



California Health Benefits Review Program

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



Slide 6

h7

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.

hquach, 1/15/2013

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



Dynamics of Health Insurance

- **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



CA Health Insurance Regulation

- **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



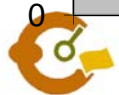
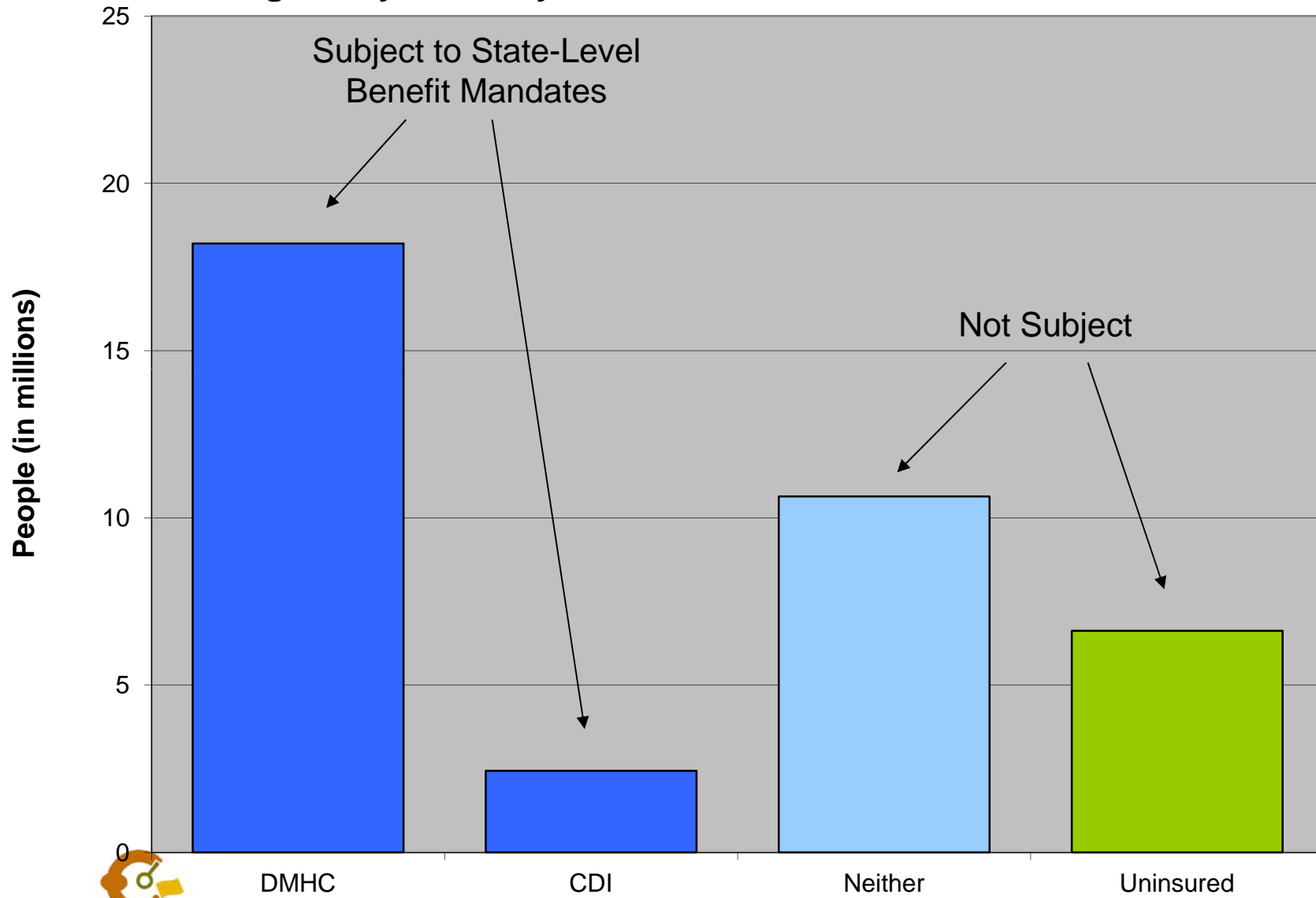
CA Health Insurance Regulators

- **OTHER** - Federal and/or other State-Level Department



Sources of Health Insurance in California, 2012

Regulatory Authority



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

