

Course

Principles of Health Science

Unit I

Health Care Systems & History of Health Care

Essential Question

Who pays for today's health care?

TEKS

130.202(c) 1K, 1M, 1N, 1O, 1P, 1Q

Prior Student Learning

N/A

Estimated time

2 -3 hours

Rationale

Insurance systems are used to help finance health care costs.

Objectives

Upon completion of this lesson, the student will be able to:

- Understand the purpose and function of medical insurance
- Analyze the components of healthcare services
- Analyze expenses associated with insurance costs
- Differentiate among several insurance payment options
- Investigate available insurance coverage

Engage

You are climbing with friends down in the canyon, suddenly you slip and fall. You cannot stand on your right foot and it really hurts. One of your friends has already called for help. You know you need to go the emergency room, but how are you going to pay for it?

Or

A friend of yours breaks his arm playing basketball. He is rushed to the hospital where they set his arm and put on a cast. He goes home later in the day. Weeks later he receives the bill. It is a staggering \$1,200. You talk to him on the phone and find out that he was uninsured and that his family is trying to figure out how to pay. They just don't have the money. After hanging up, you realize that the same thing could happen to you. You go online and find out that with insurance, the cost would have only been \$300. But you would have to pay a \$100 monthly premium to have the insurance. Looking at your own future, what do you do?

Key Points**I. Key Terms**

- A. Health insurance policy is a contract between an insurance company and an individual or his sponsor (e.g. an employer). The contract can be renewable annually or monthly. The type and amount of health care costs that will be covered by the health insurance company are specified in advance, in the member contract or "Evidence of Coverage" booklet. The individual insured person's obligations may take several forms
- B. Premium is the amount the policy-holder or his/her employer pays

to the health plan each month to purchase health coverage.

- C. Deductible is the Amount a person must pay for health care expenses before insurance covers the costs. Insurance plans are often based on yearly deductible amounts.
- D. Co-payment is the amount that the insured person must pay out of pocket for services before the health insurance pays. For example, an insured person might pay a \$45 co-payment for a doctor's visit, or to obtain a prescription. A co-payment must be paid each time a particular service is obtained.
- E. Coinsurance is a percentage of the total cost that an insured person may also pay. For example, the member might have to pay 20% of the cost of a surgery over and above a co-payment, while the insurance company pays the other 80%.
- F. There are exclusions - not all services are covered. The insured person is generally expected to pay the full cost of non-covered services out of their own pocket.
- G. There are coverage limits - some health insurance policies only pay for health care up to a certain dollar amount. The insured person may be expected to pay any charges in excess of the health plan's maximum payment for a specific service.
- H. Out-of-pocket maximums are similar to coverage limits, except that, the insured person's payment obligation ends when they reach the out-of-pocket maximum, and the health company pays all further covered costs.
- I. Capitation is a set dollar limit that you or your employer pay to a health maintenance organization (HMO), regardless of how much you use their services.
- J. In-Network Providers are doctors or hospitals with which the health plan has negotiated a discount. Insured persons pay less when using them
- K. Explanation of Benefits is a document sent by an insurer to a patient explaining what was covered for a medical service, and how they arrived at the payment amount and patient responsibility amount.
- L. COBRA is a Federal law that lets you continue to buy health insurance, if you're in a firm of 20 employees or more, for up to 18 months if you lose your job or your coverage is terminated.

II. Overview

- A. Many people in the US are uninsured and assume all responsibility for health care costs.
 - 1. Emergency rooms at county hospitals are used for primary care.
 - 2. A visit to a clinic or doctor's office could have taken care of the problem, but the cost is too great.
- B. Insurance decreases out of pocket expenses for health care

services.

1. Before insurance, people were 100% responsible for the cost of health care services.
2. The number of uninsured is still sizable and growing.
3. Individual insurance policies are extremely expensive.

II. How insurance works

- A. Affordable when purchased in large groups – only a few of the insured will require constant medical care and utilize the insurance in large amounts.
- B. Companies purchase health insurance for employees
 1. Eligibility depends upon continuous employment
 2. Employees must work 20 or greater hours per week.
 3. Most companies have a waiting period before insurance benefits are available.
 4. Pre-existing conditions may be ineligible.

