

Health Insurance

How Health Insurance Works

Health insurance helps pay for your healthcare, including routine check-ups, surgery, and emergency room visits. You pay a certain amount per month (your *premium*) for the privilege of having insurance. Health insurance plans also have something called a *deductible* (or *co-insurance*, depending on your plan). The deductible is the amount of money you must pay out of your own pocket before your insurance will fully cover your costs. There are lots of complicated rules and exceptions, but that's all you really need to know right now.

Examples

Example 1: Let's say your insurance premium is \$100 per month and you have an \$8,000 deductible. This means that whenever you visit the doctor, you will pay *full price* until you've paid out \$8,000 from your own pocket. At this point, your health insurance will kick in and they will pay a percentage or, if you're lucky, all of your costs moving forward for the rest of the year. Most healthy people won't ever pay this much in health costs unless they have an emergency. An emergency hospital stay can cost upwards of \$15,000. In this case, you would pay \$8,000, but your insurance would pick up the additional \$7,000. It's important to note that health insurance deductibles reset *every year*.

Example 2: Imagine your insurance premium is \$300 per month and you have a \$2,000 deductible. This means that when you visit the doctor, you will pay *full price* until you've paid out \$2,000 from your own pocket. At this point, your health insurance will kick in and they will pay a percentage or, if you're lucky, all of your costs moving forward for the rest of the year. \$2,000 isn't terribly unreasonable for health care costs for someone who goes to the doctor a lot or who has a minor accident. An ER visit can cost \$1,000, for example, and an ambulance can cost \$500. If you had an accident that cost \$1,500, you would pay for it all out of pocket unless you had already met some or all of your deductible. It's important to note that health insurance deductibles reset *every year*.

The Gamble

Health insurance is, essentially, a gamble. If you choose lower premiums but a higher deductible, you're betting that you won't get sick or in an accident; you'll probably never use your insurance benefits and have coverage just in case something terrible happens. You'll be relying on your savings to pay for healthcare.

If you choose higher premiums but a lower deductible, you're betting you won't have enough money saved up to cover an unexpected illness or accident. You're choosing to give the insurance company more money per month because you think you may become sick or have an accident but lack the necessary savings to pay for it yourself; you're going to rely on insurance.

Legal and Financial Issues

You are required by law to have health insurance. If you do not have health insurance, you will pay a hefty fine come tax time. If you are salaried, your company will likely offer health insurance as part of your benefits package. If you are self-employed or working part-time, you'll have to purchase your own insurance (Obamacare). If you're not sure which category you belong in, ask your teacher for help.

Your insurance premiums depend largely on your age, health, and habits such as smoking. Conditions such as Type 2 diabetes or obesity and unhealthy habits such as smoking dramatically increase your insurance costs. Being healthy saves you money!

Currently, the average cost for insurance for a healthy 23-year-old in Georgia is \$253/month. We're going to assume that you've made excellent choices and are healthy at 23. You must choose from one of the following options for your health insurance. Getting insurance through your employer is always cheaper and better than buying it on your own. When you consider your future career, you need to consider whether health insurance is likely to be offered in your place of employment.

Self-Employed or Hourly: Self-Pay	
Option 1	\$253/month premium
	\$4,000 deductible
Option 2	\$353/month premium
	\$2,500 deductible

Salaried: Insurance Through Employer	
Option 1	\$200/month premium
	\$4,500 deductible
Option 2	\$253/month premium
	\$2,500 deductible