

How to Cover Your Expenses If Laid Up from a Serious Illness

While your health insurance will cover most of your health care costs, if you are hit with a serious illness, you'll likely be out more than just your out-of-pocket expenses for health care.

The time off recuperating or receiving treatment can cut into your ability to earn a paycheck and pay the myriad of recurring expenses you're faced with: rent or a mortgage, car payments, credit card payments, utilities, food...you get the picture.

However, there is an affordable insurance policy that can help you with your finances during your recovery time: critical illness coverage.

Critical illness policies provide lump-sum payments in the event of a serious health diagnosis, typically cancer, heart attack or stroke.

This payout can be used to pay for anything you want, from mortgage payments to medical expenses. You can also use the proceeds to pay for medical costs not covered by your health insurance, such as your deductible or out-of-network doctor costs.

Critical illness insurance is similar to disability insurance in that both pay out benefits if you experience a serious medical condition. But critical illness insurance typically costs less than disability coverage in exchange for lower benefits than a disability policy would provide.

There are three categories of health issues that qualify for payout:

- Heart attack or stroke
- Cancer
- Organ damage.

Some policies will replace organ damage with an "other medical conditions" category, which includes:

- ALS (Lou Gehrig's disease)
- Blindness
- Loss of speech
- Coma
- Cystic fibrosis
- Deafness
- Lupus
- Paralysis
- Severe burns
- Sickle-cell anemia
- Tetanus.

Dollars and cents

Premiums can be low for this type of coverage. A healthy younger person would pay as little as \$10 a month for \$10,000 in coverage. A plan with \$50,000 limit may cost between \$20 and \$50 a month. The coverage limit for most plans is \$50,000.

These funds can be invaluable for someone with a high-deductible health plan facing significant out-of-pocket costs for the procedures they must undergo due to their critical illness.

The nice thing about these plans is that if you have to file a claim, there are no restrictions on the use of the money once you've received the funds.

What to keep in mind

If you're looking at policies, make sure to check what kind of health events the policy will cover. Some are cancer-only policies, while some may address 10 to 20 different conditions that would qualify.

A note of caution: If you have an existing cancer diagnosis, for example, you cannot just take out a big policy and get an immediate payout.

Most policies will not pay out until after 30-90 days from when the policy was underwritten.

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