



UNIVERSITY OF IDAHO

# BUYING HEALTH INSURANCE

Buying health insurance — or evaluating an old policy — can be baffling. And no wonder! As medical costs rise, health insurance is covering more and more health care services. And insurance companies are adding new kinds of policies.

More than 175 million Americans are protected by health insurance. These consumers — and that probably includes you — need to be informed about health insurance.

Statisticians can tell you how much medical care will cost in a year for the country as a whole, but they cannot predict which families will need to spend a little and which will need to spend much.

Medical costs present a problem through most of a family's life span. Beginning with the birth of children, and even before, the family faces medical costs. After the children are past infancy, the cost of medical care is mostly for preventive services such as inoculations and regular examinations. When an individual reaches retirement, usually medical costs greatly increase.

## *Plan for the Expected — And the Unexpected*

Since you have no way of knowing ahead of time what to expect in the way of medical bills, a two-fold approach to fitting the cost of medical care into the family financial plan is best.

Plan to pay for normal or routine cost of medical care directly out of income. These costs include health insurance, regular examinations, inoculations, routine dental care, first aid supplies, etc.

Carry insurance to take care of unexpected and costly emergencies.

If you are making a financial plan for the first time and have not kept records of your expenditures in the past, you may not know what your health care costs. You might want to use the Extension computer budgeting plan called "Speedy Spend" to estimate the projected annual medical costs for a family of your size and income.

Not all of your health needs must be met out of your own budget. Even though you are not indigent, you can expect some services from your local health department and from voluntary societies organized to combat various diseases.

To do a good job in providing medical care for your family, you should find out what is available to you and then choose the types of medical care that give the most protection for the amount you can afford to pay.

## *Types of Health Insurance*

If you're confused by the many policies available, don't despair. There are 6 major forms of health insurance designed to help you pay for hospital bills, doctors' fees and other medical care needs. Chances are the policy you are investigating will fall into one of these categories:

- Hospitalization Insurance
- Surgical Insurance
- General Medical Insurance
- Major Medical Expense Insurance
- Income Protection Insurance
- Dental Care Insurance

**Hospitalization Insurance.** Hospital benefits can be provided to help meet part or all hospital charges for room and board, depending on the policy. A specific amount is allowed for each day in the hospital up to a limited number of days. A lump sum payment is made for laboratory, medicine, operating room, X-ray, anesthesia and other services related to medical care and treatment while in the hospital.

Here are some questions to help you evaluate your hospital insurance:

- How many days in the hospital does your policy cover?
- How much does the policy pay per day for room and board?
- How do these daily benefits compare with hospital room and board charges in your local hospitals?
- How much does the policy pay for related expenses in the hospital, such as laboratory tests and X-rays, anesthesia and its administration, etc.?
- Are there waiting periods before certain conditions are covered?
- Is there a deductible which you must pay toward hospital expenses before benefits start?
- What provisions exist for renewing the policy?

- What exclusions or limitations are contained in the policy?

**Surgical Insurance.** Benefits for surgical care are usually paid according to a predetermined schedule of fees that states the maximum payment for each type of operation. Fees for office calls made before and after the operation may be included. Benefits are not the same for all policies.

Answer these questions about your surgical insurance to see how adequate it is:

- Are the benefits in line with surgeons' fees in your community?
- What types of surgical services does the policy help pay for?
- What benefit limitations exist?

**General Medical Insurance.** Protection provides for nonsurgical expenses, such as doctor's calls at home or hospital or patient's visits to the doctor's office. The policy specifies the amount that is payable and number of calls with a maximum number of calls or days as stated in the policy.

The answers to the following questions will help you decide if your general medical insurance is sufficient:

- How much does the policy pay for each time your doctor visits you in the hospital?
- Are you covered for house calls and office visits? If so, what is the allowance per visit?
- Is there a deductible, either a dollar amount or visits not covered, before benefits start?

**Major Medical Expense Insurance.** Benefits provide protection against the large cost of serious accident or prolonged illness. This insurance pays a major share of the cost of treatment prescribed and performed by the doctor, including hospital, surgical and other medical treatment not covered by the basic (hospital, surgical, general medical) policies. This type of policy usually includes a deductible clause varying from \$50 to \$500 and a co-insurance provision. This means that the insured pays a percentage of the total over and above the deductible portion of the expense. There is usually a maximum amount of benefits for each policy, which may be as high as \$250,000.

*Comprehensive expense insurance* is a combination plan (Hospitalization, Surgical, General Medical and Major Medical Expense insurance) that provides protection against the basic (hospital, medical, surgical) and major medical expenses. It generally has a co-insurance provision and a deductible clause in which the insured patient pays a certain percentage of the bill depending on the insurance policy. Like major medical expense insurance, the maximum benefits are usually high.

These questions should help you evaluate your major medical insurance:

- What is the maximum amount your policy will pay?
- Will the maximum benefit be in effect again upon your recovery?
- How large a deductible must you pay?
- Is there a deductible for each claim for a different illness or injury? Or is it on a calendar year basis with one deductible in a given year charged against the total bills?

- What percent of the total cost above the deductible does the policy pay — 75 percent? 80 percent? What percent do you pay?
- What provisions exist for renewing your policy?
- What top benefit limits, if any, exist for such expenses as hospital room and board, surgery or other specialists' consultation and treatment?

**Income Protection Insurance.** This insurance may be called accident and sickness indemnity or disability insurance. A loss-of-income policy provides cash benefits according to the policy during the time the wage earner is out of work due to illness or accident. The type of policy issued will determine (1) the length of waiting period before payment is made, (2) the amount of regular cash benefits and (3) the length of time during which payments may be expected. Before buying this policy, figure how much protection you may already have through an employer, union plan or workmen's compensation for accidents on the job.

