ITUP Insure the Uninsured Project

Health Insurance Basics

July 2020

COMMON SOURCES OF COVERAGE

MEDI-CAL (MEDICAID)[1]

DESCRIPTION

Jointly-administered and funded state and federal coverage program. Covered services include doctor visits, dental, hospital care, immunizations, prescription drugs, pregnancy-related services, mental health, substance use treatment, and nursing home care.

WHO QUALIFIES

Low-income Californians, including individuals, families, seniors, persons with disabilities, pregnant women, foster youth, and undocumented children and young adults aged 0 – 26 years.

WHO PAYS

Federal and state/local governments

OVERSIGHT

CMS, DHCS, DMHC

MEDICARE[2]

DESCRIPTION

Federal health coverage program. Covered services include doctor visits, hospital care, prescription drugs, preventive services, and nursing home care.

WHO QUALIFIES

Adults over age 65 and younger individuals with disabilities. People enrolled in fee-for-service Medicare can purchase private supplemental insurance coverage (known as a Medigap plan) to help cover Medicare cost-sharing and coverage limits.

WHO PAYS

Federal government

OVERSIGHT

CMS, DMHC

LARGE GROUP (EMPLOYER)[3]

DESCRIPTION

Health insurance for an individual or family provided to a group, primarily through an employer with greater than 100 employees.[4] Covered services vary.

WHO QUALIFIES

Eligible employees, as determined by state and federal rules and employer choice. About 43.4 percent of private sector workers are enrolled in employer-provided, "self-insured" plans[5] that are not subject to state and federal regulation, also known as "ERISA plans".[6] Large employers are more likely to offer self-insured plans.

WHO PAYS

Employers and employees

OVERSIGHT

U.S. Department of Labor, DMHC, CDI

DMHC regulates about 93 percent of large group market compared to about 7 percent by CDI.[7]

SMALL GROUP (EMPLOYER)[8]

DESCRIPTION

Health insurance for an individual or family provided to a group, primarily through an employer with up to 100 employees.[9] Covered services vary.

WHO QUALIFIES

Eligible employees as determined by state and federal rules and employer choice. About 43.4 percent of private sector workers are enrolled in employer-provided, "self-insured" plans[10] that are not subject to state and federal regulation, also known as "ERISA plans".[11] Large employers are more likely to offer self-insured plans.

WHO PAYS

Employers and employees

OVERSIGHT

U.S. Department of Labor, DMHC, CDI, Covered CA[12]

DMHC regulates about 92 percent of small group market compared to about 8 percent by CDI.[13]

INDIVIDUAL[14]

DESCRIPTION

Health insurance coverage purchased by an individual for the individual and their family. Services covered must include doctor visits, hospital care, maternity care, and prescription drugs.

WHO QUALIFIES

Individuals not eligible for any group or public coverage. Some lower income individuals may be eligible for subsidies if purchasing coverage through Covered California. Subsidies are not available outside Covered California on the open individual insurance market.

WHO PAYS

Individual; some federal and state government subsidies

OVERSIGHT

CCIIO, DMHC, CDI, Covered CA

DMHC regulates about 92 percent of the individual market compared to about 8 percent by CDI.[15]

CCIIO = Center for Consumer Information and Insurance Oversight, CDI = California Department of Insurance, Covered CA = Covered California, DHCS = Department of Health Care Services, DMHC = Department of Managed Health Care

Key Definitions for Health Insurance

ADVANCE PREMIUM TAX CREDIT (APTC): Eligible individuals with incomes up to 400 percent of the federal poverty level (FPL) may qualify for a tax credit to offset a portion of the cost of their monthly Covered California premium amount. Small businesses with up to 25 full-time employees that purchase coverage through Covered California may also access APTCs.[16]

CALIFORNIA PREMIUM SUBSIDIES: California provides premium assistance to help individuals with incomes up to 600 percent of the FPL[17] pay for health insurance coverage from Covered California.[18, 19]

CO-INSURANCE: A percentage of a health care provider's charge for a service for which an enrollee is responsible for paying.[20]

CO-PAYMENT: A fixed dollar amount an enrollee is responsible for paying each time they receive a service or visit a provider.[21]

COST-SHARING: The costs an enrollee is responsible for paying. It typically includes deductible amounts, co-payments, and co-insurance amounts.[22]

DEDUCTIBLE: The amount an enrollee must pay for services covered by their health insurance plan before the insurer will begin to pay.[23]

ESSENTIAL HEALTH BENEFITS: Per the Affordable Care Act (ACA), the minimum benefits required to be covered by all health insurance plans. These benefits include, but are not limited to, hospitalization, emergency care, outpatient services, maternity care, prescription drugs, and preventive services.[24]

PRE-EXISTING CONDITION: A condition or illness a patient has prior to obtaining insurance.[25] The ACA prohibits plans from excluding people from coverage due to a pre-existing condition.[26]

EMPLOYER-SPONSORED COVERAGE: Health insurance obtained through an employer. Generally, employers and employees share the costs of the insurance plan.[27]

EXCLUSIVE PROVIDER ORGANIZATION (EPO): A type of health plan in which services are covered only if an enrollee seeks care from physicians, hospitals, and other providers within a single health plan network except in an emergency.[28]

