

# Health Insurance Decision-Making Guide

presented by Bob Hopper Insurance Services



**We'll help you locate the health plan that offers the best value for your needs and budget**

## The Essence of Healthcare Reform = GI + IM + S

It all started with The Affordable Care Act (ACA), also known as, “ObamaCare” that was signed into law on March 23, 2010. Three features define the essence of this legislation:

✓ **GI or Guaranteed Issue**

Denying coverage based upon medical conditions was the most compelling reason for healthcare reform. This led to the great “Trade-off.” Insurance companies would accept everyone regardless of pre-existing conditions (aka, “Guaranteed Issue”), if everyone were required to have health insurance (aka, “Individual Mandate”).

✓ **IM or Individual Mandate**

Every legal resident is now required to have health insurance or face fines from the IRS. Requiring people to get health insurance coverage could create financial problems for lower and even moderate income households. This created a need for subsidies.

✓ **S or Subsidies**

There are two types of subsidies under the new healthcare law – “premium” and “coverage.” “Premium subsidies” are designed to make insurance affordable for lower and moderate income individuals and families. If the premium is greater than 9.5% of adjusted gross income, the individual/family is eligible for a premium subsidy. In plain language, the Federal Government pays a portion of the premium and the individual pays the remainder.

“Coverage subsidies” reduce deductibles, co-pays, and out-of-pocket maximums for those in the lowest income levels as outlined in the chart on page 4.

In order to receive a premium or coverage subsidy, individuals/families must buy their health insurance coverage through the new, **Covered California** exchange ([www.coveredCA.com](http://www.coveredCA.com)).

## Insurance Becomes Easier to Understand

The Affordable Care Act (ACA) *standardized* and *simplified* health insurance by creating two regulations that insurance companies must meet:

- ✓ **Health Plan Standardization:** All health plans are now required to include a set of ten essential benefits.
- ✓ **Health Plan Simplification:** All health plans are now required to meet a set of standard values. The act created a set of four metal plans, each with a different Actuarial Value.

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- Actuarial Value (AV) represents the average percentage of medical bills that will be paid by the health plan during a calendar year. This AV becomes the common currency for evaluating plans, with each metal plan having a specific Actuarial Value. For example, a Silver Plan must meet a 70% AV, which every insurance company's Silver Plan now meets.

## The Metal Plans

There are four levels or tiers of plans: Platinum, Gold, Silver and Bronze. In effect, the Affordable Care Act (ACA) commoditized health insurance into four precious metals.

|          | Actuarial Value | Premium                    |
|----------|-----------------|----------------------------|
| Platinum | 90%             | \$\$\$\$ (highest premium) |
| Gold     | 80%             | \$\$\$                     |
| Silver   | 70%             | \$\$                       |
| Bronze   | 60%             | \$ (lowest premium)        |

The new vocabulary of healthcare will have everyone referring to their individual health plans by the *metal plan names* and the associated *actuarial values*. For example, "I have a silver plan with an actuarial value of 70%."

## How This Affects You in 2015

Due to the new premium subsidies, household income now plays a big role in determining where you get your new health insurance. To be specific, your *estimated* adjusted gross income for 2015 determines if you will get free health insurance from Medi-Cal, a premium subsidy from the government, or pay the full premium.

**Suggestion:** Look at your most recent federal tax form 1040, line 37 (adjusted gross income) and use that number to estimate your AGI for 2015.

## Where to Buy Health Insurance

- ✓ **Qualify for Subsidy:** Health insurance must be secured on the California Exchange in order to receive a subsidy. ([www.coveredCA.com](http://www.coveredCA.com))
- ✓ **Do Not Qualify for Subsidy:** Health insurance can be secured directly from an insurance company, which often has a greater selection of plans than the Exchange.

**In both cases, individuals benefit by designating an agent — at no additional cost to the individual.** By securing insurance directly through the exchange or an insurance company, individuals must rely on the toll-free customer support phone number, along with hundreds of thousands of other individuals, for current and future guidance.