Use these questions to check your disability insurance:

- Is there a waiting period before benefits begin?
- Does the waiting period vary depending on whether sickness or an accident is involved?
- How does the policy define total disability?
- Will it pay benefits for partial disability?
- Is it a requirement of the policy that you be confined at home to be eligible for benefits?
- What is the amount of weekly or monthly benefits?
- How long do the regular payments continue for an accident? For sickness?
- What provisions exist for renewing the policy?
- What exclusions or limitations exist in your policy?

**Dental Care Insurance.** Dental care insurance is a rapidly expanding type of coverage which helps pay for normal dental care as well as damage caused by accidents. It is generally available today through insurance group plans, prepayment plans and dental service corporations.

Under these programs virtually all forms of dental care are covered, including oral examinations, X-rays, fillings, cleaning, extractions, inlays, bridgework, dentures, oral surgery, root canal therapy and orthodontia.

There is usually a deductible amount, commonly \$50 to \$100, with co-insurance assumed by the individual varying from 20 to 50 percent. Some plans have a maximum benefit, ranging from \$200 in any one year to \$5,000 in a lifetime.

However, a common feature is a schedule of benefits for specified procedures. This is similar to surgical expense insurance which includes a benefit schedule for specific surgical procedures.

### Selecting Health Insurance

Before buying health insurance, know the answers to these questions and have them in writing from the agent or company. The agent will make you a memorandum if requested.

1. Is the company financially stable?

2. Is the company licensed to do business in the state of Idaho? Check with the Chief Deputy Director, State Department of Insurance, Room 206, Statehouse, Boise, ID 83720 (384-2250).
3. Are benefits in line with hospital or medical costs in your area?
4. Can dependents be included?
5. Do you thoroughly understand the terms?
6. Is there a "guaranteed renewable" and/or "non-cancellable" clause? Guaranteed renewable means that the policy stays in effect up to a specified age as long as the premium is paid promptly. The premium rate cannot be raised for any one individual but only for all policyholders with the same types of benefits. Under noncancellable-guaranteed renewable policies, the premium rate cannot be changed at all.

### Sources of Health Insurance

To help you determine which source will provide the coverage and service you want, consider the type of benefits offered, the premiums to pay, the extent of coverage and the availability of the insurance to you.

**Insurance companies** issue policies for all types of health insurance to you as an individual or as a member of a group. Cash benefits are usually paid to the insured person.

*Individual health insurance policies* are purchased from a representative or agent and can be adapted to suit personal needs. A statement of health is usually all that is needed although the insurance company may require a physical examination. There may be restrictions based upon the existing health condition and age.

*Group insurance* may be available through a master policy issued to an employer, labor union, professional or trade association or other organized groups. Coverage varies with the needs of the group or area. For the amount of protection provided, the cost of group coverage is usually cheaper than the individual policies. If more protection is needed than a group policy provides, you may use it as the base on which to build additional coverage through individual policies. When a person enrolled in a group plan leaves the group, the insurance generally can be converted to an individual policy at a correspondingly higher premium cost. Be sure to check on the terms under which group coverage can be changed to an individual policy should you leave the group.

If you are near retirement, find out if the insurance can be continued — and at what expense — after age 65.

**Hospital service plans** pay some or all of the costs of hospital services. They are available either on an individual or group basis as previously described. Benefits generally are available only in hospitals specified on the contracts.

Usually, payment is made directly to the hospital by the organization sponsoring the plan. If special accommodations or non-covered services are used, the patient pays the amount out of his pocket. Each contract states the coverage provided.

*Blue Cross plans* have contracts with certain local hospitals by which the company pays the hospital for specified services provided for its members.

*Independent hospital service plans* may be sponsored by industry, a trade union or other organized groups. The benefits differ with each plan.

**Medical benefit plans** pay some or all of surgical and medical expenses. The amount of premium, benefits and enrollment regulations vary according to the needs of the area and the scope of the plan. The plan may be for a group or for an individual. Benefits may be in the form of cash, service or a combination of cash and service depending on the plan. Each policy or contract states the coverage included.

*Blue Shield plans* are approved by the state or local medical societies. The provisions vary with the Blue Shield plan.

*Independent medical benefit plans* are sponsored by organized groups. A group of doctors may join together in a group and sponsor this type of plan. This plan may be affiliated with a health center, a clinic or sometimes with a hospital where the patient receives service benefits from the participating physicians.

### General Rules

- Don't try to insure against routine or predictable expenses (such as a check-up).
- Buy a policy that will reimburse you substantially for substantial expenditures.
- Try to join a group policy.
- Don't buy insurance against named accidents or diseases. Get blanket, across-the-board coverage against medical expenses from any cause. (The exception is surgical policies. Both Blue Shield and commercial policies list the exact amounts payable for specific operations.)
- Don't necessarily try to cover yourself 100 percent. If you invest with a co-insurer, the cost in premium will be lower.
- Review your insurance program annually to see if it meets your needs.
- Keep the family informed of the protection provided for yourself and for them.
- Keep all insurance records up to date.
- Keep all policies in a safe and convenient place.
- Pay premiums promptly to keep your insurance in force.

*The State is truly our campus. We desire to work for all citizens of the State striving to provide the best possible educational and research information and its application through Cooperative Extension in order to provide a high quality food supply, a strong economy for the State and a quality of life desired by all.*



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**Service** ... The Cooperative Extension Service has active programs in 42 of Idaho's 44 counties. Current organization places major emphasis on county office contact and multi-county specialists to better serve all the people. These College of Agriculture faculty members are supported cooperatively by federal, state and county funding to work with agriculture, home economics, youth and community development.

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