How does pet insurance work?

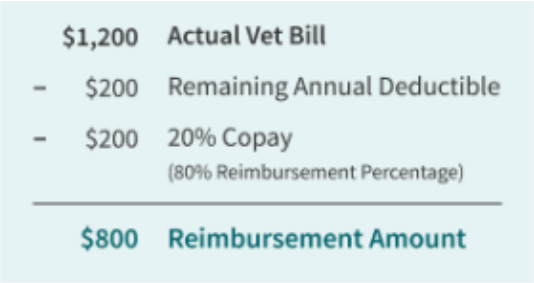
First, remember that pet health insurance differs significantly from human health insurance - coverage varies, they do not have to (and almost all companies will not) cover pre-existing conditions, there are no out-of-pocket-maximums, and pets can have coverage dropped. Most pet insurance plans also work on a reimbursement basis, where you pay the vet bill and later submit a claim for reimbursement.

In general, the way pet health insurance works is that you pay a yearly premium (which varies based on your pet's age, sex, breed, and your location), have to meet a deductible, and then get a percentage reimbursement up to an annual or lifetime limit (sometimes called a maximum payout).

When an illness or injury occurs, you will typically:

1. Pay the vet bill for the services provided out-of-pocket (depending on the insurance policy), or with CareCredit/ScratchPay if you cannot afford the total.
2. Submit a claim to your insurance company with the required documentation for approval.
3. If the insurance company approves the claim, they will first apply the claim to your annual deductible (or more rarely, apply it to a per-illness or per-incident deductible) if it has not already been met, and then they will send you a reimbursement.
4. The reimbursement, or the portion of the vet bill that the insurance company covers after the fact, is equal to the final vet bill minus the remaining portion of your annual deductible and multiplied by the reimbursement percentage you picked. The reimbursement percentage is the percentage of covered costs you'll get back after you meet your deductible. This ranges from 70-90% for most companies (meaning you cover a co-pay for the remainder).

As an example:
You pick an insurance plan with a $200 annual deductible and a reimbursement percentage of 80%. Your vet bill was $1,200. $200 of that will apply to the deductible, and 80% of the remaining amount will be reimbursed to you.



Here are a few of my thoughts on pet insurance as a veterinarian:

- **Do NOT get wellness or preventative care coverage in most cases.**
    - Insurance coverage of wellness or preventative care is almost never financially beneficial to you, since the insurer factors these predictable expenses into the insurance premiums. If you pay for wellness coverage, you are not really saving money.

    - Routine and preventative care are expenses that you need to anticipate and budget for. These costs are going to be relatively predictable. Every year, we as veterinary professionals are going to recommend an annual exam (or semiannual, depending on your pet's age), annual blood work and heartworm test, vaccines, year-round heartworm and flea/tick prevention, and sometimes fecal and urine testing (depending on your area and your pet's age). If you plan for these costs, wellness coverage is unnecessary. Plan/save ahead of time.

- **Pick an insurance policy that covers the exam fee.**
    - Depending on the illness or injury, your pet may need to go to the vet office multiple times, each requiring an exam and associated exam/office fee. Therefore, having this fee covered by insurance is a good idea.
    - Other things you might want to ensure the pet insurance policy covers:
        - Prescription medications
        - Prescription diets
        - Recommended medical supplements (sometimes called "nutraceuticals")
        - Behavioral issues
        - Specialist referrals and specialty care
        - Rehabilitation and acupuncture
        - Hospitalization
        - Hereditary and congenital (present from birth) diseases
            - Be sure to compare coverage options against your pet's breed-specific health risks. Some plans lack coverage for hereditary issues prevalent in certain breeds.

- **Avoid "per incident/illness" deductibles and <u>especially</u> "per incident/illness" limits.**
    - A per incident deductible means you will have to reach this deductible for each new injury or illness, instead of reaching a single deductible for the entire year. This is fine if your pet develops only a single health issue, but that is not the case for most pets.
    - A <u>per incident limit is especially bad,</u> as it means the insurance will only cover a certain amount for that particular illness/injury. For example, if your dog eats a rock, gets a GI foreign body, and has to go to surgery, they will only cover (for example) $1,000 for GI foreign bodies for the year, and nothing after the fact (even if it happens again). Nationwide used to have this type of coverage but does not seem to anymore, but it is something to watch out for.

- **Most pet insurance companies do not cover pre-existing conditions, and have a waiting period for coverage.**
    - Pre-existing conditions include any illness or injury that appeared before insurance coverage started (including before the waiting period ends). With

one exception, pet insurance does not cover pre-existing conditions, unless it was something curable that was fixed (for example, a wound/laceration that has been healed). They also won't cover complications from those pre-existing conditions.
    - AKC Pet Insurance and Felix Cat Insurance are the only companies so far that offer coverage for curable and incurable pre-existing conditions (after 1 year of continuous coverage).
    - Many companies will cover congenital issues (meaning diseases pets are born with that do not show up until later in life), but not always, so ensure you check policies carefully.

