

## CH 15

### Health Care and Individual Health Insurance

After studying this chapter, the student has to be able to answer the following questions:

- What is the definition of Individual Medical Expense Insurance ?
- What are the characteristics of Individual Medical Expense Insurance ?
- Explain, in detail, what are of Individual Medical Expense Insurance ?
- Explain, What do you mean care plans?
- What is PPO

#### 15.1- Individual Medical Expense Insurance

##### 15-1-Introduction

Health insurance covers medical expenses from sickness. These expenses include doctor hospital bills, the cost of medicines, private nursing care. Health insurance may also pay the income that an insured person is unable to earn during period of disability. Coverage of Health insurance may be provided either for individual or for group. In this chapter will illustrate the individual medical expense Insurance as indicated below

##### 15-2-Definition of Individual Medical Expense Insurance

The individual medical expense insurance is important in providing economic security to individuals and families who are not part of any group. This type of insurance is purchased by people who are not employed, retired workers who need individual protection, as well ,college students 26 age and are no longer eligible for coverage under their parents plans -----etc . Hence, we say, the individual medical expense Insurance protects an individual or family for covered medical expenses because of sickness or injury.

- Most policies of individual medical expense insurance sold today have the following characteristics

- A- Major medical benefits
- B- A broad range of benefits
- C- A calendar-year deductible
- D- Coinsurance, copayments
- E- Annual out-of-pocket limits
- F - Exclusions

The previous characteristics can be indicated as follows

A -Major medical insurance: a generic term is designed to pay a high percentage of covered medical expenses incurred by an insured who has a catastrophic illness or injury. The primary purpose is to relieve the insured of financial burden.

B- A broad range of benefits

Most individual medical expense policies provide a broad range of benefits, including

- Inpatient hospital benefits comprise cost of room. Treatment rooms ,nursing care ,cost of operating room ,drugs and X-ray ---etc
- Outpatient benefits covers all services listed under Inpatient hospital benefits and surgery as an outpatients in a hospital and others services
- Physician benefits ,include office visits to Physician , consultation, nurse practioners and others services
- Preventive services include all preventive services

- Outpatient prescription drugs which may be subject to some deductibles or copayments

**Notice : Medical expense policies contain a deductible provision**

C- A calendar-year deductible

A calendar-year deductible is an aggregate deductible that has to be satisfied only once during the calendar year. *The purpose of the deductible* is to eliminate small claims and the high administrative cost of processing them. Consumers have choice of deductibles that may be \$1000, \$2000, \$2500 or some higher amount. Once the deductible is met, no additional deductible has to be satisfied during the calendar year.

D- Coinsurance, copayments

Individual medical expense policies contain a coinsurance provision. A coinsurance provision is the percentage of the bill in excess of the deductible, which the insured must pay out-of-pocket up to some maximum annual dollar limit. Purposes of coinsurance provision are 1- to reduce premiums and 2- prevent overutilization of plan benefits. Coinsurance may be 20 % or 30% or more

As well, Individual medical expense policies contain a copayment provision A copayment is a flat amount the insured must pay for certain benefits, such as \$40 for an office visit or \$10 copayment for generic drug

E- Annual out-of-pocket limits

Individual medical expense policies also contain annual out-of-pocket limit which is called a stop-loss limit . By virtue of it, 100 % of the covered medical expenses are paid. But , after the insured pays a certain annual amount of out-of-pocket expenses. That is, the insured's total out-of-

pocket spending is limited by an annual out-of-pocket limit after which, the insurer pays 100% of eligible expenses

### F - Exclusions

All individual medical expense policies also contain exclusions. Some of these exclusions are as follows:

- Expenses caused by war
- Elective cosmetic surgery
- Eyeglasses and hearing aids
- Expenses covered by workers compensation
- Expenses covered by medicare or other government programs
- Expenses resulting from suicide
- Pregnancy and childbirth except complications of pregnancy

### **15-3-Methods of management of Individual medical expense insurance**

Individual medical expense insurance plans is managed by care plans. So, the following question may be raised about care plans. What do you mean care plans?

***The answer, Care plans is a generic term for*** medical expense plans that provide covered medical services to the members in a cost effective manner. By care plans, cost should controlled and the policyholders has the right to select physicians, hospitals --- etc.

***Care plans has different types . The most popular plan is called PPO*** (preferred provider organization). A PPO is a plan for writing contracts with physicians, hospitals, and other health-care providers to provide covered medical services to policyholders at discounted fees. About 83% of

the individual medical expense policies and 73% of family policies are PPO plans. Under PPO , a policy holder can elect to receive care from any physician or health care provider.