



# Know Your Benefits

Presented by Brown & Brown Insurance - Pinellas

## Benefits 101: Benefits Basics



# What Is Health Insurance?

- Health insurance is an arrangement with an insurance company that can help protect you from the high costs of health care.
- Health insurance works by spreading the cost of care among large groups of people—so insurance paid by one person helps pay for the care of others.
- In addition to spreading financial risk, health insurance has another important function: improving access to health care services.



# Types of Health Insurance

- Group health insurance
  - Employer-based
  - Discounted coverage for a large pool of mostly healthy people
  - Costs of premiums are split by the employer and employee
- Individual health insurance
  - Covers an individual person or family
  - Paid for entirely by the purchaser
  - Premiums typically vary by the age of the purchaser(s)
  - Generally have fewer benefits than group insurance
- Government-sponsored health insurance
  - Health insurance obtained through a government agency or program
  - Usually requires a special condition (elderly, low-income, children, veteran or active service member, Peace Corps volunteer)
  - Costs are split between the government and the insured



# Benefits Insurance Terminology

- The world of health insurance has many terms that can be confusing. Understanding your costs and benefits—and estimating the price of a visit to the doctor—becomes much easier once you are able to make sense of the terminology.



# Participants

- Provider
  - The clinic, hospital, doctor, laboratory, health care practitioner or pharmacy that provides medical services.
- Insurer or Carrier
  - The insurance company providing coverage
- Policyholder
  - The individual or entity that has entered into a contractual relationship with the insurance company
- Insured
  - The person with the health insurance coverage



# Premium

- The amount of money charged by an insurance company for coverage
- Employers determine how much of the premium employees must pay for coverage (usually paid pre-tax)

## Premium Example

Mary has group insurance through her employer, with pre-tax premiums. Every pay period, her share of the health insurance premium is deducted from her paycheck before taxes are calculated to cover the cost of her health insurance.





# Copayment

- A copayment, or copay, is a fixed amount you pay for a covered health care service, usually when you get the service. The amount can vary by the type of covered health care service.

## Copay Example

Sally takes her son to the pediatrician for a bad cough. She has a copay of \$15 at the doctor's office.

<b>Cost of visit:</b>	<b>\$200</b>
<b>Sally pays:</b>	<b>\$15</b>
<b>Health plan pays:</b>	<b>\$185</b>

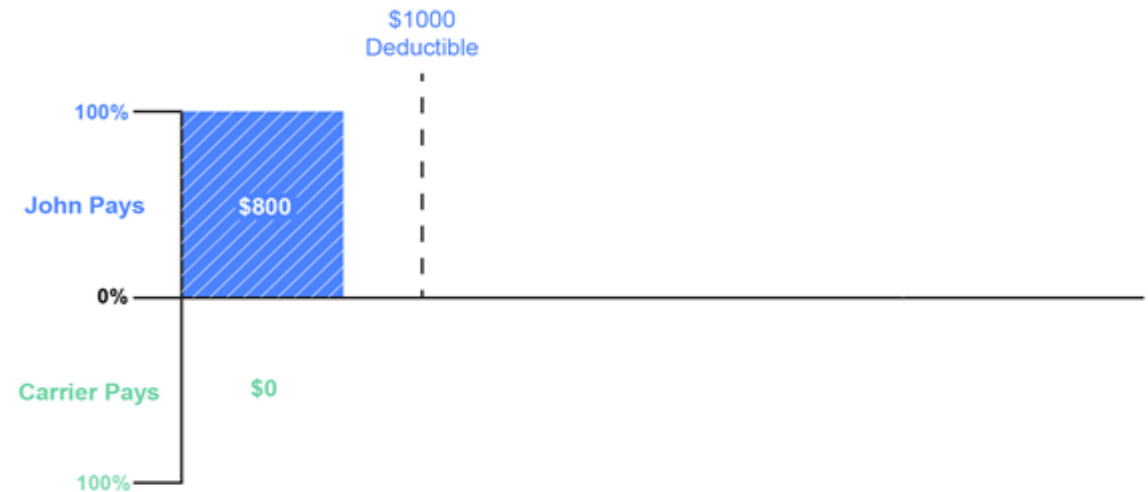


# Deductible

- The amount you owe for health care services each year before the insurance company begins to pay

## Deductible Example

John has a health plan with a \$1,000 annual deductible. John falls off his roof and has to have three knee surgeries, the first of which is \$800. Because John hasn't paid anything toward his deductible yet this year, and because the \$800 surgery doesn't meet the deductible, John is responsible for 100% of his first surgery.



