The Young Person's Guide to Health Insurance

For Graduating Seniors

FamiliesUSA
The Voice for Health Care Consumers

Illinois PIRG
Education Fund

A message from the

WHITE HOUSE

Dear Friends:

Graduation is a time for you and your family to celebrate your accomplishments, and to think about the future. As you plan for life after college, I want you to know about some important changes that will help ensure that you have access to affordable, quality health care. I know you might not spend too much time worrying about getting sick or having an accident, but chances are you or somebody close to you has had to seek medical care because of a health emergency or to treat a chronic condition. And thanks to the health care law — the Affordable Care Act — you can be confident that you will have health insurance when you need it most.

Under the new law, you can remain on your parents' health insurance plan until you turn 26 or find a job that offers insurance. So graduating from college will not mean losing your health insurance.

The new law also makes it illegal for new health insurance plans to charge you a deductible or other fees for important preventive services. This means services like flu shots, nutrition counseling, and help quitting smoking will be covered by insurance plans with no additional charge. And the Affordable Care Act also ends some of the worst insurance company abuses. Insurers are prohibited from imposing lifetime limits on care, and it is illegal for insurance companies to rescind your coverage when you get sick, just because of a mistake on your application.

All of these changes are in effect now. And if you have questions about how to stay on your parent's plan, you can visit www.HealthCare.gov to learn more.

Congratulations on your achievements and best of luck as you enter this exciting new chapter of your life.

Sincerely,

Barack Obama

U.S. PIRG activist Abby Berendt Lavoi tells her health care story at a Capitol press conference.

This year, millions of young Americans will graduate from college and millions more will strike out into the working world for the first time. And if you're like many of them, you might be more than a little worried about how you're going to get health insurance.

If this were like past years, you'd have very good reason to worry. Recently, getting health insurance, especially after finishing school, has been a lot like a lottery . . . . If you were lucky, your employer picked up the tab. If you were not, your options often shrank to two: a plan offering good coverage that you couldn't afford, or a plan you could afford that covers little to nothing.

. . . Not this year.

Under the federal health care law, young adults have access to new, previously unavailable health insurance options. To make the most of those new choices, you need to learn the facts. This guide is designed to help you do that.

What's Inside This Guide

- How to find affordable coverage through your parent's plan until you turn 26.
- How to use a new website, healthcare.gov, to compare health plans and choose the one that's right for you.
- How to use the new rights and consumer protections you have under the health care law to make sure that your insurance covers what you need.

Coverage Options for Graduates

Obtaining coverage for the first time can be confusing. With the new health care law, here are the first places to start:

Call Mom and Dad

No, really. It is not a joke.

If you want decent health coverage and you are not yet 26, your first call should be to your parent or guardian. The new health care law requires most health insurance plans to allow you onto your parent's or guardian's coverage until your 26th birthday, as long as that parent or guardian is eligible for a family plan.

If your parents already are enrolled in a family plan, they will not be required to pay anything extra to cover you. If they have a plan that only covers themselves or themselves and a spouse, they will have to purchase a family plan at the next open enrollment period. Even then, the cost will likely be far less than paying for their plan and a separate policy for you.

This benefit is available to you even if you have not been covered by your parents' plan for years.

There are a few limited exceptions to this rule. For example, if you can get job-based coverage through your job, your parents' plan might not have to cover you. If you are eligible to join your parents' plan, you may have to wait until its next open enrollment period. To determine when and whether you may be eligible for your parents' coverage, you should contact their company's human resources department or their insurer.

Find a Great Job with Great Benefits

Some might say a job with great health benefits is like a unicorn: you have heard stories about them, but no one has ever seen one.

Fortunately, the truth is that more than 176 million Americans receive their health coverage through their employer-provided plans, and most are satisfied with their health insurance. That amounts to over half of America's population, and you may have a chance to be one of them.

The best employer-provided coverage options are typically available at large firms or government agencies. However, many small businesses are now offering quality coverage options to their workers.

So when considering a job, definitely stop by your prospective employer's human resources or personnel office to see what the health insurance benefits are.

Log On and Buy It

As complicated as the insurance market can be, sometimes a little comparison shopping is a good idea. The health reform law created a new website—healthcare.gov—designed to help you find the plan that works best for you. The website lists insurers, broken down by state, with links to the plans' websites where you can often actually apply for, and purchase, policies.

Healthcare.gov features price information for listed plans and now provides information about the quality of various plans, including the percentage of your premium dollars that must be spent directly on care, rather than overhead costs and profit.

Coming Attractions

These new options are actually just the beginning. The provisions of the new federal health care law are designed to be phased in over several years, and on January 1, 2014, significant changes are on the way!

▶ **Pre-Existing Condition Denials Are Banned:** Health insurance plans will no longer be able to deny coverage or hike your rates due to a pre-existing condition. (Already, people under 19 cannot be denied coverage.)

