

## Types of Health Plans<sup>1</sup>

### What are the different types of health plans?

#### Health Maintenance Organizations (HMOs)

HMOs are a type of managed care plan. Members of HMOs choose a primary care physician (PCP) who will coordinate their routine care and provide treatment for a variety of medical conditions. In most cases, appointments with specialists must be referred by the primary care physician. And usually, all but emergency hospital visits must be pre-approved. Most HMOs have minimal deductibles and lower out-of-pocket costs than other types of health care plans.

#### Preferred Provider Organizations (PPO)

Another type of managed care plan is a PPO. This type of healthcare plan offers greater flexibility to choose your doctor or hospital while still controlling your healthcare costs. In a PPO, you may lower your copayments and save money by obtaining your healthcare from a provider in the Preferred Provider network. And, you can self-refer to any provider in the network.

#### Indemnity or Fee-for-Service

An Indemnity or Fee-for-Service plan gives you the most freedom and flexibility. You can choose any doctor, specialist, or hospital you want, and change your choice at any time. The insurance company usually pays for the majority of your bill, while you pay the small remainder. You are also responsible for a deductible, a set amount that you must pay out of pocket each year before your insurance plan begins to pay.

Plus, you have the freedom to visit any doctor or hospital outside the network and still be covered - you just share more of the cost.

### What affects the cost of insurance?

How much you pay for insurance usually depends on what type of plan you choose. A managed care plan, such as an HMO or PPO, usually has lower out-of-pocket costs, while traditional indemnity plans usually cost more.

Indemnity plans typically provide the most flexibility in selecting doctors and medical facilities. Managed care plans can sometimes be less flexible.

Once you choose a type of plan, you then make decisions about deductibles, premiums, copay/coinsurance, out-of-pocket maximums, and vision or dental insurance add-ons. Here's how each of these can influence how much you'll pay.

---

<sup>1</sup> This information is courtesy CareFirst BlueCross BlueShield, and is available at [https://www.carefirst.com/eSales/coverage\\_info.jsp](https://www.carefirst.com/eSales/coverage_info.jsp).

### **The premium/deductible see-saw**

The higher your monthly premium, the lower your deductible (that's the amount you have to pay out of pocket before the insurance company begins to pay). And vice versa. So if you're young and single--and don't expect many upcoming doctor visits--you might want to choose a plan with a higher deductible. This way your monthly premium will be less.

On the other hand, if you have a family and expect quite a few doctor visits, you might want to choose a plan with a lower deductible. Doing so means that you will pay a higher monthly premium. If you're purchasing insurance for a family, be sure to calculate your total deductible. Some policies cap the total deductible required at two or three times the individual deductible. Also, don't forget to see what, if any, benefits are not subject to the deductible. Some plans will provide coverage for benefits, especially preventive care benefits, prior to you meeting your deductible.

### **Copay/Coinsurance**

The amount you pay each time you receive care is directly related to your monthly premium. Depending on the health plan you choose, you will pay either a copayment or coinsurance each time you receive care. The higher your copayment or coinsurance, the lower your monthly premium, and vice versa. As was noted in the previous section, if you expect quite a few doctor visits, you may want to reduce your copays and coinsurance by paying a larger monthly premium.

### **What are the out-of-pocket costs?**

Your out-of-pocket costs are the amounts you pay in copays, coinsurance and deductibles each year. HMOs generally have lower out-of-pocket costs than indemnity or PPO plans. Many plans also set a "cap" known as the out-of-pocket maximum. This means that once you reach your maximum, the insurance plan will cover all eligible medical expenses for the remainder of the year. Additional benefits such as prescription drug, dental and vision may not be subject to these out-of-pocket maximums.

### **Prescription drug coverage**

Has your doctor prescribed specific prescription drugs for you or other family members? Do you have children who may be more likely to get sick and need prescription drugs? Then you will want to consider whether or not prescription drug coverage is available with your health plan. Types of prescription drug coverage vary widely. Some plans are based on a tiered system of copays, which means you pay less for generics and more for brand-name drugs. Usually this coverage is subject to deductibles, copays and benefit maximums (the total amount of benefits available) separate from your core health plan coverage.

### **Do you need vision and dental coverage?**

Do you or other family members wear glasses or contact lenses? Do you visit the dentist often? Is there a child in your household who is going to need braces? If so, you should consider vision and/or dental insurance, which are usually optional benefits you can add.

### **Status check**

Are you married with children? Or are you single and more flexible? It makes a difference when it comes to insurance. In general, if you choose an individual plan, your premiums will be less than with a family plan.

### **© 2004-2005 Hoyas for Health**

This Guide has been provided to the Student Bar Association courtesy Hoyas for Health. Hoyas for Health is a student organization, and the material contained herein has been provided by students, not the administration or the University, and should not be construed as recommending a particular insurer. This Guide is not an exhaustive treatment of health insurance terms and their meanings; students should research their options carefully and contact their local insurers to discuss plan-specific definitions.