

Independent Contractors Health Insurance 101

Understanding different type of insurance for freelancers, gig workers, and other independent contractors

As an independent contractor, you're your own boss. And that means you're not eligible for an employer-sponsored health plan. But there are many varieties of plans available to you, offering a wide range of coverage terms and options. The topic of health insurance can sound like a completely different language with all of its jargon. Here, we break down the various categories of plans available to you and provide examples of why a specific type of coverage may be right for you.

Telehealth Coverage - \$

What is it?

Telehealth coverage gives you convenient, fast access to licensed doctors anytime, anywhere. With it, you have 24/7/365 access to board-certified doctors and pediatricians either through phone or video consults. Telehealth gives you care for non-emergency conditions such as: cold and flu, respiratory infection, ear infections, sore throat, insect bites, acne, and more. This is a great solution for those who typically use urgent care or the emergency room for doctor's visits.

Highlights:

- \ Affordable monthly payment gives you access to board certified doctors who can prescribe medication if necessary
- \ Available 24/7/365 – anytime, anywhere by phone or by video
- \ Gives you care for more than 80 non-emergency conditions
- \ Works on its own or in conjunction with other medical coverages
- \ Does not cover emergency situations (bleeding, heart attack, stroke) or STDs

How it works:

Telehealth is easy and convenient way to see a doctor for non-emergency conditions. Once you identify a medical need, you can sign into your account and book an appointment with a doctor for a specific time or next-available appointment. A doctor will call you or video chat with you and assess your symptoms, recommend a treatment, and can send a prescription to your pharmacy if needed. Telehealth can be used alone or in conjunction with other health coverages.

Example:

Natalie is a busy mother of three and does contract work as an in-home caregiver. Between her kids and shifts at work, she is always on the go and doesn't always have time to take herself or her children to the doctor's office or urgent care. She was skeptical to use telehealth at first because

she was unsure about the quality of the doctors and thought it would be hard to figure out how to sign up. However, she decided to give it a try after one of her kids came down with a sore throat over a long weekend. She found the sign-in process to be clear and easy and the doctor to be friendly and knowledgeable. Moreover, she had a prescription for her daughter within minutes! Because it was such a fast and easy process, she now uses telehealth anytime she has a non-emergency need for herself and her children. It saves her time and money!

Accident Coverage - \$\$

What is it?

Accidents can happen to anyone at any time, so for very little money, you can prepare for the unexpected with accident insurance. It reimburses you for out-of-pocket medical expenses in the event of unexpected injuries — from sports activities, automobile crashes, slips and falls, etc. Also, some people elect for accident insurance to pair with high deductible major medical coverage since most claims are accident related rather than sickness related, especially for younger adults and their families.

Highlights:

- \ Pays a lump sum or monthly payments in the event of a covered injury
- \ Very affordable premiums
- \ Works on its own or as supplemental insurance with high deductible major medical plans
- \ No underwriting, so individuals are immediately insurable
- \ Does not cover self-inflicted injuries or dental injuries

How it works:

Accident insurance helps protect individuals from the high cost of emergencies. Even if you have health insurance coverage, a serious injury could leave you responsible for major deductible or out-of-pocket expenses or treatments and services not otherwise covered by your plan. Accident insurance steps in by paying you either a lump sum or monthly payments. You can use the money to pay for services like an ambulance ride, an emergency room visit, X-Ray or testing fees, or to fill gaps from lost income. If you don't have health insurance because of high premium costs or another reason, accident insurance offers peace of mind for unexpected injuries.

Example:

Bethany is a freelance photographer. Her gigs occasionally place her in the wilderness or other adventurous situations. Plus, she's always on the go when she's not working too. She has medical insurance coverage from another plan, but she worries about an unexpected injury while hiking, rock climbing or whitewater rafting. That's why she wants additional coverage in the event of an accident. An injury could sideline her from work temporarily. And if she were facing out-of-pocket expenses from an emergency room visit or hospital stay while also not earning income, she would have to deplete her savings account or other resources to pay her regular bills.

Basic Medical - \$\$\$

What is it?

Basic medical insurance is a low-premium plan to partially reimburse you for everyday health care costs, including hospital stays, prescriptions, doctor visits, and routine lab tests. Basic medical insurance premiums are significantly lower than those of major medical insurance plans because although they reimburse many of the common healthcare expenses, they do not offer the same higher levels of coverage. Basic medical coverage goes by many names — limited medical plans, mini-med plans, hospital indemnity – so be sure that you carefully review the plan benefits so that you know what you are paying for.

