

Types of Health Policies

1. Medical Expense Insurance

a. Basic Hospital Expense Policy

- i. "First dollar coverage" – No deductible
- ii. Hospital Indemnity Policy
- iii. Pays specific dollar amount per day while confined to the hospital
- iv. Inadequate coverage for every day health needs

b. Surgical Expense Policy

- i. Only pays for surgical expenses
- ii. Surgical Schedule – each procedure is listed and dollar amount paid for it
- iii. Relative Value Approach – Maximum procedure like open heart surgery is at the top and each procedure below it has points assigned to it, relative to the amount listed for maximum procedure
- iv. Conversion Factor – represents the total amount payable per point

c. Major Medical Policy – Covers everything, except for things specifically excluded

- i. Deductible – Amount you pay before cost sharing with insurance company
 1. Higher the deductible the lower the premium
- ii. Co-Insurance – % of cost sharing with insurance company
 1. 90/10 - 80/20 - 70/30 - 50/50
- iii. Stop Loss Limit – out of pocket maximum
 1. Insured is no longer billed for medical expenses
- iv. Unlimited coverage with the ACA
- v. Supplementary Major Medical - picks up where basic policy stops
 1. Corridor deductible

d. HMO - Health Maintenance Organization

Preventive Care

- ii. Managed Care Plans – utilize case management techniques
- iii. Limited choice of providers and hospitals
- iv. Insureds = Subscribers
- v. Insureds pick Primary Care Physician (PCP)
 - 1. Must get a referral to go see any other doctor
 - a. Gatekeeper Concept – keeps down the cost of high priced specialists
 - b. Subscriber can go outside of network
 - i. Pay more money
- vi. Pre-Paid Basis – doctors get paid a set fee attributed to each member
 - 1. Capitated Basis
- vii. Co-Payment is a specific part of the cost of care
- viii. Operate within specific geographic areas
- ix. Provide benefits in the form of services, rather than in the form of reimbursement for the services of the physician or hospital
- x. Must provide inpatient hospital care and emergency care in or out of the service area

e. PPO – Preferred Provider Organization

- i. Doctors get paid a fee for the service they provide – Fee for Service Organization
- ii. Managed Care Plan
- iii. Co-Insurance and Deductibles can apply
- iv. Member can go see any doctor within the network
 - 1. Can go outside of the network
 - a. Benefits will be reduced

f. POS – Point of Service Plan

- i. Combination of HMO and PPO
 - 1. HMO – Doctors are paid on a capitated basis, member picks a PCP
 - 2. PPO – Member can go see any doctor on the list without a referral
 - a. Can go outside the network
 - i. Pays more to do that - higher co-insurance
 - ii. Doctor will get paid a fee for the service they provide

2. Savings Accounts

a. FSA – Flexible Spending Account

- i. Type of Cafeteria Plan – pick which benefits you want
 - 1. Health Care Account
 - 2. Dependent Care Account
- ii. IRS sets limits to amounts that can be contributed
 - 1. Pretax dollars – lowers taxable income for year
 - 2. “Use it or lose it” Rule – money does not carry over at end of year

b. HRA – Health Reimbursement Account

- i. Consists of funds set aside by employer to reimburse employee
- ii. Employer sets eligibility requirements and contribution limits
 - 1. Allows employers of all sizes to offer this benefit
- iii. HRA remains with originating employer if employee leaves

c. HSA – Health Savings Account

- i. Funds set aside by employer and employee
- ii. If funds are used for anything other than a healthcare expenditure and employee is under age 65 – pay ordinary income tax + 20% penalty
- iii. After age 65 – only income tax

d. HDHP – High Deductible Health Plan

- i. HSA, HRA and MSA – Linked to HDHP

3. **Disability Income Insurance** – designed to replace lost income
- a. **Occupational Policy** – coverage on or off the job
 - b. **Non-Occupational Policy** – off the job only
 - i. Group Disability
 - c. **Replaces only a % of lost income**
 - d. **Presumptive Disability** – Provision that states conditions that would automatically qualify the insured for full disability benefits
 - i. Quadriplegic
 - ii. Permanent blindness or deafness
 - iii. Loss of 2 limbs
 - e. **Recurrent Disability** – Provision that states a similar disability can be considered a continuation of the prior periods. Picks up where it left off, whether during the elimination period or benefit period
 - f. **Elimination Period** – deductible measured in days not dollars
 - i. Begins from the onset of a disability – injury or illness
 - ii. Must be satisfied before **benefits** will be paid
 - iii. The longer the elimination period the lower the premium
 - g. **Benefit Period** – Payments to insured
 - i. Benefits have to be paid at least monthly
 - ii. Begins once elimination period has been satisfied
 - iii. The longer the benefit period the higher the premium
 - h. **Probationary Period** – applies to pre-existing conditions
 - i. Starts when **policy is first issued**
 - ii. Must be satisfied before an **illness(Loss or certain losses)** would be covered
 - iii. To help prevent adverse selection
 - iv. Does not apply to accidents or injuries
 - i. **Definition of Injury**
 - i. Accidental Bodily Injury – damage to the body must be unexpected and unintended – **more liberal definition, provides the broader of the 2 coverages**
 - ii. Accidental Means – Cause of accident must be unexpected and unintended – **more strict of the 2 definitions**

