

HEALTH INSURANCE DOES NOT COVER EVERYTHING

Like any insurance, health, or medical, insurance can be complicated. Trying to understand the ins and outs of coverage can be like trying to crack an elaborate code. A big piece of the puzzle is getting familiar with policy limitations, exclusions and riders.

COVERAGE VARIES BY STATE

The trend in health insurance has been toward more comprehensive coverage. Each state has its own laws regarding health insurance, including what must be covered and what may be excluded. Still, it would be nearly impossible to find a policy that covers everything. Many policies provide limited coverage for certain types of illnesses, injuries, treatments and procedures. These are known as the policy's limitations. More importantly, some things may not be covered at all. These are known as the policy's exclusions. Here are some common limitations and exclusions that you might find in a policy:

- *Pre-existing conditions:* A pre-existing condition is an illness or injury that began or occurred before you were covered under your policy. These conditions are sometimes excluded from coverage, but are often covered after a specified waiting period (e.g., six months with no treatment or six months on the plan).
- *Nonduplication of payments/coordination of benefits:* To prevent double coverage, many policies specify that benefits will not be paid for expenses that are reimbursed by other insurance companies. This provision limits the total payment of benefits to 100 percent of covered expenses.
- *Care covered by the Department of Veterans Affairs, formerly known as the Veterans Administration, or by workers' compensation:* This is to avoid double coverage.
- *Military duty:* This provision usually suspends coverage while you're serving in the military.
- *Alcohol or drug abuse treatment:* It's increasingly common now to find policies that cover this as many states have mandated coverage.
- *Cosmetic surgery:* A common exception to this exclusion is cosmetic surgery required because of an accidental injury or congenital defect.
- *Dental expenses:* You generally need dental insurance, but some health insurance policies cover reconstructive dental treatment resulting from an accidental injury.
- *Alternative treatments:* These include chiropractic and acupuncture. This coverage is now becoming more common.
- *Experimental procedures:* This may refer to procedures that aren't yet fully endorsed by the medical community.
- *Infertility treatment:* Some policies that provide extensive coverage may cover this treatment, but most do not unless mandated by state law.
- *Organ transplants:* Some policies don't cover heart, liver or kidney transplant procedures.
- *Vision correction:* Procedures like laser vision correction surgery usually are not covered.
- *Certain air travel:* You're generally covered while traveling on commercial aircraft, but you may not be for other types of air travel.
- *War or acts of war that result in injury:* This exclusion applies whether you're a soldier or a civilian.
- *Injury incurred while committing a felony:* Covering this would be like paying you for your criminal behavior.
- *Injury or illness that occurs while under the influence of intoxicants or narcotics:* The rationale is that you shouldn't have been using these substances in the first place.
- *Self-inflicted injuries:* The rationale for not covering these injuries is self-evident.



Limitations and exclusions can vary quite a bit among policies. The best way to find out what's covered—and to what extent—and what's not covered is to read your policy carefully and ask your insurer. The policy should specifically list all of the coverage limitations and exclusions.

RIDERS CUSTOMIZE POLICIES

You often can customize a health insurance policy to your individual needs through a rider. A rider is a special provision that is printed separately and attached to your original policy. A rider can be used to make specific changes to your standard policy, or it can provide additional coverage over and above your standard coverage. A policy endorsement can accomplish the same goal—the difference is that an endorsement is actually incorporated into the body of your existing policy. Here are some common health insurance riders:

- *Waiver of premium:* Some policies may offer an optional rider that allows you to stop paying your premiums during periods of extended hospitalization. You resume making premium payments once you've left the hospital, but you typically don't have to pay back the premiums that you missed.
- *Exclusion/impairment:* This rider is used to specify a medical condition that might normally be covered but isn't because it's a pre-existing condition. Though the particular condition isn't covered, the use of this rider allows you to obtain coverage for other health-care needs when the excluded condition might otherwise make you uninsurable.
- *Additional coverage:* If your insurer agrees to provide you with extra coverage that's not included in the standard insurance contract, this coverage can be added with an optional rider. The rider spells out the details of the additional coverage.

Be aware that certain types of health insurance plans (e.g., employer-sponsored plans and other group coverage) may not give you the option of adding riders to your coverage. Or, depending on your health and other factors, your insurer may not be able to offer you the riders you're seeking.

Finally, keep in mind that adding a rider to your policy for additional coverage generally increases your premium. You should weigh the extra cost against your need for the rider.

HEALTH, DISABILITY INSURANCE HELP MAINTAIN YOUR FINANCIAL WELLBEING

If you've lost your job or are on welfare, you, no doubt, have a number of important concerns, one of which is insuring yourself and your family against the high cost of health care. You also may need to replace the income you've lost if you can't work because of illness or injury. Health insurance can help you cover medical expenses while disability insurance is designed to replace lost income.

