Overview of Health Insurance: “101”

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Health Insurance 101 Objectives

- What is the purpose of health insurance?
- Enhance familiarity with terminology (jargon!)
- Highlight how state laws and regulations interact with public & private insurance in CA
What Is Health Insurance?

- Health insurance is a contract to help offset the cost of medical care (especially catastrophic costs)

- Available through groups (e.g., often employer sponsored), the individual market, or public programs

- The ACA is a public policy response to subsidize and expand health insurance coverage
Rationale for Insurance...

- Insurance provides protection for catastrophic cost
- Health insurance was created to address this:
  - The sickest 5% of Americans = 50% of US Health Care Spending
  - The healthiest 50% of Americans = 3% of total US Health Care Spending
What Insurance Costs

- **Premiums**: $$$ The cost of health insurance, a monthly fee to be enrolled (an employer may pay part or all)

- **Cost Sharing**: the Cost of using health insurance to access covered benefits
  - **Deductible**: Fixed $$ or $$$ amount (variable) some enrollees pay out of pocket before coverage begins
  - **Co-insurance**: % of cost share (e.g. 20%) some enrollees pay before accessing some benefits
  - **Co-payment**: $ Fixed amount some enrollees must pay before accessing some benefits
Key Terminology

- **Medical Necessity:** Activities or medical services which may be justified as reasonable, necessary, and/or appropriate, based on evidence-based clinical standards of care for benefits included in the plan coverage.

- **Mandated Benefits:** Required either by state or federal government.
I feel like you might be able to break up this slide a bit visually to show the distinction between costs to "buy" insurance vs. costs to "use" insurance.
What drives Premium Cost?

- Premiums are affected by a number of factors:
  - Who’s covered? (age, gender, health)
  - What’s covered? (benefits, cost sharing/deductible, terms)
  - Insurer profits, administration
  - Underlying health care costs, inflation
Health insurance coverage is not static:
- Approximately 2 million Americans lose health insurance every month – often for a short period

Health insurance options can change with:
- Loss or change of job
- Change in family status (e.g. divorce, death of spouse)
- Birthday (e.g. 19th or 26th)
- Move
California Health Insurance

- CA Health Insurance regulatory structure

- How are people insured today?

- What populations are affected by state-level insurance regulations?

- What populations are affected by state-level health insurance benefits mandates?
Regulation of Health Insurance

- **Purpose**
  - Ensure solvency
  - Oversee risk spreading/underwriting practices, rate filings

- **Government Role**
  - States serve as primary regulators
  - Rules vary by state/insurance market
  - Federal government sets national rules
Two health insurance regulators in California, written in two sets of codes
CA Health Insurance Regulators

- **DMHC** - CA Department of Managed Health Care enforces the CA Health and Safety Code
CA Health Insurance Regulators

➢ **CDI** - CA Department of Insurance enforces the CA Insurance Code
CA Health Insurance Regulators

➢ OTHER - Federal and/or other State-Level Department
Sources of Health Insurance in California, 2012

Regulatory Authority

- **Subject to State-Level Benefit Mandates**: DMHC
- **Not Subject**: CDI, Neither, Uninsured
Health Insurance Policy Themes

- Health Insurance is intended to provide protection for catastrophic costs
  - Catastrophic costs occur to a small percentage of people every year

- Health insurance is complicated

- Health insurance is regulated by a patchwork of increasingly overlapping federal and state components

- The ACA is a public policy response to subsidize and expand coverage