



## Health Insurance: Manage the Costs of Medical Care

Nothing is more precious than your health. But unfortunately, with the rising cost of medical services, affordable health care is out of reach for many Americans. Health insurance offsets costs associated with routine care, illnesses and injuries, making medical services more affordable.

A recent poll administered by the National Federation of Independent Business (NFIB) indicated that nearly half (47 percent) of the employers surveyed offered health insurance as part of their employee benefits plan.<sup>1</sup> While the primary source of health insurance in the United States is through employer-sponsored plans, if you are unemployed or self employed, you may need to seek private health insurance. Obtaining health insurance on your own can be difficult—especially if you have a pre-existing condition. An insurance agent who specializes in private insurance can help you find an affordable plan.

### Paying for Medical Services

Without health care coverage, you risk ruining your credit history, depleting your savings and defaulting on your mortgage, rent, car payment or utilities because you've exhausted your paycheck paying for pre-prescriptions and necessary medical care.

Cost, convenience, coverage—all of these factors come into play when choosing health insurance. Specific coverages vary from plan to plan; however, most health care plans will reimburse you for a portion of the costs associated with:

- Preventive care, such as immunizations.
- Routine office visits like annual physical exams.
- Prescription drugs.
- Hospitalization.
- Physical therapy.
- Tests to diagnose or rule out certain illnesses.
- Lab work, such as blood and urine tests.

### The ABCs of Health Care

Does health insurance terminology sound like a big confusing bowl of alphabet soup? Here are some of the most common types of plans:

#### Consumer-driven plans (HSA/HRA)

Consumer-driven health care plans, such as health savings accounts (HSAs) and health retirement accounts (HRAs), provide tax benefits and give you the ability to earn interest on money you have set aside for qualified medical expenses.

This type of plan may be for you if you are willing to pay higher deductibles in exchange for paying lower premiums. You also have more control of where you receive your care. For example you would decide which specialist to see or where to get an x-ray, rather than letting a doctor decide for you.

## **Health Insurance: Manage the Costs of Medical Care (continued)**

### **The ABCs of Health Care (continued)**

#### **Health maintenance organization (HMO)**

An HMO minimizes your out-of-pocket health care expenses provided you use pre-approved network physicians, health care professionals and facilities. To take advantage of the cost savings an HMO provides, you must choose a primary care physician. However, at your primary care doctor's discretion, you may be referred to a specialist who is also a member of your network. If you opt to see a non-network physician, your co-pay will likely be larger. Generally, your deductible is less if you are a member of an HMO.

This may be the plan for you if you are willing to sacrifice some flexibility and convenience to save money on doctor visits and deductibles.

#### **Preferred provider organization (PPO)**

The cost per visit and annual deductibles are usually higher with a PPO plan than with an HMO. PPOs generally charge slightly higher fees than HMOs would to use a non-network provider or facility; however, you do not need a referral from your primary doctor to see a specialist.

This may be the plan for you if having the freedom to choose who you want to see for medical care matters more to you than paying higher premiums.

#### **Point of service (POS)**

With the combined features of an HMO and a PPO, in this type of plan, you agree to see a primary care physician for medical care and referrals in exchange for receiving services at reduced fees. However, you also have the freedom to go to a physician outside your network for a higher fee.

This may be the plan for you if you are OK paying higher health care fees if you decide to see someone outside of your network.

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*1NFIB Research Foundation. Dennis, William J., Jr. (2007). Purchasing Health Insurance, Volume 7, Issue 3. (ISSN - 1534-8326). Retrieved from NFIB Research Foundation: <http://www.411sbfacts.com/files/purchasinghealth.pdf>.*

## **Health Insurance Terminology**

Here are some commonly used terms you may encounter when exploring health insurance.

### **Benefit**

This is the amount of money an insurance company will pay toward a covered health care service.

### **Claim**

Much like a utility bill, this is a document submitted by you or on your behalf to your health insurance provider requesting payment for services received, such as an x-ray or annual check up with your doctor.

### **Co-payment (co-pay)**

The part of your bill for which you are responsible, often due at the time you are receiving medical service.

### **Deductible**

The maximum amount you'll need to pay out of pocket every year toward your medical care before your insurance company will begin to pay for services.

### **Dependent**

Someone besides the policy holder who is supported by the policy holder financially, such as a child—or the spouse or partner—who is entitled to health care coverage under the plan.

### **Formulary**

A pre-approved list of prescribed drugs that are offered by an insurance company at lower prices.

### **HIPAA**

An acronym for the Health Insurance Portability and Accountability Act, which was established in 1996 to help protect patients' rights to privacy—particularly when medical information is shared between insurers, health care providers or facilities.

### **HMO**

Also known as a health maintenance organization, this group contracts with a network of physicians, health care professionals and facilities to provide medical care to members within a certain geographic area for pre-negotiated rates.

### **Policy**

Your health care insurance contract with the insurance company.

### **Primary care physician**

The doctor you agree to see for all of your medical services and referrals.

### **Network**

Physicians, health care professionals and facilities with which your HMO has negotiated special reduced rates..