



State of Utah

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Contemplating Options When Comprehensive Health Insurance Isn't Available To You

Limited Benefit Plans

If you watch late night television, you may have seen the ads – health insurance at a low, affordable price. If you or your family is living without insurance, you may wonder if these offers are right for you. Often these ads are for limited benefit plans – bare bones policies that cover specific expenses and have many more limitations than a comprehensive medical plan. Some of these plans also require you to join an association. These plans, or joining an association, may not be your only option, though. That's why it's important to educate yourself before purchasing a policy.

The following information from the National Association of Insurance Commissioners (NAIC) will help you evaluate whether limited benefit health insurance plans can provide the health insurance protection you and your family need.

Limited Benefit Health Insurance Plans

Limited benefit health plans are insurance products with reduced benefits intended to supplement comprehensive health insurance plans, not to be an alternative to them. You may have seen these types of plans marketed as Cancer Only, Specific Disease, Hospital Cash or Indemnity plans.

Limited benefit health insurance plans are not required to provide the same level of coverage, so they cover fewer types of medical expenses than a comprehensive policy. These plans also have higher co-insurance percentages, co-payments and deductibles than comprehensive plans.

This means a limited benefit plan will limit the amount of coverage the company will pay per episode of illness, sometimes as low as \$1,500 to \$5,000 (not counting co-insurance and deductibles paid out-of-pocket by you). These policies also provide limited surgical, preventative care, testing and emergency benefits. And with low maximum benefit limits called "caps," it may be possible for you to reach your cap quickly, leaving you responsible for the balance of the bill.

What to Consider With a Limited Benefit Health Insurance Plan

Limited benefit health insurance plans are not replacements for comprehensive health insurance coverage. If you lost coverage under a comprehensive plan and are considering a limited benefit plan, there are several things you should have in mind when reviewing the coverages offered by a plan:

- Consider the current or future medical needs you or your family may have.
- Decide which medical expenses you may need covered by a limited benefit policy and which you can pay for out-of-pocket.
- If you are considering a limited benefit health plan instead of continuing existing benefits under Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) or purchasing an individual policy, figure out if the premium savings will offset the high out-of-pocket expense for medical services not covered by the limited benefit plan.

Before deciding if a limited benefit health insurance plan is right for you, carefully consider if the plan meets your current and future needs. Know the limitations of the coverage and understand the expenses that will and will not be covered under the policy. Also, ask your agent if there are any exclusions or limitations specifically spelled out in the policy, so expenses that fall within the coverage gaps do not surprise you.

If you are interested in obtaining an individual comprehensive health insurance policy and have been turned down by an insurer due to health reasons you may be interested in HIPUtah, <http://www.insurance.utah.gov/hiputah/whatishiputah.html>.

What to Consider With a High Deductible Health Plan

If you're considering either type of HDHP, make sure to read the policy form - paying careful attention to the benefits and the limitations of the plan. Review the implications of having a high deductible. For instance, will you have the funds available to pay a large deductible or high medical expense in the event of an unexpected illness? Also, consider whether the tax-saving advantages of an HSA are appropriate for your particular financial situation and contact a tax consultant if you have questions.

More Information

Discount health plans are not insurance products, but membership groups that have discount arrangements with local providers for services at a reduced (discounted) rate. These discount programs have limited regulation and can have limited consumer protections.

Marketing for discount health plans can be similar to limited benefit plans, making it difficult to distinguish one plan from the other. To protect yourself and your investment, STOP before purchasing any type of insurance policy, CALL your state insurance department and CONFIRM that the company and the insurance agent you are working with are licensed in your state. Go to http://www.naic.org/state_web_map.htm to find contact details for your state department of insurance.

For more tips about choosing health insurance coverage that is right for you and your family, go to www.insureUonline.org.

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About The Utah Insurance Department

As a state agency, The Utah Insurance Department's mandate is to regulate insurance marketed and sold in Utah. Currently they license over 86,000 agents, agencies and insurers; audit domestic insurers to verify financial stability and compliance with insurance laws; take administrative actions against licensees found to be in violation of the insurance laws; take calls from consumers who have questions or complaints; and educate licensees and consumers regarding insurance. Visit our website at <http://www.insurance.utah.gov/> or call our toll **free in-state number 1-800-439-3805** or **local number 801-538-3077**.

About the NAIC

Formed in 1871, the [National Association of Insurance Commissioners \(NAIC\)](#) is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and five U.S. territories. The NAIC has three offices: Executive Office, Washington, D.C.; Central Office, Kansas City, Mo.; and Securities Valuation Office, New York City. The NAIC serves the needs of consumers and the industry, with an overriding objective of supporting state insurance regulators as they protect consumers and maintain the financial stability of the insurance marketplace. For more consumer information, visit insureUonline.org.