State of New Jersey
Department of Education

Rutgers
New Jersey Agricultural Experiment Station

How Health Insurance Works

LESSON DESCRIPTION (Background for the Instructor)

In this lesson, students will learn about health insurance as a tool to protect both their physical well-being and their financial security. They will also learn key health insurance terminology (e.g., deductible, copayment, coinsurance, and out-of-pocket maximum), the costs and characteristics of various types of insurance, and what can happen when people don't have health insurance.

The lesson includes five activities that instructors can select from. In these activities, students will:

- View two short YouTube videos (*How Does Health Insurance Work?* and *How do Deductibles and Copays Work?*) about health insurance topics and answer debriefing questions
- View the *Consumer Reports* video *Understanding Your Health Insurance Costs* and answer math problems that apply the concepts taught in the video
- Use the *Health Insurance Cost Comparison Worksheet* to compare health care plan costs
- Complete a *Health Insurance Word Search Puzzle* that incorporates health insurance terminology
- Conduct a *Web Quest* to learn what happens when people do not have health insurance

The lesson also contains 10 assessment questions (5 multiple choice and 5 True-False), learning extensions (i.e., suggested learning activities beyond the scope of the lesson plan), and references and resources.

INTRODUCTION (Background for the Instructor)

Insurance is risk protection provided by paying an insurance company to share the risk of losses with you and others who pay into the insurance plan. The main reason to purchase insurance is to protect your money, your health, and your assets. Risk is a part of life and there are three common types of risk:

- **Personal risk** includes loss of income due to death, illness, disability or unemployment.
- **Property risk** is loss of or damage to property by fire, theft, and storms
- **Liability** is risk of losses caused by negligence or events that result in injury to others

Insurance is one of four ways to handle the risk of financial loss in our lives:

- **Risk Avoidance**- Not doing something that can cause a financial loss (e.g., driving in snow)
- **Risk Reduction**- Taking steps to reduce the severity of a loss (e.g., wearing seat belts)
- **Risk Assumption**- Paying some of the loss yourself through self-insurance and deductibles
- **Risk Transfer**- Transferring the risk of loss to a third party (insurance company)

Studies have found that many Americans lack a basic understanding of health insurance. This is especially troubling given the opening of government-facilitated health insurance Marketplaces in 2014 under the Affordable Care Act. In one survey of young adults, only 14% of respondents could correctly define four key insurance terms: deductible, copayment, coinsurance, and out-of-pocket maximum.

An insurance *policy* is a written contract with an insurance company. The policy spells out what is and is not covered. *Coverage* is what the insurance policy will pay for. Most health insurance policies provide coverage on a yearly basis and charge premiums monthly or quarterly. The *premium* is the cost of the contract or policy. It refers to the amount people pay to have health insurance whether they use it or not.

In situations where policyholders want their insurance policy to pay for a loss, they will file a *claim*. Claims can be accepted or denied depending upon the amount of coverage available, policy exclusions, and other factors. Most insurance policies require policyholders to pay a part of each claim. The *deductible* is the amount that an insured person will pay before the insurance company pays. Generally speaking, the higher the amount of the deductible, the lower the premium for a specific amount of insurance. By choosing a higher deductible amount, policyholders are indicating a willingness to assume more out-of-pocket costs.

High deductible health care (HDHC) plans have somewhat lower premiums than traditional plans. However, the deductible, or amount that a consumer pays before insurance pay benefits, is higher than the deductible of conventional plans. High deductible plans are often tied to Health Savings Accounts or HSAs. HSAs are tax-free employee savings accounts to cover deductibles and other out-of-pocket medical costs.

Two other key health insurance terms that are often confused because they sound similar are copayment and coinsurance. A *copayment* is a specific dollar amount charged for a health care product or service. Examples include a $10, $15, or $25 copayment for prescription drugs or for a doctor's office visit.

Coinsurance is the percentage (e.g., 20%) of a covered service that a consumer is expected to pay up to a specified maximum amount known as the stop-loss amount or *out-of-pocket maximum*. A typical coinsurance cost split is 80/20 with the insurer paying the larger percentage (80%). For an $8,500 medical bill with a $250 deductible and 80/20 coinsurance with a $5,000 limit on out-of-pocket costs, a consumer would pay $1,250 ($250 deductible + $1,000 coinsurance; 20% of $5,000) and the insurer would pay $7,250 ($4,000 coinsurance + $3,250 remaining charges above the out-of-pocket maximum).

Some policies should be avoided because they are extremely costly, narrow in scope, and/or redundant. Types of policies that generally fall into this category include so called "dread-disease" policies that cover only named illnesses (e.g., cancer), accidental death insurance, and policies that pay a limited amount of daily coverage that is far less than typical health care expenses.

When selecting a health care plan, consumers should follow the "Rule of Three" and compare at least three policy providers. When comparing policies, they should look for coverage that best aligns with their financial resources (e.g., amount of emergency savings), health history, and expected family medical needs.

