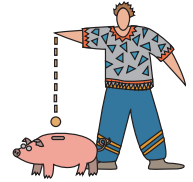


Health Insurance Basics

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Ins and Outs of Health Insurance

The U.S. faces a serious health care crisis. Any financial planner will tell you that everyone needs health insurance-period. Yet during 2001, nearly 41 million Americans did not have health insurance. Approximately 16% of non-elderly Americans, including children, went without coverage. Those statistics do not include the substantial numbers of individuals who are underinsured.

Children are faring a little better than adults among the non-elderly-in 2001, 12.1% of kids were uninsured but 18.5% of non-elderly adults went without health insurance coverage. The Federal Children's Health Insurance Program (CHIP) is a big part of the reason. It insured some 40 million non-elderly Americans in 2001, and most of them were children.

Among the poor and the near poor, the statistics are particularly gloomy. Together, they made up about 2/3 of the total uninsured population in 2001. The poor had a 1 in 3 chance of lacking health insurance coverage-the near poor had a 1 in 4 chance of being uninsured.

Cuts have already happened in many social insurance programs, and deeper cuts are being considered. In such an environment, it pays to be insurance savvy. Not only can you make the best health insurance choices for yourself and your family, but also you can be prepared to tell your elected and appointed officials what you expect them to do to address the health care crisis.

Basic Provisions of Health Insurance Policies

Different types of health insurance coverage include variations on a few basic provisions, some or all of which may be included in individual policies. Companies can be quite creative in the variety of policies and combinations of provisions they offer, so it is important to know what is covered by your own plan.

Provisions include deductibles, coinsurance (or copayments), annual out-of-pocket maximums for the insured,

annual stop-losses, lifetime maximum payments for the insured, internal limits, exclusions and pre-existing conditions, waiting periods, options, who is covered, coordination of benefits, grace periods, and convertibility to an individual policy.

- An annual **deductible** is the dollar amount that you, the insured, must pay each year before the insurance company pays anything.
- **Coinsurance** or **copayment** is the amount beyond the deductible that the insured pays. **An annual out-of-pocket maximum cost** is the most you could pay in a given calendar year.
- The **annual stop-loss** is the sum of the annual deductible and the maximum annual copayment.
- The **lifetime maximum payment** sets a dollar limit on what the insurance company must pay for any one individual's medical costs over a lifetime (often \$1,000,000).
- **Internal limits** deny payment for certain services or procedures-elective surgery, for example.
- **Exclusions and pre-existing conditions** exclude certain illnesses or deny payment on claims that relate to a condition or illness that existed before the coverage began. For example, maternity coverage is denied for someone who purchases insurance after conception, because the pregnancy is viewed as a pre-existing condition.
- A policy can state a **waiting period**, a specific length of time that must go by before certain types of coverage start for the insured. Sometimes, for example, maternity benefits will be included only if the insured waits six months before becoming pregnant.
- Some policies come with **options**, such as noncancelable, guaranteed renewable, or waiver of premium in the event of disability.

- Most policies state who is covered and not covered. Sometimes children over a certain age are not covered.
- Coordination of benefits means that the companies will coordinate benefits payments with one another if you are covered by more than one insurer. This helps avoid double paying to hospitals and doctors.
- A grace period is usually given that allows you a certain length of time if you pay your premium late before your policy is cancelled.
- Convertibility to an individual policy is a provision that employers with more than 20 employees must offer to employees who quit or get laid off. If employees leave, they can convert the group policy to an individual insurance policy for up to 18 months. This is required under the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). The individual policy usually costs more, but at least there's a way to remain insured. The employer may not charge more than 102% of what the insurer charges to insure you.

For informational brochures on a variety of insurance topics, see <http://www.insurance.state.mo.us/consumer/info/publicn.htm>.

Sources:

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If you'd like to learn more about this and other personal finance topics, the University of Missouri offers 'Personal & Family Finance' a correspondence course, through the Center for Distance and Independent Study (800-609-3727). Information about this course is available at <http://cdis.missouri.edu/CourseInfo/DetailCourseInfo.asp?1985>