

Glossary of Health Benefit Terms

In this issue of BeyondBenefits, we have provided a quick reference of commonly used terms in the employee benefits industry. We hope you find this reference helpful.

Calendar year deductible: A fixed dollar amount that the covered employee must pay out of pocket before the plan will begin reimbursing for expenses. Plans usually require separate limits per person and per family.

Co-insurance: A percentage of a health care cost – often 20 percent – that the covered employee pays after meeting the deductible.

Co-payment: The fixed dollar amount such as \$15 for each doctor visit that the covered employee pays for medical services.

Fee-for-service (FFS) plan: Coverage under which doctors and other health care providers receive a fee for each health care service such as an office visit, test or procedure. The plan may pay the medical provider directly or reimburse the employee for covered services after he or she has paid the bill and filed an insurance claim. The covered employee may choose any doctor or hospital.

Formulary: A list of generic and brand name drugs preferred by the health plan.

Health maintenance organization

(HMO): A health plan that provides care through contracted or employed physicians and hospitals located in particular geographic or services areas. HMOs emphasize prevention and early detection illness.

In-network: Doctors, clinics, hospitals and other providers, with whom the health plan has an agreement to care for its members. Examples include an HMO or an FFS plan's preferred provider organization. Typically, members have fewer out-of-pocket costs when they use in-network providers.

Out-of-network: Doctors, hospitals and medical practitioners, other than those with whom the health plan has an agreement; the employee pays more to use such providers.

Point-of-service (POS) plan: A product offered by an HMO or an FFS plan and containing features of both. In an HMO, the POS product lets the employee use providers who are not part of the HMO network, although deductibles and co-insurance can be substantially higher than those for using plan providers. An FFS plan may set up a POS network of providers, similar to an HMO's and encourages use of those providers by perhaps waiving deductibles and lowering co-payments.

Preferred provider organization (PPO):

A PPO is similar to FFS insurance but uses a network of providers. PPOs permit the employee to use medical providers within the plan's network or outside the network.

Need More Information?

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