How to Shop for Health Insurance

Health insurance isn't complicated, it's just something most people haven't thought about. I spoke with some Russian tourists once and they had no clue what a "hoagie" was. It's about familiarity more than anything. So, here's a very brief way to consider health insurance:

The Most Important Thing: Provider Network

What if I told you about a health insurance that covers 100% of the costs? Sounds great right? Well how about if absolutely zero doctors, hospitals, and RX makers work with that health insurance company? Not so good anymore. That's like me saying, "I'll give you one trillion Matt Bucks!" Wow… too bad no one in the world accepts Matt Bucks as payment. Same thing with health insurance! Below is a list of the KINDS of networks. After looking up the kind of network, investigate which hospitals & doctors participate IN the network.

PPO = Preferred Provider Organization – You don't need referrals to see specialists (therapists, dermatologists, etc.) and usually the network is large & national. So, you *may* be able to go to top tier facilities such as Sloane Kettering in NYC for cancer, Mayo Clinic in Minnesota, or a substance abuse treatment facility in Florida. These plans are typically the most expensive kinds of plans.

HMO = Health Maintenance Organization – You will need a primary care physician (PCP) and referrals to see specialists. The network is usually limited to your geographic area. If you go out of the network, you will have to pay for the entire cost of medical services unless you can have prior approval from the insurance company. Certain things like emergency room visits are (sometimes) covered as if you were still in network.

POS = Point of Service – It's an HMO but with an out of network benefit. The out of network benefit is usually not great… but it is a "back-stop" in case some rare exceptional medical situation happened, and you did want to go out of network for treatment.

EPO = Exclusive Provider Organization – A PPO with no out of network benefit.

Health Insurance Terminology

Deductible: https://www.healthcare.gov/glossary/deductible/

- Often the deductible doesn't apply to all services… usually just higher cost services like hospitalizations. You can think of it like this, about 50% of your premiums are for rare occurrences like hospitalizations and outpatient surgeries. If you want lower health insurance premiums… you will need to take more risk (i.e. pay more) if you were to go to the hospital. About 25% is for doctor visits &

lab tests / diagnostics. Then the last 25% is for prescription drugs. That is a very rough accounting, but if you want to lower your insurance premiums… that's a good way to think about it.

Out of Pocket Maximum: https://www.healthcare.gov/glossary/out-of-pocket-maximum-limit

- This is the MOST you can pay in any year in copays, coinsurance, and other costs related to health insurance. This number is NOT added to any other number… this is a maximum. Do NOT add anything to this number… this is the most you will have to pay in any year for medical treatment (unless you go out of network or receive care for things deemed non-medically necessary by the insurance company).

Copayment: https://www.healthcare.gov/glossary/co-payment/

- This is a flat dollar amount you pay for the medical treatment. IF you see something like "$40 copay after deductible", this means you will have to pay the full cost of the medical procedure until your deductible is met. Once your deductible has been met, you then pay $40.
- Often many services will be written as "$50 copay, no deductible". This means you will pay $50, end of story (CAVEAT: "most of the time"… medical billing is complex, sometimes fraudulent, sometimes mistakes happen, sometimes etc.…)

Coinsurance: https://www.healthcare.gov/glossary/co-insurance/

- This is a percentage of costs you pay for a medical treatment, usually AFTER your deductible is met. Since it is a percentage of an unknown number / cost… your costs are generally unknown unless you know the average cost of that procedure in your geographical area.
- Here's a car analogy to help you think about this situation. Imagine you need to get your car fixed. The mechanic says the water pump & the associated belts need to be replaced. When fixing those, other problems could be found. None of the mechanics are willing to give you a price until after they complete the work. Generally you know a water pump and associated belts should cost around $650. Let's say your car insurance wants you to pay 30% of the costs. So you can expect to pay around 30% of $650… or $195.
- The above example is harder with health insurance because the numbers are larger, vary more widely between providers, and the "average" cost fluctuates a lot. Most of the time, hospitals & their administrators will accept 40-60% above what they receive from Medicare for procedure XYZ. However, these administrator's job is to fight for these dollars every day. Are you willing to go toe to toe with them over a few hundred, a few thousand dollars? Do you want to live in the level of confrontation over several months / years?

Emergency Services: https://www.healthcare.gov/using-marketplace-coverage/getting-emergency-care/

- In cases of a “true emergency”, you should be covered at in-network rates regardless of which hospital you go to. What constitutes a “true medical emergency” is a matter of contract law that is embedded deep in the inane language of your health insurance policy.

What Procedures Cost

Discovering what medical procedures cost is VERY difficult. This article was written quite a while ago, but it is still relevant today: BITTER PILL: Why Medical Bills Are Killing Us.

The attitude of most hospitals / providers is, “you don’t need to know that”. Even if you need that information for a claim, they often will not give that to you unless you go through the legal (and confrontational) actions to compel them to do so.

After the procedure is done, you can often look up your “explanation of benefits” (or EOB) to find out what it cost. The EOB is provided to you by your health insurance company and is often available online if you create an account with them.

Before the procedure, it is nearly impossible to get the cost for large procedures. The provider / medical professional wants to charge as much as possible to the insurance company, because most of the time you will only pay a fixed number / copay for that procedure. It will be exceedingly difficult to get a price BEFORE any major medical procedures are done.

Try using sites like these to make sure the price isn’t completely unreasonable: https://www.fairhealthconsumer.org/

How to Find “Good” Medical Professionals

This is subjective and hard to do IMO. Ask around, try people out. Consider direct primary care models and other arrangements as well. Remember, hospitals / doctors are business professionals as well as medical professionals.

Here are a few resources that might be helpful:

- https://www.healthgrades.com/quality/
- https://www.hospitalsafetygrade.org/choosing-the-best-hospital
- https://www.zocdoc.com/
- https://www.consumerreports.org/doctors/how-to-find-a-good-doctor/