

Unit 11: Health, Disability, & Long-Term Care Insurance

Health Insurance

A person may spend the following amounts on insurance:

- \$400 a year for homeowners insurance
- \$800 a year for auto insurance
- \$400 a MONTH for health insurance

Why is there such a jump for health insurance? We are paying for the level of risk. How many people do you know that had their home burn down in the last year? How many do you know that were in an auto accident in the last year? How many do you know that were in the hospital in the last year (including to have a baby)? Probably the numbers went up for each question I asked, just like the premiums go up for each of those.

Health insurance can cost a lot, but it is very important. It is great when you can get health insurance from an employer.

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Types of Health Insurance

Indemnity - this type of insurance allows you to see any doctor or go to any hospital. It is good to have if you really want to stick with one particular doctor. It may be more expensive than other types or have less coverage. Many require that you pay 20% of the medical expenses.

Managed Care - with this type you need to use the doctors that they have on a list in order to get the best coverage. There are 3 general types:

1. PPO (Preferred Provider Organization) - this type has a list of doctors and hospitals to go to in order to receive maximum coverage. You can go to doctors not on the list, but you will have to pay more. You don't have to go to the same doctor each time, you just need to go to one of the doctors on the list.
2. POS (Point-of-Service) - with this type you choose a primary care physician to coordinate your care. If you need another doctor, your primary care physician will refer you. Again, you can go to any doctor, but if it is not your primary care physician or referred by them, you will have to pay extra.
3. HMO (Health Maintenance Organization) - this type is not always available, especially in more rural areas. They usually have a cluster of doctors and labs, often in the same building. You go to their doctors (not always the same one) unless you need care for something they don't treat. Then they will contract out to other doctors.

Government Health Care - there are two types:

1. Medicare - this is mostly for people over the age of 65. However, individuals receiving Social Security disability income are also covered. It is funded through the federal government and we all pay for this through our payroll taxes.
2. Medicaid - this is based on income and net worth. Lower income people can qualify for Medicaid coverage. It is jointly funded by the state and federal government.

If you have children but don't have medical insurance, your state should have a program for children called [Children's Health Insurance Program \(CHIP\)](#). You can call toll-free 1-888-222-2542 to find out where to apply if you live in Utah.

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Health Insurance - Things to Look At

Definitions - make sure you know what they are talking about, especially on things like injury and illness coverage.

Who is covered - look at things that pertain to you such as step children, older children, co-habiting partners, etc.

Time period - find out how long you are covered, especially if you are on something temporary such as student insurance. Also find out when everything starts over such as yearly deductibles. Some start in January, mine starts in July.

Payment Limitations - what will be covered for each type of limitation. Many policies have a limit for some of the following things:

- Item limit - for one thing such as x-rays per year
- Episode limit - from one illness or injury
- Time period limits - usually for 1 year
- Aggregate limits - for the life of the policy

Deductibles - with health insurance there is usually a set amount that you have to pay per person per year before the insurance will pay. Your policy may say something like you must pay the first \$100 for each family member up to \$300. After you have paid \$300 the insurance will pay for everyone.

Co-payments - this is a variation of a deductible. It is a set amount that is paid each time some services are received such as office visits or prescriptions.

Co-insurance - this is a set percent that you must pay. Often it is quoted as 80/20. With this type you would pay 20% and the insurance would pay 80%. Keep in mind that some policies have both a deductible and co-insurance. The deductible is taken off first. For example, if you had a doctor bill of \$1,200, your deductible was \$200 per person, and you had 80/20 coverage, you would first have to pay the \$200. Then the insurance company would pay 80% of the remaining \$1,000, not 80% of the total \$1,200.

Exclusions - find out what they won't cover. Usually they won't cover cosmetic surgery and sometimes organ transplants. Find out about pre-existing conditions and when they will be covered. If you need maternity benefits, make sure they are included in your coverage.

Read the information at the following website:

[Health and Disability Insurance Insights](http://www.ianr.unl.edu/pubs/homemgt/heg102.htm)
(<http://www.ianr.unl.edu/pubs/homemgt/heg102.htm>)

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Disability Income Insurance

When you are looking at the potential losses in your life, don't forget the possibility of losing your income because of a disability. Many people do forget this one. Most articles that I read say that individuals are much more likely to become disabled than to die at younger ages.

Many experts say that it is more important than life insurance. Yet, a lot more people have life insurance than disability insurance. The only reason I can come up for that is that insurance agents don't push disability insurance like they do life insurance. Therefore, many people don't get it. Or maybe many people just don't know the importance of it. Either way, it is very important if anyone is dependent on your income, including yourself.

Some people are relying on Social Security Disability benefits to help them out if they become disabled. One article I read said that nearly 3/4 of all disabled people are rejected for Social Security benefits. I don't recommend relying on Social Security for disability income.

Again, this is a good thing to check out when you are applying for a job. It is great if you can get disability income insurance from an employer.

Terms to Know

- *Waiting period* - this is the time between when you lose your income due to a disability and the time you get paid from disability insurance. You can usually choose which waiting period you would like. Keep in mind that the longer the waiting period, the lower the premiums will be. Instead of having a 1 month waiting period, maybe you could have an emergency fund covering 3 months and extend the waiting period to 3 months.
- *Benefit period* - this is how long the insurance company will pay benefits. Some may say 1 year or 5 years. The best one to get is until age 65. This coverage of course is more expensive.
- *Guaranteed renewable* - this means they can't cancel your policy as long as you pay the premiums.
- *Inflation protection* - this will automatically raise your benefit amount as inflation goes up. It may be costly to add this to your coverage, but it may be important also.
- *Definition of disability* - there are two types:
 1. own-occupation - this means that you can't do your own work.
 2. any-occupation - this is when you can't do any work.

You will need to look at your own type of work and decide if you need own-occupation coverage. A surgeon would likely want to get own-occupation because he/she may be able to do a lot of other types of jobs if he/she couldn't see well, but they couldn't be a surgeon.

Read the information at the following website:

[Disability](#)

(<http://www.insweb.com/learningcenter/qa/disability-a.htm>)

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Long-Term Care Insurance

You may wonder what long-term care insurance is. It pays for the **care** of the person covered, usually at a nursery home facility. It does not pay for any medical bills or replace any income. It is generally purchased by older individuals, but some companies try to get younger people to buy it. Therefore, as you read about it, ask yourself if you need it but also try to learn about it so you can help others make the decision. Maybe your parents will need help deciding if they need long-term care insurance. If you know someone that may need more information about long-term care insurance, suggest that they go to the [AARP website \(http://www.aarp.org/financial-insurance/Articles/a2002-08-13-InsuranceLongTermCare.html\)](http://www.aarp.org/financial-insurance/Articles/a2002-08-13-InsuranceLongTermCare.html).

Experts recommend that you consider long-term care insurance if you have significant assets and income that you want to protect. Also, if you want to pay for your own care and stay independent of the support of others. They also recommend that you don't get long-term care insurance if you can't afford the premiums and have trouble paying for utilities, food, medicine, and other important needs. If someone has limited assets they might qualify for medicaid to pay for long-term care.

Read the information at the following websites:

[Choosing Your Long-Term Care Policy](http://www.aarp.org/financial-insurance/Articles/a2002-08-13-InsuranceLongTerm.html)

(<http://www.aarp.org/financial-insurance/Articles/a2002-08-13-InsuranceLongTerm.html>)

[Long Term Care Insurance](http://www.insweb.com/learningcenter/qa/lc-care-a.htm)

(<http://www.insweb.com/learningcenter/qa/lc-care-a.htm>)