III. Types of Insurance

A. Health insurance

1. HMO – Health Maintenance Insurance
 - a. A type of managed care medical insurance
 - b. Specialty treatment is available with referral
 - c. When a person elects to go to an HMO, these physicians provide all of their care – insured are limited to contracted physicians for care.
 - d. Out of pocket expenses are set.
 - e. Specialty care must be submitted to HMO for approval – may be denied.
2. Preferred Provider Organization
 - a. Physicians contract services for a set fee and is listed as a preferred provider.
 - b. The insured person chooses from preferred providers.
 - c. The insurance company pays a set amount and the insured pays a set amount called the co-payment.
 - d. Referrals are made to specialists on the list.
3. Medicare is a social insurance program administered by the United States government, providing health insurance coverage to people who are aged 65 and over, or who meet other special criteria.
4. Medicaid is the United States health program for eligible individuals and families with low incomes and resources. It is a means tested program that is jointly funded by the state and federal governments, and is managed by the states. Among the groups of people served by Medicaid are certain eligible U.S. citizens and resident aliens, including low-income adults and their children, and people with certain disabilities.
5. Workers' compensation is a form of insurance that provides compensation medical care for employees who are injured in

the course of employment, in exchange for mandatory relinquishment of the employee's right to sue his or her employer for the tort of negligence.

6. Long-term care insurance is a form of insurance that helps provide for the cost of long-term care beyond a predetermined period. Long-term care insurance covers care generally not covered by health insurance, Medicare, or Medicaid. Individuals who require long-term care are generally not sick in the traditional sense, but instead, are unable to perform the basic activities of daily living (ADLs) such as dressing, bathing, eating, toileting, continence, transferring (getting in and out of a bed or chair), and walking. Age is not a determining factor in needing long-term care.
7. The Children's Health Insurance Program (CHIP) is a program administered by the United States Department of Health and Human Services that provides matching funds to states for health insurance to families with children. The program was designed with the intent to cover uninsured children in families with incomes that are modest but too high to qualify for Medicaid.
8. Cancer Insurance
 - a. Specific insurance for the treatment of cancers.
 - b. Additional to basic health care insurance.
- B. Disability Insurance
 1. Provides income upon disability – short or long term.
 2. Various waiting periods are available before benefits begin.
- C. Vision Insurance may pay a portion of an eye exam and part of a pair of glasses or contact lenses.
- D. Dental Insurance covers a portion of teeth cleaning, fillings, x-rays, orthodontics and oral surgery.

IV. Life Insurance

- A. Life insurance provides financial payment to a beneficiary in the event of death.
- B. Benefit can vary, depending on the needs of the family and individual. The cost of the policy is based on the amount of insurance purchased
- C. Employers often offer life insurance to their employees in the amount of the employee's annual salary. Any additional benefits are paid by the employee.
- D. Individual policies can be purchased.
- E. Types of life insurance
 1. Term Life Insurance – specific amount of money will be paid to a beneficiary.
 2. Whole Life Insurance – a policy that allows the holder of the policy to draw on the insurance as a pension as well as having money go to a beneficiary at the time of death

Activity

- I. Complete the Employment Benefit Package.

Assessment

Successful completion of activity

Materials

Employment Benefit Package

Accommodations for Learning Differences

For reinforcement, the student will outline insurances that are available upon employment.

For enrichment, the student will research the ethical issues relating to HMOs denying specialized treatment for certain diseases and disorders.

National and State Education Standards

National Health Science Cluster Standards

HLC05.01 Employment in Health Occupations: Understand systems theory, Understand the health care delivery system and describe health care delivery system results.

HLC06.02 Health Safety and Ethics in Health Environment: Use practices that promote the preventive health screening and examinations and evaluate the validity of alternative health practices.

HLC08.01 Ethics and Legal Responsibilities

Health care worker will understand the legal responsibilities, limitations, and implications of their actions within the health care delivery setting: Use problem-solving techniques when confronted with legal dilemmas or issues.

