

Health Insurance Benefits

Health Insurance Benefits Just because you have health insurance does not mean all medical procedures are covered. In fact, the insurance plan and the state you live in determine the services provided. For example, you might have difficulty securing health insurance to cover weight loss and pre-existing conditions such as congenital heart disease.

Many health insurance policies have an **annual deductible**, which is the amount of money you must pay each year before your insurance company starts paying. Some health care services also have a **co-payment** clause or a **co-insurance** clause. This requires you to pay either a set amount or a certain percent of medical expenses, including prescription drugs.

For example, you might have a \$10 co-payment for visiting the doctor regardless of the type of service provided. A 20% co-insurance clause means your insurance company pays 80% of the cost and you pay 20% of the cost. The following formula is used to calculate the amount the patient pays:

$$\text{Amount Paid by Patient} = \text{Deductible} + \text{Co-payments} + \text{Co-insurance Amount} + \text{Hospital Charges}$$

EXAMPLE

Brooke Kolodie is single and has a health insurance plan with the benefits shown in **Figure 11.1**. After meeting her \$1,000 deductible, her recent network health care costs include co-payments for 8 physician visits and 9 specialist visits. Following hospital surgery, she made co-payments for 12 physical therapy visits at \$85 each and she had 4 co-payments at her local pharmacy, for 3 generic drugs and 1 brand-name drug. Her hospital admission charge was \$200 and her hospital bill was \$34,560. What amount did she pay?

Step 1: Find the deductible.

The deductible is \$1,000.

Step 2: Find the cost of the co-payments.

$$\begin{aligned} & \text{Physician} + \text{Specialist} + \text{Physical Therapy} + \text{Pharmacy} \\ & (20 \times 8) + (30 \times 9) + (85 \times 20\% \times 12) + [(3 \times 10) + 20] = \\ & 160 + 270 + 204 + 50 = \$684 \end{aligned}$$

Step 3: Find the hospital co-insurance charges. (Note: The patient pays 10% of the hospital charge and 100% of the admission charge.)

$$(34,560 \times 10\%) + 200 = \$3,456 + 200 = \$3,656$$

Step 4: Find the total amount paid by patient.

$$\text{Deductible} + \text{Co-payments} + \text{Co-insurance Amount} + \text{Hospital Charges}$$

$$1,000 + 684 + 3,656 = \$5,340 \text{ total paid}$$

11.1

Health Care Benefits Schedule			
		Network	Non-Network*
Annual Deductible	Single	\$1,000	\$1,500
	Family	\$3,000	\$4,500
Hospital Charges	—	10% **	30% **
Co-insurance/ Co-payments	Physician visit	\$ 20	\$ 30
	Specialist visit	\$ 30	\$ 40
	Physical Therapy	20% **	30% **
Retail Pharmacy	Generic	\$ 10	
	Brand-Name	\$ 20	
Mail-Order Pharmacy (90 day supply)	Generic	\$ 25	
	Brand-Name	\$ 50	
	Emergency Room-ER	\$ 100	\$ 100
	Ambulance	\$ 100	\$ 100

*Non-Network refers to a health care provider who does not have a contract with the health plan administrator.
**Percent of total cost that you must pay.

Concept CHECK

Using Figure 11.1, complete the problems.

- Determine your network plan costs with the following co-payments: 7 physician visits, 2 specialist visits, 12 physical therapy appointments at \$90 each. You also have the following pharmacy charges: 2 local generic drugs, 1 local brand-name drug, 3 mail-order generic drugs and 1 mail-order brand-name drug. You have no hospital charges and no deductible.
- Determine a family's network plan costs with the following co-payments: 22 physician visits, 12 specialist visits, 15 physical therapy appointments at \$80 each, and 1 emergency room visit plus ambulance fee. The family also had the following pharmacy charges: 9 local generic drugs, 4 local brand-name drugs, 6 mail-order generic drugs, and 2 mail-order brand-name drugs. There was also a hospital charge of \$9,260. The family already met its annual deductible.

For Problems 3–10, find the (a) co-payments, (b) co-insurance, and (c) total paid by insured.

	Deductible Amount	Number of Co-payments at \$10.00 Each	Amount of the Co-payments	Amount Subject to Co-insurance	Insured Co-insurance Rate	Amount of Co-insurance	Total Paid by Insured
3.	\$3,000	25	a.	\$12,000	20%	b.	c.
4.	\$2,000	40	a.	\$34,600	30%	b.	c.
5.	\$3,500	52	a.	\$16,980	15%	b.	c.
6.	\$6,000	32	a.	\$66,540	10%	b.	c.
7.	\$5,000	30	a.	\$45,000	15%	b.	c.
8.	\$2,500	50	a.	\$25,000	25%	b.	c.
9.	\$4,000	35	a.	\$37,500	20%	b.	c.
10.	\$4,500	25	a.	\$22,500	30%	b.	c.