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## HEG79-102 Health and Disability Insurance Insights

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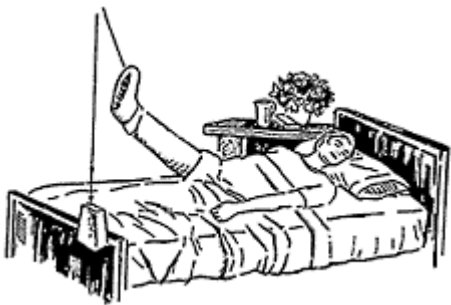
# Health and Disability Insurance Insights

This publication covers the basics of health and disability insurance.

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Good health is one of the personal goals of almost every individual or family. Because health is so important to a person's plans, providing for good health care--at a reasonable cost--is a major concern.

About 85 percent of the non-institutionalized population in the United States has some form of health insurance. Approximately three-fourths of those people covered are covered through group health insurance policies.

In the past 20 years medical costs have increased rapidly because of an increased demand for medical care by our health-conscious society, a shortage of doctors, hospitals and hospital care, and the development of new equipment and procedures.

Health and disability insurance helps protect you and your family against two economic risks: 1) the cost of medical care, and 2) the loss of income from disability of the wage earner.

## Types of Health Insurance Benefits

In general, seven different types of health insurance benefits may be offered on separate contracts or in different combinations on a single contract.

1. **Hospitalization** provides for daily room and board charges; routine nursing care; hospital expenses, such as x-rays, anesthesia, medicine, and operating room; and other services relating to medical care and treatment of patient while in the hospital. The agreement may set dollar allowances for the different items or provide full service. Hospital expense insurance is the most widely used type of health insurance.
2. **Surgical** provides payment in accordance with a schedule of fees, fixing maximum reimbursement for each type of operation. Fees for office calls made before and after the operation

may be included. The cost of the policy bears a direct relationship to the maximum the company contracts to pay.

3. **General medical** covers medical expenses other than surgery. It pays for doctor visits at the hospital, office, or home with certain limitations on the number of calls and the fee per call. The benefits and coverage vary with the policy. This is normally written with other types of health insurance, not as a separate contract.
4. **Major medical** helps meet the large costs of serious (catastrophic) accidents or prolonged illness. It is a form of protection against large medical bills not covered by hospital- surgical plans. It does not specify the exact amount for various services, but shares with you the expense of major medical insurance. There are 1) high maximum limits; 2) a deductible provision, similar to that found in most automobile collision insurance; and 3) a co-insurance clause. This requires the insured person to pay part of the total bill, over and above the deductible.
5. **Comprehensive expense insurance** is a health plan that combines features of the four insurances listed above (hospitalization, surgical, general medical, and major medical). It generally has a co-insurance provision and a deductible clause. Maximum benefits on these plans are generally high.
6. **Dental expense insurance** is coverage that helps pay for normal dental care as well as damage caused by accidents. This type of insurance is generally available through group insurance plans and sometimes offered by employers as a fringe benefit. Almost all policies cover oral exams, x-rays, fillings, cleaning, extraction, bridge work, dentures, oral surgery, root canal, etc. There is usually a deductible, and usually a co-insurance feature requiring the insured to pay from 20 to 50 percent of the cost above the deductible.
7. **Loss of income or disability** provides benefits when you cannot work because of sickness or accident. The terms of the policy determine: 1) the length of the waiting period before payment is made, 2) the amount of regular cash benefits, and 3) the number of payments to be made. An individual policy insures up to a certain percentage of a person's gross earnings and provides benefits, often for a lifetime. Loss of income is the oldest kind of health insurance.

## **Types of Insurers**

Medical care at present is provided by four organizations.

1. **Insurance companies** issue all types of health insurance policies, on either an individual or group basis, covering hospital expense, surgical expense, physicians expense, loss of income, and major medical expense. The cash indemnity to be applied against the bill is paid to the insured or the provider of the services--physician, hospital, clinic.
2. **Hospital and doctor affiliated groups**, such as Blue Cross and Blue Shield, organized by medical societies and groups of physicians. Blue Cross and Blue Shield plans operate on a state and community enrollment, but to some extent accept individuals. Family plans are available. The plans vary with the area and the group being served, but offer a wide variety of services.
3. **Independent organizations** are sponsored by consumer or community groups, employers, unions, private medical groups, fraternal or religious orders, etc. Independent plans vary, some provide only hospitalization benefits, others complete medical care. Plans in general provide comprehensive medical care at home, doctor's office, group clinic or hospital. One such plan, the

Health Maintenance Organization (HMO), is developing in some parts of Nebraska. Panels of doctors practice in a group arrangement and patients pay a monthly level premium in order to receive periodic checkups and total health care as covered. Some HMO's are not as comprehensive as others, so check them out before joining.