- **Consider getting pet insurance sooner rather than later.**
    - Once a pet gets a pre-existing condition, that condition will not be covered by insurance (except with AKC). Remember that many pets get chronic, lifelong diseases, and you want them to be covered before these illnesses occur.

- **Read the entire policy and keep it in mind.**
    - Every policy is different, and coverage varies. Some companies only cover illnesses/injuries if the pet is taken to a vet within 48 hours of the pet showing symptoms. Other pet insurance will not cover prescription food. Read the policy and know what you have to do to get coverage.

Is pet insurance worth it?

I have to say that as a vet, I love it when clients have pet insurance, and have it for my own cats. When clients have pet insurance, it usually means they are able to follow the diagnostic and/or treatment route I recommend, because they are actually able to afford it. I see fewer people crying in the exam room because their pet is sick and they cannot afford life-saving treatment. I see fewer people that wait until the pet is extremely sick to come to the vet (when it is much harder and more expensive to treat their pet).

> If you are worried that you could not afford a large unexpected vet bill, you should consider getting pet insurance.

However, keep in mind that insurance companies are a business, which means they exist to make money. In the majority of cases, a client is going to be paying more to the insurance company than they get paid out because of simple economics. Is it still worth it? When you can get emergency abdominal surgery ($4,000-10,000) covered for $400-1,000 for your pet, it absolutely is. However, if you are independently wealthy, it might not be worth it.

It is especially important for certain pets, in particular many purebred animals. Purebred dogs (and to some extent cats) tend to have a lot of predictable diseases specific to their breed. For example, Golden Retrievers are much more likely to get cancer, and German

Shepherds are much more likely to get hip disease. Additionally, there is a lot more unethical breeding happening now, which leads to unhealthy traits being spread through these breeds.

Depending on your personal situation, especially with the companies that have higher monthly premiums, it may be more beneficial to save that monthly premium into a savings account dedicated to pet emergencies. For example, it would take 10 months to save $2,500 if you are putting $250 into an account monthly - if you are considering a plan with a premium like this, and your dog is young and healthy, it might be more beneficial to save the money into an account. Or, perhaps you are independently wealthy and this is all a moot point!

Is there a less-expensive insurance option?

Some people choose accident only coverage. As the name suggests, this type of policy only covers injuries or conditions that are considered accidental in nature. Since it does not cover illnesses (like cancer, ear infections, hereditary conditions, or congenital conditions), it is a lot cheaper than comprehensive coverage. This type of insurance often includes injuries such as broken bones, lacerations, or emergency situations such as the ingestion of foreign substances or accidental poisoning. The exact list of injuries and conditions that are covered by this type of emergency pet insurance may vary. With accident only coverage, it's a good idea to put additional money into a savings account for your pet, in case they develop a non-accident illness or chronic condition (like if they get pancreatitis, heart disease, viral infection, hip dysplasia, etc).

Remember that non-accidental illnesses can still happen suddenly, and can still cause a large vet bill or multiple visits! If you choose accident only coverage, make sure you understand what is covered and what is not.

What are alternatives to pet insurance?

The biggest way to avoid pet insurance if you are planning ahead and have the ability, is to create a savings fund for your animal for when illnesses or injuries occur (in addition to the normal wellness and preventative care you should be planning for). Put the money you would spend on the premium + deductible into an account (preferably high yield savings). This would be in addition for your yearly petcare (wellness vet visits, food, toys, etc). Remember that emergencies are expensive - everything is more expensive at ER hospitals, and pets can get into lots of trouble, or get sick very suddenly.

If you are in a tight spot and an emergency comes up, you can apply for CareCredit, which is basically a credit card that you can use for veterinary medical expenses. This credit card spreads your payment across several months, and for bills over $200 is 0% interest as long as it is repaid within 6 - 18 months (depending on the exact plan you pick). As a warning, please be sure to pay the entire balance off within that time period, because it has very high interest rates (APR) afterwards. Another newer option is Scratchpay, which is a loan service

that allows you to finance vet bills up to $10,000. Like any loan, you must pay it back according to the terms of your loan. Applying for Scratchpay plans does not affect your credit score (but for some plans, a hard credit inquiry will be performed before a plan is actually approved).

Tips for pet insurance:

- Before getting quotes, make a spam email to have quotes sent to, and keep track of the quotes on a spreadsheet to compare options. Some people use a website like PawlicyAdvisor (pawlicy.com) to compare insurance rates.
- Many companies offer multi-pet, senior, or military discounts, so look into these before you commit.
- Picking your annual reimbursement limit depends on your particular situation. Many people will choose $10,000 as their annual limit, but consider how risk-adverse you are, what kind of a vet bill you can afford, and what vet care generally costs in your area.