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## A Few Words about Grandfathered Plans

A grandfathered plan is one that was in place prior to the passing of the healthcare reform act on March 23, 2010. Grandfathered plans allow individuals to keep their plan and physician. In most cases the grandfathered plans offer excellent benefits, have a large provider network and have very competitive premiums. The main reason to move from a grandfathered plan to a metal plan would be if an individual qualifies for a premium subsidy that significantly lowers monthly premiums.

## Do You Qualify for a Premium Subsidy?

The Federal Government pays premium subsidies, or “advanced premium tax credits,” directly to insurance companies on a monthly basis. The policyholder pays the remaining amount of the premium directly to the insurance company.

- ✓ If your adjusted gross income or AGI is below 138% of the Federal Poverty Level (138% FPL), you are eligible for Medi-Cal, which is free health insurance.
- ✓ If your AGI falls between 138% FPL and 400% FPL, you are eligible for a premium subsidy. As income increases, the subsidy decreases until you reach 400% FPL.
- ✓ If your AGI is greater than 400% FPL, you are not eligible for a subsidy and will pay the regular premium.

Locate your estimated 2015 household income level (AGI) in the chart below to determine if you qualify for a premium subsidy.

**Note:** Household income is based upon your “estimate” of Adjusted Gross Income (AGI) for 2015. Check your Federal tax form 1040, line 37 to locate your AGI for the past year. Use that as a basis for estimating your 2015 AGI.

| Household size | Medi-Cal Eligible |          | Eligible for Premium Subsidy |          |          |          |
|----------------|-------------------|----------|------------------------------|----------|----------|----------|
|                | 100% FPL          | 138% FPL | 150% FPL                     | 200% FPL | 300% FPL | 400% FPL |
| 1              | \$11,490          | \$15,856 | \$17,235                     | \$22,980 | \$34,470 | \$45,960 |
| 2              | 15,510            | 21,403   | 23,265                       | 31,020   | 46,530   | 62,040   |
| 3              | 19,530            | 26,951   | 29,295                       | 39,060   | 58,590   | 78,120   |
| 4              | 23,550            | 32,499   | 35,325                       | 41,100   | 70,650   | 94,200   |
| 5              | 27,570            | 38,047   | 41,355                       | 55,140   | 82,710   | 110,280  |

FPL = Federal Poverty Level

## Do You Qualify for a Coverage Subsidy?

Individuals at the lowest income levels often have difficulty meeting higher deductibles and copays for medical services. Coverage subsidies are in the form of substantially lower deductibles and copays, making it more affordable to access health care services at the time of service.

- ✓ If your income falls between 138% and 150% of FPL, you qualify for a Silver 94 plan. This is the best single plan on the market in terms of benefits.

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- ✓ If your income falls between 150% and 200% of FPL, you qualify for a Silver 87 plan – the 3<sup>rd</sup> best plan on the market today.
- ✓ If your income falls between 200% and 250% of FPL, you qualify for Silver 73 – also an excellent plan.

| Household size | Eligible for Coverage Subsidy |          |          |          |
|----------------|-------------------------------|----------|----------|----------|
|                | 138% FPL                      | 150% FPL | 200% FPL | 250% FPL |
| 1              | \$15,856                      | \$17,235 | \$22,980 | \$28,725 |
| 2              | 21,403                        | 23,265   | 31,020   | \$38,775 |
| 3              | 26,951                        | 29,295   | 39,060   | \$48,825 |
| 4              | 32,499                        | 35,325   | 41,100   | \$58,875 |
| 5              | 38,047                        | 41,355   | 55,140   | \$68,925 |

FPL = Federal Poverty Level

## 2015 Metal Plan Benefits

All health insurance is based upon three elements: the *deductible*, *cost-sharing* (or coinsurance) and the *out-of-pocket maximum*.

