

HEALTH INSURANCE 101 GUIDE

AvMed Health Plans is focused on helping its members stay on the path to better health. When it comes to finding the right coverage for you and your family, seek the advice of an insurance professional to find the plan that's right for you.

Whether you are looking to purchase insurance as an individual or you need to evaluate more than one option offered by your employer, there are lots of things to consider. Just follow this step-by-step guide.

STEP 1: ASK YOURSELF WHAT YOU ARE LOOKING FOR

I want a plan that gives me the best value for my money.

Consider a plan with:

- Affordable co-payments for doctor visits
- A deductible between \$1000 and \$2000
- A network that includes your preferred physicians and hospitals
- A formulary with upfront benefits for generic prescription drugs

I want a plan with the lowest possible cost.

Consider a plan with:

- A deductible of \$2500 or higher
- Emergency and major medical (sometimes called "catastrophic") coverage only
- Limited benefits, limited doctor visits
- Discount prescription drug cards

I want a plan that provides the most complete coverage possible.

Consider a plan with:

- A deductible of \$1,000 or less
 - Low co-payments for doctor visits
 - The broadest network of health care providers
 - Full prescription drug benefits
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STEP 2: DECIDE WHAT YOU NEED

There is no such thing as a one-size-fits-all insurance policy, so it's important to figure out what your needs are.

Where is the nearest in-network hospital?

Find out if the doctors, hospitals, and pharmacies in the plan are convenient for you.

What are your health conditions?

If you have asthma, diabetes, or another chronic condition, it may affect what kind of coverage you need. Choose a plan that covers costs associated with your condition. You may also benefit from educational support or a care management program that helps you manage your specific condition.

What kind of medical care do you need?

If you are on prescription drugs, you will want to find a plan whose formulary, or outline of coverage, includes the medication you need. If you need to see a specialist, you will want to ensure that you can find one in your plan's network.

STEP 3: UNDERSTAND THE COSTS

There is an entire new vocabulary when it comes to health insurance costs.

PREMIUM:

This is the monthly payment that keeps your health insurance policy active. It is determined by factors like age, lifestyle, health conditions, and the city where you live.

DEDUCTIBLE:

This is the amount you have to pay for medical expenses in order for coverage to kick in. You can choose from a range of annual deductibles.

COPAYMENTS:

This is a fixed amount that you are required to pay when you receive care.

COINSURANCE:

This is a percentage-based amount that you are required to pay when you receive care, the rest of which is paid by the insurance company.

OUT-OF-POCKET MAXIMUM:

This is the set limit on the amount you are responsible for paying for health care services in one year.

STEP 4: DETERMINE YOUR BUDGET

Once you've taken stock of your needs, it will be helpful to compare premiums and deductibles to make the decision about what plan is right for you.

Understanding Premiums

The premium is the amount you have to pay per month to ensure you will receive coverage on your medical expenses. Understanding how premiums affect your coverage is simple: the higher the premium, the more coverage you will receive. There are differences associated with premiums and the types of plans. PPOs have higher premiums but provide broader coverage. HMOs will have a cheaper premium but your coverage is restricted to the network.

Once you are accepted into a health insurance plan, your coverage remains as long as you pay your premium.

Understanding Deductibles

The deductible is the yearly amount you will pay out of pocket before the insurance coverage begins paying. Choosing a deductible depends on how much risk you want to assume. A lower deductible means the insurance company will pay more, so they will charge you a higher premium. If you can afford a higher deductible, the insurance company is responsible for less risk, and they will charge you less for your premium. The simplest way to understand how to choose is to ask yourself two questions:

- Would you rather pay more each month in premiums?
- Would you rather pay more when you receive medical care?

These numbers can change depending on whether other family members will be covered on the same plan. It is essential to take into account your specific health care needs when answering these questions.

STEP 5: SELECT A PLAN

When it comes time to choose a health plan, there are different ways to shop, compare, and apply for coverage if you are shopping as an individual. If you are choosing one of the options offered by your employer, you can choose during your company's open enrollment period.

Apply with the Insurance Company

If you know what carrier's plan you would like, you can apply directly by contacting them by phone or on their website.

Apply with a Licensed Agent

Insurance agents and brokers can help make the process easier by comparing options and providing expert advice.

Apply by Comparing Quotes

There are several online quote services that can connect you with local agents and provide instant quotes.

APPENDIX: THE HEALTH INSURANCE SHOPPER'S CHECKLIST

When you're considering health plans, here are some questions to ask:

- Does the plan provide coverage for pre-existing conditions?
- Does the plan have waiting periods? How long are they?
- Does the plan cover maternity care?
- Does the plan cover mental health services?
- Does the plan include prescription drug coverage?
- Does the plan include coverage for dental and vision care?
- Can dental and vision coverage be added to the plan?
- What kind of other support and wellness services does the plan provide for its members?
- How much will the plan cost you each year?
- What is the deductible?
- Will you be able to afford the entire deductible if you have to meet it all at once?
- How much are the copayments and/or coinsurance?
- What is the out-of-pocket maximum?
- What is the lifetime limit on coverage?
- How large is the plan's network?
- How close are you to each plan's doctors and hospitals?
- Does the plan provide you with a wide selection of specialists?
- Does the plan have a clear arrangement for specialist referrals?
- How does the plan's appeal process for disputed claims work?
- Do they assist members who need to make an appeal?

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Sources:

<http://www.bls.gov/ncs/ebs/sp/healthterms.pdf>

<http://www.healthcare.gov/using-insurance/understanding/basics/index.html>

<http://www.moneyunder30.com/health-insurance-deductible-co-pay-out-of-pocket-maximum>