HEALTH MAINTENANCE ORGANIZATION (HMO): A type of health plan that typically limits coverage to hospitals, physicians, and other providers in the HMO's network. An HMO plan generally does not cover services provided by out-of-network providers except in an emergency.[29]

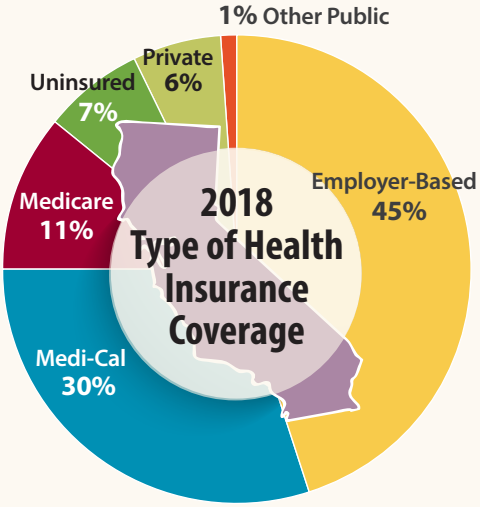
PREFERRED PROVIDER ORGANIZATION (PPO): A type of health plan that contracts with hospitals, physicians, and other providers to create a network. Enrollees typically pay more if they use providers who are out-of-network.[30]

NETWORK PROVIDERS: The hospitals, physicians, and other providers with whom an enrollee's health insurer contracts to provide health care services.[31]

OUT-OF-NETWORK PROVIDERS: Hospitals, physicians, or other providers who are not contracted with an enrollee's health insurer as part of the plan's network. Depending on their plan, an enrollee may not be covered at all for services provided by an out-of-network provider or may be required to pay a significant share of the costs for these services.[32]

OUT-OF-POCKET MAXIMUM/OUT-OF-POCKET LIMIT: An annual limit on the amount of cost-sharing for which an enrollee is responsible. This amount does not include premiums, services not covered by the health plan, or costs above the allowed amount that a provider might charge.[33, 34] A health plan might not count all of an enrollee's cost-sharing, out-of-network costs, or other expenses toward this limit.[35]

PREMIUM: The periodic amount due to a health insurer —often monthly— to pay for coverage. When a person has employer-based coverage, this amount may be split between an employer and employee or paid solely by either the employer or the employee.[36]



Source: 2018 California Health Interview Survey

Key Questions for Consumers Seeking Care

- What type of health insurance coverage do they have (e.g., employer coverage, Medi-Cal, Medicare)?
- What services are covered by their coverage program or health plan, and what will services cost an enrollee?
- Who is their primary care physician?
- Which hospitals and specialist doctors are included in their health plan network or accept their coverage?
- What has changed about their coverage due to COVID-19 (e.g., is cost-sharing waived for testing and, possibly, for treatment)?

Endnotes

1. California Department of Health Care Services.
2. Centers for Medicare and Medicaid Services. Medicare
3. California Department of Health Care Services.
   California Department of Insurance.
4. Department of Managed Health Care, Useful Terms.
5. Paul Fronstin, "Self-Insured Health Plans: Recent Trends by Firm Size, 1996-2018." Employee Benefit Research Institute. August 1, 2019.
6. U.S. Department of Labor, Employee Retirement Income Security Act of 1974 (ERISA).
7. Wilson, Katherine, "California Enrollment Data Summary, 2018." California Health Care Foundation. June 28, 2019.
8. California Department of Managed Health Care.
   California Department of Insurance.
9. Department of Managed Health Care, Useful Terms.
10. Paul Fronstin, "Self-Insured Health Plans: Recent Trends by Firm Size, 1996-2018." Employee Benefit Research Institute. August 1, 2019.
11. U.S. Department of Labor, Employee Retirement Income Security Act of 1974 (ERISA).
12. Small group health coverage is offered by Covered California through its Covered California for Small Business (CCSB) program.
13. Wilson, Katherine, "California Enrollment Data Summary, 2018." California Health Care Foundation. June 28, 2019.
14. California Department of Health Care Services.
    California Department of Insurance.
15. Wilson, Katherine, "California Enrollment Data Summary, 2018." California Health Care Foundation. June 28, 2019.
16. Internal Revenue Service, Eligibility for the Premium Tax Credit.
17. In 2020, for an individual, 600% of the federal poverty level equals $76,560. Health and Human Services, Poverty Guidelines.
18. Covered California, Glossary of Terms.
19. California Legislative Information, Title 25, Individual Market Assistance, Government Code.
20. National Association of Insurance Commissioners, Glossary of Health Insurance Terms.
21. Ibid.
22. Ibid.
23. Ibid.
24. Ibid.
25. Covered California, Glossary of Terms.
26. National Association of Insurance Commissioners, Glossary of Health Insurance Terms.
27. Kaiser Health News, Employer-Based Insurance Explained, September 28, 2009.
28. Covered California, Glossary of Terms.
29. HealthCare.gov, Glossary, Health Maintenance Organization (HMO).
30. HealthCare.gov, Glossary, Preferred Provider Organization (PPO).
31. Covered California, Glossary of Terms.
32. National Association of Insurance Commissioners, Glossary of Health Insurance Terms.
33. Ibid.
34. HealthCare.gov, Glossary, Out-of-Pocket Maximum/Limit.
35. Covered California, Glossary of Terms.
36. National Association of Insurance Commissioners, Glossary of Health Insurance Terms.

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About ITUP

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