Under the Affordable Care Act (ACA), all Americans (with a specific set of exclusions) are expected to maintain health insurance. The health care plans available in ACA Marketplaces (i.e., online "stores") are sometimes referred to as "The Metals" because of the names given to the four tiers of coverage. As with the Olympics, where metals indicate a different level of quality, the metal tiers vary in the amount of cost-sharing between insurance companies and patients. Plan range from *Bronze* to *Silver* to *Gold* to *Platinum*.

The real difference between each metal tier is that each metal represents the percentage that an insurance company will have to pay versus the amount a person will have to pay out-of-pocket. A *Bronze Plan* will cover 60% of health care costs with the consumer responsible for paying 40%. For *Silver* plans, insurance companies will pay 70% of costs and the consumer pays 30%.

For *Gold* Plans, the split is 80% insurer-20% consumer and, for *Platinum* plans, the split is 90%-10%. In general, the higher percentage of expenses that an insurance company covers, the more the consumer will pay for the premiums but the smaller the out of pocket expenses are likely to be. Platinum plans are best for people who plan to use a lot of health care services and Bronze plans are best for those who don't plan to.

OBJECTIVES

Students will be able to:

- Explain common health insurance terms such as deductible, coinsurance, and copayment.
- Complete math problems that apply health insurance terminology.
- Compare the costs and features of various health insurance plans.
- Explain what can happen when people lack health insurance.
- Explain the four metal tiers of health insurance coverage under the Affordable Care Act (ACA).
- Demonstrate an understanding of insurance topics via completion of the lesson plan learning activities.

NEW JERSEY PERSONAL FINANCIAL LITERACY STANDARD

- Standard 9.1.12.G.3: Compare the cost of various types of insurance for the same product or service, given different liability limits and risk factors
  See http://www.state.nj.us/education/aps/cccs/career/FLFAQ.htm#gradcredit and http://www.state.nj.us/education/cccs/2014/career/91.pdf for information about Standard 9.1

TIME REQUIRED

45 to 180 minutes (depending upon student progress and content depth and number of activities used)

MATERIALS

- *What Do I Already Know About Health Insurance?* activity handout
- YouTube Video (2:13) *How Does Health Insurance Work?:* https://www.youtube.com/watch?v=M1yzSOxxAjk
- YouTube Video (2:38): *Ho do Deductibles and Copays Work?:* *https://www.youtube.com/watch?v=kT3H9pBP8fg*
- *Health Insurance Handout* activity handout
- YouTube Video (4:54): *Understanding Your Health Insurance Costs*: https://www.youtube.com/watch?v=DBTmNm8D-84
- *Health Insurance Math* activity handout
- *Bronze, Silver, Gold, or Platinum: How to Choose the Right Level of Coverage* (Consumers Union): http://consumersunion.org/research/bronze-silver-gold-or-platinum-how-to-choose-the-right-level-of-coverage-in-covered-california/
- *Health Insurance Cost Comparison Worksheet* activity handout
- *Health Insurance Word Search Puzzle a*ctivity handout
- *Web Quest: What Happens if You Don't Have Health Insurance?* activity handout
- *Health Insurance Quiz* (ASSESSMENT)

Teachers are encouraged to use as many of the student learning activities as time permits to provide a fuller understanding of health insurance. The activities can also be used for extra credit assignments, homework, or after-school activities.

PROCEDURE

1. Explain that health insurance is in the news a lot. The U.S. population is aging and requires more health care services and implementation of the Affordable Care Act (ACA) requires all Americans (with a specific set of exclusions) to have health insurance. As an introductory activity, distribute the *What Do I Already Know About Health Insurance?* activity handout and ask students to complete the five questions. Debrief their answers with the entire class.

Answers will likely vary. Students may have some good stories (positive or negative) to share about their experiences (or those of their family) using health insurance. Probe to see what they have observed or heard about health insurance via print or electronic news media, television and movies, or other sources. Make a list of their questions about health insurance to incorporate into class discussions.

2. **Activity 1:** Distribute the *Health Insurance Handout* activity handout. Show the two short Humana whiteboard-style videos (*How Does Health Insurance Work?* and *How Do Deductibles and Copays Work*?) and ask students to answer the debriefing questions. Below are answers to the *Health Insurance Handout* questions:

   How does health insurance work?
   The risk of incurring large bills for medical treatment is spread across a large group of people to pay for the losses of a relatively small percentage of policyholders; healthy people pay for the expenses of others who need medical treatment (e.g., delivery of a baby and treatment of injuries from an accident)

   What are the financial benefits of having health insurance?
   Health insurance reduces the risk of financial disaster (i.e., incurring a large medical debt). Instead of having to pay, perhaps, tens of thousands of dollars in medical expenses, a policyholder's out-of-pocket expenses are limited to a deductible, copayments, and coinsurance. Another benefit (not covered in the video) is avoiding the fee charged under the Affordable Care Act to those who lack health insurance

