



## Chapter 17 Medical Expense policies

### **Basic Hospital Expense** – no deductibles or co-insurance, “first-dollar coverage”

- Room & Board – insured chooses a daily amount Ex. \$500 per day
- Miscellaneous Expense –
  - Drugs, x-rays, use of the O.R, anesthesia, lab fees, supplies
  - Items not covered: anesthesiologist, doctor services, nursing
  - pays as a multiple of the daily R & B. Ex. 10 or 20 times

### **Basic Surgical**

- Surgeon’s fees
- Anesthesiologist
- Post-op

**How it pays:** insured chooses how at inception, one of three ways:

- **Reasonable & Customary;** average based on geographical area; if dr. charges more than reasonable & customary (average) the insured must pay the difference
- **Surgical Schedule:** surgeries listed with the amount company will pay
- **Relative Value;** surgeries assigned a set of points; multiply by a conversion factor

### **Basic Physicians (non-surgical)**

- Office visits
- Doctor care while hospitalized for non-surgical reason (tests)
- Pays up to a stated amount

### **Nursing expense**

**Convalescent** – skilled nursing facility after a hospital stay

- Excluded are rest cures and custodial care

### **Major Medical Policies – Deductibles & Co-Insurance**

- Group & Individual
- Cosmetic surgery excluded
- No pre-existing exclusions, no lifetime or annual maximums
- Covers Dental, only if caused by an accident

Available in two types

1. Supplementary Major Medical
2. Comprehensive Major Medical

#### **Supplementary Major Medical**

- Supplements a basic plan (basic plan always pays first)
- Either corridor or integrated deductibles

#### **Comprehensive Major Medical**

- Stand-alone plan (one plan) w a “flat Deductible”

### **Deductibles (three types)**

- Insured pays deductible first
- Controls the premium; Higher deductible/lower premium
- Annual or per-cause
- Family deductible

#### **Types of Deductibles**

- **Flat** – found in comprehensive major meds
- **Corridor** – found in supplementary plans; once the basic plan’s benefits are exhausted, insured pay the deductible and then the major med begins paying
- **Integrated** – similar to corridor but the deductible is paid by the basic plan

### **Stop loss/Maximum out of pocket**

- Limits insured’s out of pocket expenses
- **Stop-Loss** – max amount does not include the deductible
- **Maximum out of pocket** - max amount does include the deductible

### **High Deductible Health Plans**

- Characterized by very high deductibles; designed to keep premiums down and are usually paired with a Health Savings Account (HSA)

### **Health Savings Accounts (HSAs)**

- Used with the above; Under age 65 (because at 65 folks are on Medicare)
- 100% of High Deductible may be contributed pre-tax (tax-deductible); Money grows tax free
- Tax free withdrawal’s if money used for “qualified medical expenses”, such as:
  - Dr. fees, prescription & non-prescriptions, retiree health insurance premiums, Medicare expenses that were not covered, qualified long-term care, COBRA,

- Withdrawals for insured, spouse, and dependents.
- 10% penalty on non-qualified withdrawals
- At death money can be transferred to a spouse tax free

### **Flexible Spending Accounts**

- Used by businesses
- Employee funds through salary deductions

### **Health Reimbursement Accounts**

- Employer sets money aside for employees to use for deductibles, co-insurance, & co-payments
- Fully owned and funded by employer for the employees

### **Hospital Indemnity /Fixed Rate Policies**

- Insured chooses a \$ per day amount to be paid for everyday they are hospitalized as an in-patient
- Premiums are not affected by rising hospital costs because it only pays a per day benefit and not any of the medical expenses
- Pays directly to insured

### **Limited Risk Policies – Dread Disease – Critical Illness**

- May pay a lump sum; Ex: Cancer; Heart disease; Stroke; Accident only;

### **Short Term Medical Expense policies**

- Specified time periods: 90 or 180 days
- Chosen at time of application
- Do Not comply with Affordable Health Care Act
- May exclude pre-existing conditions; may have lifetime or annual benefit limits
- May or may not be able to renew not usually longer than 36 months (ck your law chapter)