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March 31, 2010

Medical Insurance Definition

Overview

Health insurance is a cornerstone of financial planning and risk management for your family. Finding a comprehensive plan at an affordable cost can be a challenge, and you may even be tempted to go without coverage if you feel reasonably healthy. But the effort and cost are worthwhile if you ever find yourself in the middle of an expensive medical crisis.

Necessity

Health insurance serves two main functions, according to America's Health Insurance Plans. It protects your family from financial catastrophe if you have a major medical problem. And, generally, it makes it cheaper for you to get routine and preventive care--and thus makes it more likely that you will pursue the care. It also makes life more predictable. Some years you will have high medical costs, and other years you will have low costs; health insurance evens out the financial load.

Types

The two main kinds of medical insurance are group plans, which are usually obtained through an employer, and individual plans. If you have access to a group plan through your employer, count yourself lucky. In such cases, the employer is usually footing 75 to 80 percent of cost of the premium for the plan, according to the Health Insurance Resource Center. By contrast, if you are using an individual plan, you have to pay for it yourself. On average, that means \$12,300 a year in premiums for a family, PricewaterhouseCoopers wrote in an October 2009 report for America's Health Insurance Plans.

Statistics

The most recent data available, from 2008, showed that 176.3 million people in the United States had employer-based health plans, according to the U.S. Census Bureau. That number was down a bit from 177.4 million in 2007. The number of uninsured, on the other hand, has been growing: It reached 46.3 million in 2008 compared with 45.7 million in 2007.

High-Deductible Plans

Some employers offer a newer type of group health insurance called a high-deductible plan. In order to keep premiums down, employees are subject to higher deductibles--in the \$2,000-per-year range for family coverage, according to America's Health Insurance Plans. Employees with such plans can generally contribute pre-tax money to a health-savings account or similar vehicle to cover medical expenses until the deductible is reached and coverage kicks in. In many cases, the employer contributes to the account, too.

Warning

Health insurance does not guarantee you will stay free of financial problems if large medical bills arise. Several aspects of a policy have the potential to trip you up, so it is vital to read and understand the fine print before you sign up. According to the *Healthcare Survival Guide*, three areas where problems are common are

activation delays, where coverage goes into effect only after a waiting period, leaving you exposed to full-market health care prices in the meantime; exclusions, where your coverage does not include certain specific conditions, such as pregnancy; and coverage limits, where your insurance stops paying once a certain amount has been reached, leaving you to pay the rest yourself.

Affordable Options

Even if you feel unable to afford health insurance, you may still be able to find options to protect your family. A wide array of options are available on the individual market, including high-deductible, comprehensive major medical and supplemental major medical plans. These vary on points such as what conditions they cover and what percentage of your costs they pay, with rich plans, of course, carrying higher premiums. Though they may still leave you with substantial costs to pay out-of-pocket, even the least expensive among such plans may be able to save you from bankruptcy if you develop severe health problems. Other options include public programs. For people who have low income or certain disabilities, and for children and the elderly, Medicaid, Medicare or a state high-risk insurance pool may be a possibility.