Health Insurance Made Simple

Your guide to understanding health insurance basics without the confusion or jargon.

What is Health Insurance?

Health insurance is like joining a membership club where:

- You pay monthly fees (premiums) to be a member
- The club negotiates special discounted rates with doctors and hospitals
- When you need medical care, the club helps pay your bills
- You're protected from catastrophic costs if something serious happens

Without insurance, you would pay full price for all healthcare services–often 2-3 times what insurance companies pay.

Three Main Costs to Understand

1

Premium

The monthly payment you make to keep your insurance active–like a subscription fee.

You pay this amount **even if you never visit a doctor** during the year.

Typically ranges from $300-$800/month for individuals, depending on coverage level and location.

2

Deductible

The amount you must pay before your insurance starts covering costs.

Example: With a $2,000 deductible, you pay the first $2,000 of covered services each year.

Lower premiums usually mean higher deductibles, and vice versa.

3

Copay & Coinsurance

Copay: Fixed amount you pay for specific services (e.g., $25 per doctor visit).

Coinsurance: Percentage of costs you pay after meeting your deductible (e.g., you pay 20%, insurance pays 80%).

How Health Insurance Works: Real Example

Medical Need

You break your arm and visit the emergency room

Hospital's standard charge: $7,500

Insurance Discount

Your insurance has negotiated rates

Discounted price: $3,200

(You saved $4,300 just from having insurance!)

Cost Sharing

Your deductible: $1,500

Your coinsurance: 20% of remaining $1,700 = $340

You pay: $1,840 total

Insurance pays: $1,360

Without insurance, you would pay the full $7,500. With insurance, you pay $1,840–a savings of $5,660.

The Cash Pay Warning

⊗ Myth: "I'll just pay cash and save money"

While some doctors offer cash discounts, this approach is extremely risky for anything beyond basic care.

Consider these average costs without insurance:

- 3-day hospital stay: $30,000+
- Appendectomy: $20,000-$35,000
- Cancer treatment: $150,000-$300,000+
- Serious car accident: $100,000+

Medical debt is the #1 cause of personal bankruptcy in the United States.
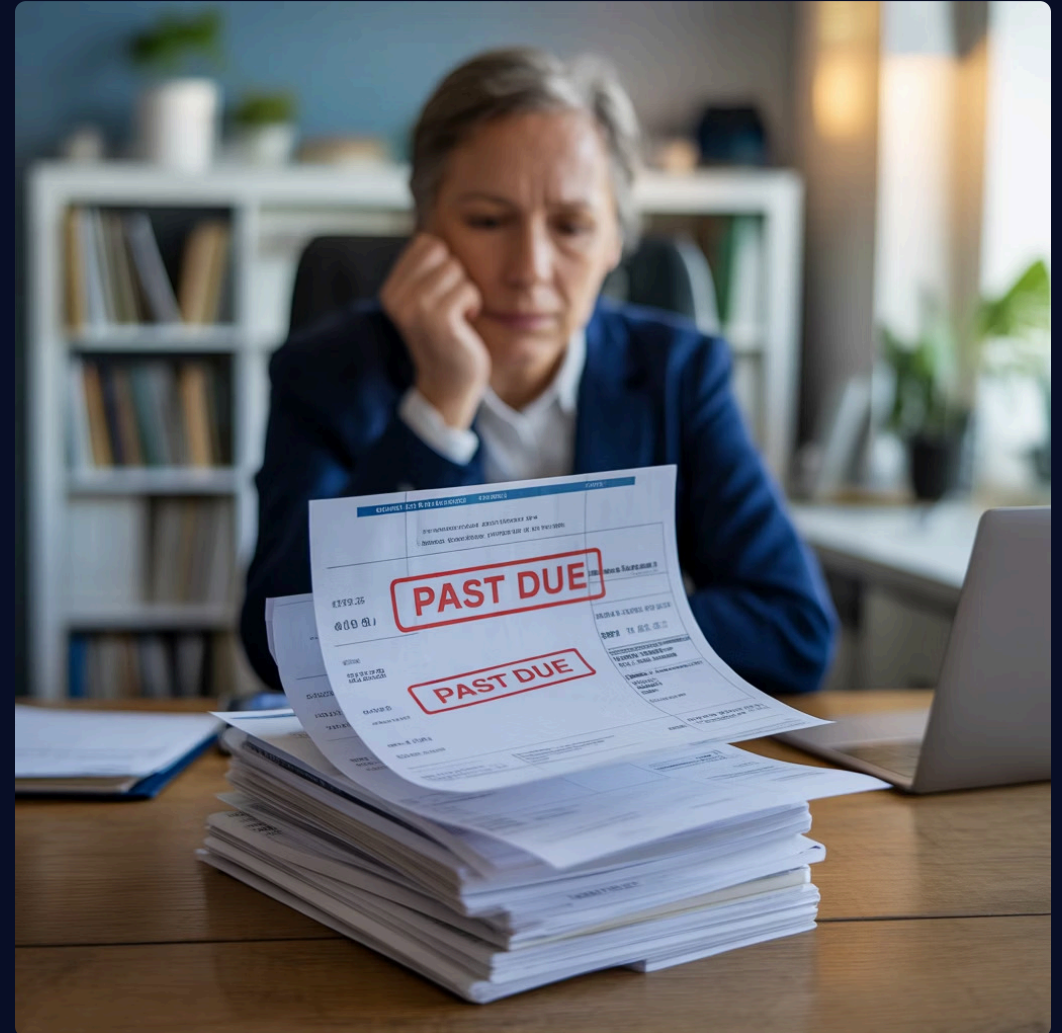
Common Types of Health Insurance Plans

