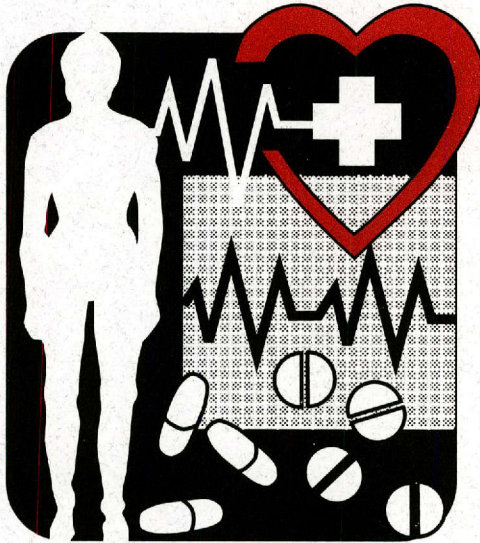


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Shopping for Health Insurance



**Texas Department
of Insurance**

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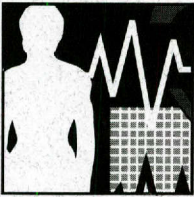
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Introduction

This publication will help you shop for individual accident and health insurance, whether you are buying insurance for the first time or replacing lost or inadequate coverage. It will give you tips on selecting a company and selecting a policy to meet your needs. In addition to



the information contained here, you may want to obtain other agency consumer publications (see page 16). If you are trying to buy coverage for an employee or association group, you should write for a copy of *Guidelines For Texas Employers in Purchase of Employee Health Benefit Plans*.

Selecting A Company

More than 1,100 insurance companies are licensed to write accident and health insurance in Texas. Licensed companies periodically are examined by the Texas Department of Insurance for financial condition. In addition, they must comply with state laws governing advertising, readability, minimum benefit requirements, unfair claims settlement practices, and other laws designed to protect insurance consumers. Most of these companies also participate in the Texas Life, Accident, Health, and Hospital Insurance Guaranty Fund, which pays valid health insurance claims, up to the statutory limits of \$200,000, if the insurance company goes broke. If you want more information about guaranty funds, write to the Texas Department of Insurance for a free booklet titled *Insurance Guaranty Funds: An Insolvency Safety Net* (see page 16).

The laws described above apply only to companies that are licensed by the Texas Department of Insurance. To confirm a company's license status call the Texas Department of Insurance toll-free line: **1-800-252-3439**. Be sure you have the exact name of the company. Company names can sound very similar.

After confirming license status, many consumers make their final selection of a company using three criteria: financial stability, reputation for customer service, and availability.

Financial Stability

Because the financial affairs of insurance companies can be very complex, it often is difficult for individual consumers to evaluate financial stability on their own. Selecting a good agent can help since the more highly professional agents study companies' annual statements, obtain financial ratios from the National Association of Insurance Commissioners, and subscribe to services that rate companies according to their financial strength.

Company annual financial statements are public records and can be inspected in the offices of the Texas Department of Insurance if you happen to be in Austin. In addition, *Best's Insurance Reports* and insurance company rating publications by Standard & Poor, Moody and Duff & Phelps may be available in your local public library. While not infallible, they can be useful.

Customer Service

When companies delay paying claims or deny payment of valid claims, their policyholders may complain to the Texas Department of Insurance, which periodically publishes complaint statistics.

You may order the agency's annual complaints report by calling the toll-free consumer line (1-800-252-3439) or writing to:

Texas Department of Insurance

Publications (108-5A)

P.O. Box 149104

Austin, Texas 78714-9104

Like financial rating, complaint statistics are not an infallible guide to selecting an insurance company. They may indicate, however, whether a particular company gives the level of customer satisfaction you expect from your company.

Availability

Under current state insurance laws, insurance companies may choose to accept, reject, or accept with conditions or restrictions any application for life or health insurance. Since the underwriting standards applied by companies vary, consumers with health problems may find the search for coverage more difficult.

