

Student _____

Date _____

Class _____

Teacher _____

CHAPTER 14 Health, Disability, and Life Insurance

Reviewing Key Terms: Complete the Sentence



DIRECTIONS: Using terms from the following list, complete the sentences below. Write the letter of the item you have chosen in the space provided.

- | | | |
|--|--------------------------------|----------------------------|
| A. stop-loss | D. Medicare | G. beneficiary (insurance) |
| B. managed care | E. Medicaid | H. term insurance |
| C. preferred provider organization (PPO) | F. disability income insurance | I. whole life insurance |
| | | J. cash value |

1. Certain low-income individuals and families can qualify for a government medical assistance program called _____.
2. A federally funded health insurance program available mainly to people over 65 and to people with certain disabilities is _____.
3. _____ is a permanent policy for which you pay a specified premium each year for the rest of your life.
4. Whole life insurance can serve as an investment because it has a(n) _____.
5. Medical policies with a(n) _____ provision require the insurance policyholder to pay all costs up to a certain amount, after which the insurance company pays 100 percent of the remaining expenses, as long as they are covered in the policy.
6. Prepaid health plans that provide comprehensive health care to their members are called _____ plans.
7. A group of doctors and hospitals that agree to provide specified medical services to members at prearranged fees is called a(n) _____.
8. _____ provides protection against loss of life for only a specified term, or period of time.
9. _____ is available to provide regular cash income when you are unable to work because of a pregnancy, a non-work-related accident, or an illness.
10. A(n) _____ is a person named to receive the benefits from an insurance policy.

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CHAPTER 14 Health, Disability, and Life Insurance

Understanding Key Concepts



DIRECTIONS: On a separate sheet of paper, answer the following questions.

1. How does medical expense insurance differ from disability income insurance?
2. Andrew's employer offers a group insurance plan that covers hospital stays and surgical procedures. The company that employs his wife Shirley offers an insurance plan that covers these things as well as doctor visits and prescriptions. Shirley finds out that her insurance has a COB provision. How does this help Andrew?
3. Why might a person choose to buy individual health insurance?
4. Raj is thinking about buying major medical insurance to supplement his basic health insurance from work. Describe a situation in which Raj would need major medical.
5. How do HMOs help prevent future medical problems?
6. Olga's health plan uses a network of physicians who have contracted to provide services for certain fees. A plan physician manages her care and refers her to specialists. However, Olga uses a dermatologist outside the network even though the plan charges her more. What kind of plan does Olga have—an HMO, a PPO, or a POS?
7. Mr. Carstens, a physical education instructor, broke his hip while demonstrating wrestling holds to his students. He will not be able to teach for at least a semester. The school district's insurance plan does not offer disability benefits. For what other kinds of disability income might he be eligible?
8. Josefa is trying to decide which disability income insurance to buy. One policy will pay 75 percent of her take-home pay for life if she becomes permanently disabled. The other policy will pay 75 percent of her take home pay until she is 65 but has a much lower premium than the first. Which policy would you recommend? Why?
9. Why is term life insurance often the best value for customers?
10. What is credit life insurance used for?

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CHAPTER 14 Health, Disability, and Life Insurance

Activity 1: Analyzing Types of Insurance



SKILLS ACHIEVED

Writing, Reading, Creative thinking, Responsibility, Self-management, Acquiring and evaluating information, Interpreting and communicating information

OBJECTIVE: Review concepts about health, disability, and life insurance, and then apply these concepts to your life.

On this page are three columns, one each for health insurance, life insurance, and disability insurance. Fill in the solid lines with descriptive details from the chapter about each kind of insurance. On the dotted lines, write phrases that describe how each type of insurance can affect your own life. A partial sample answer is provided.

Health Insurance

Life Insurance

Disability Insurance

helps ease financial burden of expensive health care

could prevent major debt if I get into an accident

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Student _____

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Provider	(HMO)	(private policy)	(group policy)
Premium			
Hospital Expense Insurance			
Surgical Expense Insurance			
Physician Expense Insurance			
Major Medical Insurance			
Comprehensive Major Medical Insurance			
Other benefits (dental, vision, long-term care, etc.)			

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CHAPTER 14 Health, Disability, and Life Insurance

Finance Online: Exploring Insurance



Choose a type of insurance to research on the Internet—health, life, or disability. What information would you need to purchase one of these types of insurance? Visit Web sites that offer information about purchasing insurance. Use the information to answer the questions below.

Keywords Used	Site Names	Web-Site Addresses	Information Offered

1. How do factors such as age, physical condition, and salary affect the premium you might have to pay for insurance coverage? Give two examples.

2. Besides Web sites of companies that sell insurance, what sites provide helpful information to consumers who are in the market for insurance? List two.

3. List three questions you would ask an insurance agent who was trying to sell you the type of insurance plan you chose to research.

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CHAPTER 14 Health, Disability, and Life Insurance

Your Financial Portfolio Worksheet



Comparing Life Insurance

To compare life insurance rates, use the Internet or visit, telephone, or write two different insurance companies to obtain information.

Base the quote on (1) a 20-year decreasing term insurance policy for \$100,000 and (2) a whole life (limited payment) insurance policy for \$100,000. Use your own age.

Type of Policy	Company A	Company B
20-year decreasing term insurance \$100,000		
Monthly premium		
Total premiums, 20 years		
Cash value in 20 years	none	none
Whole life insurance (limited payment) \$100,000		
Monthly premium		
Total premiums, 20 years		
Cash value in 20 years		

1. Which is less expensive, term insurance or whole life insurance?

_____ term _____ whole life

2. Which company would you select for your purchase of life insurance? Why?

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CHAPTER 14 Health, Disability, and Life Insurance

Software
Activity
(Optional)

Spreadsheet Application

Comparing POS, HMO, and Private Insurance Coverages



OBJECTIVE: Evaluate and compare the costs associated with three major forms of health insurance.

