

Insurance

OBJECTIVES/RATIONALE

Insurance systems are used to help finance health care costs. The student will investigate available insurance coverage.

TEKS 121.2 (c)(7)(a)

TAKS ELA 1
Social Studies 2, 3
Mathematics 1

KEY POINTS

I. Overview

- A. Many people in the US are uninsured – assume all responsibility for health care costs.
 - 1. Emergency rooms at county hospitals are used for primary care.
 - 2. A visit to a clinic or doctor’s office could have taken care of the problem, but the cost is too great.
- B. Insurance decreases out of pocket expenses for health care services.
 - 1. Before insurance, people were 100% responsible for the cost of health care services.
 - 2. The number of uninsured is still sizable and growing.
 - 3. Individual insurance policies are extremely expensive.

II. How insurance works

- A. Affordable when purchased in large groups – only a few of the insured will require constant medical care and utilize the insurance in large amounts.
- B. Companies purchase health insurance for employees
 - 1. Eligibility depends upon continuous employment
 - 2. Employees must work 20 or greater hours per week.
 - 3. Most companies have a waiting period before insurance benefits are available.
 - 4. Pre-existing conditions may be ineligible.

III. Types of Insurance

- A. Health insurance
 - 1. HMO – Health Maintenance Insurance
 - a. A type of managed care medical insurance
 - b. Specialty treatment is available with referral
 - c. When a person elects to go to an HMO, these physicians provide all of their care – insured are limited to contracted physicians for care.
 - d. Out of pocket expenses are set.
 - e. Specialty care must be submitted to HMO for approval – may be denied.
 - 2. Preferred Provider Organization

- a. Physicians contract services for a set fee and is listed as a preferred provider.
 - b. The insured person chooses from preferred providers.
 - c. The insurance company pays a set amount and the insured pays a set amount called the co-payment.
 - d. Referrals are made to specialists on the list.
3. Cancer Insurance
- a. Specific insurance for the treatment of cancers.
 - b. Additional to basic health care insurance.
- B. Disability Insurance
- 1. Provides income upon disability – short or long term.
 - 2. Various waiting periods are available before benefits begin.
- C. Vision Insurance – may pay a portion of an eye exam and part of a pair of glasses or contact lenses.
- D. Dental Insurance – covers a portion of teeth cleaning, fillings, x-rays, orthodontics and oral surgery

IV. Life Insurance

- A. Life insurance provides financial payment to a beneficiary in the event of death.
- B. Benefit can vary, depending on the needs of the family and individual. The cost of the policy is based on the amount of insurance purchased
- C. Employers often offer life insurance to their employees in the amount of the employee's annual salary. Any additional benefits are paid by the employee.
- D. Individual policies can be purchased.
- E. Types of life insurance
 - 1. Term Life Insurance – specific amount of money will be paid to a beneficiary.
 - 2. Whole Life Insurance – a policy that allows the holder of the policy to draw on the insurance as a pension as well as having money go to a beneficiary at the time of death

ACTIVITIES

- I. Complete the Employment Benefit Package.

MATERIALS NEEDED

Employment Benefit Package

ASSESSMENT

Successful completion of activity

ACCOMMODATIONS

For reinforcement, the student will outline insurances that are available upon employment.

For enrichment, the student will research the ethical issues relating to HMOs denying specialized treatment for certain diseases and disorders.

REFLECTIONS

EMPLOYMENT BENEFIT PACKAGE

You have just been employed by a local hospital in a CNA II position. You have already passed many basic certifications (i.e. diabetic blood testing), which allow you a higher hourly wage of \$12.00/hour. You have been hired to work a 40-hour week (Full Time), and you will be paid every two weeks (every 80 hours).

Because you are working full time, you are eligible for all of the hospital's benefits. Basic health insurance will be free to you. All other benefits will have a cost if you choose to enroll. The payment for the benefits that you choose will be taken out of your pay check every two weeks.

By law the hospital is required to have taxes and social security/FICA removed from your paycheck. Fifteen percent (15%) of your gross pay will go toward taxes. The more money that you make, the more money will be taken out by the government. So it is important to try to keep the amount of money that you make at the lowest possible level. The hospital help you keep this amount lower because they have a policy called Pre-Tax Deductions. In Pre-Tax Deductions the cost of all your selected benefits will be taken out of your paycheck before any taxes and FICA are calculated. This is a good policy, because it reduces the amount of money that is used to calculate your taxes and FICA.

The money that you have before taxes are taken out is called Gross Pay.

The money that you take home and spend (after benefits and taxes are taken out) is called Net Pay.

BENEFIT ENROLLMENT

Name: _____

Address: _____

Telephone Number: _____

Social Security Number: _____

Health Care Benefit:

This benefit is free to you. However, you have to select whether you want an HMO or a Preferred Provider. This is strictly up to you - you decide the plan that is best for you.

If you have any dependents (children) for whom you are responsible, you can purchase additional insurance and the amount will be taken divided into equal part and taken out of your pay check every two weeks.

Check line below

Costs to employee

_____ 1. **I wish to enroll in the HMO.** Free to employee

Description: The HMO has a co-pay of \$10.00 per office visit. All patient care will be covered at 100% as long as the individual uses the services approved by the HMO. Individuals are required to use the County Medical Center for all hospital services. All hospitals expenses will be covered at 100%, as long as the insured gets prior approval for care, by notifying the HMO. Hospice care is part of this plan.