   What is the term used to describe the payment made to maintain a health insurance policy?
   Premium; it may be paid monthly or quarterly or as a deduction from a worker's paycheck

   How does the term "safety in numbers" apply to health insurance?
   Individual policyholders combine their purchasing power by each paying premiums to an insurance company. Through economies of scale and pooling of risk, they are able to cover catastrophic medical expenses that, individually, they would not be able to afford

   What is the term used to describe the amount of money that policyholders must pay themselves for health care services before health insurance benefits begin?
   Deductible; until the annual deductible amount is paid, no health benefits can be paid. This is why it is a good idea to have an adequate emergency fund set aside equal to at least three to six months expenses

What is the relationship between insurance premiums and deductibles?
Generally speaking, when deductibles increase (say, from $250 to $500), premiums decrease. This is because policyholders with a higher deductible are assuming more risk of loss and their policies are priced accordingly. Increasingly common in health insurance plans provided by employers are high deductible policies with large four-figure deductibles (see http://www.consumerreports.org/health-insurance/downside-of-high-deductible-health-insurance/).

With an unpaid $1,000 annual deductible and $800 medical bill, how much will insurance pay?
Nothing because the annual insurance deductible has not yet been met

What is the term used to describe the set price (e.g., $15) that people pay when they see a doctor?
Copayment; it is generally a small percentage of the total bill (e.g., $15 toward a $100 office visit)

What is the term used to describe the percentage of covered medical expenses paid by health insurance after the annual deductible is met?
Coinsurance; it is generally a percentage of the remaining covered amount. For example, a policyholder might have to pay 20% of this expense and the health insurance provider would pay the other 80%

What is the term for the maximum amount that someone is responsible for paying out-of-pocket for health insurance claims in one year?
Out-of-Pocket Maximum (a.k.a., Maximum Out-of-Pocket); this is typically a four figure number and policyholders should have this amount set aside in an emergency fund "just in case" it is needed

3. **Activity 2:** Distribute the *Health Insurance Math* activity handout. Show the *Consumer Reports* video *Understanding Your Health Insurance Costs* and ask students to answer the debriefing questions. Below are the correct answers for the three different amounts of medical expenses in the problems:

Let's say your health insurance plan has the following features:

- ***Deductible:*** **$500**
- ***Coinsurance:*** **80/20 (you pay the 20%; insurance company pays 80%)**
- ***Out-of-Pocket Maximum:*** **$5,000**

Now, let's say that you go to the hospital and incur $7,500 worth of medical expenses. How much do you have to pay out of pocket?

Start by subtracting your deductible from the total expense amount:

$7,500 - $500 = $7,000

Remember that you have to pay the deductible before the insurance kicks in. Then you have to pay 20% of the $7,000, which would be:

$7,000 x 0.20 = $1,400

All in all, you will have to pay $1,900 out of pocket ($500 deductible + $1,400 of coinsurance). You will have to continue paying out of pocket until your total out-of-pocket expenses reach the $5,000 maximum set in your policy. At that point, you will no longer pay any more coinsurance.

What would be your out-of-pocket cost for $20,000 of annual medical expenses?

$20,000 - $500 = $19,500

$19,500 x .20 = $3,900

$500 + $3,900 = $4,400 out-of-pocket expense (under the $5,000 out-of-pocket maximum)

What would be your out-of-pocket cost for $40,000 of annual medical expenses?

$40,000 - $500 = $39,500

$39,500 x .20 = $7,900

$500 + $7,900 = $8,400 (over out-of-pocket maximum) so total out-of-pocket expense = $5,000

Reference: http://www.investopedia.com/university/insurance/insurance4.asp (Investopedia)

Key Take-Away for Final Problem: Health insurance premiums do NOT count toward the OOP maximum dollar amount but deductibles, coinsurance, and copayments do.

4. **Activity 3:** Distribute copies of the Consumers Union publication *Bronze, Silver, Gold, or Platinum: How to Choose the Right Level of Coverage* (http://consumersunion.org/research/bronze-silver-gold-or-platinum-how-to-choose-the-right-level-of-coverage-in-covered-california/). Ask students to read it and form small groups. Distribute the *Health Insurance Cost Comparison* activity handout and ask students to work together to answer the questions on the handout. Answers to the questions are shown below:

Why are health insurance plans sold in Marketplaces labeled with the names of metals like the medals given to athletes at the Olympics?
The metal tier ranking system was used to name Marketplace policies and make health insurance easy to understand by consumers. The metal tiers are "user-friendly" and allow consumers to compare and contrast different health insurance policies. Plans with a higher metal ranking (e.g., Platinum versus Gold and Gold versus Silver) are typically more generous than those with a lower metal ranking but they will also cost more (i.e., higher premiums). Metal tiers are an estimate of how much a health care plan will pay and involve estimates and trade-offs (e.g., pay a higher premium now or higher out-of-pocket costs later).

What is the relationship between metal tiers and health insurance premiums?