TEKS

130.202(c)(1)K identify the concepts of health and wellness throughout the life span;

130.202(c)(1)M research the historical significance of health care;

130.202(c)(1)N describe the impact of health services on the economy;

130.202(c)(1)O analyze the impact of local, state, and national government on the health science industry;

130.202(c)(1)P identify diverse and cultural influences that have impacted contemporary aspects of health care delivery; and

130.202(c)(1)Q compare and contrast practices used by various cultures and societies to solve problems related to health.

Texas College and Career Readiness Standards

English-Listening:

B.1 Identify new words and concepts acquired through study of their relationships to other words and concepts

Social Studies Standards

B.3 Analyze causes and effects of major political, economic, and social changes in US and world history

EMPLOYMENT BENEFIT PACKAGE

You have just been employed by a local hospital in a CNA II position. You have already passed many basic certifications (i.e. diabetic blood testing), which allow you a higher hourly wage of \$12.00/hour. You have been hired to work a 40-hour week (Full Time), and you will be paid every two weeks (every 80 hours).

Because you are working full time, you are eligible for all of the hospital's benefits. Basic health insurance will be free to you. All other benefits will have a cost if you choose to enroll. The payment for the benefits that you choose will be taken out of your pay check every two weeks.

By law the hospital is required to have taxes and social security/FICA removed from your paycheck. Fifteen percent (15%) of your gross pay will go toward taxes. The more money that you make, the more money will be taken out by the government. So it is important to try to keep the amount of money that you make at the lowest possible level. The hospital helps you keep this amount lower because they have a policy called Pre-Tax Deductions. In Pre-Tax Deductions the cost of all your selected benefits will be taken out of your paycheck before any taxes and FICA are calculated. This is a good policy, because it reduces the amount of money that is used to calculate your taxes and FICA.

The money that you have before taxes are taken out is called Gross Pay.

The money that you take home and spend (after benefits and taxes are taken out) is called Net Pay.

BENEFIT ENROLLMENT

Name: _____

Address: _____

Telephone Number: _____

Social Security Number: _____

Health Care Benefit:

This benefit is free to you. However, you have to select whether you want an HMO or a Preferred Provider. This is strictly up to you - you decide the plan that is best for you.

If you have any dependents (children) for whom you are responsible, you can purchase additional insurance and the amount will be taken divided into equal part and taken out of your pay check every two weeks.

Check line below

Costs to employee

_____ 1. **I wish to enroll in the HMO.** Free to employee

Description: The HMO has a co-pay of \$10.00 per office visit. All patient care will be covered at 100% as long as the individual uses the services approved by the HMO. Individuals are required to use the County Medical Center for all hospital services. All hospitals expenses will be covered at 100%, as long as the insured gets prior approval for care, by notifying the HMO. Hospice care is part of this plan.

OR

_____ 2. **I wish to enroll in the Preferred Provider (PPO).** Free to employee

Description: The PPO will send you a list of physicians that are on this policy. You can select anyone from this list. If you choose to go to a physician not on this list, you will be expected to pay for services out of your own pocket. The PPO has co-pay of \$15.00 per office visit. All patient care will be covered at 100% as long as the person uses a preferred provider. Individuals are required to use the County Medical Center for all hospital services. The insurance will pay 90% and the insured individual will pay 10% up to a maximum of \$500.00. Hospice care is part of this plan.

MEDICAL AND CANCER

Check line below

Cost to employee

_____ 3. I wish to enroll my dependent/family in the HMO.
The cost will be \$176.00 per month/\$88.00 per pay
check for spouse and/or family coverage.

Names and social security numbers of dependents:

OR

_____ 4. I wish to enroll my dependent/family in the PPO.
The cost will be \$182.00 per month/\$91.00 per
pay check.

Names and social security numbers of dependents:

Cancer Insurance Benefit

_____ I wish to enroll in the cancer insurance benefit.

This benefit covers any diagnostic and treatment procedures that occur with an episode of cancer. The coverage is at a level of 80% of cost. This means that the person who purchases the insurance is responsible for 20% of the medical costs. However, this insurance can be used in addition to another medical insurance. In other words, this benefit can be used to cover any amount not covered by the person's regular medical insurance. (For example: Let's say that your regular medical insurance costs pay 90% of the medical costs. That leaves you with 10% to pay on your own. If you have this insurance, you can use the money from this policy to pay the 10% remaining. So this could be a good thing. You have to decide if this is something useful to you to have at this point in your life.)

