensive is disability coverage?
 - Generally, the annual premium will be around 1-2% of the income replaced
 - Example:
 - A policy replacing \$50,000 per year of annual salary would cost about \$1,000 per year.
 - It can be expensive, but may be cheaper if you get it through your work



Questions

- Any questions on disability insurance?



D. 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
- What are its 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
- What are its 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
 - Long Term Care Insurance



Long-Term Care Insurance (continued)

- Key Provisions (which control qualification for benefits)
 - Type of care covered
 - Benefit period
 - Waiting period
 - Inflation adjustment provision
 - Waiver of premium provision
 - Non-cancelability provision



Long-Term Care Insurance (continued)

- Key areas of long-term care insurance
 - Comprehensive or facilities-only plans
 - Daily Benefit Amount
 - Benefit Period
 - Elimination Period
 - Inflation adjustments



Long-Term Care Insurance (continued)

- 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 or residential care facilities, and hospice and respite care facilities
 - Facilities only plans are generally cheaper



Long-Term Care Insurance (continued)

- 2. Daily Benefit Amount
 - This amount is either the maximum amount or the 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 any policy you may be considering



Long-Term Care Insurance (continued)

- 3. Benefit period
 - This is the amount of time that you wish to receive the daily benefit amount
 - The period can range from 2 to 10 years or for an unlimited amount of time
 - Your total lifetime benefit is your daily benefit * your benefit period
 - If your benefit amount is \$110 * 1,825 days (5 years), your lifetime benefit is \$200,750



Long-Term Care Insurance (continued)

- 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
 - Policies with short or no elimination period are more expensive than those with longer elimination periods



Long-Term Care Insurance (continued)

- 5. Inflation protection
 - There are a number of options to help you protect yourself against the increased costs of care in the future
 - You can add options for automatic compound inflation, simple inflation, periodic inflation, or future purchases.



Questions

- Any questions on long-term care insurance?



E. Strategies for Controlling Health Care Costs

- The best methods of controlling health care costs are:
 - 1. Live a healthy lifestyle
 - 2. Use a carefully chosen group plan (work) if you have children and expect to use coverage often
 - 3. Use a medical reimbursement or flexible spending account if available
 - 4. Use a Health Savings Account if it fits
 - 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)



1. Live Healthy

- Live a healthy lifestyle
 - Get adequate exercise, sleep and take care of your body
 - Maintain your relationships of family and friends
 - Family and friends truly make a difference



2. Use a “Carefully Chosen” Group Plan

- Group health care plans may be more desirable than individual plans for three reasons:
 - Participants can get group coverage at lower rates as employers often provide group coverage as an employee benefit
 - Persons without insurance can buy it through your state’s insurance exchange, and students may get reduced cost insurance due to the sliding scale of insurance costs



Group Plans (continued)

- Generally, you have a number of options within your work group health care plans
 - Choose your plan carefully if you have a family and expect to use the benefits often
 - Pregnancy, well baby care, and children's coverage are critical at this stage of your life
 - Take into account all you are likely to spend, including costs, co-pays, medicines, etc. as you determine which group plan
 - Try to be most cost effective in your use of your insurance dollars



3. Use a Medical Reimbursement (or Flexible Spending) Account

- What is a Medical Reimbursement Account?
 - It is an optional employer-established savings plan that allows you to pay un-reimbursed medical expenses with pre-tax dollars
- What are its advantages?
 - It allows you to pay unreimbursed medical expenses with pre-tax dollars
 - It is very flexible, and covers many items
- What are its disadvantages?
 - Some expenses are not eligible for coverage.
 - You must use it by year-end or you lose it!



4. Look Into a Health Savings Account

- Look into a health savings account (HSA) if you are relatively healthy?
 - Health savings accounts are new options
 - For 2018, almost anyone with a qualified high-deductible health plan (which is a plan with a minimum deductible of \$1,350 for self and \$2,700 for a family) can also have an HSA.
 - Contributions can be made by an individual or an employer (\$3,450 self, \$6,900 family, with catch up limits for those over 55 of \$1,000)
 - 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)

Health Savings Plan Limits

Maximum Contributions

	Single	Family	Catch Up > Age 55
2015	3,350	6,650	1,000
2016	3,350	6,750	1,000
2017	3,400	6,750	1,000
2018	3,450	6,900	1,000

Minimum Deductible Amount

Max. out of Pocket Expenses

	Single	Family	Single	Family
2015	1,300	2,600	6,450	12,900
2016	1,300	2,600	6,550	13,100
2017	1,300	2,600	6,550	13,100
2018	1,350	2,650	6,650	13,300



Health Savings Accounts (continued)

- What are its 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
 - Distributions may be used for spouse or kids
- What are its disadvantages?
 - Deductibles are high
 - If distribution is not for qualified expenses, then the distribution is included in income and subject to a 10% penalty (no penalty if taken after age 65)
 - Not for the seriously ill



5. Use COBRA when changing Jobs

- What is COBRA?
 - COBRA, an acronym for the Consolidated Omnibus Reconciliation Act, requires that a company of more than 20 employees continue to offer group health care to former employees, retirees, spouses and dependents with a length of coverage, depending on the reason for leaving, generally for 18 months at your cost



Use COBRA (continued)

- What are the advantages?
 - You can have health insurance between jobs
- What are the disadvantages?
 - You must pay the premium which can be substantially higher than before you left
 - You must notify the company within 60 days of leaving that you are going to use COBRA



6. “Opt Out” for Easy Money

- What is opting out?
 - It is a cash incentive, offered by many companies, for refusing insurance coverage for yourself or family.
- What are its advantages?
 - It may be an option if you have other coverage through a spouse and can be assured of not losing the spouse’s coverage.
- What are its disadvantages?
 - If you opt out without other coverage, you are taking a very dangerous risk



What To Do in Shopping for Insurance

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 or exemptions
- Make sure your policy has a sufficiently high cap
- Get the “needed” major coverage first before the “nice” coverage



Shopping for Health Insurance (continued)

3. Buy an individual policy if not covered at work

- Consider joining a PPO or HMO to reduce costs
- Group plans are generally less expensive
- Consider a high deductible health savings account (HSA)

4. Consider higher deductibles to reduce premiums

- Consider raising deductibles to get better coverage
- Avoid policies that are not guaranteed renewable or that have a low minimum lifetime coverage amount



Key Questions to Ask

- To protect your health and your financial plan, the following essential questions should be asked. 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 your 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 experimental.



