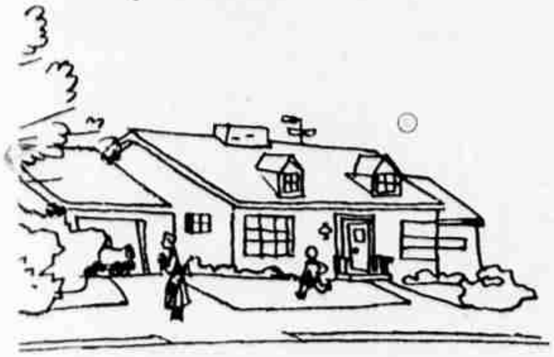
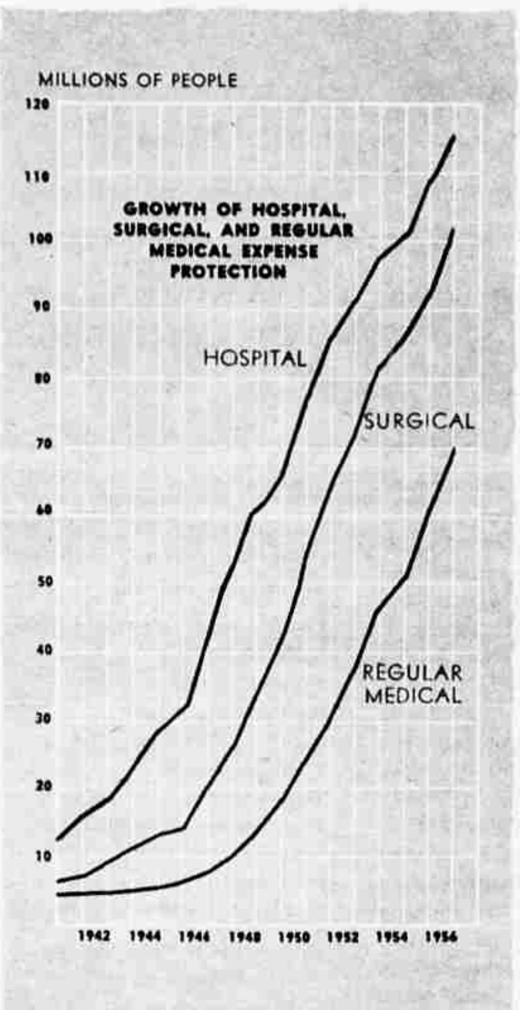
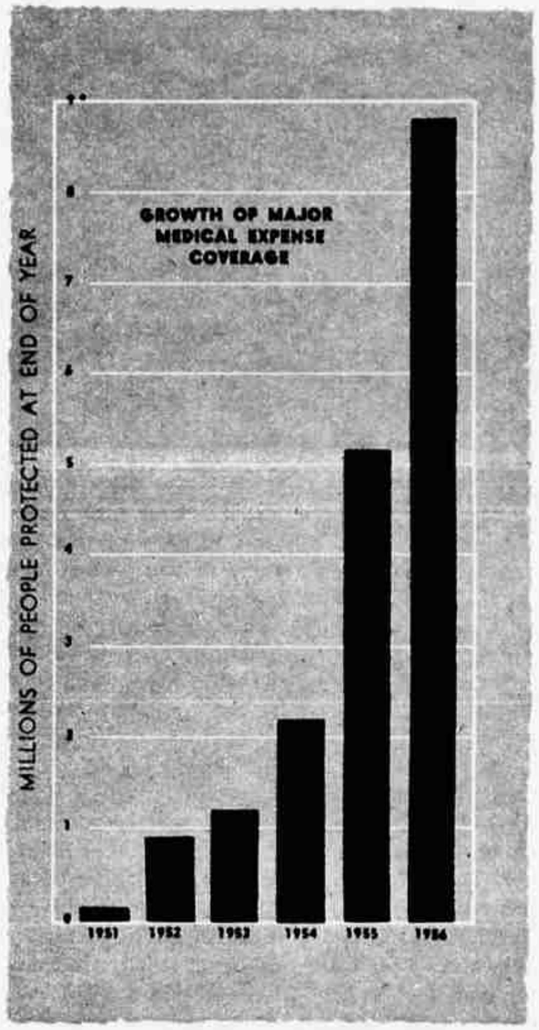


Illness can be a major catastrophe—unless you prepare in advance for ample protection.