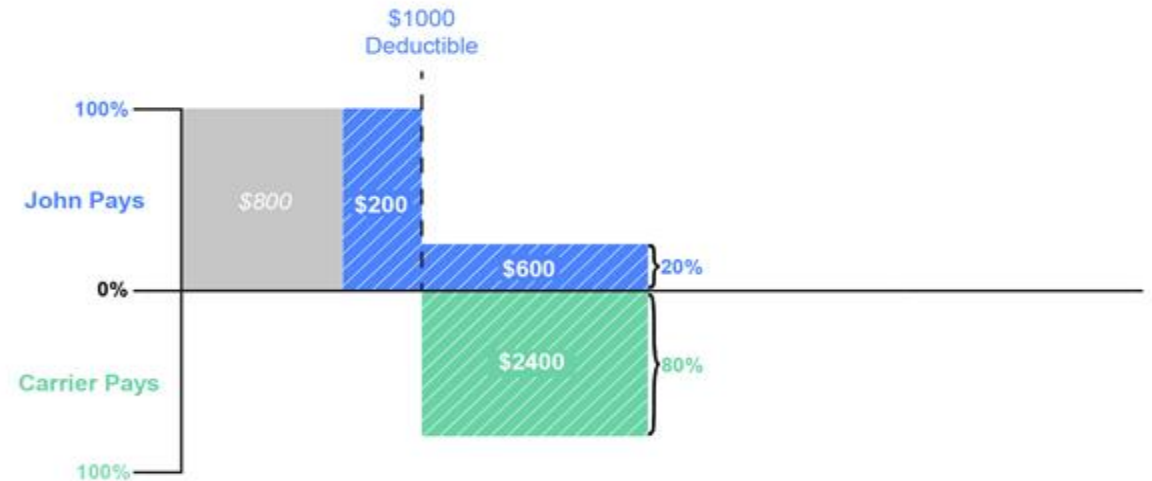


# Coinsurance

- Your share of the costs of a covered health care service calculated as a percent of the allowed amount for the service

## Coinsurance Example

John's second surgery occurs in the same plan year as his first and costs \$3,200. Because he has already paid \$800 toward his \$1,000 annual deductible, John is responsible for the first \$200 of the second surgery. After that, he has met his deductible and his carrier will cover 80% of the remaining cost, a total of \$2,400. John will still be responsible for 20%, or \$600, of the remaining cost. The total John must pay for his second surgery is \$800.





# Out-of-Pocket Maximum (OOPM)

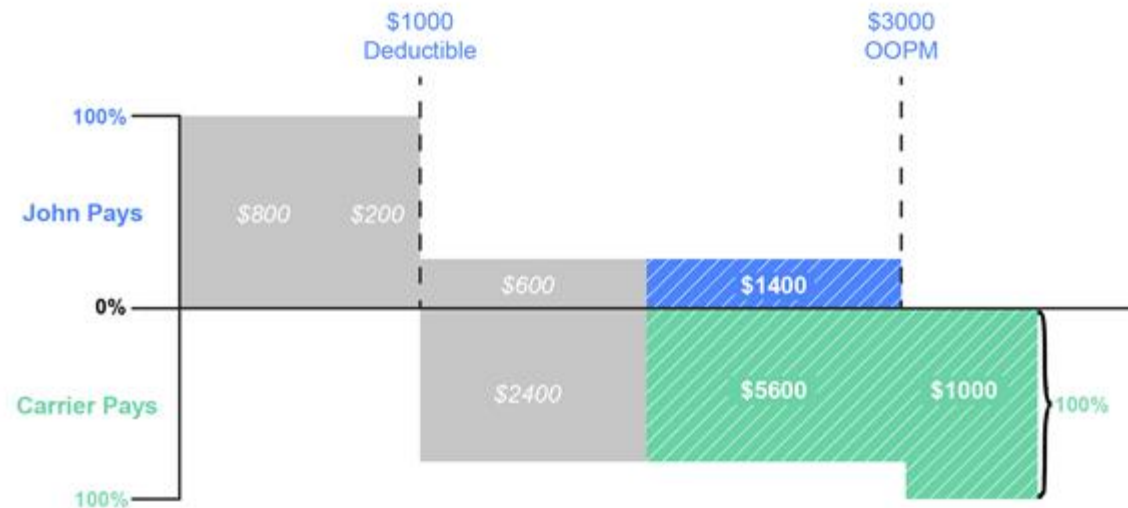
- An OOPM is the most you should have to pay for your health care during a year, excluding the monthly premium. It protects you from very high medical expenses.
- After you reach the annual OOPM, your health insurance or plan begins to pay 100% of the allowed amount for covered health care services or items for the rest of the year.
- Some plans do not count all your out-of-pocket expenses towards your OOPM (for example, some plans do not count your deductible).



