

Scenario #4 – Christy Greg, self-employed graphic artist

Christy is 41 years of age and was diagnosed with gestational diabetes during her pregnancy with her infant daughter. Christy worked for an advertising agency for many years, but wanted to be at home with the baby, rather than spend most of her salary on childcare. Christy earns about \$29,000 a year and with her diabetes, is unable to find individual coverage that she can afford. She is considering joining an association or the local chamber of commerce that might offer members a way to purchase affordable health insurance. The local Chamber's program was recently dropped by Aetna.

Currently, Christy is uninsured and paying out of pocket for the baby's care. She found a community clinic in Seattle that will provide some care for the baby at a reduced price. She was told by a friend to wait before applying for her insurance, since she would have to check diabetes on the required and very detailed health history.

Christy's same-sex partner is hoping that the small company (40 employees) where she works will offer dependent coverage for Christy and their daughter, but she is still waiting to hear.

How To Find The Best Deal On Health Insurance

by Maureen Farrell, 12.07.07 (Forbes.com – Magazine article)

The numbers are enough to scare you sick. Some 60% of companies now offer health benefits, down from 69% in 2000, according to the 2007 annual health benefits survey from the Kaiser Family Foundation. Small businesses are even less generous: Just 45% of companies with three to nine workers offer health benefits. Total number of uninsured Americans: roughly 47 million, or 16% of the U.S. population.

Buying insurance as an "individual" is nothing less than a nightmare. For starters, employees of firms that offer health insurance can use pretax dollars to purchase it; individuals can't (at least not yet). Worse, individual buyers are entitled to fewer protections than employees of large firms. In most states, insurance carriers can deny coverage to individuals with a preexisting condition like cancer or diabetes. And for the fortunate few who can afford to buy insurance on their own, there's a labyrinth of options and loopholes to navigate when choosing a policy.

But make no mistake: Traversing this territory is worth the effort. The consequences of choosing the wrong policy at the wrong price are just too large.

Good data on the individual health-care market are fragmented at best. A 2004 survey by America's Health Insurance Plans, a trade group of health-benefit providers, pegged the average premium cost at \$2,268 for a single person, and \$4,424 for a family of three.

To put those figures in context: The median income in the U.S. that year was \$44,389--or around \$38,000 after taxes. Assuming that the median income of individual health-insurance buyers was roughly the same as the median income of those covered by employer-based plans, health-insurance premiums for individual-insurance buyers gobbled between 6% and 12% of after-tax household income. Big money.

And that's just the premiums. Health-care costs also include payments to cover deductibles (the amount you pay for treatment before the insurance kicks in) and co-payments to doctors and hospitals--meaning that the overall health bill takes an even bigger bite out of household income. For people buying insurance in the individual market, these additional out-of-pocket costs tend to run higher than for those covered under employer plans, says Kevin Lucia, assistant professor at Georgetown University's Health Policy Institute.

A big reason for the discrepancy between the individual market and the employer-based market: Insurers figure there's adverse selection in the individual market. People are more likely to buy health insurance when they're sick, or think they will get sick, and that makes them a higher risk.

In many cases, individual insurance buyers don't have any options--expensive or otherwise. Under the Health Insurance Portability and Accountability Act of 1996, employer-sponsored health plans can't discriminate against employees with pre-existing conditions; by contrast, the individual health-insurance market follows state laws, which generally offer fewer protections.

In 45 states, individuals can be denied coverage by insurers due to previous health problems. (New York, Maine, Vermont, New Jersey and Massachusetts are the exceptions; a few other states are forced to provide insurance for "unhealthy individuals" but the rates, not surprisingly, are steep.) If insurers do offer a policy, many can choose to "rider out" any medical costs related to the existing disease.

One morsel of good news: More carriers are targeting individual insurance buyers. "The big insurers--Aetna, UnitedHealthcare, Cigna and Humana--have come into this market very aggressively over the last few years," says Bob Hurley, vice president of health-carrier relationships at Mountain View, Calif.-based eHealth, a search engine that compares health plans offered throughout the U.S.

Of course, with more choice comes more complexity: "Individual insurance is very market-specific," says Hurley. "Where you live ultimately determines how many policies are available to you." While we can't spit out a one-size-fits-all list of the cheapest health-insurance plans, we can offer a step-by-step process for finding the best deal in your market.

Fist step: Understand your state's rules governing individual insurance. The regulations cover a myriad of issues--from "guaranteed" coverage for all applicants (regardless of health condition) to pooling micro-businesses with individuals in order to reduce costs. (One caveat on "guaranteed" coverage: It comes at a price, and with few plan options.) Understanding these rules will help you navigate your policy options later on. One useful resource is healthinsuranceinfo.net, run by Georgetown's University Health Policy Institute; another is your state's Department of Health Insurance.

Next, lay out your options. Here is where the work comes in, but again, it's worth your time. Three key sources of information include Web engines like eHealthinsurance.com; insurance brokers who work with *multiple* carriers; and the carriers themselves. You can find carrier names on your state's Department of Health Insurance site.

To winnow the options, decide what you can afford and what level of coverage you are willing to pay for. Low monthly premiums tend to come with higher deductibles or co-payments to doctors and hospitals. Compare two policies--one with a \$200 monthly premium and a \$5,000 deductible, the other with a \$400 premium and a \$1,000 deductible. While the first policy will save you \$2,400 a year in premiums, you could end up spending an additional \$4,000 to cover your deductible. Net loss: \$1,600.

But premiums and deductibles are only a small part of the story--and cheaper is not always better. Beware policies with ultra-cheap rates, such as "discount cards" that offer 25% off doctors' visits and prescriptions. Very cheap but limited Association Health Plans (that cover, say, a group of scuba instructors) have their own catches. Then there are the "policies" that cover a specific health issue (say, accidents or specific cancers), but not much else. You should also consider variables like prescription drug benefits and the number of allowable doctor visits or hospital stays per year.

eHealthinsurance.com allows users to compare up to four plans at a time, across some 25 categories and exceptions. Another bear trap: switching costs. If you enter a plan in good health, but are later diagnosed with an illness, it will most likely be impossible to switch to more comprehensive coverage down the road.

"It's very hard to make calculations on what type of plan to purchase," says Linda Blumberg, a health-policy analyst at the Urban Institute. "The nature of this market is that if you go with more trimmed-down coverage now, you run the risks of limiting your options down the road." In some states, it's possible to purchase cheap, temporary coverage--a so-called "stop gap" plan--for a year, but it can't be renewed.

Finally, be honest and careful with all paperwork. The minute you apply for insurance, carriers have the right to dig through your medical records. Remember: The less insurance carriers pay out, the more money they make--so they're looking for those mistakes. Says Blumberg: "Even if you make an honest mistake or put down something that's a little off, you can get denied coverage."