

## Practical Math – Health Insurance

### Congratulations—you have a new job!

As part of the onboarding/hiring process, the human resources office of your new employer has given you a package that explains your benefit options. In addition to describing what coverage is included, there is a description of costs. You must choose the plan that best fits your situation. Note that the employer pays a portion of the premium cost; the remaining amount of premium, your cost, is shown in the table below.

(Employee Only)	A	B	C
Monthly Premium	\$30	\$140	\$80
Deductible	\$1500	\$250	\$750
Coinsurance	20%	10%	30%
Physician Copay	\$0	\$25	\$30
Prescription Copay	\$0	\$7	\$10
Network Out-of-pocket Limit	\$3900	\$7150	\$3000

Use the benefit summary above to calculate the costs of each scenario.

**Scenario 1:** How much would you pay in premium costs for the year for each plan?

(Employee Only)	A	B	C
Premium	_____	_____	_____

What is the relationship between premium and deductible?

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Plan A has the lowest premium; however, it has the highest deductible. How does a deductible work? How would you decide if this deductible and plan are appropriate for you?

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Would the annual premiums be your only cost for the year? Why or why not?

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**Scenario 2:** Estimate your costs under each plan if you were in an accident with \$5000 in medical expenses. How much coinsurance would you pay for each plan? (Plan A has been started for you.)

(Employee Only)	A	B	C
Medical Expenses in Accident	\$5000	\$5000	\$5000
Deductible	\$1500		
<i>Difference</i>	\$3500		
Insurer pays			
You pay as coinsurance			

**Scenario 3:** David chose Plan B. During that year, he had 4 doctor visits, 2 prescriptions, and, separate from these visits, was in an accident that resulted in \$6000 in medical expenses. What medical costs, including premium, did he incur for the year? Did he exceed the out-of-pocket limit? (Remember that premiums and copays usually do not count towards the deductible.)

Calculation	Written response

**Scenario 4:** Compare the costs of all plans for David's situation described in scenario 3 above.

(Employee Only)	A	B	C
Premium (for the year)			
Deductible			
Coinsurance			
Physician Copay(s)			
Prescription Copay(s)			
Cost for the Year			

**Answer the following questions on a separate page.**

- On a separate page, identify a pro and con for each plan. Look at the annual cost of premiums, coinsurance, personal health situations, etc.
- You have found a plan that seems reasonably priced, and it seems too good to be true. Name 5 warning signs you should check before purchasing the plan. Hint: What is not covered?