# OOPM Example

John's third surgery occurs in the same plan year as his first two and costs a total of \$8,000. John has already met his deductible, so he only needs to pay the coinsurance on this surgery, up to the plan's OOPM of \$3,000. Because John has already spent \$1,600 towards his OOPM on previous health care costs this year, he only needs to spend \$1,400 before he hits his OOPM.

Once he hits the OOPM, his plan covers the remaining costs. Therefore, John's coinsurance total for the third surgery is \$1,400—the 20% coinsurance cost, up to the \$3,000 maximum—and his plan's total is the remaining \$6,600 (on the chart, this is shown as \$5,600 before the OOPM, plus \$1,000 after John hits his OOPM).





# Preventive Care

- “Preventive care” refers to measures taken to prevent chronic illnesses
  - Aims to keep people healthy and catch illnesses in their earliest, most treatable stages
  - Medical tests, immunizations, screening tests, preventive medications and any other services that would prevent disease
- Under the Affordable Care Act (ACA), non-grandfathered health insurance policies must provide coverage for a range of preventive services and may not charge any copayments, deductibles, or coinsurance to patients receiving preventive care.



# Preventive Care Example

Mary schedules an appointment with her in-network health care provider for an annual physical and biannual mammogram. Because Mary is eligible for these preventive services under the ACA's preventive care coverage guidelines, the total cost of the visit is covered by her health insurance.

**Cost of Physical**

**Cost of Mammogram**

**Mary Pays**

**Health Plan Pays**



# Other Terminology

- **Essential Health Benefits:** A set of health care service categories that the ACA requires certain plans to cover, beginning in 2014.
- **Annual Limit:** A cap on the benefits your insurance company will pay in a given year while you are enrolled in a particular health insurance plan. Under the ACA, annual dollar limits on essential health benefits are banned starting in 2014.
- **Lifetime Limit:** A cap on the total lifetime benefits you may get from your insurance company. Lifetime dollar limits on essential health benefits are banned by the ACA.
- **Qualified Medical Expense:** IRS-defined costs attached to the diagnosis, cure, mitigation, treatment or prevention of disease. If not covered by insurance, they can be reimbursed tax-free from a health account, such as an HSA, HRA or health FSA.



# Other Terminology

- **Pre-existing Condition:** Any condition, either physical or mental, including a disability, that occurred before health plan coverage went into effect. Beginning in 2014, insurers cannot deny coverage or charge extra to people with pre-existing conditions, unless a person is covered by a grandfathered individual health plan.
- **Grandfathered Plan:** A health insurance plan that was in effect before the ACA became law and has basically stayed the same since then. Grandfathered plans are exempt from some of the ACA's reforms.
- **Summary of Benefits and Coverage (SBC):** An easy-to-read outline that lets you make apples-to-apples comparisons of costs and coverage between health plans. You'll get an SBC when you sign up for, renew or change coverage. You may also request one from your insurance company whenever you like.



# Other Types of Benefits Insurance

- Prescription Insurance
  - Helps pay for prescription drugs and medications
  - Often, but not always, offered as part a larger health insurance plan
  - Stand-alone individual prescription insurance may be available for people who are not offered prescription drug coverage or who have no health insurance
  - Eligibility for specific medications and the cost of insurance varies among health plans
- Dental Insurance
  - Used for dental care and usually includes regular checkups, cleanings, X-rays and certain services required to promote general dental health
  - Some plans may also provide coverage for certain types of oral surgery, dental implants or orthodontia
- Vision Insurance
  - Covers routine eye exams and other procedures, and provides specified dollar amounts or discounts for the purchase of eyeglasses and contact lenses
  - Some vision insurance policies also offer discounts on refractive surgery



# Other Types of Benefits Insurance

- Life Insurance
  - Protects against financial hardship after the death of the insured by paying out a lump sum to beneficiaries upon the insured's death
  - Term life insurance offers policies that cover a set period of time
  - Permanent life insurance, such as whole and universal life, provides lifetime coverage
- Disability Insurance
  - Protects the insured against disability by awarding a disability benefit as a partial replacement of income lost due to illness or injury
  - Short-term disability insurance helps you remain financially stable if you become injured or ill and cannot work; typically lasts between 10 to 26 weeks
  - Long-term disability insurance protects against permanent injury by paying out over a longer period of time