# Life, Health, & Wealth

## Health Insurance – Understanding The Language

When you're purchasing individual health insurance, or joining your company's group health plan, the contract or plan booklet will contain industry terminology that may be intimidating. As a smart consumer, you'll want to understand exactly what your coverage provides, what your share of service costs will be, and how your claims will be managed. The following list of terms and definitions can help you better understand your health insurance plan:

**Managed Care Plan:** Managed care plans are designed to manage both health service costs and the quality of health care received by members. Insurance companies negotiate contracts - and fee structures - with specific doctors, hospitals, pharmacies, labs, and other health care professionals to form the plan's "provider network." Managed care typically covers a wide range of medical services and promotes preventive health care (such as check-ups and immunizations) to help members avoid serious health issues. A common feature of managed care plans is the requirement for pre-authorization, or pre-certification, for specialized services or hospitalization.

**Provider Network:** As a member of a managed care plan, your health services are provided by medical professionals, hospitals, and pharmacies that have agreed to provide care at a specific cost based on their contract with the insurance company. The provider network of most companies is usually quite comprehensive and includes local and overseas physicians and facilities. With most plans, members who choose to receive health services outside the provider network will pay a larger share of the costs incurred.

**Conventional Indemnity Plan:** An indemnity plan allows you to choose any health care provider without effect on claims reimbursement. Indemnity plan reimburse either you or your doctor as expenses are incurred and in accordance with your contract's terms and benefits.

**Coinsurance:** Some plans require you to pay a stated percentage of your medical expenses. For example, you may be required to pay 20% of the cost of your medical care and the insurance company will pay (or reimburse) 80% of the covered benefits up to allowed charges (referred to as "usual, customary and reasonable" charges).

**Copayment:** Some health plans use a fixed dollar cost sharing method with different copayment structures for varying services. For example, you may have to pay $20 for a specific prescription drug and the insurance company will pay the remainder.

**Deductible:** Health insurance plans often include a pre-determined annual dollar amount – the deductible - that you must pay before the insurance company pays for covered medical services. Plans can have individual and/or family deductibles, and can also have different deductibles for specific services. The plan's deductible is another way in which you share in some of the cost of services and help keep your premium at an affordable level.

**Premium:** The amount you pay the insurance company – your premium – is an agreed fee for coverage to be provided during a defined benefit period. Premiums can be paid by individuals, employers, or employees (or shared by both). Premium amounts can change at the end of each benefit period reflecting the amount of claims the insurance company has paid out compared to the the level of premiums received, as well as the rising cost of advancements in medical treatments.

**Maximum plan dollar amount:** Health plans can have an annual and/or lifetime maximum dollar limit to be paid for covered expenses. A typical lifetime benefit maximum is $1 million or $2 million per insured individual. Annual limits often come into play when an insured attains a specific age, say 65.

**Usual, customary, and reasonable (UCR) charges:** While managed care plans operate with health providers to pay claims based on a negotiated (fixed) schedule of fees, conventional indemnity plans pay claims based on UCR charges. This means that the charge is the health provider's usual fee for a service, falls within the customary fee for the locality, and is reasonable based on the medical circumstances.

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