

Evaluating Your Health Insurance Needs

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The purpose of insurance is to protect against the unknown. Many people carry home, auto, and health insurance to protect themselves against disaster, accidents, and sickness. Insurance provides financial security when the unexpected happens. Many people receive health insurance from their employers. People who are not working or are self-employed, retired, or who have too little or unaffordable coverage now have the opportunity to purchase health insurance through the Health Benefit Marketplace. Before purchasing health insurance, it may be helpful to spend some time considering what you need or want in a health insurance plan.

The Affordable Care Act and Health Benefit Marketplace

The Patient Protection and Affordable Care Act (ACA) was signed into law in March 2010. This law is designed to provide access to affordable, quality health care. In order for this to happen, all states are required to have Health Benefit Marketplaces. These marketplaces will allow people to shop for, select, and enroll in high-quality, affordable private health plans that fit their needs at competitive prices.

What the ACA Means for Kentuckians

- For those who have health insurance coverage, new or renewed health plans must cover preventative services, such as mammograms.
- Young adults can stay covered on a parent's health insurance plan until they are 26 years old.
- Lifetime limits of spending on healthcare coverage have been removed.
- Health insurance coverage cannot be denied for pre-existing conditions for adults or children.
- Health insurers are required to spend 80 percent of the premiums collected on benefits or improving quality of care.
- The Affordable Care Act will provide new opportunities for health insurance coverage to many people. It is important to find a health insurance plan that meets your needs.

Health Expenses

Deductibles, copayments, coinsurance, and premiums are all terms that refer to different types of expenses that are part of the health insurance policy. A **copayment** is a fixed amount that you will pay for a specific health care service. Normally your copayment is due at the time of service or doctor's visit. You may have different copayment amounts for different health services. For example, your copayment for an office visit with your primary care doctor may be fixed at \$10, but if you go to a specialist, such as an allergist, the copayment may be fixed at \$30.

The **deductible** is the amount that you will be required to pay out of pocket on covered health services before your insurance coverage will begin to pay. For example, if you have a \$500 deductible, you will be required to pay \$500 on plan-covered medical expenses, prior to your health coverage beginning to pay. A health insurance policy may have a deductible for each person

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as well as for each family. The amount you have paid toward your deductible will become zero at the beginning of each new plan year.

Coinsurance is your portion of the covered charges that you pay, which normally is a percentage. For example, if you have a health insurance plan that covers 80 percent of an office visit, you would be responsible for the other 20 percent of the bill.

Out-of-pocket maximum is the most you will pay for covered healthcare charges during a plan year. Once you have reached the policy out-of-pocket maximum for the plan year, your health insurance will pay 100 percent of all covered charges. **Premium** is the amount that you pay for health insurance coverage. Premium may be paid on a monthly, quarterly, semi-annual, or annual basis. Premiums paid do not count toward your out-of-pocket maximum.

Generally, there are trade-offs between deductibles, copayments, coinsurance, and premiums. For example, if you select a high deductible plan, your premium will most likely cost less. This means you will pay less on a monthly basis for your health insurance coverage, but you will be expected to pay more out-of-pocket when you seek medical care or services. Similarly, plans with higher copayments, coinsurance percentages, and out-of-pocket maximums will normally have lower premiums.

Understanding the Health Insurance Language

The first step in finding the right health insurance policy for you and your family is to understand the types of health insurance policies available, and to understand

the commonly used health coverage and medical terms. A complete glossary of terms is available through the Kentucky Department of Insurance at <http://insurance.ky.gov/Documents/OMBGlossary.pdf>.

Network Policies

Often health care policies will cover a similar range of services; however, your health insurance plan will only cover services performed by or at a specific list of providers. A **provider** is a doctor, healthcare facility, or health care professional that is accredited according to state law. Health insurance companies contract with a specific provider for services. A provider who has contracted with a health insurance company is considered part of the plan **network** of health care services. The majority of health insurance policies will provide a list of **in-network** and **out-of-network** co-payments and co-insurance benefits. Some policies will not cover out-of-network providers. Other policies will charge you a higher co-payment or co-insurance if the provider or facility does not participate in the plan. If a specific physician, health care professional, or health care facility is important, be certain to check the in-network provider list for doctors and facilities who participate in your plan.

