

MONEY SENSE

Save More and Spend Less

A newsletter for individuals and families

Dear Readers,

Please find your latest issue of the Money Sense. Our office has received many emails for subscription renewal requests. If you know of someone who would benefit from receiving this newsletter, please share your copy.

The 2014 winter issue will include:

- Health Insurance (Part Two)
- Debt and What to do about Your Stress Level.

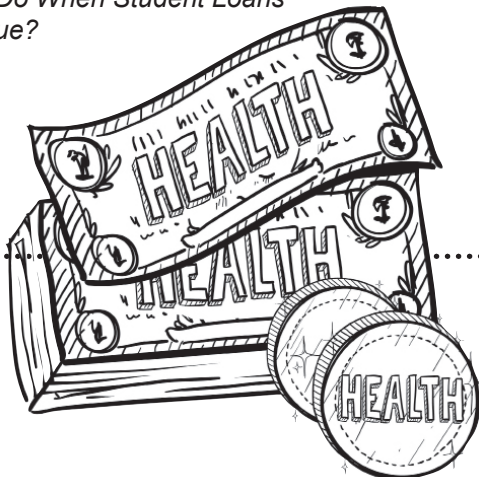
If you have suggestions for article ideas, please feel free to share. Enjoy reading.

If you have any questions or comments, please feel free to contact me via email or by calling 207-1800-287-0274.

Jane K. Conroy,
*Family Resource Management
Extension Educator*

In this issue:

- *Health Insurance Coverage: What Should You Know? (Part One)*
- *Building a Stronger Credit History*
- *What to Do When Student Loans Come Due?*



Health Insurance Coverage: What should you know?

By now, you have heard reference to the health insurance through the Affordable Care Act or you may have received your enrollment packet from your employer. Most people feel overwhelmed and dread reading through the information to make informed decisions. This two part series will lead you and your family through some basic health care information, terms and options to help you to select the medical plan the fits best for you and your family.

Understand your plan when it relates to selecting a provider; talk to your doctors about use of generic drugs and use walk-in care centers when appropriate.

Be sensitive to dates and deadlines.

Here are some common terms to know:

Allowable charge — sometimes known as the “allowed amount,” “maximum allowable,” and “usual, customary, and reasonable (UCR)” charge, this is the dollar amount considered by a health insurance company to be a reasonable charge for medical services or supplies based on the rates in your area.

Benefit — the amount payable by the insurance company to a plan member for medical costs.

Claim — a request by a plan member, or a plan member’s health care provider, for the insurance company to pay for medical services.

Coinsurance—the amount you pay to share the cost of covered services after your deductible has been paid. The coinsurance rate is usually a percentage. For example, if the insurance company pays 80% of the claim, you pay 20%.

Copayment—a shared payment for your medical costs. You pay a flat fee for certain medical expenses (e.g., \$25 for every visit to the doctor), while your insurance company pays the rest.

Deductible — the amount of money you must pay each year to cover eligible medical expenses before your insurance policy starts paying.

Dependent — any individual, either spouse or child, that is covered by the primary insured member’s plan.

Health Insurance *continued from page 1*

Exclusion or limitation — any specific situation, condition, or treatment that a health insurance plan does not cover.

Explanation of benefits — the health insurance company's written explanation of how a medical claim was paid. It contains detailed information about what the company paid and what portion of the costs you are responsible for.

Health maintenance organization (HMO) — A health care financing and delivery system that provides comprehensive health care services for enrollees in a particular geographic area. HMOs require the use of specific, in-network plan providers.

Health savings account (HSA) — a personal savings account that allows participants to pay for medical expenses with pre-tax dollars. HSAs are designed to complement a special type of health insurance called an HSA-qualified high-deductible health plan (HDHP). HDHPs typically offer lower monthly premiums than traditional health plans. With an HSA-qualified HDHP, members can take the money they save on premiums and invest it in the HSA to pay for future qualified medical expenses.

In-network provider—a health care professional, hospital, or pharmacy that is part of a health plan's network of preferred providers. You will generally pay less for services received from in-network providers because they have negotiated a discount for their services in exchange for the insurance company sending more patients their way.

Network — The group of doctors, hospitals, and other health care providers that insurance companies contract with to provide services at discounted rates.

You will generally pay less for services received from providers in your network.

Out-of-network provider — a health care professional, hospital, or pharmacy that is not part of a health plan's network of preferred providers. You will generally pay more for services received from out-of-network providers.

Out-of-pocket maximum — the most money you will pay during a year for coverage. It includes deductibles, copayments, and coinsurance, but is in addition to your regular premiums. Beyond this amount, the insurance company will pay all expenses for the remainder of the year.

Payer—the health insurance company whose plan pays to help cover the cost of your care. Also known as a carrier.

Preferred provider organization (PPO) — a health insurance plan that offers greater freedom of choice than HMO (health maintenance organization) plans. Members of PPOs are free to receive care from either in-network or out-of-network (non-preferred) providers, but will receive the highest level of benefits when they use providers inside the network.

Premium — the amount you or your employer pays each month in exchange for insurance coverage.

Provider — any person (i.e., doctor, nurse, dentist) or institution (i.e., hospital or clinic) that provides medical care.

Specialists — a provider who focuses on a specific area of medicine or health care.

