Health Plan Dictionary

How to Understand Your Plan and Make Cost-Effective Choices

Dictionary of Health Insurance Components

1. Premium

A **premium** is a fee paid simply for coverage of medical benefits for a period of time. Premiums can be paid by employers or employees, but they are frequently shared across both.

*Tip: Plans with **higher premiums** typically have **lower deductibles**, so if you use health care services often, so if you use health care services often, you may want to consider a plan with higher premiums to reduce your out-of-pocket costs as you use services across the year.*

Evaluate the Total Cost of Premiums

$100/month

$1,200/year

Jan. Feb. Mar. Apr. May Jun. Jul. Aug. Sep. Oct. Nov. Dec.
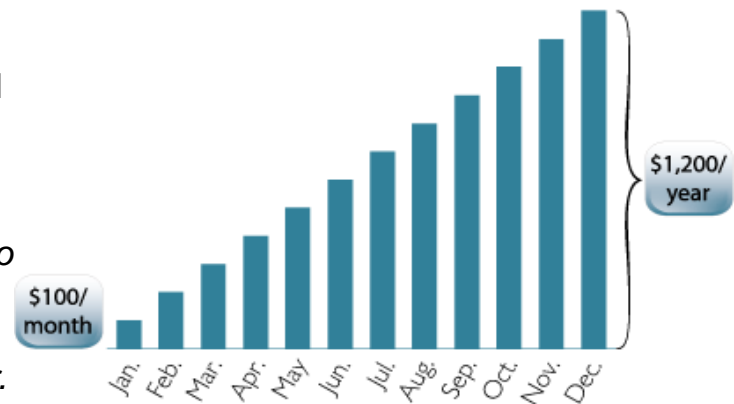
2. Deductible

A **deductible** is a set amount you must pay for health care expenses before insurance begins to cover all or a portion of the total costs. Often, insurance plans are based on yearly deductible amounts.

*Tip: Plans with **higher deductibles** typically have **lower premiums**, so if you use services infrequently, you may want to consider a plan with a high deductible, so your premium costs will be lower.*

How Deductibles Work
Example: $500 Deductible

$1,600

$500

For the next $1,100 in costs, you are only responsible for paying coinsurance/copays.

You are responsible for paying the first $500 that you spend on health services

Total Annual Spend

3. Co-pay

A **co-pay** (or co-payment) is a set fee that you pay for health care services, in addition to what the insurance company covers. For example, some plans require a $25 co-pay for an office visit to a primary care physician. Depending on your plan, you may have co-pays or co-insurance.

*Tips: If you want your health care costs to be predictable, consider a plan with **co-pays** instead of **co-insurance** if one is available. Also, plans usually have **lower co-pays** for primary care physician visits and generic prescriptions as compared to specialist visits and name brand drugs**.**

Sample Copay Listing

$25   Primary Care Visits

$35   Specialist Visits

$15   Generic Drugs

$30   Non-Generic Drugs

$150   Emergency Room

*Your plan options will likely have different copays.

4. Co-insurance

Co-insurance is a variable fee you pay for health care services, which is usually calculated as a percentage of the total service cost. For example, your coinsurance may be 20% of the cost for a primary care visit, with the insurance plan paying the remaining 80%.

*Tips: Plans with coinsurance often have **lower premiums**, and depending on the service, coinsurance may not be more than a co-pay. To help manage costs, ask about and compare the cost of health care services before selecting them.*

How Coinsurance Works

Total Cost for Doctor Visit

$155 —Doctor Fee
+ $40 —Diagnostic Fee
$195 x 10% Coinsurance = $19.50

Your Cost

5. Network

A **network** is a group of doctors, hospitals, and other care providers contracted to provide services to insurance companies' customers for less than usual fees. Provider networks can cover a large geographic market or a wide range of health care services.

In-Network providers or health care facilities are part of a health plan's network. Insured individuals usually pay less for using an in-network provider.

Out-of-Network providers are non-participants in an insurance plan's network. Depending on an individual's plan, expenses for services provided by out-of-network health professionals may not be covered at all or covered only in part by your plan.

Tip: Before switching plans, ensure that any providers that are critical to your care are located in-network to avoid out-of-network charges.

6. Out-of-Pocket Maximum

An **out-of-pocket maximum** is a predetermined limit to the amount of money that you must pay before the health insurance company pays 100% of an individual's health care expenses.

*Tip: If you are managing a critical condition or anticipate high health care costs associated with treatments, surgeries, or extended hospital stays, consider a plan with a **lower out-of-pocket maximum**.*

7. Claim

A **claim** is request to an insurance company to pay for your health care services. In some cases, your care provider, such as a doctor's office, submits a claim on your behalf. In some cases, however, you may submit a claim directly to the insurance company.

Tip: If you don't understand a health care bill or believe your claim was not processed correctly, contact your provider or your health insurance company.