The National Underwriter Company, 420 East Fourth Street, Cincinnati, Ohio 45202 (513-721-2140), publishes a book entitled *Who Writes What in Life and Health Insurance*. More than likely, this book is available in your public library and might give you and your agent a few leads. Although policies for people with medical problems usually will be more expensive than for individuals with no medical problem, this is an area which can be investigated by those who cannot secure coverage in the open marketplace. The Texas Department of Insurance in no way endorses the companies referenced in the book or the policies they sell.

When commercial insurance is not an option, some turn to government programs. See page 9 for more information on government programs.

HMOs as an Alternative

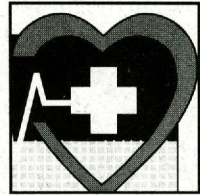
An alternative to purchasing an individual accident and health insurance policy is enrollment in a health maintenance organization (HMO). In these arrangements, health care providers contract with HMOs to provide prepaid health care services, subject to certain co-payments.

Although there is no prohibition against individual membership, very few HMOs accept individual applications. Unlike group HMO applicants, individual applicants may be screened to determine their insurability. An HMO must either accept individual applicants or reject them altogether.

Basic benefits of HMOs include physician services, inpatient and outpatient services, home health care, diagnostic laboratory services, emergency care, and preventive health services. Specific basic health benefits may not be excluded by rider. There can be no pre-existing condition waiting periods.

Selecting a Policy

For most consumers, the broadest form of coverage and the best rates are found in group policies. Therefore, it is usually a good idea to check the associations or groups to which you belong to see if they offer group health insurance to their members. Premiums for group insurance are usually less than for individual insurance, but you still must check policy details to be sure that the coverage meets your needs and that the premiums actually are less.



There are some types of group insurance coverages which are exempt from state regulation, such as certain self-insured plans that fall under a federal law preempting state regulation. Also caution should be used when considering group accident and health coverage through associations, trusts, administrators, etc., since some entities offering such coverage may be operating an unauthorized insurance activity.

If group coverage is not available to meet your needs, your next option is an individual policy. As the name implies, individual accident and health insurance policies are marketed to individuals and families. While there are a number of types of individual and limited benefit policies on the market, most individual consumers are best served by “major medical coverage”.

When shopping for individual accident and health insurance you should plan to spend time to make sure you make the right choice. The following tips may help you as well as the worksheets provided on page 13-15.

When shopping, be sure to:

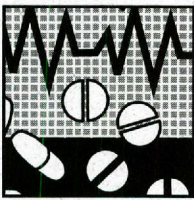
1. Take time to educate yourself about policy terms. While individual accident and health insurance contracts must conform to standards for readability, they are still legal instruments containing specialized language that could be confusing unless you invest time in educating yourself. You may want to get a copy of the Texas Department of Insurance publication titled *Consumer's Guide to Health Insurance* (see page 16).
2. Contact agents from several companies to obtain information about available policies. An agent in whom you already have confidence is a good place to start. Ask your friends about agents they have used. Check the license status of the agent by calling the Texas Department of Insurance on the toll-free line: **1-800-252-3439**. Consult the Yellow Pages of your local phone book for additional references.
3. Compare different policies to select one that will provide the best coverage at the most reasonable price for you. The lowest priced policy may contain restrictions that make it unsuitable for you.
4. Ask questions and write down the answers so that you can compare the answers on issues of importance to you. Here are some questions you should ask:
 - a. Are there **waiting periods** before certain illnesses are covered?
 - b. What limitations are there on coverage of **pre-existing conditions** and what constitutes a **pre-existing condition**?
 - c. How much is the **deductible**? Is it for each treatment or illness, for each family member or is it simply an annual deductible? Must you pay a certain percentage of costs after you have paid the deductible? Ask for examples to be sure you understand.
 - d. What are the **renewal** conditions? Under what conditions can the policy be cancelled or non-renewed? How much notice will you get?