Higher tier plans (Gold and Platinum) typically charge higher premiums than lower-tier plans (Bronze and Silver). The trade-off, however, is that, when you buy health insurance policies in the lower metal tiers, you will have more out-of-pocket expenses (deductibles, copayments, and coinsurance) should you need medical care. The part of medical bills that consumers pay is known as cost-sharing. Plans with the highest premiums have the lowest cost-sharing. Silver plans, which are often recommended, and- in fact- required for certain income-based cost reductions, have moderate premiums and moderate cost-sharing. They are in the middle of the box on page 2 and are not at either extreme.

What do you notice about the sample cost numbers in Table 1?
There is an inverse relationship between the monthly premium of the four different tier plans and the out-of-pocket cost for a primary care doctor visit, non-preferred brand drug, and urgent care visit. As the metal tier gets higher, the out-of-pocket cost for these three health care products or services goes down. The difference in cost between the highest and lowest levels (Platinum versus Bronze) is significant: $217 per month ($2,604 per year) for the premium. The Platinum versus Bronze differentials for out-of-pocket costs for each primary care doctor visit, non-preferred brand drug, and urgent care visit, respectively, are $40, $60, and $80, respectively. Also, there is a larger gap between the monthly premium for a Bronze versus Silver policy ($387 - $289 = $98) than for a Platinum versus Gold policy ($506 - $470 - $36). Actual amounts consumers pay are affected by income-based eligibility for tax subsidies as well as premium costs.

Why should consumers look closely at Silver level health insurance plans?
Income-based cost-sharing reductions are only available to consumers who buy a Marketplace Silver plan.

What is a Catastrophic plan?
A health insurance plan with very high deductibles available to people age 30 and younger.

Who would be a good candidate for a Bronze plan in the health insurance marketplace?
A person with limited financial resources who doesn't anticipate needing a lot of health care services.

Who would be a good candidate for a Silver plan in the health insurance marketplace?
A person who wants to balance premiums and out-of-pocket expenses and/or qualifies for cost-sharing reductions based on income and family size. The ACA requires a Silver plan for cost-sharing reductions.

Who would be a good candidate for a Gold plan in the health insurance marketplace?
A person who wants to save on premiums (versus a Platinum plan) and keep out-of-pocket costs low.

Who would be a good candidate for a Platinum plan in the health insurance marketplace?
A person with adequate income to pay the highest premium who plans to use a lot of health care services.

How can consumers decide which metal tier health insurance plan is right for them?
Step #1: Get estimates of the costs of monthly or annual costs (e.g., premium and deductible) for various metal tiers of health insurance coverage. Step #2: Make an estimate of your anticipated number of doctor office visit copayments (e.g., 30 office visits x $25 = $750), prescription drug copayments (e.g. 20 refills x $20 = $400), and other services. Step #3: "Do the math" with data from Step #1 and Step #2. Compare the premium + anticipated out-of-pocket costs for health insurance plans at various tiers.

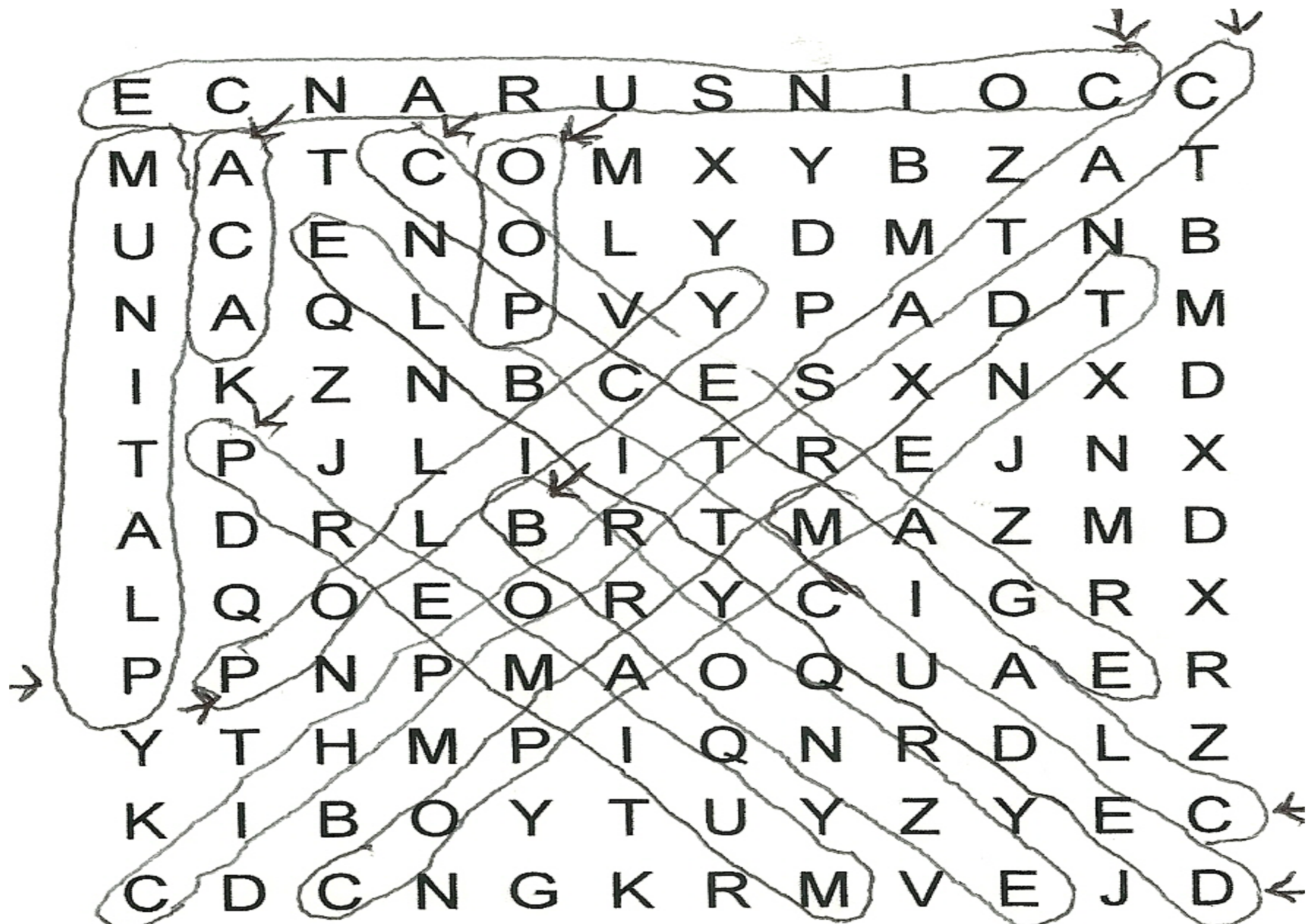
Susan sees a doctor 12 times a year and gets a non-preferred brand drug prescription refilled monthly. Using the sample cost data in Table 1, what would be her total anticipated annual expenses (premium plus out-of-pocket expenses) for a Bronze plan and Gold plan?