The cost is \$56.00 per month, or \$28.00 deducted from each pay check.

VISION AND DENTAL

Check line below _____ Cost to employee

Vision Insurance

_____ **I wish to enroll in vision insurance.** _____

This benefit covers annual eye check up to a cost of \$40.00. It will also cover the cost of eye glasses or contact lenses up to a cost of \$180.00. The participant will be responsible for all other payments.

The cost is \$19.60 every month. This divides into Payments of \$9.80 from each paycheck.

Dental Insurance

_____ **I wish to enroll in the dental insurance program.** _____

This insurance covers the cleaning of teeth twice a year as long as each payment does not exceed \$45.00. Fillings are covered at \$40.00 per filling. X-rays are covered at 100%. Any orthodontic work and oral surgery is covered at 30% of the total expense.

The cost of this insurance is \$11.40 per month. This divides into payments of \$5.70 from each paycheck.

DISABILITY/LIFE

Check line below

Cost to employee

Disability Insurance

_____ I wish to enroll in the Disability Insurance program _____

This policy will cover you up to the amount of your current salary per year. This means that you will get the equivalent of your salary even if you are unable to work.

Write the payment the cost to employee line.

If you make \$20,000 - \$25,000 each year- payment = \$32.00

If you make \$25,100 - \$30,000 each year- payment = \$35.00

If you make \$30,100 - \$35,000 each year- payment = \$38.00

If you make \$35,100 - \$40,000 each year- payment = \$41.00 etc.

The above rate is for payments starting **1 month** after disability occurs.

This means that your first payment would come after 1 month.

OPTIONS:

1. If you want the disability payments to start **2 weeks** after disability occurs then **add \$2.00** to your payment. (Leave this blank if you _____ choose another option)

2. If you want the disability payments to start **1 week** after disability occurs then add \$3.00 to your payment. (Leave this blank if you _____ choose another option)

3. If you want the disability payments to start **immediately** after disability occurs then **add \$5.00** to your payment. (Leave this _____ blank if you choose another option)

Life Insurance

You are automatically enrolled in life insurance equal to your annual salary. If you wish to receive additional life insurance there are several options to choose.

LIFE INSURANCE OPTIONS:

If you want life insurance in the amount that is:

1. **twice you salary** - check this line _____
add **\$3.00** to your payments _____

2. **three times your salary** - check this line _____
add **\$4.00** to your payments _____

3. **four times your salary** - check this line _____
add **\$5.00** to your payments _____

TOTAL SHEET

1. At \$12.00/hour, you will be earning \$24,960 annually

A. Salary calculation:

$$\$12.00 \times 40 \text{ hours} \times 2 \text{ weeks} \times 26 \text{ weeks} = \$24,960$$

But we want to figure what your paycheck will be every two weeks (80 hours).

To find this out:

B. Gross pay every pay check:

$$\$12.00 \times 40 \text{ hour week} \times 2 \text{ (paid every two weeks)} = \$960$$

Write the amount from 1B on the line **1B** _____

2. Now we will add your benefit expenses from your work sheet

(put 0 if appropriate)

- a. Medical expenses _____
- b. Cancer insurance _____
- c. Vision _____
- d. Dental _____
- e. Disability _____
- f. Disability option _____
- g. Life insurance option _____

2HA. Total _____

Write total from line 2HA again on line 2HB. **2HB** _____

Subtract line 2HB from line 1B

This number (2I) is your adjusted gross pay. 2I _____

3. The amount on number 2I is your gross pay with the pre-tax deductions removed. Now we have to figure your tax and FICA deduction. We do this by multiplying the gross pay on 2I by 15%.

$$\text{Adjusted gross pay } 2I \times \%15 = \text{taxes/FICA removed}$$

Do your calculation and write the amount from line on line 3A **3A** _____

4. Now we will figure out your net pay. Do this by
subtracting line 3A from line 2I. Write your answer on line 4A. **4A** _____

The amount on line 4A is the amount that you can spend --- or save. Did you know that if you start a retirement account right now, you can probably retire as a millionaire (if you set aside a certain amount every single pay day). Ask someone you respect to recommend an investment counselor to you.