- e. Under what circumstances can the company increase your premium? How much notice will you get?
 - f. What is the maximum amount the policy will pay for each illness and/or for the entire time the policy is in force?
 - g. What types of services does the policy cover? For instance, will it pay for doctors' office visits? What is the meaning of reasonable and customary charges?
 - h. What is not covered by the policy due to **exclusions** or **riders**?
 - i. What are the limits on:
 - daily hospital room and board?
 - medicine, tests, or other hospital expenses?
 - specific types of surgery?
 - doctors' visits?
 - the maximum number of hospital days?
 - the maximum number of doctors' visits during a hospital stay?
 - the number of visits to any particular practitioner.
 - the maximum amount paid for other specialists such as anesthesiologists?
 - j. What will your out-of-pocket expenses be? How do benefits to be paid under the policy compare with actual costs for doctors' visits, hospital care, or surgery in your area?
5. If you are considering buying a new policy, remember that it is usually best to buy a single policy that provides the most coverage that you can afford. Buying several policies may duplicate coverage and be a waste of money.
6. Shop around. With a little leg work you might find a better deal. Take care that you are comparing identical benefits when you compare prices.
7. If you are considering replacing an existing policy with a new one, compare the policies carefully. Don't switch just to get a lower price. Premiums can change, and a new policy may not stay cheaper than your old one. Ask yourself if the new policy

really improves your health coverage. Perhaps the old policy can be updated to provide the additional coverage you want. If you have had your present policy long enough, your pre-existing conditions may be covered while replacing it might leave you without coverage for those conditions.

Completing Your Purchase

If you decide to replace an existing policy with a new one, do not cancel your current policy until you are sure your application for the new policy has been approved by the new company and your coverage is in effect. Though you have paid a premium, some companies do not begin coverage until your application has been approved. Ask



your agent when your new coverage will begin and get written confirmation. Remember, if you have what would be considered a **pre-existing condition** under the new policy, medical care for that condition may not be covered for a certain period of time or may be excluded.

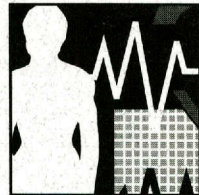
After you have selected the company and policy best for you, you should:

1. Fill out the application completely and accurately. Incorrect information or misrepresentation of health conditions in your application may result in the denial of benefits or cancellation of your policy. Never sign a blank application. If an agent fills out the application for you, check it carefully before you sign.
2. Make checks payable only to the insurance company. Do not pay cash or make a check out to the agent. Always pay by check or money order so you have a clear record of payment. Insist upon a receipt on the company letterhead and signed by the agent.
3. Don't pay premiums too far in advance. Your insurance needs may change, and your prepaid premiums may not be refundable if you should decide to cancel.

4. Be sure you have the agent's name and address and the address of the company from which you are purchasing the policy. Know how to contact your agent or the company if you need help.
5. The outline of coverage given to you by your agent only describes the policy in general terms. As soon as you receive your policy, you need to read the actual language for the details of your coverage. Benefits promised by your agent are not binding unless they are in the written policy. When checking over your policy, spend extra time studying the provisions about pre-existing conditions, limitations, renewability, and exclusions. Also, check the application which will be attached to the policy. Make sure all questions were answered completely and accurately. If not, immediately notify the company in writing of any corrections. You have a 10-day **free look** period for individual accident and health insurance policies. During that time you may return the policy and receive a full refund of your premium. The free look period begins at the time you receive the policy. If you return the policy to the company, be sure to send it by certified mail with a return receipt requested. This will give you a record of the date it was returned in case there is a dispute.

When Commercial Insurance Is Not An Option

If you are unable to purchase insurance in the open marketplace, you might want to explore the Texas Health Insurance Risk Pool or some of the government assistance programs that are available.



