

Business and Personal Finance © 2012

Chapter 23: Health, Disability, and Life Insurance

Check Your Answers: Section Assessment

Section 2

Review Key Concepts

1. Health care plans are available from private insurance companies, hospital and medical service plans, health maintenance organizations, preferred provider organizations, home health care agencies, and employer self-funded health plans.

2. Medicare is a federally funded health insurance program available to people over 65 and to people with certain disabilities. Medicaid is a state and federally funded medical program available to certain low-income individuals and families.

3. Health care accounts include a flexible spending account (FSA) in which you contribute pretax money to an employer managed account; health reimbursement account (HRA) which is funded by the employer, allows you to invest the funds in stocks, bonds, and mutual accounts; and health savings account (HSA) in which you contribute money to a tax-free account to be used for out-of-pocket expenses with a health care policy. All three accounts require that the money be spent only for health care expenses.

Higher Order Thinking

4. Responses will vary. Sample response might include that everyone should be eligible for Medicare, regardless of income, since it is paid for by Social Security taxes that everyone contributes to.

21st Century Skills

5. **Make Judgments and Decisions** Sample response might include: I would choose the HMO. I am fairly healthy and active and do not visit the doctor very often. I would not mind changing doctors, if necessary, to use an in-network physician. By choosing the HMO, I believe I would have lower monthly premiums taken from my paycheck and I can use that extra money each month to help cover new expenses of living on my own.

Mathematics

6. **PPOs** Coverage = $(\$1,200 - \$400) \times 85\% = \$680$; Out-of-pocket = $\$1,200 - \$680 = \$520$