Bronze: $289 x 12 + $60 x 12 + $75 x 12 = $3,468 + $720 + $900 = $5,088
Gold: $470 x 12 + $30 x 12 + $70 x 12 = $5,640 + $360 + $840 = $6,840

5. **Activity 4:** Distribute the *Health Insurance Word Search Puzzle* activity handout that incorporates 12 key concepts and terms from this lesson. The puzzle was created using the web site Puzzle Maker (http://www.puzzle-maker.com/ and the words can be found vertically, horizontally, or diagonally from the first letter to the last or vice versa. The words and their definitions (for debriefing) are shown below:

   ACA/ Acronym for Affordable Care Act, a law that requires all Americans to have health insurance.
   Bronze/ The Marketplace health insurance plan (of four tiers) with the lowest monthly premiums.
   Catastrophic/ Name for a high-deductible insurance plan for people 30 years old or younger.
   Claim/ The process of filing paperwork to request benefits under a health insurance policy.
   Coinsurance/ A percentage of covered medical expenses that you pay after paying the deductible.
   Copayment/ A flat dollar amount that you pay for a doctor's office visit or a prescription drug.
   Coverage/ Specific medical products and services that a health insurance policy will pay for.
   Deductible/ The amount of covered medical expenses that you pay before health benefits begin.
   OOP/ Acronym for out-of-pocket; the OOP Maximum is the most you pay during a policy period.
   Platinum/ The Marketplace health insurance plan (of four tiers) with the highest monthly premiums.
   Policy/ A written contract with an insurance company that spells out costs and benefits.
   Premium/ The amount that is paid to maintain health insurance whether you use it or not.

Health Insurance Word Search
12 Key Health Insurance Terms



6. **Activity 5:** Distribute the *Web Quest: What Happens if You Don't Have Health Insurance?* activity handout and ask students to work together in small groups to find information about what happens when you don't have health insurance to pay medical expenses that result from an injury or accident.

Answers will vary. Students might report on the individual mandate feature of the Affordable Care Act (ACA) that requires Americans to have health insurance. If they don't, a fee (called a shared responsibility payment or SRP by the IRS) is assessed through their federal income tax return, resulting in a higher tax bill/lower tax refund. The more money that people earn, the higher their SRP will generally be. Another financial consequence is having to pay medical expenses out-of-pocket, often at higher amounts than what would be charged to people belonging to a group plan. There might also be emotional stress resulting from worries about how to pay medical bills or get preventative coverage without health insurance coverage.

CLOSURE

Ask students if they have any remaining questions about health insurance. Remind them that insurance is meant to cover large financial risks that people can't afford to pay for themselves. Health insurance examples include a severe car accident and a major disease such as cancer. In addition, insurance is only sustainable when many policyholders pay premiums for coverage and a small percentage of them make claims. This principle underlies the Affordable Care Act requirement for every American to have coverage.