▶ **Gender Discrimination Becomes Illegal:** The common insurance company practice of charging women more than men for coverage will be against the law.

▶ **You Can Get the Same Benefits as Members of Congress:** Through new state-based, competitive health insurance marketplaces, millions of individuals and small businesses will pool their buying power and negotiate better deals with insurers, just like Congress and federal employees do today.

▶ **New Tax Credits for Coverage:** If you're having trouble affording coverage and earn less than about $44,000 a year as a single person ($88,000 for a family of four), you will get a tax credit to help you pay the cost of coverage in the new competitive marketplaces. Citizens and lawfully admitted immigrants earning less than about $14,000 a year for a single person will be automatically eligible for very low-cost coverage through the Medicaid program.

▶ **But You'll Have to Do Your Part**: To keep health insurance premiums low, it helps if everyone pulls his or her weight and gets covered. Otherwise, only the sicker, more expensive individuals seek insurance, and this raises costs for everyone with coverage. So, in 2014, all who can afford it must buy coverage. People under 30 can purchase a lower-cost, less-comprehensive plan.

For a complete timeline and outline of changes under the new law, go to www.healthcare.gov/law/timeline/index.html.

The Basics of Health Insurance

If you get sick or are injured in an accident, the costs of treatment can quickly exceed most Americans' ability to pay. A single visit to the emergency room for an unexpected health situation can run into the thousands or tens of thousands of dollars.

So, for decades, Americans have bought health insurance policies that ensure they can get health care when they need it without paying for everything out of pocket. Every month, individuals—and in many cases their employers, too—pay a certain amount of money to an insurance company to purchase coverage (also called a health insurance plan or policy). That coverage means that, in the event of an illness, the insurer agrees to cover some or most of the expenses.

Types of Coverage

▶ **Group Coverage:** Health insurance plans provided by a company, government agency, or union. Rather than covering one person or one family, these plans cover large groups of people. Group coverage tends to be less expensive and provide more coverage than separate "individual coverage." In most cases, employers pay a portion of the cost of the premium for group coverage.

▶ **Individual Coverage:** This is coverage bought by the individual, not the employer, for him or herself and his or her family. It tends to be more expensive and provide less coverage than group plans.

Paying for It

▶ **Premium:** The amount charged to keep you on your insurance plan, usually quoted as a monthly price. For employer-provided insurance, the premium is usually shared between the employer and the employee.

▶ **Cost-Sharing:** In addition to premiums, almost all plans use other ways to share costs for medical expenses between the insurance company and the patient. There are three types of cost-sharing: "co-insurance," "deductibles," and "co-pays."

▶ **Co-Pay (or co-payment):** A flat amount that a patient must pay at the time of receiving medical services. For example, a consumer may have to pay $10 for a visit to a primary care doctor and $20 for prescriptions.

▶ **Co-Insurance:** This cost-sharing method requires a patient to pick up a certain percentage of the cost of a medical service while the plan covers the rest. For example, a plan with 80/20 hospital coinsurance will cover 80% of the cost of your hospital stay; 20% of the costs will be your responsibility.

▶ **Deductible:** The amount of costs which you must pay yourself before your insurance pays anything. For example, a plan with a $1,000 deductible would require you to pay $1,000 before the insurance company would pay any money. Generally, plans with higher deductibles have lower premiums, but require you to pay more every time you see a doctor or need medical care. And, if catastrophe strikes, you'll be on the hook for the whole deductible. Low-deductible plans avoid these unexpected costs but tend to have higher premiums.

Existing Health Care Programs

▶ **Medicaid:** A government health care program paid for with state and federal money. Each state has its own Medicaid program with rules for who is eligible for benefits.

▶ **Medicare:** A federal government program that provides health insurance to people over the age of 65 and to some disabled people.

Other Insurance Terms

▶ **Open Enrollment:** A period during the year (usually one to four weeks) when people in group plans are permitted to change their coverage.

▶ **Primary Care Doctor:** Your "main" doctor, who practices general medicine. Some health insurance plans require you to select a primary care doctor who has the responsibility of recommending and approving any visits to specialist doctors (e.g., cardiologist, neurologist, etc.).

▶ **Out-of-Network Costs:** Most health plans have a two-tiered payment structure. If you use doctors and hospitals in your insurer's network, the costs are lower than if you use non-network doctors or hospitals. The difference in costs may be substantial, and some plans do not cover out-of-network providers at all. Your insurance company will give you a list of which doctors and hospitals are in your network.

▶ **Pre-Existing Condition:** A medical condition (such as asthma, diabetes, pneumonia, or an anxiety disorder) that you have at the time you apply for health insurance.