- ✓ **The Deductible:** The amount the plan member pays before the insurance company pays anything. (Note: There is a separate and larger deductible when services are used from an out-of-network provider.) On these new plans, it is the responsibility of the plan member to use the provider search tool on the insurance company website to make sure the provider is, “in-network.”
- ✓ **Cost-sharing or Coinsurance:** After meeting the deductible, the plan member and the insurance company share the remaining expenses, with the insurance company paying a larger portion (e.g., 80%) and the plan member paying a smaller portion (e.g., 20%).
- ✓ **The Out-Of-Pocket Maximum (OOP Max):** The MOST the plan member will ever have to pay in any calendar year. After a plan member reaches the OOP Max, the insurance company pays all remaining expenses.

## Key Terms to Understand

The following terms are important to understand as you continue working through this guide.

- ✓ **Deductible (Ded):** Amount you pay before insurance pays anything. The three choices of deductible—\$0, \$2,000, and \$5,000—account for major differences in AV and premium.
- ✓ **Office Copays** are not subject to deductible; copay is fee you pay at time of service. \$45/\$60/\$90 = \$45 for primary care, \$60 for specialist and \$90 for urgent care.
- ✓ **Cost-sharing** for larger medical bills: after deductible, insurance pays portion of bill (e.g., 80%) and you pay portion of bill (20%). You stop paying when you meet the out-of-pocket maximum.

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- ✓ **Max OOP = Maximum out-of-pocket**; this is the most you will pay during a calendar year for medical expenses (and includes the deductible).
- ✓ **Brand RX**; brand name drugs subject to separate deductible. Lower cost/higher cost drugs

## BASIC INSURANCE ELEMENTS

Below is a table that shows basic insurance elements typically offered with the metal plans. Note that the plan specifics are based upon “model” plans; each company’s health insurance plans may have slight variations compared to these model plans.

|                                | THE METAL PLANS |                  |                  |                           |
|--------------------------------|-----------------|------------------|------------------|---------------------------|
|                                | PLATINUM        | GOLD             | SILVER           | BRONZE                    |
| <b>Actuarial Value</b>         | 90%             | 80%              | 70%              | 60%                       |
| <b>Premium</b>                 | \$\$\$\$        | \$\$\$           | \$\$             | \$                        |
| <b>Deductible</b>              | \$0             | \$0              | \$2,000          | \$5,000<br>(Medical + Rx) |
| <b>Cost-sharing</b>            | 10%             | 20%              | 20%              | 30%                       |
| <b>Max OOP IND Family (2+)</b> | \$4,000 \$8,000 | \$6,350 \$12,700 | \$6,350 \$12,700 | \$6,350 \$12,700          |

## PREVENTIVE SERVICES

One of the ten essential benefits is that preventive exams are covered at no cost to the plan member when a doctor on the insurance company network provides services.

|                   | THE METAL PLANS |      |        |        |
|-------------------|-----------------|------|--------|--------|
|                   | PLATINUM        | GOLD | SILVER | BRONZE |
| <b>Preventive</b> | \$0             | \$0  | \$0    | \$0    |

## COPAYMENTS FOR DOCTOR VISITS AND PRESCRIPTION DRUGS

To enhance the value of insurance to the plan member, insurance companies offer “copays” that are fixed dollar amounts for routine medical expenses such as office visits and prescription drugs. Instead of meeting a deductible, the plan member will pay the copay at time of service.

Copays only apply to doctors who are in the insurance company network. In the chart below, the three numbers for office copays (e.g., \$40/\$50/\$60) represent the copays for general or family practice, specialist, and urgent care. There are no copays when plan member sees an out-of-network provider.

