



## **Types of Private Health Insurance Plans—The Basics**

The five most common types of health insurance plans are Health Maintenance Organizations (HMOs), Participating Provider Options (PPOs), Point-of-Service (POS), Fee for service plans, and Health Savings Accounts

- I. Health Maintenance Organizations (HMOs):** HMOs are essentially prepaid health plans, instead of paying for each individual service that you receive, you pay a set premium. In return, HMOs offer you a range of health benefits, including preventive care.

### **HMO basics:**

- When you sign up, you select a primary care physician (PCP) from a network of doctors.
- Your PCP is your first point of contact for most of your basic health care needs.
- Women can also select an OB/GYN for obstetrical and gynecological care.
- If you need special tests or need to see a specialist, your PCP will give you a referral to see another doctor.
- HMOs are usually the least expensive option, with typically the lowest premiums and co-payments.
- You have less freedom to choose as HMOs require you to use their doctors and specialists.
- If you seek care outside the network, your care may not be covered at all.
- With a HMO, you may have to wait longer for an appointment.

- II. Participating Provider Options (PPOs):** Like HMOs, PPOs often feature a network of doctors, specialists and hospitals; however, there are some key differences between the two types of plans.

### **PPO basics:**

- With this plan, you don't have to choose a primary care physician.
- PPOs are more flexible than HMOs. You have the option of receiving care from doctors, hospitals and specialists in the network or outside the network, and you don't always need a referral to see a specialist.
- When you receive care from a doctor or hospital that is in the network, your costs tend to be lower.
- When you receive care from a doctor or hospital outside the network your costs are likely to be higher, and, in some cases, your care may not be covered at all.

- The premiums are generally higher than HMO plans, which means you'll have to pay more up front.
- PPO plans generally require you to pay an annual deductible. So, for example, if your PPO plan has a \$500 deductible, your coverage doesn't begin until you've paid out-of-pocket for the first \$500 of your own medical expenses. Preventive care services are not subject to the deductible.

**II. Point-of-Service (POS):** This is a managed care plan that combines the features of HMOs and PPOs. The plan allows you to use a primary care physician to coordinate your care, or you can self-direct your care at the "point of service."

#### **POS Basics:**

- Like managed care plans you will have to choose a Primary Care Physician (PCP) from the health care network and the PCP becomes your "point of service"
- You can still receive coverage when you choose doctors/providers outside the network plan, this means you can "self-refer" for specialist care.
- You do not need to get approval from your PCP to choose another provider, but without approval you won't get as much coverage.
- The annual out of pocket costs are limited.
- There is a deductible for non-network care.
- Getting referrals for specialists may be difficult.

**IV. Fee-For-Service Plans (Indemnity):** These plans are set up to reimburse medical providers for each service you receive on a case by case basis. For example, you have an emergency room X-ray, the hospital will submit a claim to your insurance carrier, who then pays the hospital's fee.

#### **Indemnity Plans Basics:**

- This plan offers you the largest choice of doctors, specialists, hospitals or clinics
- You do not need a referral or pre-approval
- Indemnity plans can be very expensive with high premiums and deductibles
- The plan may not offer coverage for preventive care. So you might have to pay entirely out of your pocket for routine office visits, check ups, vaccinations etc.
- You will only be reimbursed for "covered" medical expenses
- Typically indemnity policies have an out-of-pocket maximum. This means that once your covered expenses reach a certain amount in a given calendar year, the insurer will pay the usual and customary fee in full.

**V. Health Saving Accounts (HSA):** It is a type of medical savings account that allows you to save money to pay for current and future medical expenses on a tax-free basis.

#### **HSA Basics:**

- In order to be eligible for a HSA, you must be covered by a high-deductible plan and not have any other health insurance.
- HSAs are a good option for individuals who want to protect themselves from catastrophic health-care costs, but don't anticipate many day-to-day medical costs.

- They also can serve as a lower-cost alternative to more traditional health plans for small businesses.

**If your employer offers you a choice** between a PPO and another type of insurance, such as an HMO, POS or fee-for-service plan, you'll want to carefully weigh the pros and cons before deciding. Don't base your decision entirely on the cost of the monthly premium. Once you add up all the deductibles, co-payments, and items not covered, you may find that the higher-premium choice is a bargain.

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