

## Chapter 23 Health, Disability, and Life Insurance

**SOFTWARE  
ACTIVITY  
(OPTIONAL)**

### Spreadsheet Application

#### Comparing POS, HMO, and Private Insurance Coverages

**Objective:** Evaluate and compare the costs associated with three major forms of health insurance.

#### Practice Situation

Ronald Roth started his new job as a controller with Aerosystems today. Carole, the employee benefits clerk, has given Ronald a packet that contains information on the company's health insurance options. Aerosystems offers its employees the choice between a private insurance company plan, an HMO, and a POS. Ronald needs to review the packet and make a decision on which health care program fits his needs. The following is an overview of the information with which he was provided.

- 1) Private insurance company plan: The monthly premium cost to Ronald will be \$42.32. For all doctor office visits, prescriptions, and major medical charges, Ronald will be responsible for 20 percent and the insurance company will cover 80 percent of covered charges. The annual deductible is \$500.
- 2) The HMO is provided to employees free of charge. The copayment for doctor's office visits and major medical charges is \$10. Prescription copayments are \$5. The HMO pays 100 percent after Ronald's co-payment. The HMO does not have an annual deductible.
- 3) The POS requires that the employee pay \$24.44 per month to supplement the cost of the program with the company's payment. If Ron uses health care providers within the network plan, he pays the co-payments as described above for the HMO. He can also choose to use a health care provider out of the service and pay 20 percent of all charges, after he pays a \$500 deductible. The POS will pay for 80 percent of those covered visits. The POS does not have an annual deductible.

Ronald has decided to review his medical bills from the previous year to see what costs he incurred and to help him evaluate his choices. He visited his general physician four times during the year at a cost of \$125 for each visit. He also spent \$65 and \$89 on prescriptions during the year. Using these costs as an example, what would Ron pay for each of the plans described above? (For the purposes of the POS computation, assume that Ron visited a physician outside of the network plan. Assume he had his prescriptions filled at a network-approved pharmacy.)



	<b>Private Insurance Ron's Annual Costs</b>	<b>HMO Ron's Annual Costs</b>	<b>POS Ron's Annual Costs</b>
Ronald's annual premium costs			
Sample medical costs:			
4 office visits			
2 prescriptions			
Total medical costs			

**Spreadsheet Directions**

1. Start your spreadsheet software program and open problem **SA14.xls**.
2. Insert the formula to compute the annual premium charges for each insurance option.
3. Using Ronald's sample medical expenses, insert formulas to compute his charges for four office visits and two prescription charges for each plan. Remember to consider the \$500-deductible that Ron is responsible for under the private insurance company plan and the POS plan.
4. Insert the formulas to total the annual medical charges. *Note: Format all dollar amounts to Currency, decimal places 2.*
5. Perform your calculations and complete the spreadsheet, then save your work to a new file labeled **SA14\*\*\*.xls**. (Replace \*\*\* with your initials.)
6. Print out a copy of your work if your teacher has instructed you to do so.

**Interpreting Results**

1. Using the sample medical expenses provided for your calculations, determine what annual medical costs Ronald will pay if he were to enroll in the private insurance company plan.

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2. What total medical costs will Ronald pay if he enrolls in the HMO plan?

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3. What annual medical costs did you compute for Ronald if he selects the POS plan?

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**Drawing Conclusions**

1. What are the benefits of the POS plan that Ronald has been offered?

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2. In addition to the financial considerations in choosing a health care plan, list other concerns that Ronald should evaluate when making this decision. Explain.

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