

BENEFITS CORNER



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Why You Need Health Insurance

If you don't have health insurance, you might be tempted to go without. After all, health insurance costs a lot and you hardly ever get sick ...

If you've thought along these lines, it's time to take a hard look at your finances. Some people do have the necessary cash flow to pay for a major medical problem. But if you don't have an extra \$25,000 lying around to pay for emergency bypass surgery (the national average for in-hospital surgery and treatment in 2005), for example, you need insurance. I have even seen some knee surgeries cost in excess of \$80,000 (micro-fracture or cartilage procedure)!

A study of 2001 data found that nearly half (46.2 percent) of personal bankruptcies involved major medical debts. Authors of the study defined a major medical bankruptcy as one where the debtor (1) specifically cited illness or injury as a cause of the bankruptcy, (2) had uncovered medical bills of more than \$1,000 in the past year, (3) had lost at least two weeks of income because of illness/injury, or (4) mortgaged a home to pay for medical bills.

Colorado has recently made the need for health insurance even greater with the change to a "tort" based auto insurance system. A typical auto insurance policy now only covers up to the "Med-Pay" maximum if you cause the accident, which is usually \$2,500 to \$10,000. After that, your health insurance will pick up the cost, but only if you have health insurance!

So what to do if you need health insurance? I would first suggest that you inquire if your employer offers coverage. Most employers will pay the majority of the cost for the

employee premium, but may not be much help with the dependent cost of coverage. If this is not an option, then you will need to look at non-group or individual coverage.

How should you go about finding an "individual" plan for you and your family? Shopping for coverage over the Internet is certainly an option, but the choices can be overwhelming. Additionally, you may end up with a policy that is less than meets the eye. This could have catastrophic consequences if you find out about the deficiencies after the illness has started or injury has occurred. Please contact a local health insurance specialist to help you shop the market.

What types of policies are available? There are many that might fit your needs. Most plans will have a network of providers that you should utilize to get the most out of the plan. An HMO plan (Health Maintenance Organization) will limit non-emergency coverage to only the listed providers. A PPO plan (Preferred Provider Organization) will usually provide a higher level of benefit in the network, but some coverage outside of the network.

For most folks, the basic question that will need to be answered is, "What do you want your health insurance plan to do for you?" If you want the plan to protect you against losses from a major medical loss, then a Health Savings Account eligible Qualified High Deductible Health Plan might be your best option. If you want your plan to have copays for office visits and prescriptions, then a more traditional HMO or PPO plan will work best for you.

A Qualified High Deductible Health Plan is also known as a consumer-driven health plan. Consumer-driven health care derives its name from the fact that these plans give individuals greater control of their healthcare spending. A consumer-driven plan combines a health savings account (HSA) with a high-deductible insurance plan (HDHP). Individuals use funds in their HSA to pay for routine medical care, while the HDHP provides coverage for catastrophic illnesses or accidents. For 2008, the minimum eligible deductible for individuals is \$1,100 for self-only coverage and \$2,200 for family coverage.

If being fully responsible for the cost of day-to-day expenses is not comfortable to you, then the more traditional PPO option would fit your needs. Office visits and prescriptions would typically be covered fully after a small copay. For larger-cost items like surgeries or hospitalization, you would be responsible to pay a deductible and a set level of coinsurance before the plan would begin to pay 100 percent of the cost of care. Because

of the copays, traditional plans are usually more expensive than an HDHP.

One of the issues with individual coverage is that the plans are fully underwritten by your chosen carrier. The carriers will fully underwrite any application. This means that the carrier reserves the right to decline the application, accept the application at a higher premium, or accept the application and exclude certain known conditions. In other words, you might not get the coverage you want.

What should you do if this is the case? Colorado has some great protection available if this is the case. I often hear in the news of people who say that, "I could not get anyone to cover me." This is blatantly false!

First, there is CoverColorado. This is a public/private plan that is available to anyone who cannot get a private policy issued. The cost is more than a commercial individual plan, but the coverage is good, and they cannot decline an application of a Colorado resident. Based upon your household income, you may even receive a discounted premium.

If this is still too costly, you may be able to qualify for Medicaid. Almost 25 percent of Colorado's uninsured population is eligible for Medicaid, but you still need to sign up for it! Applications are available at the Jefferson County Building or you can contact the state directly at 303-866-3513 in the metro area for more information.

Another plan that is available only for children is the Child Health Plan Plus (CHP+). This plan is available to the children of "low-income" families. The income level for the household cannot exceed 185 percent of the federal poverty level. For a family of four, this equates to a monthly household income of close to \$3,200 per month.

Health insurance is important to the financial well-being of you and your family. Health insurance is expensive because healthcare is expensive. Health insurance is the way most individuals and families need to finance the cost of healthcare, just like a mortgage is the way you need to finance the purchase of your home. If the options seem confusing, please feel free to give me a call!

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