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## Physician Services

|                     | THE METAL PLANS |            |            |                 |
|---------------------|-----------------|------------|------------|-----------------|
|                     | PLATINUM        | GOLD       | SILVER     | BRONZE          |
| <b>Office copay</b> | \$20/40/40      | \$30/50/60 | \$45/65/90 | \$60 (3 visits) |

NOTE: Three bronze copays apply only to general or family practice physician

## Prescription Medications

|                        | THE METAL PLANS |             |             |             |
|------------------------|-----------------|-------------|-------------|-------------|
|                        | PLATINUM        | GOLD        | SILVER      | BRONZE      |
| <b>Generic RX</b>      | \$5             | \$19        | \$19        | \$19        |
| <b>Brand RX*</b>       | \$15/25/10%     | \$50/70/20% | \$50/70/20% | \$50/75/30% |
| <b>Brand deduct. ^</b> | \$0             | \$0         | \$500       | \$5,000     |

\* Brand RX includes formulary/non-formulary/specialty

^ \$5,000 Bronze deductible is a combined deductible for medical and prescriptions

## Copays and Coinsurance for Lab Services

With the new metal plans, there are often copays for routine laboratory exams, x-rays and visits to the emergency room to make these services affordable.

|                            | THE METAL PLANS |       |        |         |
|----------------------------|-----------------|-------|--------|---------|
|                            | PLATINUM        | GOLD  | SILVER | BRONZE  |
| <b>Imaging (e.g., MRI)</b> | 10%             | 20%   | 30%    | 30%     |
| <b>Lab</b>                 | \$20            | \$30  | \$45   | 30%>Ded |
| <b>X-ray</b>               | \$40            | \$50  | \$65   | 30%>Ded |
| <b>Emergency</b>           | \$150           | \$250 | \$250  | \$300   |

NOTE: Percentage values apply after deductible; dollar values bypass the deductible

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## Plans that Offer Coverage Subsidies

If you qualify for a *coverage* subsidy, you will be eligible to get one of the Enhanced Silver plans (i.e. Silver 94, Silver 87, or Silver 73), which offer coverage subsidies in the form of reduced deductibles, copays, and out-of-pocket maximums. Additionally, you will also receive a *premium* subsidy. This is a tremendous value. **Bottom Line: If you qualify for one of the plans below - Take the Plan!**

|                        | THE SILVER PLANS |              |              |              |
|------------------------|------------------|--------------|--------------|--------------|
|                        | Silver           | Silver 94    | Silver 87    | Silver 73    |
|                        |                  | 138-150% FPL | 150-200% FPL | 200-250% FPL |
| <b>Actuarial Value</b> | 70%              | 94%          | 87%          | 73%          |
| <b>Deductible</b>      | \$2,000          | \$0          | \$500        | \$1,500      |
| <b>Coinsurance</b>     | 20%              | 10%          | 15%          | 20%          |
| <b>Max OOP</b>         | \$6,350          | \$2,250      | \$2,250      | \$5,200      |
| <b>Preventive</b>      | \$0              | \$0          | \$0          | \$0          |
| <b>Office copay</b>    | \$45/65/90       | \$3/5/6      | \$15/20/30   | \$40/50/80   |
| <b>Lab</b>             | \$45             | \$3          | \$15         | \$40         |
| <b>X-ray</b>           | \$65             | \$5          | \$20         | \$50         |
| <b>Emergency</b>       | \$250            | \$25         | \$75         | \$250        |
| <b>Generic RX</b>      | \$19             | \$3          | \$5          | \$19         |
| <b>Brand RX</b>        | \$50/70          | \$5/10       | \$15/25      | \$30/50      |
| <b>Brand deduct.</b>   | \$250            | \$0          | \$50         | \$250        |
| <b>Acupuncture</b>     | \$45             | \$3          | \$15         | \$40         |

FPL = Federal Poverty Level

## Caveats (Buyer Beware)

It is vital to understand your insurance plan's out-of-network benefits. This is because the new provider networks are substantially *smaller* than in the past, and you might think you are going to an in-network provider (and a low copay or negotiated fee) and later find out you went to a non-network provider and have to pay the full non-negotiated fee.

### Narrow networks

In an effort to control expenses, insurance companies offer a "narrow" provider network with a limited number of physicians, laboratories and hospitals. Because the insurance company reimbursements to physicians are less than in the past, fewer doctors have decided to be on the network.

