



## HOW TO TEACH HEALTH INSURANCE TO KIDS

**Step 1** - Have the kids count the number in the group. For teaching purposes let us say it is 30. Have the kids sit together by gender. Within each gender, have the kids sit by month of birth, oldest to youngest.

**Step 2** - Tell the kids that boys and girls need medical treatment at a different frequency and that age makes a difference. The older the person is, the more frequently they will probably need medical treatment.

**Step 3** - Tell the kids each group no matter how big or small is called a "risk pool." They are a risk pool. Each risk pool is unique based on its size, gender makeup and age makeup.

**Step 4** - Tell them that the amount that is charged for health insurance is called the "premium" and is based on the makeup of the risk pool by gender, age and "claims experience," or history of past claims.

**Step 5** - Tell each student that based on their risk pool you are going to pretend that their premium is two dollars per month. That is \$60.00 per month or \$720.00 of premium for the year for the risk pool. If two people become ill during the year and their costs are \$100.00 each, then the "health insurance company" or risk pool pays \$200.00. If these are the only two people to need coverage then the company has done well. They simply carry the remaining \$500.00 forward to the next year adding the next \$720.00.

**Step 6** - Tell the kids that the bills people turn in are called "claims" and, often, there is a "deductible" or "co-pay" amount that the person who is insured must pay towards each bill themselves to help the risk pool survive. Tell the kids the people covered in the risk pool are called "insureds."

**Step 7** - Tell the kids that sometimes there are more claims than the risk pool collected in premiums. Each year part of the premiums collected have to go to a "reserve" which is used as an emergency fund. Tell the kids if, for example 5 kids from their group get ill and have claims of \$200.00 or a total of \$1,000.00, then the pool must pay an additional \$280.00 on top of the \$720.00 from reserves.

**Step 8** - Teach the kids that the reserves now have to be replaced so they will be charged an additional 78 cents (\$280.00 divided by 12 then 30), for a monthly premium of \$2.78.

**Step 9** - Summarize for the kids that health insurance is most simply a business that collects money from many people, many who won't become ill, so that the impact on those who do become ill is minimized. The company also assesses what to charge based on group age and gender makeup and claim history.

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