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)



F. Understand Health Plans and Strategies

- Health Insurance - Single students
 - If under 26, you may still be able to be on your parents insurance
 - If no parents insurance, you can be on a BYU Health Insurance Plan
 - If not on your parents 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 parents 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 needs
 - Build your Emergency Fund to meet your needs
 - Use a flexible spending plan if offered by your employer to reduce your medical expenses



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)

- Disability Insurance
 - 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)

- 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?
- B. Do you understand Obamacare and basic health insurance coverage and provisions?
- C. Do you understand the key areas of Disability Insurance?
- D. Do you understand the key areas of Long-term Care Insurance?
- E. Do you know how to control your health care costs?
- F. Do you have some ideas on strategies for health insurance for different stages of life?



Case Study #1

Data

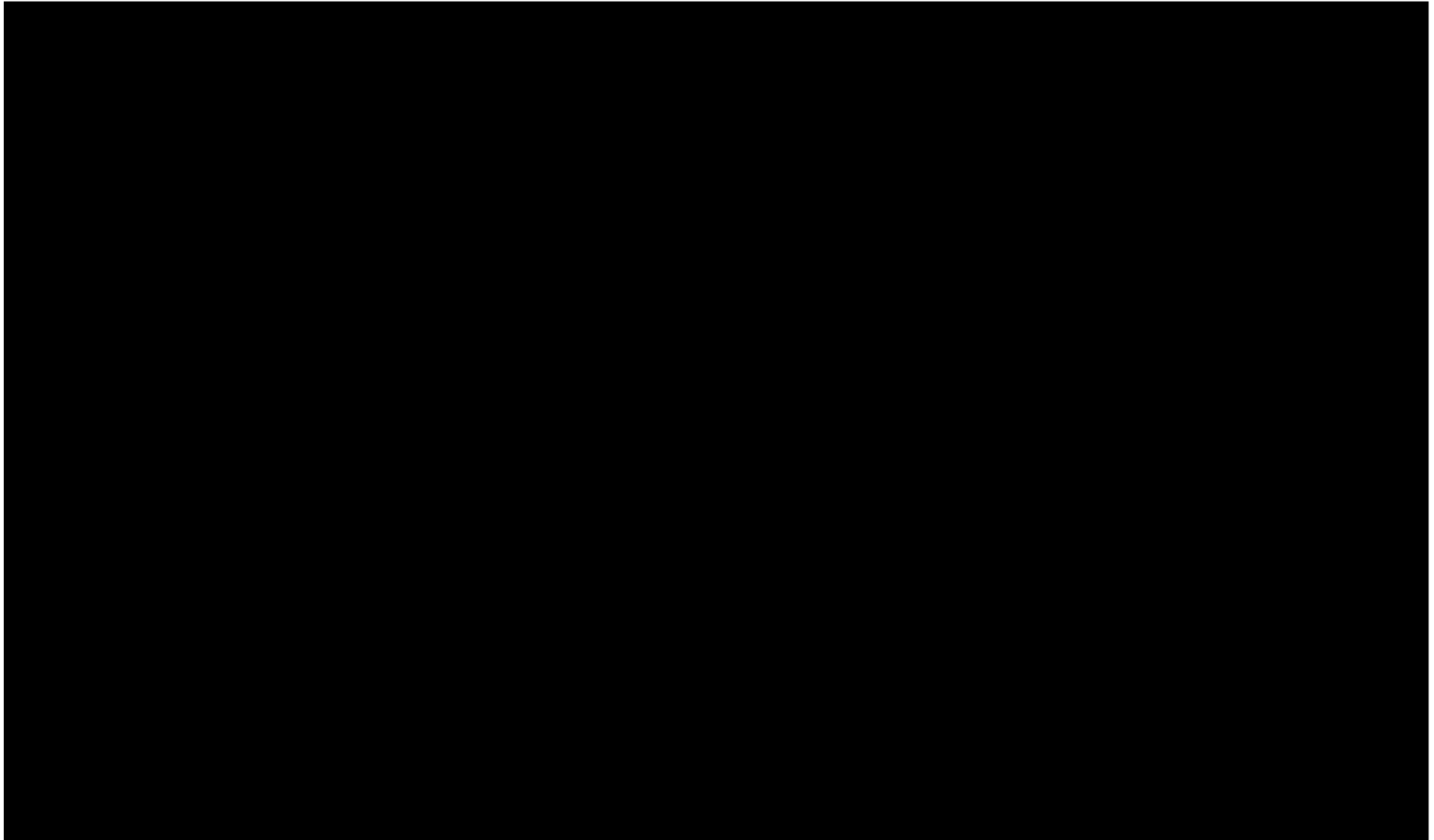
- Steven has a \$1 million major medical policy with a \$500 deductible, an 80% co-insurance provisions, and a \$5,000 stop-loss limit. He recently incurred \$10,500 of covered medical expenses.

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





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).

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