GLOSSARY

See the 12 items in the description of Activity #4 (word search). Additional definitions are as follows:

Exclusions- Specific medical conditions or situations where an insurance policy does not provide benefits.

Insurance Agent- A person who is licensed to sell insurance policies to consumers.

Insured- A person receiving coverage under an insurance policy.

Insurer- Insurance company that provides coverage to policyholders in exchange for premium payments.

Metal Tiers- Estimates of what Affordable Care Act Marketplace health insurance plans will pay for care on a continuum ranging from Bronze (lowest level of coverage) to Platinum (highest level of coverage).

Policyholder- A person who has an insurance policy and pays premiums in exchange for coverage.

Policy Limit- The maximum amount of benefits that an insurance company will pay to settle a claim.

Preventative Care- Services such as annual check-ups, immunizations, and screening exams that are designed to keep people healthy and avoid large medical bills in the future.

Primary Care Physician- A doctor who monitors a patient's overall health care, treats routine health problems, and makes referrals to specialists as needed.

Risk- The chance of a financial loss as a result of performing daily activities and property ownership.

Specialist- A doctor who focuses on a specific area of medicine such as orthopedics or oncology.

LEARNING EXTENSIONS

If time permits, the following activities can be used to extend the depth of this lesson:

- Show the Humana video *How Do I Choose the Health Care Plan That is Right for Me*? (2:56) https://www.youtube.com/watch?v=ai38NtMyJwk to reinforce class content about purchasing health insurance. Debrief the video by asking students to describe key decision-making factors for selecting health insurance (e.g., basic vs. comprehensive coverage, cost of coverage vs. budget, family size, etc.)

- Invite a local insurance agent as a guest speaker in your class to discuss actual cases of people who had adequate and inadequate amounts of health insurance and how to pick a policy.

- Invite an Affordable Care Act Marketplace navigator from a local non-profit agency as a guest speaker in your class to discuss the process of enrolling in a Marketplace health insurance plan.

- Ask your students to do a *Web Quest* to search for information about the cost of certain medical procedures (e.g., lung cancer treatment, heart attack, back surgery, etc.).

- Have students test their health insurance knowledge with the *Health Insurance Quiz* from the Kaiser Foundation: http://kff.org/quiz/health-insurance-quiz/

- Assign the *Types of Health Insurance Plans* activity from the Next Gen Personal Finance (NGPF) insurance curriculum: https://www.gooru.org/#collection-play&id=4afa5018-4bea-4196-b00e-901ac78514c8&rid=098ab5af-a2f2-49b0-ab64-17fb144f42fe. Ask students to read the article about Marketplace plans and fill in the tables that compare the costs, benefits, and features of plan coverage.

- Use content and activities from the Health Insurance section of the *Life Happens* curriculum by Scholastic: http://www.scholastic.com/nextgeneration/lessons&worksheets/health.htm. Included in the lesson are a quiz with an answer key, two lessons, and three student activities. The PDF version of the *Health Insurance* lesson is at: http://www.scholastic.com/nextgeneration/pdf/health-ed-guide.pdf.

- Use content and activities from the Missouri Department of Insurance *Don't Risk It Lesson Plan: Health Insurance:* https://insurance.mo.gov/Contribute%20Documents/HealthInsLessonPlan.pdf. Included in the lesson are a scenario with a sample math calculation for teachers to discuss and a scenario worksheet with three problems for students to solve for the amount that a consumer must pay.

- Use content and activities from the Council for Economic Education lesson plan *Break a Leg*: http://www.econedlink.org/teacher-lesson/312/Break-Leg. The lesson includes an article about health care and a worksheet to calculate the out-of-pocket cost of Billy Boarddude's skateboard accident.

- Use content and activities from insurance lesson plans and projects developed by the Griffith Foundation: http://www.griffithfoundation.org/k-12/curriculum-online/lesson-plans/. Included are 30-, 60-, and 120-minute lesson plans about health insurance.

- Hold an "Is it Fair?" debate about whether the federal government should mandate that American citizens have health insurance from some source (Marketplace plan, employer, government plan).

ASSESSMENT: *Health Insurance Quiz*

Instructors are encouraged to use the questions below for content review or as a pre-and/or post-test to determine gains in student knowledge about health insurance after teaching this lesson.

Correct answers to the multiple choice and True-False questions are shown in boldface type.