HEALTH INSURANCE ALTERNATIVES

If your spouse is employed and has coverage at work, enrolling under his or her plan is likely to be the best alternative. Other options include COBRA coverage, individual and short-term policies, and, as a last resort, state-sponsored plans. If you meet certain low-income and other requirements, you may qualify for Medicaid.

COBRA COVERAGE CONTINUES BENEFITS

The Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA) allows displaced workers to continue group coverage for themselves and their dependents for at least 18 months. COBRA is available for workers who had health insurance through a company that employs 20 or more people and is still in business. If you choose COBRA coverage, you pay the entire cost of the group rate premium.

You have 60 days to sign up for COBRA, starting from the day you leave your job. Upon signing up, you're given 45 days to pay the premium. This means that, in effect, before paying for COBRA coverage, you have a window of roughly three months should you want to look for a policy that better meets your needs and budget.

INDIVIDUAL COVERAGE IS COSTLY

When it comes to individual health insurance, finding the right balance of coverage and cost can be a challenge. Rates and options vary from state to state and premiums are generally higher than costs for COBRA.

The individual insurance market offers the same plans as the group market including



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health maintenance organizations (HMOs), preferred provider organizations (PPOs), point-of-service (POS) plans and traditional fee-for-service arrangements. Deductibles range anywhere from \$250 to \$1,000. Your budget, physician preferences and health requirements all play a role in determining which plan is best for you.

CPAs recommend that you begin your search by examining your health insurance needs and listing coverage options important to you. Do you want to have access to specific doctors and hospitals? Do you need a pharmaceutical benefit? How much are you willing to pay for doctor visits?

Keep in mind that plans offering the most choices in doctors or hospitals tend to cost more than plans with limited choices. For recommendations, contact an independent insurance agent, talk to others who are in the same situation or look for information on the internet.

Once you have narrowed your choices, it's a good idea to check out the company's reputation and financial stability with your state insurance commissioner or with a rating service such as A.M. Best.

ADDITIONAL OPTIONS ADDRESS SPECIFIC NEEDS

If you just need coverage for a short time—perhaps while you are waiting for a new job's benefits to become effective—and you are healthy, you might consider looking at short-term policies offered by some health insurers. These may cover you for two to six months. Research your options carefully as the cost for these policies can vary immensely.

Members of a trade group, professional organization or even an alumni association may be able to join a group health insurance plan. Again, be sure to compare the coverage and costs of these plans with other options before enrolling.

If private insurers have turned you down, you may be eligible for your state's high-risk pool. Be aware, however, that premiums are usually more expensive than for plans sold by private insurers.

MEDICAID AVAILABLE TO SOME LOW-INCOME INDIVIDUALS

Medicaid is health insurance that helps many people who can't afford medical care pay for some or all of their medical bills. Medicaid is available only to certain low-income individuals and families who fit into an eligibility group that is recognized by federal and state law. Medicaid does not pay money to you; instead, it sends payments directly to your health care providers. In California, the Medicaid program is called Medi-Cal.

You may automatically be eligible for Medi-Cal if you receive cash assistance under one of the following programs:

- SSI/SSP (Supplemental Security Income/State Supplemental Program)
- CalWORKs (California Work Opportunity and Responsibility to Kids). Previously called Aid to Families with Dependent Children (AFDC).
- Refugee Assistance
- Foster Care or Adoption Assistance Program.

Even if you don't receive cash assistance, you may be eligible for Medi-Cal if you are one of the following:

- 65 or older
- Blind
- Disabled
- Under 21
- Pregnant
- Diagnosed with breast or cervical cancer
- In a skilled nursing or intermediate care facility.
- Refugee status during a limited period of eligibility. Adult refugees may or may not be eligible depending upon how long they have been in the U.S.
- Parent or caretaker relative of a child under 21 and
- The child's parent is deceased or doesn't live with the child, or
- The child's parent is incapacitated, or
- The child's parent who is the primary wage earner is unemployed or underemployed.

DON'T FORGET DISABILITY INSURANCE

While health care insurance will cover most of your medical bills, it won't replace your income while you are in the hospital or recuperating for several months at home. Disability insurance, however, can provide you with income while you are prevented from working because of illness or injury.

Premiums for disability coverage vary based on your age, income, the type of work you do and the policy provisions you choose. Generally, the greater the coverage, the higher the premium. Disability insurance typically pays you 60 percent to 80 percent of your income should you become disabled. This coverage is designed to provide you with adequate income to cover your basic needs if you cannot work. You may get coverage that pays you for a year, two years, five years, until age 65, or even for life.

Many employers provide some form of disability income, either in short-term disability, sick pay or a group disability policy. Find out exactly what benefits are provided, how soon they would begin after you become disabled, and how long the payments would last. Some employers allow you to buy more disability insurance at your expense. Buying extra coverage through an employer group plan is almost always less expensive than buying an individual policy. If your employer covers payment of the premiums, benefits are taxed as income.

Health care insurance and disability insurance are key components of maintaining your financial wellbeing. If you do not have either coverage, now is the time to get them. You never know when you will be injured or out of work. 🌀

