

## Types of Health Insurance

Are you searching the internet for Health Insurance? If so, you may be baffled by the sheer number of policies available and perhaps don't know how to compare one to another. Here is a simple description of four major types of health insurance: **Traditional, Economy, HSA, and Short-term**. *Once you understand them, you should be better equipped to compare plans and make the right choice!*

### 1) Traditional Plans

These are comprehensive plans that have **no deductible for preventative care and doctor visits, and little or no deductible for prescription drugs**. This is the most popular type of plan, because doctor visits (for annual physicals, illness, and injury) cost only small copayments (fixed payments like \$25). Some of these plans will apply coinsurance (a portion you must pay) for lab and x-rays that are considered part of routine preventative-care, but most still waive the deductible for these services. Prescription drugs are also covered under these plans with simple copayments and/or coinsurance. Some plans have separate annual deductibles (like \$200) for all or just higher-tier prescription drugs, which means that you must pay the full cost of those prescriptions until your drug expense for the year meets the deductible.

#### **What about the plan's annual deductible?**

For many healthy people, the services described above are all that is needed in a typical year, so the plan's annual deductible may not come into play at all. However, when serious illness or injury occurs and you need medical services, insurance coverage does not begin until your out-of-pocket expense for the year meets the annual deductible (note that copayments and prescription drug expense generally *do not* count toward the plan's deductible). All diagnostic services, medical procedures, hospitalization, and other treatment and services for illness or injury are typically subject to the plan's deductible. Once the deductible is met, you may still pay **coinsurance** (a portion of the medical

expense) until your total cost for the year reaches the **out-of-pocket limit**. So be sure that you choose a plan with an annual deductible, coinsurance, and out-of-pocket limit that you are comfortable with in the event you need those additional services.

### 2) Economy Plans

These plans are lower cost than traditional health plans, but have limitations in coverage, prescription drugs, and number of doctor visits, or have more services subject to the annual deductible. For example, any combination of the following limitations may apply:

- Preventative care not covered or subject to the plan's deductible
- Limited or no doctor visits until the plan's deductible is met (example: 3 visits per year)
- Only generic drugs are covered; you pay full cost for brand-name drugs
- Low life-time maximum benefits (example: \$1M, compared to \$3M or higher with a traditional plan)
- Some services not covered at all (examples: out-patient care, mental health, treatment for substance abuse)

***Be sure that you fully understand the limitations of this type of plan before you buy it from any insurance company, or you may be surprised when you get the doctor's bill and find out what is NOT covered!***

### 3) HSA Plans

These plans meet federal requirements as **"High-Deductible Health Plans" (HDHPs)** that qualify for **"Health Savings Accounts" (HSAs)**. They are low-cost plans that often have **no deductible for preventative care** (annual physicals and routine testing); but all other covered services must be subject to the plan's annual deductible. Typically, these plans are very comprehensive and not limited like economy plans. Note that most

HSA plans apply prescription drug expense toward the plan's deductible (unlike with traditional plans).

Insurance companies often partner with banks to help you set up and maintain your *Health Savings Account*. Although you may participate in the high-deductible plan without having an HSA, the account provides valuable tax advantages. In particular, you can make **tax-deductible** contributions to the HSA (up to annual limits established by the IRS) and accumulate **tax-free** earnings to cover your current and future medical expenses.

Withdrawals from your HSA can be made **tax-free**, as long as the money is used to cover qualified medical, dental and vision-care expenses (you can use this money to pay for the plan's deductible, coinsurance and copayments, as well as for qualified expenses not covered by the plan at all). You can even use the account to pay for qualified expenses of spouses and dependents, whether or not they are covered by a high-deductible health plan! Other qualified expenses include your Medicare premiums (after age 65), health insurance premiums while you are collecting Federal or State unemployment benefits, and your COBRA premiums (continuation coverage through a former employer).

HSA plans can be very attractive, particularly when you factor in the tax benefits of your contributions and tax-free earnings on your account – **and it's a great way to save now for medical expenses in your retirement!**

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#### 4) **Short-term Plans**

These plans can offer an inexpensive way to fill a short-term gap in medical coverage, particularly if you are certain that you will get comprehensive coverage (perhaps through a new employer) before the short-term plan ends (typically in one to three months).

Be aware that these plans are generally very limited in scope, cover NO pre-existing

conditions and have low maximum benefits. You may not be able to renew the plan at the end of its short term, or if you do, any medical condition that occurred during the timeframe of the first policy will no longer be covered. It is also important to know that these plans generally do NOT qualify you for having "continuous coverage" when subsequently applying for a standard medical plan (which may result in a 12-month exclusion on pre-existing conditions).

### **Summary**

We hope this information has been valuable, but perhaps you still need help. *Schleh Benefits* is a licensed consultancy with years of experience and practical know-how. We understand health insurance and are here to help you. Our services are completely free to you and have no effect on your policy premiums and benefits (we have no hidden fees, surcharges or application costs of any sort). We are an independent agency representing only highly-rated insurance companies – *and they pay us to help you find the right plan!*

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