Health Care Wants and Needs

As you begin to comparison shop both companies and policies, the plan with the lowest premium may or may not be your best choice. You will want to compare the policy benefits, premiums, and out-of-pocket expenses. Making the decision between health care plans may be difficult and there are several important factors to consider. To make the process easier, begin by thinking about your wants and needs in terms of health care. For example, do you need health insurance for yourself or do you need a family plan, which may also include your spouse and/or children? Based on your current situation, do you need a plan that only covers routine doctor's visits, such as yearly physicals, and hospital care, or do you need a plan that covers a wider range of services?

To help you determine a health care plan that will best suit your needs, think about the medical services you and your family have used over the last year. It may be helpful to go through an actual calendar month by month to help you remember medical expenses, such as a child's sports physical or your annual flu shot. The calendar may also help you remember the number of sick visits you and your family had during the last year. Some



medical expenses will occur every year on or about the same time of year; however, other medical events and expenses are impossible to predict, such as a broken arm on the playground at school or experiencing a heart attack. It is difficult to plan for all medical events, but establishing a baseline for how you use medical services is important in picking a plan that will work best for you and your family.

Estimate the number of times that you and your family have experienced the following medical events during the last year:

Routine doctor visits	
Sick doctor visits	
Urgent treatment center visits	
Emergency room visits	
Women’s care visits	
Hospital stays	
Other medical	

As you review the types and number of medical services used by you and your family over the last year, consider your current family situation. Do you anticipate any significant changes within your family, such as a pregnancy, care for a chronic disease such as diabetes, or an older child who may soon drop from your health plan? If you know how you have used your health insurance in the past and how you may plan to use it in the future, it can be helpful when planning for the type of health insurance you buy. For example, if you typically only go to the doctor a few times per year, you may prefer a lower monthly premium, but you will most likely pay a higher co-payment and/or deductible when you do visit the doctor. On the other hand, if you anticipate using medical services often, you may prefer a lower deductible and/or co-payment at the time of your appointment and your monthly premium will be higher.

Identifying your wants and needs in terms of health care is important, but your budget may be a limiting factor for what you can afford. For example, assume you were considering purchasing a new vehicle; you may want to buy the two-door sports car, but due to your family size and budget it is more realistic for you to purchase a mini-van.

All plans within the Health Insurance Marketplace will cover the same **essential health benefits**. Essential health benefits are key health services that all plans must offer. Examples of these benefits include: outpatient hospital care, maternity and newborn care, mental health and substance abuse care, prescription drug coverage, pediatric services, and preventive and wellness care. However, some plans may offer additional services, which may or may not be important to you and your family based on your current situation.

To help prioritize the health insurance options that are most important to you and your family, consider the list of medical services in Table 1 and rate the options that are most important to you and your family by checking the appropriate level on the chart. High priority healthcare services will be those that you use most often and consider to be essential. Low priority healthcare services will be those that you never or rarely use.

Table 1. Medical Services.

Healthcare Options	Priority Level		
	High	Medium	Low
Annual Healthcare Checkup			
Prescriptions			
Regular Blood Work and Labs			
Mental Health Care			
Physical Therapy			
Women’s Well Visits			
Cancer Screenings			
Chronic Disease Management			
Emergency Room Care			
Urgent Treatment Access			
Allergy Injections			
Medical Equipment			
Other:			

In addition to identifying the health care services that are important to you as part of your health care plan, it is important to understand that different health insurance companies and policies will offer access to different providers within their network. Do you want your health insurance to cover a specific primary care physician, specialist, hospital, or out-of-network service? To help prioritize the health insurance options that are most important to you and your family, consider the list of other health care choices in Table 2 and rate the options that are most important to you and your family by checking the appropriate level on the chart.

Table 2. Health Insurance Options.

Other Considerations	Priority Level		
	High	Medium	Low
Specific Primary Care Doctor			
Specific Specialist			
Specific Insurance Provider			
Specific Location of Care Providers			
Specific Pharmacy			
Out-Of-Network Service Benefits			
Preauthorization of Services			
Low Deductible			
Low Monthly Premium			
Low Co-Payment			
Other:			

Take a few moments to review your responses from the tables above. You should begin to notice specific health insurance needs that are important to you and your family. Try to summarize your health care needs in one sentence. For example, “I would like a health insurance policy with a low monthly premium, which provides coverage for both routine and sick visits plus hospitalization coverage and access to my current primary care physician.”

Based on my responses, the following type of health plan would be best for my family:

Identifying your specific wants and needs in terms of a health insurance policy will help you make a better decision when comparing the healthcare options available to you and your family.

References

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