HMO (Health Maintenance Organization)

- Lower premiums and out-of-pocket costs
- Must stay within network of providers
- Requires referrals from primary care doctor to see specialists
- Good for: Budget-conscious people who don't mind restrictions

PPO (Preferred Provider Organization)

- Higher premiums but more flexibility
- Can see specialists without referrals
- Can go out-of-network (for higher costs)
- Good for: Those who want freedom of choice and can afford higher premiums

HDHP (High Deductible Health Plan)

- Lowest premiums but high deductibles ($1,400+ for individuals)
- Often paired with tax-advantaged Health Savings Account (HSA)
- Good for: Healthy people who rarely need care but want catastrophic coverage

Understanding Your Policy Documents

Key Terms to Look For:

Summary of Benefits	Quick overview of what your plan covers
Explanation of Benefits (EOB)	Document showing how a claim was processed (not a bill)
Out-of-Pocket Maximum	The most you'll pay in a year before insurance covers 100%
Network Provider	Doctors who have contracted with your insurance
Prior Authorization	Approval needed before certain procedures

BENEFITS SUMMARY

COVERAGE DETAILS

IMPORTANT INFORMATION

"Your Future. Protected."

Always keep your insurance card with you and know how to access your online portal to check coverage details.

Preventive Care: Free Benefits You Should Use

Most health insurance plans must cover preventive services at no cost to you (even if you haven't met your deductible):

Annual Check-ups

Yearly physical exams with your primary care doctor

Vaccinations

Flu shots, COVID-19 vaccines, and other recommended immunizations

Screenings

Blood pressure, cholesterol, diabetes, cancer screenings, and more

Women's Health

Well-woman visits, contraception, and pregnancy-related services

Taking advantage of these free services can help catch health issues early when they're easier and less expensive to treat.

Common Insurance Mistakes to Avoid

Choosing a plan based only on premium

The cheapest monthly premium could mean much higher costs when you actually need care. Consider your health needs and calculate potential total costs.

Going out-of-network without checking costs

Out-of-network providers can charge much more, and your insurance may cover little or none of these costs. Always verify network status before appointments.

Skipping preventive care

Preventive services are free or covered with most plans. Not using them is like leaving money on the table and missing opportunities to prevent serious health problems.

Not checking if procedures are covered

Always call your insurance company before major procedures to verify coverage and ask if prior authorization is needed. This can save thousands of dollars.

Next Steps: Getting Covered

Where to Get Health Insurance:

- Employer (often the most affordable option)
- Healthcare.gov (Marketplace plans with possible subsidies)
- Private insurance companies
- Medicaid (for eligible low-income individuals)
- Medicare (for those 65+ or with certain disabilities)

> ⓘ Open enrollment periods limit when you can sign up on the ACA marketplace. Special enrollment periods are available for qualifying life events like job loss, marriage, or having a baby.

Questions to Ask When Choosing a Plan:

1. Are my doctors in-network?
2. Are my medications covered?
3. What's the total potential cost (premium + max out-of-pocket)?
4. What preventive services are included?