Sources: Adapted from U.S. Dept. of Health & Human Services, Smart Choice, and Healthinsurance.org

Key questions to ask when evaluating your health insurance plan:

What type of plan do you currently have (check one):
 POS PPO HMO None Other (please specify)

Do ALL my current providers take this plan? YES NO

Can I choose my medical providers? YES NO

Do I need referrals for specialists? YES NO

Do you need pre-authorization for procedures? YES NO

Does your plan accept billing or do you need to pay upfront and get reimbursed? YES NO

Of the services listed below, check those that are covered with your plan:

Medical Vision Prescription Dental
 Maternity Mental Health Substance Abuse

Is there a waiting period for Maternity services? YES NO

If you travel out-of-network, does the plan cover care out of the area? YES NO

Does this company have a high number of consumer complaints? YES NO

Here is an Enrollment Checklist:

- Review the medical, dental and vision elections to be sure you've enrolled in the appropriate plan(s).
- Do you need to add or drop dependents coverage?
- If you elect spouse, family coverage, are the names correct?
- If you are adding a dependent or spouse, do you have the needed documentation (birth certificate, marriage certificate)?
- Have you checked your beneficiary information?
- Have you enrolled in a Health Savings Account plan? (The IRS requires re-enrollment annually.)
- Is your mailing address correct?
- Be sure to get a copy of your enrollment information or confirmation number.

Building a Stronger Credit History

People need to understand their financial picture and what is the impact of outstanding debt. Many things affect your ability to be successful financially.

Credit History

Your credit history and credit score play an important role in your money picture and spending options. It determines the rate you pay when you borrow money; rates on home/car insurance; eligibility for some jobs; eligibility for some homes/apartments.

What is Your Credit Report?

This is today's way for financial institutions/lenders/employers to know your money practices. It includes ID information, public records, inquiries- regular, promotional, accounts, and account information, payment history. Get your free copy at www.annualcreditreport.com

Know Your Credit Score

Your credit score is that all-important three-digit number used by lenders to help them decide whether or not to lend you money and what your interest rate will be. That's why your day-to-day money moves can help or hurt your credit scores.

They look at:

- Your track record of payments.
- How much you owe.
- How long you've had established credit.
- Whether you're taking on new credit.
- The types of credit accounts you have open.

Improving Your Credit Score

- Pay all of your bills on time, every time.
- Keep your credit card balances low.
- Only open new credit when necessary

Action	Consequence
Applying for a new line of credit, auto loan or student loan	None to mild
Single 30-day late bill payment	Mild
Multiple credit card issuers requesting your credit report in a 12-month period	Mild to moderate
Multiple historical 30-day late payments	Moderate
Account sent to collections	Severe
High credit-card utilization rate (This is your debt ratio)	Severe
Foreclosure	Severe
Bankruptcy	Severe
Short sale	Severe

Consequences:
Mild: 10- to 60-point reduction; recovery within a year.
Moderate: 60- to 100-point reduction; recovery takes more than one year.
Severe: 100-point reduction or more; recovery takes too to 10 years, depending on the infraction

What to do when student loans come due?

So you have graduated this past spring or decided to take a break from school.

Well, that student loan bill is on the way. When it comes to repaying your federal student loan, there's a lot to consider. You can save time and money when you understand the details of repayment options.

REMEMBER: You must repay a student loan even if your financial circumstances become difficult. Loans can't be canceled because you didn't get the education or job you expected, and they can't be canceled because you didn't complete your education (unless you couldn't complete your education because your school closed). This loan is usually the first way to start building your credit history.

Here are some frequently asked questions:

Q: When do I begin repaying my federal student loan?

You don't have to begin repaying most federal student loans until after you leave college or drop below half-time enrollment. However, PLUS loans enter

repayment once your loan is fully paid to you.

Your loan servicer or lender must provide you with a loan repayment schedule that states when your first payment is due, the number and frequency of payments, and the amount of each payment. Keep in mind that your loan may have a grace period.

Q: What's a grace period?

It is a set period of time after you graduate, leave school, or drop below half-time enrollment before you must begin repayment on your loan. This gives you time to get financially settled and to select your repayment plan. Not all federal student loans have a grace period. Note that for most loans, interest will accrue during your grace period.

Direct Subsidized Loans, Direct Unsubsidized Loans, Subsidized Federal Stafford Loans, and Unsubsidized Federal Stafford Loans have a six-month grace period before payments are due. PLUS loans have no grace period. They enter repayment once they are fully disbursed but may be eligible for a deferment. Contact your loan servicer for more information.

Q: How much will I need to pay?

Your bill will tell you how much to pay. Your payment (usually made monthly) depends on the type of

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Student Loans *continued from page 3*

loan you received, how much money you borrowed, the interest rate on your loan, and the repayment plan you choose.

Q: How do I make my payments?

The U.S. Department of Education (ED) uses several loan servicers to handle the billing and other services on loans for the Direct Loan Program and for loans that were made under the Federal Family Education Loan (FFEL) Program and that ED later purchased. You'll tell your loan servicer which repayment plan you'd like to choose.

There are several ways you can make your payments.

If you want to make electronic payments, you can do the following:

- Receive your student loan statement electronically.
- Make your student loan payment through electronic debiting.
- Schedule a recurring electronic debit to pay your bill.
- You can enroll in electronic debit in several ways, depending on which type of loan you are repaying.
- Contact the organization that services your loan for their information.

If you want to make payments by postal mail, you should mail your payments directly to your loan servicer.

Q: Can I pay more than my required monthly payment?

You can make payments before they are due or pay more than the amount due each month. Contact your loan servicer to make sure the money is applied to your principal balance. Interest is charged on this amount. Paying a little extra each month can reduce the interest you pay and reduce your total cost of your loan over time.

Q: What should I do if I'm having trouble making my loan payment?

Contact your loan servicer as soon as possible. You may be able to change your repayment plan to one that will allow you to have a longer repayment period or to one that is based on your income. Also ask your loan servicer about your options for a deferment or forbearance or loan consolidation.

Source: <http://studentaid.ed.gov/repay-loans/understand>