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When you receive an insurance policy, the insurance company has specific language that says you should check with the insurance company to verify your provider is on the network. They further recommend you verify that with the actual provider. Because they provide ample warning, it is up to you to make sure you go to in-network providers.

## Out-of-Network benefits

If you go to an out-of-network provider, you will have to meet a separate deductible, separate cost sharing and a separate out-of-pocket maximum. You should always try to go to provider who is in network.

|                         | THE METAL PLANS |      |        |        |            |              |
|-------------------------|-----------------|------|--------|--------|------------|--------------|
|                         | PLATINUM        | GOLD | SILVER | BRONZE | BRONZE HSA | Catastrophic |
| Out of network benefits |                 |      |        |        |            |              |
| OON Deductible          |                 |      |        |        |            |              |
| Cost sharing            |                 |      |        |        |            |              |
| Stop loss               |                 |      |        |        |            |              |

## Decision-Making Questionnaire

The following questions will help to guide you in determining the best “metal” plan for you. As you answer these questions please refer to, “The Metal Plans” chart found earlier in this Guide for plan details.

### What is the highest deductible that feels comfortable for you?

\_\_\_\_\_ \$0 (Platinum/Gold)      \_\_\_\_\_ \$2000 (Silver)      \_\_\_\_\_ \$5000 (Bronze)

- Choosing a higher deductible will help keep premiums lower.
- Except for the Platinum plan with a maximum out-of-pocket of \$4,000, all other levels—Gold, Silver and Bronze—will have an out-of-pocket maximum of \$6,350.
- Again, choose a Metal plan or tier that feels most comfortable for you, e.g. Platinum, Gold, Silver or Bronze.

### How important are doctor copays?

\_\_\_\_\_ important (Platinum/Gold)      \_\_\_\_\_ somewhat important (Silver)  
 \_\_\_\_\_ not important (Bronze)

- Choosing higher copays will help keep your premiums lower





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- **If you have ongoing medical conditions the Gold and Platinum Plans might be a good choice.** This is especially true where annual medical costs are higher than normal.
- **If you are at the lower income levels and qualify for coverage subsidies, the Silver 73, Silver 87, or Silver 94 are often the best value on the market.**
- **Physician and Hospital networks become more important in 2014.**
  - In Santa Barbara, you can choose from two health insurance companies: Blue Shield of California and Anthem Blue Cross. Both are excellent companies and you can't go wrong with either of them.
  - In order to save on premiums, insurance companies have created much smaller physician/hospital networks. Blue Shield and Anthem Blue Cross have somewhat different networks. If doctor choice is important, we can match your doctors to the health plans, or you can go to the insurance company websites, click on, "Find a Provider," and verify that your doctor is on the network.
    - Anthem Blue Cross: [www.Anthem.com/ca](http://www.Anthem.com/ca)
    - Blue Shield of California: [www.BlueShieldCa.com](http://www.BlueShieldCa.com)

### America's new healthcare system is here.

My commitment to you is to help you understand the choices you have, both within the health exchange/marketplace and through the traditional health insurance market.

I truly hope this **Health Insurance Decision Making Guide** has been helpful in providing you with answers to ensure that you and your family receive the very best health coverage to fit your situation and budget.

### I will match you with the best health plan.

Now that you've reviewed your health insurance choices, I welcome the opportunity to match you with the best health plan and insurance company with which you are most comfortable, at a premium that fits your budget.

If you are a current client, "thank you." And remember, your current health insurance plan may go through some changes. Now is the time to review your current coverage to ensure you are in the very best plan for you and your family.

For those who are not yet clients, I would be happy to review your situation and come up with solid recommendations. It is my personal goal to make health insurance, "easy and understandable" for all of our clients. I look forward to working with you.



**Bob Hopper** Insurance Services  
Your Trusted Advisors

[Bob@BobHopperInsurance.com](mailto:Bob@BobHopperInsurance.com) 805-966-4900

1221 State Street, Suite 11, Santa Barbara, CA 93101

**"Making Health Insurance Easy and Understandable for our Clients"**