

Types of Insurance Plans

Before you start shopping for health plans, you need to understand one thing: coverage. When you shop for health plans, what you're really shopping for is the kind of coverage that's most beneficial to you. Several basic types of health plans are available to people who do not receive Medicare or Medicaid. A basic understanding of each is essential to choosing one that works for you.

Indemnity Insurance (also called Fee-For-Service): This is the traditional insurance coverage with which most people are familiar. It pays for most of your health treatments but doesn't usually pay for preventive care like well-child visits and annual physical exams. Indemnity insurance doesn't cover the total cost. Coverage is usually limited to a percentage of the billed amount. Under an indemnity plan, you can see any doctor or go to any hospital you want, but the monthly premium is usually higher than other types of health plans.

PPO (Preferred Provider Organization): A PPO covers many of your health-care needs for a small per-visit fee if you choose from the list of "preferred providers." You can choose to see a doctor who's not "in-network," but you'll pay a greater part of the bill and may have to pay a higher deductible.

HMO (Health Maintenance Organization): An HMO covers most of your health-care needs, including check-ups, immunizations and hospitalization, for a small co-payment per visit, typically between \$5 and \$40. With an HMO, there are no claim forms, but you can only use doctors and hospitals affiliated with your plan. A list of affiliated physicians is provided by the HMO. Coverage is limited only to specialty services authorized by your primary care physician with a written referral.

POS (Point of Service): A POS plan gives you two different options each time you use health-care services. One option is to use the plan just like an HMO, and you will be responsible for a nominal co-payment, for choosing physicians who are on the list and for obtaining authorizations for certain services and referrals to specialists. Your other choice is to use your health plan just like a PPO plan by choosing care from either a participating provider or a non-participating provider, without coordinating care through your primary care physician or health plan. When using your health plan like a PPO plan, you generally are responsible for a higher deductible and a percentage of your bill. Make sure you check with the company about penalties for using the plan like a PPO.

EPO (Exclusive Provider Organization): An EPO plan is most commonly comparable to a POS plan but varies from plan to plan. Ask if primary care physician selection and referrals are required when considering an EPO plan.

Consumer Driven Health Plan (CDHP): A CDHP requires the patient's active involvement in managing the financial component of her or his health-care services. In a CDHP, an employer or insurer will typically allot a set amount of funds to be used by the patient for health-care services during the year. The patient will manage this fund like a savings account and reimburse providers directly from it, up to a pre-established maximum, after which the employer or insurer is financially responsible. CDHPs can motivate a patient to make price comparisons between providers when looking to receive services. Generally CDHPs have minimal provider coverage or access restrictions, since patients are at least initially more financially liable for services received.