

Insurance With Assurance

Understanding Health Insurance

by Rick Janis

While President Clinton and Congress argue over health care reform, the small business owner may find himself lost in a labyrinth of options and benefits. Besides being complex, health insurance is also one of his greatest expenses.

The typical health insurance plan provides coverage for hospital and doctor visits. The main options consist of the deductible and the co-insurance. The plan you choose should fit your financial and medical needs. Understanding deductible and co-insurance options will greatly help you in selecting a policy that works best for you and your company.

Deductibles typically range from \$250 to \$1,000 per person. That is the amount you are willing to pay out of your own pocket before your insurance kicks in. As your deductible rises, your premiums will lower. Lowering your deductible will raise your premium.

If you have a family, you might have to satisfy the deductible for each member. The most common deductible for a family of three is \$500. This means that the potential out of pocket expense (the deductible) would be \$1,500 for the policy year. Most families will not meet the deductible since each family member would have to accumulate \$500 in medical bills. Having a \$500 deductible rather than a \$250 deductible would save you \$150 in your monthly premium. That comes to \$1,800 per year. Obviously you would offset the increased out of pocket expense.

Co-insurance is a cost sharing between you and the insurance company. In most medical plans, the

deductible is first satisfied and paid by the individual then the co-insurance begins. The co-insurance is usually expressed as a percentage relationship. The most common percentage is 80/20, which means that the insurance company pays 80% and the individual pays 20% of the charges .

However, the out of pocket expense is not an unlimited dollar amount. Most likely, co-insurance will be limited to a specific amount such as \$5,000. The first \$5,000 of medical bills (after the deductible) will be shared. Twenty percent, or \$1,000, being paid by the individual and eighty percent, or \$4,000 being paid by the insurance company. Afterwards, the insurance company will pay 100% of the medical bills. The co-insurance is applicable to each family member just as the deductible is.

Besides the deductible and co-insurance, there are enhancements to the policy that provide definite value added benefits for a small additional cost. One is prescription card coverage. Typically, you would pay a flat amount such as \$5 for each prescription. The balance of the drug cost would be billed directly to your health insurance company. Another option is maternity coverage, although many states have already mandated it as part of the policy, regardless of your individual situation.

I have only touched upon all the deductible and co-insurance options as well as additional value added benefits available. Consult a professional who can go into greater detail and tailor a program for your company's specific needs.

Rick Janis is a Certified Insurance Counselor and president of the Alarm Insurance Agency. With over 7 years of experience in the security industry, he has been responsible for developing and managing comprehensive insurance and bonding programs for alarm dealers and monitoring companies. Rick is CEU certified by NBFPA and teaches CEU courses to the alarm industry on General Liability/Errors and Omissions and Worker's Compensation. He can be reached at 800-474-0933 or by fax at 800-240-0631. You may also e-mail him at rjanis@alarmins.com.