Source: Health Insurance Council

to American families. The most common are those which pay hospital, surgical, or medical bills, or a combination of the three. The fourth type is designed to meet the expenses of major illness, and the fifth protects a person against loss of income due to sickness or accident.

What about Cousin Fred? Had he been insured, what would his benefits have been? And what would he have paid yearly to carry any or all of these protective policies?

Let's suppose he had had a hospitalization policy. This covers room, board, operating room, drugs, oxygen, and related expenses up to certain limits. Hospital insurance—in fact, any of these five types of insurance—is available either on an individual or a group basis. A group policy covers all the employees of a company or all members of a union or other organization. The larger the group, of course, the smaller the cost to each individual and the greater the benefits offered.

Cousin Fred works for a company with 500 employees. Although hospitalization benefits vary by locality, Fred would have received about $2,200.

Because Fred's office has group protection with a large company, the policy would have cost him $82 annually. The benefits of this plan (which would cost $150 yearly on an individual basis) would have included $15 a day for 90 days hospitalization plus $150 in miscellaneous expenses.

Fred required surgery, too. A policy which would have protected him and his family against surgical bills would have cost $39 on a group basis or $58 on an individual basis. Having this policy would have reduced Fred's surgeon's bill $200-300. Moreover, a medical-expense policy (which covers doctors, specialists, office visits, etc.) would have whittled down this part of the bill even more.

TODAY 115 million Americans have some sort of hospital coverage; 101 million have surgical protection; 64 million have medical-expense coverage. This is all to the good, yet specific policies have specific shortcomings.

For example, what if Fred carried hospital insurance, but took ill at home and was confined there? What if he had coverage for a surgeon's bill but needed only the services of a physician? What if his illness dragged on long beyond the time limits of his hospital policy? Then, of course, Fred would be out of luck and would have to pay out-of-pocket. Unfortunately, few of us can ever protect ourselves with specific policies against all the possibilities which might occur.

Realizing these gaps (particularly where there is severe illness), insurance companies now offer a more extensive coverage called major medical expense or catastrophe-coverage insurance. These policies take effect only after the first $300-500 of medical expenses. In short, they are not designed to pay small bills but rather the huge sums of money which major illness demands.

Some catastrophe policies give $10,000 coverage. Most are written for $5,000. Some require that you pay a percentage of the total; others do not. All are designed to cover every phase of illness (doctor, surgeon, hospital, drugs, treatments, etc.).

For $132 Fred could have purchased an individual catastrophe policy for his family; for $48 he could have bought the same coverage through his office group. Either way, he would have had to pay the first $300 expense and 25 percent of the total after that, but the insurance would have covered all the rest of his bills up to $5,000. In short, Fred's illness would have cost him $1,875 instead of $5,400.

FINALLY, there is a form of protection called disability insurance which pays not for specific expenses but rather for loss of income due to sickness or accident, or both. If Fred had figured that his family could live on $75 a week should he be disabled, he could have bought a group policy for $85 (or an individual policy for $118) which would have provided him with this weekly amount. Had he been injured, the payment would have begun immediately and continued for 12 months; had he been disabled by illness, payments would have started on the eighth day and continued for six months. There are many variations of this type of insurance, but basically the purpose is always the same: to provide income for the family when the wage earner can't work.

Fred gambled on his health. Illness, he figured, was something that happened to the other fellow. As a result he neither practiced prevention nor protected himself with insurance. Over a period of 10 years he figured that the group plans at his office (for hospitalization, surgery, major medical expense, and disability) would have cost him more than $2,500. What he didn't figure—what the statistically fortunate usually forget—is that in one month he ran up bills for *twice* that amount!

Certainly there are plenty of people who would like health insurance but who, for one reason or another, can't get it. They can't afford to be sick! But for Fred—for most of us—financial worries about illness can be greatly reduced by planning, by prevention, and by insurance protection.