



What Consumers Need to Know about Purchasing Health Insurance as an Individual

You should take shopping for health insurance as seriously as you might take shopping for a new home or car. When buying a house or a car, you look it over closely and then shop around to make sure your money will be well spent. The same should be true when you're purchasing a health insurance policy. If you don't shop carefully, you could end up spending a lot of money on a policy that won't cover you when you're sick and need it the most.

Here are some tips to help you make the most informed decision for you and your family when purchasing health insurance:

► Before Leaving a Group Plan

If you are leaving a plan offered by your employer, be sure to check whether you are eligible for COBRA continuation coverage. (COBRA is a law that requires employers to allow former workers and their dependants to remain in the company's health plan. This law applies to some, but not all, employers.) Although COBRA coverage may be expensive, you should think carefully before turning it down: If you don't opt for COBRA, you may find it impossible to purchase an individual plan, or you could face a preexisting condition exclusion.

Also, when deciding whether you want to go with COBRA coverage, *you need to act quickly*. You only have 60 days from the time you lose the plan offered by your employer to choose COBRA, and if you go without coverage for more than 63 days, you could face a preexisting condition exclusion. Your employer's human resources department may be able to help you weigh your options.

► Special Rights

If your only option is to purchase coverage in the individual market, you may have special rights under a federal law called HIPAA (the Health Insurance Portability and Accountability Act) to buy certain kinds of health coverage and be free from preexisting condition exclusions. These rights may apply if you meet the following conditions:

- you've had at least 18 months of group coverage,
- you've used up any COBRA continuation coverage for which you are eligible, and
- you haven't had any gaps in coverage longer than 63 days.

Contact your state insurance department to find out what plans you have a right to enroll in under HIPAA.

► **Be a Smart Shopper**

- ▶ To help you find the right policy for the right price, you may want to talk with a licensed health insurance agent (you can find agents listed in the phone book). Make sure to consult only reputable insurance companies and agents. Check with your state's insurance department to be sure that the company and the agent are licensed to do business in your state.
- ▶ Fraudulent health plans do exist, and frequently the coverage they offer sounds too good to be true. Call your state's health insurance department to make sure the plan you are considering is offered by a licensed carrier.
- ▶ Take the time to fully understand the policy you are thinking about buying. Pay close attention to the "fine print."
- ▶ Make sure you feel comfortable with the company, the agent, and the product.
- ▶ Compare prices across several plans. The Internet can be very helpful in this regard. And while not all information on the Internet is reliable, you can use reputable Web sites such as eHealthInsurance.com. Remember that the premiums you see when you do a search are the lowest premiums someone might pay for the plans. *Your* premiums, which will depend on factors such as your age and your medical history, may be much higher.
- ▶ When you are considering purchasing a policy, find out if there's a limit on how much your premiums could go up if you decide to renew the policy. Be sure to ask both your agent *and* the state insurance department about such premium increases.
- ▶ Check on the cancellation terms of the policy. Unless it is temporary and only covers you for a certain amount of time (e.g., six months), your policy should have guaranteed renewability and should not be cancelled if you get sick. However, your premiums may increase each year as your health changes and as you grow older.
- ▶ Make sure you are purchasing health insurance and not discount health benefits. These discount plans are not insurance policies—they provide only discounts on the cost of health care services or access to network providers for discounted fees.
- ▶ Catastrophic insurance policies have high deductibles (\$5,000-\$25,000) and low monthly premiums. If you are considering buying a policy like this, make sure you have enough money saved to pay for routine medical care. You will have to spend money out of your own pocket on such care until you reach your plan's deductible amount.

► **Other Important Tips**

- ▶ When you decide to purchase a policy, always make the check payable to the actual insurance company and never to the agent.
- ▶ Be sure to get copies of all documents that influenced your decision to purchase the policy.
- ▶ Make sure to get all promises in writing.

► Important Questions to Ask when Considering Buying a Policy

1. When will the policy become effective?
2. When can I expect to receive my insurance cards, and how do I use my benefits in the interim?
3. When is my premium payment due? How often can my premium rate change?
4. What medical services are covered and specifically excluded from coverage?
5. Are there any preexisting condition exclusions?
6. How much do I have to pay for medical services (deductible, copayments, and co-insurance)? Do these out-of-pocket charges differ if I get treated by a participating or non-participating provider?
7. After I reach my deductible, how much will I have to pay each time I get treatment?
8. How long does it take the plan to pay claims?
9. Are there any limits on the number of annual or lifetime visits or any dollar limits for specific types of benefits (e.g., physical therapy, chiropractic, mental health/substance abuse treatment, etc.)?
10. Is there an annual maximum out-of-pocket amount that I must pay? Once I've paid that amount, will the plan cover 100 percent of my claims?
11. Are my current doctors a part of the insurance plan's network? If not, will the insurance company cover any costs related to my treatment with out-of-network providers?
12. May I see a copy of the list of prescription drugs covered by the plan (called the "drug formulary")? How often can this formulary change?
13. What are my rights and responsibilities under the terms of the policy?
14. What happens when you disagree with the insurance company? For example, what if they refuse to pay for a service?
15. If I change my mind about purchasing the policy, how long do I have to cancel and still be eligible for a refund? How do I obtain a refund?

► Types of Health Insurance

Make sure that you understand all of your insurance product options. Here are some common types of health insurance:

- **Indemnity / Fee for Service:** With this kind of coverage, you can visit the provider of your choice. Your insurance company will pay a percentage of the billed amount, and you are responsible for the balance of the bill.
- **Health Maintenance Organization (HMO):** This is the most restrictive type of plan. All treatment must be coordinated through your primary care physician, and you will usually need a referral from your primary care physician to visit a specialist. An HMO is likely to have the lowest out-of-pocket costs.

- ▶ **Preferred Provider Organization (PPO):** In this kind of plan, you must visit a provider who participates in your insurance plan's network, but you do not have to see a primary care physician before you see a specialist. This kind of plan will likely have somewhat higher out-of-pocket costs than an HMO, but it also provides more options.
- ▶ **Point of Service (POS):** This plan is a hybrid of an indemnity plan and an HMO plan. You can visit doctors in the plan's HMO-like network and pay very little. You can also visit doctors outside of the plan's network if you are willing to pay a greater portion of the bill. A POS plan provides a broader array of options than an HMO, but at a higher price.

An "ombudsman" or consumer health assistance program may be able to assist you with questions you have about shopping for private insurance. Not every state has an ombudsman program for private insurance. To see if there is such a program in your state, check the "Program Locator" found online at www.healthassistancepartnership.org.



State Legislator Program

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