- j. **Business Overhead Expense Policy** – purchased by a small business owner
 - i. Doesn't replace his income
 - ii. Covers rent, salaries, utilities, lease agreements, etc
 - iii. Premiums deductible as a business expense
 - iv. Benefits taxable to the business
- k. **Key Person Policy**
 - i. Someone with specialized knowledge, skills or business contacts
 - ii. Premiums paid by business – not deductible
 - iii. Benefits to business owner – not taxable
- l. **Buy/Sell Agreement** – how is a business going to change hands if one of the owners dies
 - i. Funded with life insurance
 - ii. Premiums paid by business – not deductible
 - iii. Benefits to business owner – not taxable
 - iv. Cross Purchase Plan – when there are multiple partners
- m. **Group Disability** – done through employer
 - i. Short Term – benefit period of 13 to 26 weeks
 - ii. Long Term – benefit period can be more than 2 years
 - iii. Non-Occupational basis only – covers off the job only
 - 1. Workers Compensation for anything on the job

4. **Accidental Death and Dismemberment**

- a. Can be a rider or separate policy
- b. **Principle Sum** – Accidental death or double dismemberment, blind, deafness
- c. **Capital Sum** - % of Principle Sum for loss of 1 limb

5. **Long Term Care** – to assist with Activities of Daily Living (eating, bathing, dressing, transferring)

- a. **30 Day Free Look Period**
- b. **Guaranteed Renewable**
- c. Must have at least a 12 month benefit period to them

- d. Policies have an Elimination and Benefit period to them
 - e. Purchasing a specific \$\$ amount of coverage – no matter what the cost of care is
 - f. Benefits are tax free to the insured – unless they exceed the daily cost of care
 - g. **Cannot exclude: Alzheimers, Dementia or Parkinsons**
 - h. **Skilled Care** – only provided by medical personnel in an institutional setting
 - i. **Intermediate Care** – only provided by medical personnel – institutional setting or the patients own home
 - j. **Custodial Care** – can be provided by non-medical personnel – institutional setting or patients own home
 - k. **Home Health Care** – provided by a skilled nursing or other professional service (also community based organizations like Hospice)
 - l. **Residential Care** – NOT HOME! Insured resides in a residential retirement community
 - m. **Adult Day Care** – for functionally impaired adults on **less than a 24 hour basis**
 - n. **Respite Care** – designed to give relief to a family caregiver so they can take a break
6. **Group Health Insurance** – done through employer
- a. Evidence of insurability usually not required
 - b. Underwrite group as a whole – no individual underwriting
 - c. Cost is based on average age of group and ratio of men to women
 - d. Employees do not own plan – get Certificates of Insurance
 - e. **Association Group** – Professional or other alumni association can by group coverage
 - i. Must have at least **100 members**
 - ii. Constitution, By-Laws and hold annual meetings
 - f. **Conversion Privilege** – for all terminated employees
 - i. Convert to an individual policy – within 31 days

- ii. Proof of insurability not required
- iii. Insurer is allowed to evaluate – could be rated up and have lesser benefits than the group

7. COBRA – Consolidated Omnibus Budget Reconciliation Act of 1985

- a. Requires employers with 20 or more employees to extend Group health coverage to terminated employees and families after a qualifying event
 - i. Voluntary termination of employment
 - ii. Termination for reasons other than gross misconduct – company downsizing
 - iii. Employment status change – full time to part time
- b. Coverage extended up to 18 months – must exercise extension within 60 days
- c. 36 months – death of the employee, divorce or legal separation
- d. Employer collects premium – can only charge an extra 2% over total premium from before
 - i. Employee - \$25
 - ii. Employer - \$75
 - iii. TOTAL - \$100
 - iv. COBRA - \$102

9. Limited Benefit Plans

- a. **Dread Disease – Cancer or Heart disease policy**
- b. **Critical Illness – pays for the diagnosis and survival of critical illness**
- c. **Hospital Indemnity – Basic Medical Expense Plans**
- d. **Short Term Medical - covers for up to 11 months**
- e. **Accident Only Policies**
- f. **Dental - Pediatric covered**
- g. **Vision - Pediatric covered**