

## SECTION 11-1 Health Insurance Premiums

An accident or illness could cut off your income, wipe out your savings, and leave you in debt. To protect against overwhelming medical expenses, many people have health insurance. One way to get health insurance is by joining a group plan where you work. Your employer may pay part or all of the premium. Health insurance companies also offer non-group plans for people not enrolled in a group plan.

$$\text{Employee's Percent} = 100\% - \text{Employer's Percent}$$

$$\text{Employee's Contribution} = \text{Total Premium} \times \text{Employee's Percent}$$

1. Paul Woonan, a self-employed accountant, is married and enrolls in a non-group health insurance plan. The plan costs \$7,710 per year for the family coverage. What will he pay each month in premiums? \_\_\_\_\_
2. Donna Ray is employed at Stone Manufacturing. Her total annual health insurance premium is \$5,976. Her employer pays 70 percent of the premium. How much does she pay per month? \_\_\_\_\_
3. Chandara and Kobe Martin are self-employed motel operators. They pay 100 percent of the PPO insurance premium of \$6,510 annually. They also have a dental plan that costs \$546 annually and a vision plan that costs \$244 annually. The premiums are paid quarterly (every 3 months). How much do they pay each quarter? \_\_\_\_\_
4. Hermosa Menendez is employed by Chemical Industries. She has a family membership in the group preferred provider organization (PPO). The annual premium is \$6,180. Her employer pays 75 percent of the premium.
  - a. How much does the employer pay annually? \_\_\_\_\_
  - b. How much does she pay annually? \_\_\_\_\_
  - c. How much is deducted each week from her paycheck? \_\_\_\_\_
5. Oscar Ankebrandt is employed by Bargain Department Store. He has a single membership in a commercial health maintenance organization (HMO) and is enrolled in the company sponsored life insurance program. The annual premium is \$4,880 for the HMO and \$940 for the life insurance. The company pays 60 percent of the HMO premium and 80 percent of the life insurance premium. How much is withheld from Ankebrandt's bi-weekly paycheck for insurance? \_\_\_\_\_
6. You are employed by Research Laboratories as a chemical technician. You are single and pay into the Research Laboratories Super Med Plus HMO. The total cost is \$5,175 annually. The employer pays 90 percent of the total cost. You also pay 60 percent of the optional annual dental premium of \$462 and 55 percent of the optional vision premium of \$188.
  - a. How much is deducted weekly for the HMO? \_\_\_\_\_
  - b. How much is deducted each week for dental coverage? \_\_\_\_\_
  - c. How much is deducted each week for vision coverage? \_\_\_\_\_
  - d. What is the total weekly insurance premium? \_\_\_\_\_

## SECTION 11-2 Health Insurance Benefits

Most insurance plans, whether they are traditional, preferred provider organization (PPO), or health maintenance organization (HMO) plans, do not pay for all services. Health insurance policies have an annual deductible clause, which is the amount of money you must pay each year before your insurance company pays anything. Health insurance policies also have a co-payment clause, which is a way of sharing medical costs. You might pay \$10.00 every time you receive a medical service, such as a visit to your physician. Some policies also have a co-insurance clause. An 80 percent co-insurance clause means your insurance company pays 80 percent of the bill and you pay 20 percent.

$$\text{Amount Paid by Patient} = \text{Deductible} + \text{Co-payments} + \text{Co-insurance Amount} + \text{Other Charges}$$

Complete the table.

|    | Deductible Amount | Number of Co-payments at \$10.00 Each | Amount of the Co-payments | Amount Subject to Co-insurance | Insured Co-insurance Rate | Amount Paid by Insured |       |
|----|-------------------|---------------------------------------|---------------------------|--------------------------------|---------------------------|------------------------|-------|
|    |                   |                                       |                           |                                |                           | Co-insurance           | Total |
| 1. | \$500             | 20                                    |                           | \$20,000                       | 20%                       |                        |       |
| 2. | 200               | 24                                    |                           | 30,000                         | 20%                       |                        |       |
| 3. | 250               | 35                                    |                           | 25,500                         | 30%                       |                        |       |
| 4. | 700               | 26                                    |                           | 84,000                         | 25%                       |                        |       |

Use the table at the right for Problems 5 and 6.