Multiple Choice Questions

1. The term used to describe the amount that a policyholder must pay before a health insurance policy pays any benefits is
   a. Copayment
   b. Coinsurance
   c. Deductible
   d. Out-of-Pocket Maximum

2. The term used to describe the percentage of medical expenses paid by a policyholder (e.g., 20%) is
   a. Copayment
   b. Coinsurance
   c. Deductible
   d. Out-of-Pocket Maximum

3. The term used to describe a specific dollar amount (e.g., $25) that is charged for a medical service or prescription drug is
   a. Copayment
   b. Coinsurance
   c. Deductible
   d. Out-of-Pocket Maximum

4. The term used to describe the annual limit after which a health insurance company will cover 100% of medical expenses is
   a. Copayment
   b. Coinsurance
   c. Deductible
   d. Out-of-Pocket Maximum

5. You have a health insurance policy with a $500 annual deductible and $150 per day copayment for hospital expenses. You are hospitalized for five days and the bill (after group insurance discounts) comes to $10,000. How much of the hospital bill will you be expected to pay yourself?
   a. $500
   b. $750
   c. $1,250
   d. $8,750

True-False Questions

1. Bronze plans in the health insurance Marketplace have the lowest premium cost and highest out-of-pocket cost. **(TRUE: Bronze plans are the lowest tier of the four metal tiers: Bronze, Silver, Gold, and Platinum. They pay 60% of medical costs versus 90% for a Platinum plan. Policyholders who have a Bronze plan will pay a lower premium for their policy (versus other metal tiers) but higher out-of-pocket expenses when they require medical services)**

2. Once you buy a health insurance policy, your premium cannot change. **(FALSE: Insurance companies frequently assess the cost of providing coverage based on their claims history and changes in the cost of medical care. Like auto insurance policy premiums, health insurance policy premiums are subject to change in the future. Consumers need to pay attention to policy changes as they occur)**

3. Health insurance premiums are charged only when you use health care services **(FALSE: A health insurance premium is a fixed payment that policyholders must pay on a regular schedule (e.g., every month) regardless of whether they use health care services. Premiums are dollars that are collected from many people and used by insurance companies to pay the claims of a relatively few)**

4. The terms coinsurance and copayment refer to the same thing **(FALSE: Coinsurance is calculated as a percentage of covered services after the deductible is paid; e.g., 20% of the remaining balance. A copayment is a flat dollar amount that is charged regardless of the cost of a medical service; e.g., $25 for a doctor's office visit or $5 for a generic prescription drug)**

5. With a limited number of exceptions, every American is required to purchase health insurance. **(TRUE: Under the individual mandate feature of the Affordable Care Act, all Americans are required to have a health care plan. If they do not, fees that are assessed through their tax return apply)**

REFERENCES AND RESOURCES

Health Insurance. Next Generation (Scholastic): http://www.scholastic.com/nextgeneration/pdf/health-ed-guide.pdf.

Kapoor, J.R., Dlabay, L.R., Hughes, R.J., & Hart, M.M. (2016). *Focus on Personal Finance*. New York, NY: McGraw Hill Education.

My Perfect Plan Lesson 17: Activity Sheet #1. Practical Money Skills: https://www.practicalmoneyskills.com/foreducators/lesson_plans/lev9-12/SA_Lesson17.pdf.

My Smart Choice Health Insurance Guide. (2013). University of Maryland Cooperative Extension: https://www.extension.umd.edu/sites/default/files/_images/programs/insure/My%20Smart%20Choice%20Health%20Insurance%20Guide%204-3-13.pdf.

Pareto, C. (2016). *Intro to Insurance: Health Insurance*. Investopedia: http://www.investopedia.com/university/insurance/insurance4.asp.

The Requirement to Buy Coverage Under the Affordable Care Act (2016): http://kff.org/infographic/the-requirement-to-buy-coverage-under-the-affordable-care-act/.

What Do I Already Know About Health Insurance?

Health insurance is a topic that is frequently in the news. Therefore, you may already know some things about this topic from news reports, advertisements, or personal experiences receiving health care services.

Reflect on the following five questions below.

1. What personal experiences have you had as a health insurance consumer?

2. What personal observations have you had about receiving health care services and using health insurance?

3. What have you heard or read about health insurance?

4. What television shows, movies, or advertisements relate to the topic of health insurance?

5. What questions do you have about health insurance?

Health Insurance Handout

Instructions:

1. You will be shown two short YouTube videos about health insurance: *How Does Health Insurance Work?* and *How do Deductibles and Copays Work?*

2. Watch each video closely and answer the questions below.

3. Be prepared to discuss what you learned with the entire class.

How does health insurance work?

What are the financial benefits of having health insurance?

What is the term used to describe the payment made to maintain a health insurance policy?

How does the term "safety in numbers" apply to health insurance?

What is the term used to describe the amount of money that policyholders must pay themselves for health care services before health insurance benefits begin?

What is the relationship between insurance premiums and deductibles?

With an unpaid $1,000 annual deductible and $800 medical bill, how much will insurance pay?

What is the term used to describe the set price (e.g., $15) that people pay when they see a doctor?

What is the term used to describe the percentage of covered medical expenses paid by health insurance after the annual deductible is met?

What is the term for the maximum amount that someone is responsible for paying out-of-pocket for health insurance claims in one year?

Health Insurance Math

Instructions:

1. You will be shown a short YouTube video about health insurance called *Understanding Your Health Insurance Costs*

2. Watch the video closely and then answer the math problems below.

3. Be prepared to discuss what you learned with the entire class.

Let's say your health insurance plan has the following features:

- *Deductible:* $500
- *Coinsurance:* 80/20 (you pay the 20%; insurance company pays 80%)
- *Out-of-Pocket Maximum:* $5,000

Now, let's say that you go to the hospital and incur $7,500 worth of medical expenses. How much do you have to pay out of pocket?

