

Two Sisters, Two Plans

Twins Joan and Jill love outdoor sports. On a recent ski trip, they fell off a ski lift. Each one had to have knee surgery.

Both sisters were rushed from the ski resort to an emergency room and then transferred to hospitals in their hometown, where they were admitted for two-day hospital stays. Because they chose different types of health insurance plans at their jobs, their coverage was different.

Joan had a Health Maintenance Organization (HMO) plan. She was directed to a hospital within her HMO's network and was limited in her selection of a knee surgeon.

Jill had a PPO plan (Preferred Provider Organization). She wanted more choice of doctors and hospitals when she signed up for her plan. After her accident, she was able to pick any doctor and any hospital listed in her plan's directory.

Notice the difference in what and how the plans pay for medical care. The HMO has no deductible or coinsurance, which means that most of the cost of care is prepaid through insurance premiums. The PPO has a doctor office copayment, but no copayment for other services. It also has a deductible that must be paid each year before her insurance pays any costs. The PPO also has coinsurance: a percentage of cost that the insured pays after the deductible has been met.

Plan Fees	Joan's HMO	Jill's PPO
Monthly Premium	\$200	\$100
Annual Premium	\$	\$
Annual Deductible – must be paid before insurance pays any costs	No deductible	\$1,000
Coinsurance is % the insured pays of the total cost	None	80/20—insurance pays 80% of costs after deductible has been met; the insured (Jill) pays 20%
Copayment for hospital stay Portion of the bill insured pays	\$100	None
Copayment for emergency room	\$50 (waived, if admitted)	\$100 (waived, if admitted)
Copayment for doctor visit	\$20	\$35

Using the information in the plan chart and the costs of medical care before insurance, calculate each twin's costs.

Ski Accident Costs	Joan's Cost (with HMO)	Jill's Cost (with PPO)
Emergency Room \$250		
2-Day Hospital Stay \$4,775		
Follow-up Dr. visit \$160		
TOTAL COST: \$		

What would this medical care have cost without insurance? \$ _____

How much did Jill pay for medical care related to the accident? \$ _____

How much did Joan pay? \$ _____

What does Jill pay each year in premiums? \$ _____ What does Joan pay? \$ _____

Which plan provides more choice? _____