

# PFL Academy

## Teacher Guide: Chapter 7.3 — Managing Insurance Costs

### OVERVIEW

TIME	MATERIALS	PREREQUISITES
45-50 Minutes	Student Activity Packet, Calculator	L-33, L-34 Insurance Basics

### LESSON FLOW

#### 5 min THE CHALLENGE

- Read Sophia's health plan comparison scenario.
- Ask: "Without calculating, which plan do you think is better for someone healthy? Why?"
- Note that the "obvious" answer (lower premium) may not always be correct.

#### 8 min CORE CONCEPTS

- Review key terms, emphasizing the premium vs. out-of-pocket trade-off.
- Explain HSAs: Contributions are tax-free, growth is tax-free, withdrawals for medical expenses are tax-free.
- Quick check: Ask students to name one cost-saving strategy from the background.

#### 25 min APPLY IT

- **Part A (12 min):** Sophia's plan comparison. Work through Q1 and Q2 step-by-step. This is the core skill.
- **Part B (8 min):** Carlos's auto deductible. Show how low premiums can cost more if accidents happen.
- **Part C (5 min):** Brainstorm cost-saving strategies. Accept any valid strategies from lesson or prior knowledge.

#### 10 min CHECK YOUR UNDERSTANDING

- Complete in class or assign as homework.
- Q3 (in-network savings) and Q5 (Sophia recommendation) are excellent for discussion.
- Emphasize that the "best" plan depends on individual circumstances.

### DIFFERENTIATION

#### Support

- Create a flowchart for health insurance cost calculations.
- Provide a calculation template with boxes for each step.
- Work through Part A Question 2 as a class on the board.
- Use simpler numbers for additional practice problems.

#### Extension

- Calculate the break-even point: At what medical expense level do the two plans cost the same?
- Research actual insurance quotes for auto/renter's bundling in your area.
- Calculate the tax savings from contributing to an HSA.
- Compare employer-sponsored plans to marketplace plans.

## ANSWER KEY

### Part A: Health Insurance Plan Comparison

Annual Premium Costs:

Plan A:  $\$250 \times 12 = \$3,000$

Plan B:  $\$150 \times 12 = \$1,800$

Q1 (Healthy year, preventive only):

Plan A total: \$3,000 (premiums only)

Plan B total: \$1,800 (premiums only)

Better choice: Plan B saves \$1,200

Q2 (\$8,000 in medical expenses):

Plan A:  $\$3,000$  (premium) +  $\$500$  (deductible) +  $\$1,500$  (20% of  $\$7,500$ ) =  $\$5,000$

Plan B:  $\$1,800$  (premium) +  $\$2,000$  (deductible) +  $\$1,200$  (20% of  $\$6,000$ ) =  $\$5,000$

Both plans cost the same at \$8,000 in expenses!

### Part B: Auto Insurance Deductible

Q3 (5 years, no accidents):

Option A:  $\$1,200 \times 5 = \$6,000$

Option B:  $\$1,050 \times 5 = \$5,250$

Option C:  $\$900 \times 5 = \$4,500$

Best choice: Option C saves \$1,500

Q4 (One \$3,000 accident in year 3):

Option A:  $\$6,000 + \$250 = \$6,250$

Option B:  $\$5,250 + \$500 = \$5,750$

Option C:  $\$4,500 + \$1,000 = \$5,500$

Best choice: Option C still cheapest, even with accident

### Part C & Check Your Understanding

**Q5 Strategies:** Increase deductible, use HSA, bundle policies, stay in-network, maintain good credit, ask about discounts, shop around annually, use preventive care.

**CYU 1:** C (Car color) — This is a common myth. Color does not affect premiums.

**CYU 2:** HSA Triple Tax Advantage: (1) Contributions are tax-deductible, (2) Investment growth is tax-free, (3) Withdrawals for qualified medical expenses are tax-free.

**CYU 3:** In-network:  $\$5,000 \times 20\% = \$1,000$ . Out-of-network:  $\$5,000 \times 50\% = \$2,500$ . Savings: **\$1,500**

**CYU 4:** Combined before discount:  $\$1,200 + \$300 = \$1,500$ . Discount:  $\$1,500 \times 15\% =$  **\$225 savings**

*CYU 5: For healthy Sophia, Plan B saves \$1,200/year. With chronic condition, Plan A may be better because she'll likely meet the deductible and benefit from lower out-of-pocket maximum.*

## COMMON MISCONCEPTIONS

Misconception	Clarification
"The lowest premium is always the best choice."	Total cost = Premiums + Out-of-pocket. A low premium with high deductible can cost more if you need care. Always calculate scenarios.

"HSAs are only useful if you're sick."	HSA funds roll over forever and can be invested. They're excellent retirement savings vehicles since funds can be withdrawn for any purpose after age 65.
"Red cars cost more to insure."	This is a persistent myth. Insurers don't ask about car color. They care about make, model, age, and safety ratings.