What would be your out-of-pocket cost for $20,000 of annual medical expenses?

What would be your out-of-pocket cost for $40,000 of annual medical expenses?

Health Insurance Cost Comparison Activity

Read the Consumers Union publication *Bronze, Silver, Gold, or Platinum: How to Choose the Right Level of Coverage* (http://consumersunion.org/research/bronze-silver-gold-or-platinum-how-to-choose-the-right-level-of-coverage-in-covered-california/). Then form a small group and discuss the questions below:

Why are health insurance plans sold in Marketplaces labeled with the names of metals like the medals given to athletes at the Olympics?

What is the relationship between metal tiers and health insurance premiums?

What do you notice about the sample cost numbers in Table 1?

Why should consumers look closely at Silver level health insurance plans?

What is a Catastrophic plan?

Who would be a good candidate for a Bronze plan in the health insurance marketplace?

Who would be a good candidate for a Silver plan in the health insurance marketplace?.

Who would be a good candidate for a Gold plan in the health insurance marketplace?

Who would be a good candidate for a Platinum plan in the health insurance marketplace?

How can consumers decide which metal tier health insurance plan is right for them?

Susan sees a doctor 12 times a year and gets a non-preferred brand drug prescription refilled monthly. Using the sample cost data in Table 1, what would be her total anticipated annual expenses (premium plus out-of-pocket expenses) for a Bronze plan and Gold plan?

Health Insurance Word Search
12 Key Health Insurance Terms

Find the 12 health insurance terms listed below and circle them.

E	C	N	A	R	U	S	N	I	O	C	C
M	A	T	C	O	M	X	Y	B	Z	A	T
U	C	E	N	O	L	Y	D	M	T	N	B
N	A	Q	L	P	V	Y	P	A	D	T	M
I	K	Z	N	B	C	E	S	X	N	X	D
T	P	J	L	I	I	T	R	E	J	N	X
A	D	R	L	B	R	T	M	A	Z	M	D
L	Q	O	E	O	R	Y	C	I	G	R	X
P	P	N	P	M	A	O	Q	U	A	E	R
Y	T	H	M	P	I	Q	N	R	D	L	Z
K	I	B	O	Y	T	U	Y	Z	Y	E	C
C	D	C	N	G	K	R	M	V	E	J	D

ACA
Bronze
Catastrophic
Claim
Coinsurance
Copayment
Coverage
Deductible
OOP
Platinum
Policy
Premium

Web Quest:
What Happens if You Don’t Have Health Insurance?

Instructions:

1. Go to an online search engine (e.g., Google, Bing) and search for terms such as “no health insurance,” “uninsured,” and “what happens when you don’t have health insurance?”
2. Read three articles (not paid advertisements) that describe what happens when people do not have a health insurance plan.
3. When you are done reading, complete the table below by listing the source of the three articles that you read and a summary of what you learned.
4. Be prepared to discuss the information that you found with the entire class.

Source of Information	Description of What Happens When Someone Does Not Have Health Insurance

Health Insurance Quiz

Multiple Choice Questions:

Circle the correct answer from among the four answers provided.

1. The term used to describe the amount that a policyholder must pay before a health insurance policy pays any benefits is
   a. Copayment b. Coinsurance
   c. Deductible d. Out-of-Pocket Maximum

2. The term used to describe the percentage of medical expenses paid by a policyholder (e.g., 20%) is
   a. Copayment b. Coinsurance
   c. Deductible d. Out-of-Pocket Maximum

3. The term used to describe a specific dollar amount (e.g., $25) that is charged for a medical service or prescription drug is
   a. Copayment b. Coinsurance
   c. Deductible d. Out-of-Pocket Maximum

4. The term used to describe the annual limit after which a health insurance company will cover 100% of medical expenses is
   a. Copayment b. Coinsurance
   c. Deductible d. Out-of-Pocket Maximum

5. You have a health insurance policy with a $500 annual deductible and $150 per day copayment for hospital expenses. You are hospitalized for five days and the bill (after group insurance discounts) comes to $10,000. How much of the hospital bill will you be expected to pay yourself?
   a. $500 b. $750
   c. $1,250 d. $8,750

True-False Questions:

Mark "T" for True or "F' for False in the space before each question.

_____1. Bronze plans in the health insurance Marketplace have the lowest premium cost and highest out-of-pocket cost.

_____2. Once you buy a health insurance policy, your premium cannot change.

_____3. Health insurance premiums are charged only when you use health care services.

_____4. The terms coinsurance and copayment refer to the same thing.

_____5. With a limited number of exceptions, every American is required to purchase health insurance.

STATE OF NEW JERSEY
DEPARTMENT OF EDUCATION

RUTGERS
New Jersey Agricultural
Experiment Station

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