

Understanding Health Insurance

Health insurance exists because we live in an unpredictable world. This coverage helps spread out the cost of expensive health care, helping people gain access to care that they otherwise couldn't afford. You never know when you might get sick, injured or when you may need expensive medical care, so you pay a monthly fee — “premium” — for insurance that helps pay your medical bills. Health insurance also covers preventive care like doctor visits, vaccinations and screenings.



? How does health insurance work in Minnesota?

In Minnesota, there are generally three types of health insurance:

FULLY INSURED

If you have a fully insured plan, either you (through an individual market plan) or your employer pay a premium each month to an insurance company. Your insurance company then pays your medical bills with that money. If your bills are more than you have paid in premiums, your bills still get paid. Typically, smaller companies offer fully insured plans to employees because they aren't able to take on the financial risk of paying employees' expensive medical bills if they become ill.

About 16.3%
of Minnesotans
are fully insured.

GOVERNMENT-SPONSORED

If you have government-sponsored coverage, you are enrolled in programs like Medicare (which serves people who are 65 and older or younger people with certain disabilities), Medicaid (which serves low-income families and individuals), MinnesotaCare (also serving those who are low-income, but may require them to pay a monthly premium depending on income level) and VA/TRICARE (a health care program for uniformed service members, retirees and their families). Through these programs, the federal or state government pays for the coverage each month and the health plan pays medical bills.

About 39.9%
of Minnesotans
have government-
sponsored
insurance.
(18.6% Medicare, 20.2%
MinnesotaCare/Medicaid,
1.1% VA/TRICARE)

SELF-FUNDED (OR SELF-INSURED)

If you have self-funded insurance, your employer is paying your medical bills with their own money, thus the term “self-funded.” Large companies with significant financial resources hire a health insurance company to do administrative services including sending out health insurance cards, contracting with doctors and hospitals, and answering questions from employees. The state also can't assess fees and taxes on self-employed insurers.

About 39.6%
of Minnesotans
have self-funded
insurance.

Uninsured. About 4.1% of Minnesotans are uninsured.

\$ How much of my medical bills does my insurer pay?

Generally speaking, you and your health insurer share costs up to a certain point. What you pay depends on four aspects: your deductible, copayment, coinsurance and out-of-pocket maximum. Each health plan will have different combinations of deductibles, copays and out-of-pocket maximums.

DEDUCTIBLE: This is the total amount you need to pay before your insurance plan starts paying your bills. If your plan has an annual deductible for a covered service, then as soon as you pay that deductible in the course of a year, the plan will start paying more. Some services, like preventive care, will be paid prior to a deductible being met.

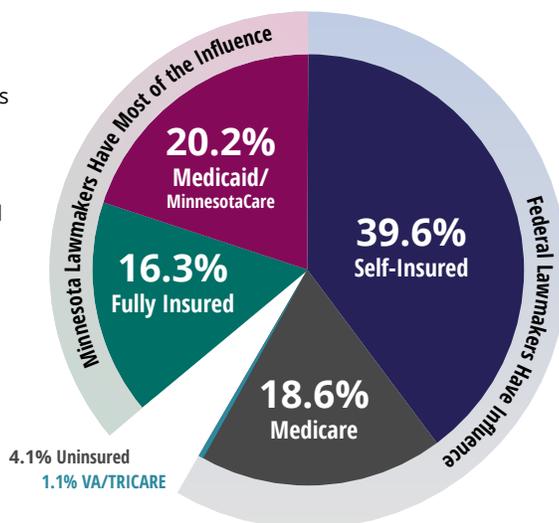
COPAY: This is a flat fee you pay for specific services. If the negotiated rate of a procedure is \$100 and your coinsurance is 20%, then you'll owe \$20 for that procedure. Copays cover your portion of the cost of a doctor's visit or medication. Depending on how your health plan works, what you pay in copays may count toward meeting your deductible.

COINSURANCE: This is a percentage of costs that you cover for certain health care services. If the full cost of a procedure is \$100 and your coinsurance is 20%, then you'll owe \$20 for that procedure. (You might also have copays.)

OUT-OF-POCKET MAXIMUM: This is the most you will pay for covered services each year. Once you hit the maximum, your plan will pay 100% of covered services. It's important to know that some plans operate different out-of-pocket maximums for in-network and out-of-network coverage, so if you receive out-of-network services, they will likely not be paid at 100%. Depending on your plan, you may still need to pay a copay or coinsurance.

✓ Who makes the rules when it comes to health insurance?

Fully Insured and Medicaid/MinnesotaCare: Minnesota lawmakers have direct influence over the way health insurance is received through fully insured plans (including plans offered through smaller employers and the individual market), as well as plans through Medicaid and MinnesotaCare. Also, while state legislators have the ability to more directly impact certain plans/market segments, the federal government continues to play a role across all market segments.



Self-Insured, Medicare and VA/TRICARE:

The federal government has direct influence over the way health insurance is received through self-funded, Medicare and VA/TRICARE plans. The federal government almost exclusively governs the rules under the Employee Retirement Income Security Act of 1974 (ERISA). Under ERISA, federal laws, not state laws, govern self-funded and Medicare plans.

🛡️ What do I get for the money I pay each month?

Although your health insurer pays on average more than \$800 for medical care every second, it does a lot more work behind the scenes, including:

- Reducing medical expenses by negotiating discounted rates with doctors, hospitals and other providers to offer quality care at a lower price;
- Protecting us from financial ruin if we are badly injured or become very ill;
- Helping us stay well with preventive services and incentives like health-club discounts;
- Improving care by creating new models of payment that pay providers based on the quality of our health, not the quantity of service;
- Working with community organizations and stakeholders to make social and environmental conditions healthier.



For more information about how health insurance works in Minnesota

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