4. **Medicare and Medicaid** health insurance programs are government financed and administered. Hospital and medical insurance for persons 65 or over is provided through Medicare. Medicare pays medical bills for eligible low-income people who are over 65, disabled, blind or members of households with dependent children. Social Security offices are located in most larger communities and will provide information on eligibility requirements and on applying for these programs.

## **Purchase Arrangements**

### **The Group Plan**

The Group Plan is usually available to wage earners at their place of employment, labor union, profession or other association. Some group plans protect the worker only; others include members of the household. Premiums for group plans are lower because the group employer or other policyholder often pays part or all of the premium, and the plans can be administered more economically. Group health insurance accounts for the majority of health insurance purchased.

### **Individual Plans**

Individual Plans offer an opportunity to fit insurance provisions to your particular situation, but the rates are higher than for a group plan. An individual plan continues protection between jobs.

## **Policy Clauses**

### **Non-cancellable and guaranteed renewable**

Non-cancellable and guaranteed renewable are desirable features in a policy. Many health insurance policies are cancellable by the company. Companies need protection against fraudulent and exaggerated claims and, under certain circumstances, are justified in discontinuing insurance. Indirectly, this protects all policyholders from paying higher insurance rates.

### **Deductibles**

Deductibles are familiar features in health as in automobile insurance. Deductibles are stated as amount of total expense, specified number of days of sickness, or number of visits to the doctor that the insured must pay before benefits start.

### **"Exclusion clauses"**

"Exclusion clauses" eliminate certain conditions from coverage in a policy. Examples might be alcoholism, drug addiction, and pregnancy.

### **Effective coverage**

Effective coverage indicates when the insurance actually starts. Waiting periods are common, especially

with sickness benefits, and range from 5 to 30 days after a policy is issued. The longer the waiting period, the less the cost of insurance.

### **Medical history and present health**

Medical history and present health are usually reviewed before a company issues a policy. If a person has certain defects or diseases, it may not be possible to get health insurance. In some cases, coverage is available but an extra amount is charged to cover the added risk, or a restricted type of coverage may be offered.

The meaning of **total** and **partial** disability may vary in different policies.

### **Disability or income protection insurance**

Disability or income protection insurance is usually made available up to 60 to 75 percent of a person's gross earnings. The total amount payable, or the period over which a certain amount is payable, is also limited. Loss of income policies usually exclude payments for injuries or illness incurred on the job if the job is covered by workmen's compensation regulations.

## **Other Sources of Information**

Households may have other sources of benefits that could help pay or reduce medical expenses in certain circumstances. It is wasteful to duplicate health protection. The expenses will be paid only once, regardless of who pays them.

These sources include:

1. Workmen's compensation.
2. Disability insurance--Social Security and Veteran's programs.
3. Employer's wage-continuation plans.
4. Medical payments under liability insurance and life insurance.
5. "Medicare" and "Medicaid" for those 65 and over.
6. Tax supported health services.

## **Check These Before Buying Health Insurance**

- **Buy from a reputable insurance company** or a reliable non-profit organization (is the company licensed in your state? Write the Commissioner of Insurance, [Nebraska Department of Insurance](#), Terminal Building, 941 'O' Street, Suite 400, Lincoln, Nebraska 68508, if in doubt).
- **Compare benefits** of different policies. Understand the limitations in policies.
- **Consider your situation.** What types of medical needs are likely to occur? What types of medical expenses are you likely to have?
- **Determine how much of your income can be allocated** to health insurance, considering protection needed, against all other insurable risks, such as damage to the home, death of income earner, and hazards to others for which you are liable.
- **Plan your health insurance program.** Most people have a limited number of dollars to spend for insurance. The problem then becomes one of deciding how to use these insurance dollars to good advantage.
- **Figure the protection you have from Medicare or Medicaid** if you are over 65.

No set amount can be recommended for health insurance. The need for and the cost of medical services varies with each individual and household. The best single rule to keep in mind--is don't try to insure yourself against everything. Insure yourself against the big risks, the most serious things that can happen to you. Make up your mind to pay for some smaller casualties from current income.

### **Pointers for Policyholders**

- Try to buy health insurance through a group insurance plan where you work or an organization to which you belong.
- Buy a disability policy with a longer waiting period before benefits begin.
- If you need a lot of health insurance, be sure to include major medical in your insurance coverage instead of limiting coverage to hospitalization.
- Increase your major medical deductible.
- Buy a major medical plan that pays a certain percentage of the "usual and customary fees" instead of a plan that pays benefits of fixed amounts.
- Avoid duplicate coverage. Very seldom will you be able to collect from two sources, so it's not worth the extra cost in premiums.
- Shop around. Compare companies, policies and premium prices. Just be sure you're comparing the same types of coverage from each company.
- Buy insurance that cannot be cancelled.
- Pay premiums annually if you pay the premiums directly.

For more information and answers to specific questions about your health insurance policy, contact your agent or the representative for your group health care plan.

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***File HEG102 under: HOME MANAGEMENT***

***B-3c, Insurance***

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