OR

_____ 2. **I wish to enroll in the Preferred Provider (PPO).** Free to employee

Description: The PPO will send you a list of physicians that are on this policy. You can select anyone from this list. If you choose to go to a physician not on this list, you will be expected to pay for services out of your own pocket. The PPO has co-pay of \$15.00 per office visit. All patient care will be covered at 100% as long as the person uses a preferred provider. Individuals are required to use the County Medical Center for all hospital services. The insurance will pay 90% and the insured individual will pay 10% up to a maximum of \$500.00. Hospice care is part of this plan.

MEDICAL AND CANCER

Check line below

Cost to employee

_____ **3. I wish to enroll my dependent/family in the HMO.** _____
The cost will be \$176.00 per month/\$88.00 per pay check for spouse and/or family coverage.

Names and social security numbers of dependents:

OR

_____ **4. I wish to enroll my dependent/family in the PPO.** _____
The cost will be \$182.00 per month/\$91.00 per pay check.

Names and social security numbers of dependents:

Cancer Insurance Benefit

_____ **I wish to enroll in the cancer insurance benefit.** _____

This benefit covers any diagnostic and treatment procedures that occur with an episode of cancer. The coverage is at a level of 80% of cost. This means that the person who purchases the insurance is responsible for 20% of the medical costs. However, this insurance can be used in addition to another medical insurance. In other words, this benefit can be used to cover any amount not covered by the person's regular medical insurance. (For example: Let's say that your regular medical insurance costs pay 90% of the medical costs. That leaves you with 10% to pay on your own. If you have this insurance, you can use the money from this policy to pay the 10% remaining. So this could be a good thing. You have to decide if this is something useful to you to have at this point in your life.)

The cost is \$56.00 per month, or \$28.00 deducted from each pay check.

VISION AND DENTAL

Check line below _____ Cost to employee

Vision Insurance

_____ **I wish to enroll in vision insurance.** _____

This benefit covers annual eye check up to a cost of \$40.00. It will also cover the cost of eye glasses or contact lenses up to a cost of \$180.00. The participant will be responsible for all other payments.

The cost is \$19.60 every month. This divides into Payments of \$9.80 from each paycheck.

Dental Insurance

_____ **I wish to enroll in the dental insurance program.** _____

This insurance covers the cleaning of teeth twice a year as long as each payment does not exceed \$45.00. Fillings are covered at \$40.00 per filling. X-rays are covered at 100%. Any orthodontic work and oral surgery is covered at 30% of the total expense.

The cost of this insurance is \$11.40 per month. This divides into payments of \$5.70 from each paycheck.

DISABILITY/LIFE

Check line below

Cost to employee

Disability Insurance

_____ **I wish to enroll in the Disability Insurance program** _____

This policy will cover you up to the amount of your current salary per year. This means that you will get the equivalent of your salary even if you are unable to work.

Write the payment the cost to employee line.

- If you make \$20,000 - \$25,000 each year- payment = \$32.00**
- If you make \$25,100 - \$30,000 each year- payment = \$35.00**
- If you make \$30,100 - \$35,000 each year- payment = \$38.00**
- If you make \$35,100 - \$40,000 each year- payment = \$41.00**

etc.

The above rate is for payments starting **1 month** after disability occurs. This means that your first payment would come after 1 month.

OPTIONS:

1. If you want the disability payments to start **2 weeks** after disability occurs then **add \$2.00** to your payment. (Leave this blank if you choose another option) _____
2. If you want the disability payments to start **1 week** after disability occurs then add \$3.00 to your payment. (Leave this blank if you choose another option) _____
3. If you want the disability payments to start **immediately** after disability occurs then **add \$5.00** to your payment. (Leave this blank if you choose another option) _____

Life Insurance

You are automatically enrolled in life insurance equal to your annual salary. If you wish to receive additional life insurance there are several options to choose.

LIFE INSURANCE OPTIONS:

If you want life insurance in the amount that is:

1. **twice you salary** - check this line _____
add **\$3.00** to your payments _____
2. **three times your salary** - check this line _____
add **\$4.00** to your payments _____
3. **four times your salary** - check this line _____
add **\$5.00** to your payments _____

TOTAL SHEET

1. At \$12.00/hour, you will be earning \$24,960 annually

A. Salary calculation:

$$\$12.00 \times 40 \text{ hours} \times 2 \text{ weeks} \times 26 \text{ weeks} = \$24,960$$

But we want to figure what your paycheck will be every two weeks (80 hours).

To find this out:

B. Gross pay every pay check:

$$\$12.00 \times 40 \text{ hour week} \times 2 \text{ (paid every two weeks)} = \$960$$

Write the amount from 1B on the line

1B _____

2. Now we will add your benefit expenses from your work sheet (put 0 if appropriate)

- a. Medical expenses _____
- b. Cancer insurance _____
- c. Vision _____
- d. Dental _____
- e. Disability _____
- f. Disability option _____
- g. Life insurance option _____

2HA. Total _____

Write total from line 2HA again on line 2HB.

2HB _____

Subtract line 2HB from line 1B

This number (2I) is your adjusted gross pay. 2I _____

3. The amount on number 2I is your gross pay with the pre-tax deductions removed. Now we have to figure your tax and FICA deduction. We do this by multiplying the gross pay on 2I by 15%.

$$\text{Adjusted gross pay } 2I \times \% 15 = \text{taxes/FICA removed}$$

Do your calculation and write the amount from line on line 3A 3A _____

4. Now we will figure out your net pay. Do this by **subtracting line 3A from line 2I. Write your answer on line 4A. 4A** _____

The amount on line 4A is the amount that you can spend --- or save. Did you know that if you start a retirement account right now, you can probably retire as a millionaire (if you set aside a certain amount every single pay day). Ask someone you respect to recommend an investment counselor to you.