5. Sharon Wilson is single and has health insurance benefits as shown in the table. Her recent network health care costs include co-payments for 9 physician visits and 10 specialist visits. Following hospital surgery, she made co-payments for 15 physical therapy visits. Her hospital admission charge was \$240 and she had a hospital bill for \$54,860. What amount did she pay:

- a. for the deductible? \_\_\_\_\_
- b. in total co-payments? \_\_\_\_\_
- c. in hospital charges? \_\_\_\_\_
- d. in total costs? \_\_\_\_\_

6. When we calculated Sharon Wilson's health care costs in Problem 5, we did not consider her maximum out-of-pocket expenses of \$800. She must pay the deductible and the co-payments. What is the total for these items?
- \_\_\_\_\_

|                              | Network |
|------------------------------|---------|
| <b>Annual Deductible</b>     |         |
| Single                       | \$300   |
| Family                       | \$900   |
| <b>Out-of-Pocket Maximum</b> |         |
| Single                       | \$800   |
| Family                       | \$1,200 |
| <b>Hospital Charges</b>      | 90%     |
| <b>Co-payments</b>           |         |
| Physicians Visit             | \$10    |
| Specialist                   | \$20    |
| Physical Therapy             |         |
| First 15 Visits              | \$15    |
| Over 15 Visits               | 80%     |
| Emergency Room               | \$50    |
| Ambulance                    | \$25    |

# SECTIONS 11-3, 11-4 Life Insurance— Term and Other Types

The main purpose of life insurance is to provide financial protection for your dependents in case of your death. You may purchase term insurance, whole life insurance, or limited payment life insurance.

$$\text{Annual Premium} = \text{Number of Units Purchased} \times \text{Premium per } \$1,000$$

Use the tables below to solve the problems.

| ANNUAL PREMIUMS PER \$1,000<br>OF LIFE INSURANCE: 5-YEAR TERM* |        |        |
|--|--------|--------|
| Age  | Male   | Female |
| 18–30  | \$2.47 | \$2.13 |
| 35   | 2.70   | 2.29   |
| 40   | 3.27   | 2.67   |
| 45   | 4.17   | 3.54   |
| 50   | 5.84   | 4.82   |
| 55   | 8.81   | 6.60   |
| 60   | 13.22  | 9.71   |

\*Minimum amount is \$50,000

| ANNUAL PREMIUMS PER \$1,000 OF LIFE INSURANCE |                   |        |            |        |
|---|-------------------|--------|------------|--------|
| Age   | Paid Up at Age 65 |        | Whole Life |        |
|   | Male              | Female | Male       | Female |
| 20  | \$11.75           | \$9.75 | \$8.00     | \$6.25 |
| 25  | 13.75             | 11.50  | 9.50       | 7.50   |
| 30  | 17.00             | 14.50  | 11.75      | 9.25   |
| 35  | 21.50             | 18.00  | 15.00      | 11.50  |
| 40  | 29.75             | 25.00  | 19.50      | 14.50  |
| 45  | 39.50             | 32.50  | 25.50      | 18.75  |
| 50  | 56.25             | 45.75  | 34.00      | 24.25  |

Complete the table below.

|    | Insured        | Sex | Age | Type of Insurance | Annual Premium per \$1,000 | Coverage  | Number of Units | Annual Premium |
|----|----------------|-----|-----|-------------------|----------------------------|-----------|-----------------|----------------|
| 1. | Ricardo Oro    | M   | 25  | 5-Year Term       |                            | \$ 50,000 |                 |                |
| 2. | Doris Stelnick | F   | 35  | Whole Life        |                            | 25,000    |                 |                |
| 3. | Marylin Wilson | F   | 45  | 5-Year Term       |                            | 100,000   |                 |                |
| 4. | Perry Zamora   | M   | 20  | Whole Life        |                            | 50,000    |                 |                |
| 5. | Tara McIntosh  | F   | 50  | Paid Up at 65     |                            | 60,000    |                 |                |

- Frederico Ortiz wants to purchase a \$50,000 5-year term life insurance policy. He is 18 years old. What is his annual premium? \_\_\_\_\_
- Alicia Bitman, age 30, plans to purchase a \$50,000 whole-life policy. What is the annual premium? \_\_\_\_\_
- Ten years ago, you purchased a \$70,000 Paid-Up-at-Age-65 life insurance policy. At that time you were 30 years old.

M

F

a. What is your annual premium? \_\_\_\_\_

b. How much have you paid in the last 10 years? \_\_\_\_\_