■ Texas Health Insurance Risk Pool

The Texas Health Insurance Risk Pool was authorized by the Texas Legislature in 1989 but is not currently operational due to funding problems. It is intended to provide health insurance to persons who are unable to obtain health coverage through traditional insurance markets or employee health benefit programs, and who are not covered under Medicaid, Medicare, or other government programs. While this coverage is not yet in place, the governing board of the pool has arranged for Blue Cross/Blue Shield of Texas, Inc. to receive and respond to inquiries from the public and to maintain the mailing list of interested persons.

For information, consumers outside the Dallas area may call **1-800-338-2227**. The direct number for consumers in the Dallas area is **669-3926**. The mailing address is:

Blue Cross/Blue Shield of Texas, Inc.

P. O. Box 655082

Dallas, Texas 75265-5082

■ Other Government Programs

There are a number of government assistance programs available to people who qualify for specified services. These are administered by governmental agencies, listed in the Blue Pages of your telephone book in most areas of the state.

UNITED STATES OFFICES

■ Health and Human Services, Social Security Administration/Medicare

Medicare benefits are available both to persons 65 and older and to certain people under 65 who are disabled. Medicare consists of two parts. Part A covers in-patient hospital care and some limited nursing home services. Part B provides optional insurance coverage for services rendered by physicians and out-patient medical clinics as well as other services not covered by Part A.

Call Medicare, listed in the Blue Pages of your telephone directory, for eligibility requirements and for additional information.

■ **Veterans Administration**

The Veterans Administration (VA) offers a variety of services to veterans, including home health care; in-patient hospital care; out-patient services; prescriptions; physical, vocational, and social rehabilitation; nursing home care; adaptive equipment for disabled veterans; survivor benefits; insurance; pensions for disabled veterans; special adapted housing; educational assistance; home loans; and job training.

For additional information you may call the Waco Regional VA Office at **1-800-827-2012**.

STATE OFFICES

■ **Texas Department of Health**

The Texas Department of Health provides direct services through clinics located in eight public health regions and in 72 affiliated local health departments. Services include immunizations, maternity and child health clinics, adult health screenings, home visits by nurses, and testing for AIDS. For more information, consult your local telephone directory.

The central office in Austin offers other health care programs for chronically ill and disabled children, refugee screening, kidney health care, primary care, developmentally delayed children, Hansen's disease and Alzheimer's disease assistance. For more information, call **512-458-7111**.

■ **Texas Department of Human Services**

Certain low-income Texans may receive health care services through the Medicaid program. Medicaid is offered through the Texas Department of Human Services (DHS), which purchases health care services for clients from an array of providers including physicians, hospitals, clinics, laboratories, nursing homes, home health agencies, pharmacies, and others.

People who qualify for the Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI) programs are eligible for Medicaid. Other low-income Texans may qualify for Medicaid through program provisions applying to pregnant women and young children, nursing home residents, foster and adopted children, refugees, and others.

Call the local DHS office for information about applying for Medicaid. DHS offices are located in most major cities. Check the blue pages of your telephone directory for the DHS office nearest you.

Low-income Texans who do not qualify for Medicaid may be eligible for local programs operated by their county governments, hospital districts or public hospitals.

■ Texas Rehabilitation Commission

The Texas Rehabilitation Commission will assist eligible Texans who have certain physical and mental disabilities to secure and maintain jobs.

Some of the major disability groups served include: orthopedic deformities (includes amputations); mental health (includes alcoholism, drug addiction, character disorders); internal medical conditions (includes epilepsy); mental retardation; deaf and hearing impaired; and speech and language/learning disabilities.

Some of the services include: medical, psychological and vocational evaluation; counseling and guidance; interpreter services for the deaf; medical treatment including hospitalization, surgery and therapy to lessen or remove the disability; assistive devices such as artificial limbs, braces, wheelchairs, and hearing aids to stabilize or improve function on the job and at home; training in trade school, business school, college, university, rehabilitation center, on the job or at home; halfway house services; selective job placement compatible with the person's physical and mental ability and follow-up after placement to ensure job success.