Highlights:

- \ Provides benefits for many common healthcare expenses
- \ Less expensive than major medical coverage, but also with less benefits
- \ Comes with some restrictions on coverage, so check levels of benefits carefully
- \ Individual and family coverage available

How it works:

Even healthy individuals need to routinely see their doctor. They also occasionally require diagnostic or imaging tests and have to take prescriptions. And sometimes they need to be admitted to the hospital. A basic medical plan reimburses patients toward these costs and provides peace of mind to individuals who might otherwise forego basic health care in the absence of coverage. Although a basic plan is not a major medical plan, it can ease the burden of routine and unexpected medical bills by offering reimbursement. It allows patients to stay on top of their health care.

Example:

James is a gig worker who picks up shifts at restaurants, delivers food via an app service, and occasionally staffs hospitality events. He also has a side hustle designing funny T-shirts. He doesn't have any medical conditions, but he sees his primary care physician once a year and keeps up with any recommended health screenings. He rarely needs prescription medications, but when he had bronchitis last fall, he took an antibiotic. He recognizes the importance of taking a pro-active approach to his health, but in general, he doesn't require a lot of health care at this point in his life. He doesn't want to pay the premium of a major medical plan and finds that a basic medical plan fits his budget. He may consider a major medical plan in the future —after he's grown his side hustle into a more lucrative business and he has the cash to afford one. But for now, he appreciates that his basic coverage is there to offer some reimbursements when he incurs medical costs.

Short-Term Medical - \$\$\$\$

What is it?

A short-term medical (STM) plan can bridge any gaps you may have in coverage so that you're always protected from the high costs of an unexpected illness or medical emergency. These plans are perfect for generally healthy individuals who want short-term coverage to back them up for unforeseen health care expenses until they can secure permanent insurance.

Highlights:

- \ Temporary health insurance
- \ Fixed but flexible term length
- \ No enrollment period
- \ Varying deductible and co-insurance options in the design of a major medical plan
- \ Typically does not cover pre-existing conditions

How it works:

STM plans, by definition are short, usually lasting less than 12 months. STM plans are also quite flexible. There's no enrollment period. That means you don't have to wait until traditional open enrollment (typically in the last two months of the year) to sign up. You can sign up during any month or even the middle of a month. And you can buy coverage only for the period you need it. You're not locked into a year-long plan. Your coverage can begin the next day, or you can schedule coverage to take effect as soon as your other plan ends. STM plans have varying options for deductible and out-of-pocket expenses so that you can choose one that fits your budget. These plans typically do not cover pre-existing conditions, and they are underwritten. That means some people with pre-existing conditions may not be eligible.

Example:

Brent is a musician who contracts with several different bands and does not have a regular employer. Before becoming an independent contractor, Brent worked at a store selling guitars, where he had employer-sponsored coverage. That coverage is now about to run out. He'll have the opportunity to enroll in his wife's employer-sponsored health care plan near the end of the year. But for three months, he won't have any coverage. Brent can enroll in an STM plan to bridge the gap. His coverage can start as soon as the next day after signing up, and he can schedule it to end when the coverage from his wife's employer-sponsored plan begins. The STM plan is perfect for Brent because he doesn't have any pre-existing conditions, but he wants medical coverage in case he becomes ill over the flu season or develops an unexpected condition.

Major Medical - \$\$\$\$

What is it?

Major medical coverage is a traditional and robust medical plan to cover health care costs ranging from routine doctor visits to treatments for serious illness. Major medical covers pre-existing conditions and is a must-have for anyone (or their independents) with medical issues that require regular monitoring, prescription medications, and treatment for flareups.

Highlights:

- \ Full medical coverage
- \ Varying deductible and co-insurance levels
- \ Individuals can't be denied based on pre-existing conditions
- \ Individual and family coverage available

How it works:

Major medical insurance covers doctor visits, tests and screenings, prescriptions, approved medical treatments and surgeries, plus emergency room visits and hospital stays. These plans have out-of-pocket responsibilities in the form of deductibles and co-insurance requirements. That means you'll be required to pay for certain health care services until you meet an out-of-pocket payment threshold. Doctor's visits often have a co-pay fee, as well.

Example:

Chloe is an independent contractor who handles the accounting for several small businesses in her neighborhood. Unfortunately, she has asthma and allergies. Her condition is exacerbated at certain times of the year, and she's even been hospitalized for it. She takes several prescription medications, such as inhalers she must fill monthly. She also has to renew her prescription for an epinephrine pen annually. She carries that with her in case she has an allergic reaction to an insect bite or certain foods. Plans with lesser coverage wouldn't enroll her because of her preexisting condition, and they wouldn't offer the extensive coverage she needs. Her major medical plan has covered everything from her medications and regular lung function tests to the occasional emergency room visit and long-term hospital stay. Without such a plan, health care costs would be unaffordable and certain treatments inaccessible for Chloe.