

Health Insurance

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The term health insurance is generally used to describe a form of insurance that pays for medical expenses. It is sometimes used more broadly to include insurance covering disability or long-term nursing or custodial care needs. It may be provided through a government-sponsored social insurance program, purchased on a group basis (e.g., by a firm to cover its employees) or purchased by individual consumers. In each case, the covered groups or individuals pay premiums or taxes to help protect themselves from high or unexpected healthcare expenses. Similar benefits paying for medical expenses may also be provided through social welfare programs funded by the government rather than the beneficiaries.

Health insurance works by estimating the overall risk of healthcare expenses and developing a routine finance structure (such as a monthly premium or annual tax) that will ensure that money is available to pay for the healthcare benefits specified in the insurance agreement. The benefit is administered by a central organization, most often either a government agency or a private or not-for-profit entity operating a health plan.

1 Market-based health care systems such as that in the United States rely heavily on private and not-for-profit health insurance. In the U.S., according to the Census Bureau, some 60% of the population receives health insurance coverage through employer-sponsored plans. Government programs cover another 27% of the population, and about 9% of the population purchases insurance directly (there is some overlap in these figures).