For more information about services offered by the Texas Rehabilitation Commission, call **512-483-4000** or write:

Texas Rehabilitation Commission

4900 N. Lamar Blvd.
Austin, Texas 78751-2316

COUNTY OFFICES

Each county designates either a county extension agent or county judge to oversee the County Indigent Health Insurance Program. For more information about the services provided and the eligibility requirements, contact your county courthouse.

Resource Material

The Texas Health and Human Services Coordinating Council has published a resource guide that provides detailed information on federal and state programs available to the public in a usable and understandable format. For this guide, check your local public library for *Health and Human Services In Texas: A Reference Guide* or contact the Office of the Governor at **512-463-1998**.



Worksheet 1

Company: _____

The following sheets are provided to help you organize your notes and questions as you comparison shop.

- Is the Company Licensed? _____
- Premium _____
- Waiting period for pre-existing conditions _____
- Other waiting periods _____
- Co-payment conditions _____
- Deductible _____
- Renewal/Cancellation Conditions _____
- Maximum Policy Benefit _____
- Exclusions _____
- Limits on Daily Hospital Room & Board _____
- Doctor Visits _____
- Services of Specialists _____



Worksheet 2

Company: _____

The following sheets are provided to help you organize your notes and questions as you comparison shop.

- Is the Company Licensed? _____
- Premium _____
- Waiting period for pre-existing conditions _____
- Other waiting periods _____
- Co-payment conditions _____
- Deductible _____
- Renewal/Cancellation Conditions _____
- Maximum Policy Benefit _____
- Exclusions _____
- Limits on Daily Hospital Room & Board _____
- Doctor Visits _____
- Services of Specialists _____



Worksheet 3

Company: _____

The following sheets are provided to help you organize your notes and questions as you comparison shop.

- Is the Company Licensed? _____
- Premium _____
- Waiting period for pre-existing conditions _____
- Other waiting periods _____
- Co-payment conditions _____
- Deductible _____
- Renewal/Cancellation Conditions _____
- Maximum Policy Benefit _____
- Exclusions _____
- Limits on Daily Hospital Room & Board _____
- Doctor Visits _____
- Services of Specialists _____

Consumer Publications Available from the Texas Department of Insurance

- Before You Build, Remodel or Repair
- Consumer's Guide to Health Insurance
- Homeowner's Insurance — A Guide for Texas Consumers
- A Consumer Guide: Understanding Purchasing Groups in Texas
- A Consumer's Guide: Understanding the Texas Department of Insurance*
- Continuing Care Retirement Communities (CCRC's)
- Guidelines for Texas Employers in Purchase of Employee Health Benefit Plans
- Guide to Health Insurance for People with Medicare *(Developed jointly by NAIC and HCFA of the U.S. Department of Health & Human Services)*
- Insurance Guaranty Funds: An Insolvency Safety Net*
- Medicare Supplement Insurance, A Guide for Texas Consumers*
- List of Publications
- Questions & Answers About Workers' Compensation Insurance*
- A Shopper's Guide to Long Term Care Insurance in Texas *
- A Shopper's Guide To Medicare Supplement Insurance in Texas*
- What You Should Know Before Buying Long Term Care Insurance*
- What You Should Know Before Buying Medicare Supplement Insurance*
- Something New Is Waiting For You (Readable Homeowners Policy)
- Catpool Claims: A Guide for Policyholders of the Texas Catastrophe Property Insurance Association
- Complaint Ratios for Insurance Companies in Texas*
- A Shopper's Guide to Long Term Care Insurance
(Developed by the National Association of Insurance Commissioners)

*These publications are being updated. The new edition will be mailed to you when it is available.

Mail your request to:

Texas Department of Insurance

Publications (108-5A)

P.O. Box 149104

Austin, Texas 78714-9104



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