Additional Coverage Options

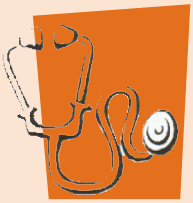
▶ **College Plans**

Between 1,500 and 2,000 institutions of higher education offer health insurance plans to their students, and those plans provide coverage to as many as one in every 13 college students. Generally, these plans are available only to students, but some allow students taking time off from school to maintain their coverage, or they permit graduates to keep their coverage for a limited period of time. The premiums for these plans tend to be very affordable. But when considering enrolling in a college plan, make sure to look at the fine print.

While the costs of these plans are usually designed to meet student-sized budgets, some college plans have done so by skimping on coverage or having high deductibles. Under proposed regulations now being considered by the federal Department of Health and Human Services, the consumer protections that the Affordable Care Act guarantees to other plans will be extended to college plans as well. But the rules are only now being developed and will likely include a transition period while certain key rules are being phased in. So in the meantime, just make sure these plans meet your needs.

▶ Finding Coverage When You REALLY Can't Afford It

For certain families and individuals, who just cannot afford coverage for themselves, state Medicaid programs can be a crucial safety net option. If you meet the qualifications, the coverage is very affordable—either no premiums or low premiums and very low co-pays and deductibles.



The catch is that qualifications vary by state, as every state offers its own version of the Medicaid program. Some states open the door to only a small number of people: children up to age 18, parents with children eligible for public assistance, or the elderly in nursing homes without assets. Other states allow parents with children and single adults into the program at much higher income levels.

For those who qualify it is hard to beat this deal, so do not miss out. Check in with your state's social service department, or go to www.cms.gov/MedicaidEligibility for the eligibility rules in your state.

▶ What about Pre-Existing Conditions?

Today, many insurance plans refuse to cover individuals with a pre-existing medical condition. The new law bans this practice for children under 19 now, and bans it for adults in 2014. But if you are a young adult with a pre-existing condition today, that news is little comfort in the short-term.

Fortunately, you are not completely out of options. Starting last year, the new health care law established a federal program called the Pre-Existing Condition Insurance Program (PCIP). You can't be charged more than a healthy person would pay for comparable coverage.

It is not cheap, but it beats trying to manage your health care costs with no coverage. To enroll, you must have a pre-existing health condition and have gone without insurance for at least six months. To check out the premiums for these plans, go to www.healthcare.gov/law/about/provisions/pcip.

▶ Additional State Options for Covering Pre-Existing Conditions

Many states have their own programs for people with pre-existing conditions (often referred to as state high-risk pools). These plans are separate and distinct from the federal PCIP. More information about them can be found at www.uspirg.org/health-care/statehighriskpools.

Finding Out More

▶ **Healthcare.gov**: This brand new website, authorized by the health care law, is designed to be the one-stop shop for information on coverage, public and private, across the nation. It provides links to the major insurers offering individual and small group plans in every state, along with enrollment contacts for federal and state insurance programs.

▶ **Your State Insurance Department**: Every state has an insurance department that oversees the companies selling plans in the state. This agency can help consumers understand their rights and insurance options. To find out how to contact your state's insurance department, visit: http://www.naic.org/state_web_map.htm.

▶ **Work**: Sometimes the best place to find more information about coverage options is where you spend most of your days—at work. Many employers have a human resources department or have someone who can answer questions about health insurance, even if you are not currently enrolled in a work-based plan. Their expertise is a great place to start.

▶ **Your Current Insurance Plan**: If you already have insurance, even if it is about to run out, contacting your insurance plan can be another good lead. They may sell insurance plans that will fit your needs.

Getting a Fair Shake from your insurance company:

Whether you're just beginning the search for a decent plan or already have coverage, you should be aware of your rights and the rules insurance companies must abide by under the new law.

1. *The right to stay on your parents' family health insurance plan until age 26.*
2. *The right to coverage that cannot be dropped when an unexpected condition or accident makes your care expensive.*
3. *The right to an appeal process if coverage for needed care is denied by your insurer.*
4. *The right to clear, understandable information about the cost and quality of insurance plans so that you can choose the plan that works best for you.*
5. *The right to choose your own primary care doctor or pediatrician and to see an ob/gyn without a referral.*
6. *The right to emergency care when and where you need it without huge out-of-network costs or prior authorization.*
7. *The right to a rebate if your insurer spends less than 80% (or 85% in many cases) of your premiums on care.*
8. *The right to free preventive care in any new insurance policy to keep you healthy and hold your health care costs down.*
9. *The right for children under 19 to get coverage, even if they have a pre-existing health condition.*
10. *The right to receive essential health services with no lifetime or unreasonable annual dollar limits on your medical costs.*

If your insurer fails to respect your new rights, contact your state's insurance commissioner. Go to www.naic.org/documents/members_membershiplist.pdf for details on how to report insurance company abuses.

You can also contact the federal Department of Health and Human Services at healthinsurance@hhs.gov.

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