Practice Situation

Ronald Roth started his new job as a controller with Aerosystems today. Carole, the employee benefits clerk, has given Ronald a packet that contains information on the company's health insurance options. Aerosystems offers its employees the choice between a private insurance company plan, an HMO, and a POS. Ronald needs to review the packet and make a decision on which health care program fits his needs. The following is an overview of the information with which he was provided.

- 1) Private insurance company plan: The monthly premium cost to Ronald will be \$42.32. For all doctor office visits, prescriptions, and major medical charges, Ronald will be responsible for 20 percent and the insurance company will cover 80 percent of covered charges. The annual deductible is \$500.
- 2) The HMO is provided to employees free of charge. The copayment for doctor's office visits and major medical charges is \$10. Prescription copayments are \$5. The HMO pays 100 percent after Ronald's co-payment. The HMO does not have an annual deductible.
- 3) The POS requires that the employee pay \$24.44 per month to supplement the cost of the program with the company's payment. If Ron uses health care providers within the network plan, he pays the co-payments as described above for the HMO. He can also choose to use a health care provider out of the service and pay 20 percent of all charges, after he pays a \$500 deductible. The POS will pay for 80 percent of those covered visits. The POS does not have an annual deductible.

Ronald has decided to review his medical bills from the previous year to see what costs he incurred and to help him evaluate his choices. He visited his general physician four times during the year at a cost of \$125 for each visit. He also spent \$65 and \$89 on prescriptions during the year. Using these costs as an example, what would Ron pay for each of the plans described above? (For the purposes of the POS computation, assume that Ron visited a physician outside of the network plan. Assume he had his prescriptions filled at a network-approved pharmacy.)

Student _____

Date _____

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CHAPTER 14 Health, Disability, and Life Insurance

Your Financial Portfolio Worksheet



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Type of Policy	Company A	Company B
20-year decreasing term insurance \$100,000		
Monthly premium		
Total premiums, 20 years		
Cash value in 20 years	none	none
Whole life insurance (limited payment) \$100,000		
Monthly premium		
Total premiums, 20 years		
Cash value in 20 years		

1. Which is less expensive, term insurance or whole life insurance?

_____ term _____ whole life

2. Which company would you select for your purchase of life insurance? Why?

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CHAPTER 14 Health, Disability, and Life Insurance

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	Private Insurance Ron's Annual Costs	HMO Ron's Annual Costs	POS Ron's Annual Costs
Ronald's annual premium costs			
Sample medical costs:			
4 office visits			
2 prescriptions			
Total medical costs			

Spreadsheet Directions

1. Start your spreadsheet software program and open problem SA14.xls.
2. Insert the formula to compute the annual premium charges for each insurance option.
3. Using Ronald's sample medical expenses, insert formulas to compute his charges for four office visits and two prescription charges for each plan. Remember to consider the \$500-deductible that Ron is responsible for under the private insurance company plan and the POS plan.
4. Insert the formulas to total the annual medical charges. *Note: Format all dollar amounts to Currency, decimal places 2.*
5. Perform your calculations and complete the spreadsheet, then save your work to a new file labeled SA14***.xls. (Replace *** with your initials.)
6. Print out a copy of your work if your teacher has instructed you to do so.

Interpreting Results

1. Using the sample medical expenses provided for your calculations, determine what annual medical costs Ronald will pay if he were to enroll in the private insurance company plan.

2. What total medical costs will Ronald pay if he enrolls in the HMO plan?

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3. What annual medical costs did you compute for Ronald if he selects the POS plan?

Drawing Conclusions

1. What are the benefits of the POS plan that Ronald has been offered?

2. In addition to the financial considerations in choosing a health care plan, list other concerns that Ronald should evaluate when making this decision. Explain.

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CHAPTER 14 Health, Disability, and Life Insurance

SELF-ASSESSMENT QUIZ

DIRECTIONS: Identify the letter of the choice that best completes the statement or best answers the question.

1. Medical expense insurance covers all the following costs of being ill *except*
(A) hospital stays (B) lost income (C) doctors' visits (D) medications.
2. Under basic health insurance, anesthesia is considered a (A) hospital expense
(B) surgical expense (C) physician expense (D) major medical expense.
3. A policy with aggregate limits will limit only the (A) daily cost of a hospital stay (B) total amount of coverage (C) policyholder's out-of-pocket expenses (D) percentage of coinsurance.
4. Which is the statewide organization that provides hospital care benefits? (A) Blue Cross
(B) Blue Shield (C) Medicare (D) Medicaid
5. One advantage of a preferred provider organization (PPO) over a health maintenance organization (HMO) is that the PPO covers (A) preventive services (B) emergency care
(C) visits to any doctor (D) home health care.
6. Medicare's hospital insurance covers (A) hospice care (B) long-term nursing care
(C) routine checkups (D) most immunizations.
7. Worker's compensation pays benefits to people when they (A) pay Social Security
(B) are covered by an HMO (C) lose income because of illness (D) are injured on the job.
8. The ideal disability income insurance provides (A) payments that continue for life
(B) 40 percent of the policyholder's income (C) coverage after accidents only
(D) benefits after a long elimination period.
9. Which type of life insurance lets a policyholder change from term to permanent coverage?
(A) decreasing term (B) multiyear level term (C) renewable term (D) conversion term
10. Beneficiaries wait two years before receiving full death benefits under a common policy feature called (A) the incontestability clause (B) a waiver of premium disability
(C) the suicide clause (D) double indemnity.