Choosing a Health Insurance Plan

It's not easy to pick the right health insurance plan. Doing so takes time and research because the stakes are simply too high to just pick the cheapest option and hope for the best. Many employers offer a variety of plan types, including HMO plans, PPO plans, POS plans, and fee-for-service plans. Which one may be right for you (and your family) can depend on your budget, current overall health, and need for specialized care.

When it comes to selecting a health insurance plan for you (and your family), be sure to take the time to research and compare. The stakes are simply too high to just pick the cheapest option and hope for the best.

Granted, it's not always easy to determine the right plan. Many employers offer a selection of plan types, and some allow employees to choose among different health insurers. Navigating the alphabet soup of HMOs, PPOs, HSAs, and other acronyms can be very confusing. Below is a quick primer to help you make sense of the choices that may be offered through your employer-sponsored health plan.

Fee-for-Service Plans: Choice at a Premium Price

A fee-for-service plan is known as a "traditional" health insurance plan. Unlike other types of plans, it allows its members to select from a wide choice of doctors and hospitals and has fewer restrictions than other types of plans. Because it allows so much flexibility, it is generally one of the most expensive health insurance options.

Members in a fee-for-service plan typically have to pay a deductible out of pocket before the plan starts to fund covered medical visits. Even then, the insured must also pay a certain percentage of the costs -- called "coinsurance." Most plans have a cap on the amount the insured will have to pay for medical expenses in any one year -- typically in the range of $1,000 to $5,000. This cap does not apply to monthly premiums.

Certain "high deductible" fee-for-service plans allow members to fund a health savings account (HSA), using pre-tax contributions. Employers can also contribute to an HSA on behalf of the employee. The balance of an HSA can only be used to pay for eligible medical expenses. Unlike a Flexible Spending Account (FSA), the balance does not need to be used up in a calendar year -- it can be carried over to apply to future eligible medical expenses.

HMO Plans: Managed Care With Many Restrictions

An HMO -- or health maintenance organization -- covers medical treatment from health care providers within a specified network. Typically, an HMO enrollee must select a primary care physician, who oversees that member's medical care, including approving any in-network visits to a specialist.

HMOs do not typically require a deductible. Members usually pay a fixed monthly fee to participate and are required to make copayments when visiting an in-network health care provider, receiving treatment at an affiliated facility, or filling a prescription. Visits to out-of-network providers frequently are not covered by the plan. Because of their stringent guidelines, HMOs are usually considered one of the lower-cost health insurance alternatives.

Some employers give their employees the additional option of a POS -- or point-of-service plan. A POS is an expanded HMO. In a POS plan, members can refer themselves to a doctor outside of their network and receive partial coverage.

PPO Plans: Managed Care With Fewer Restrictions

A PPO (preferred provider organization) shares some of the same guidelines as an HMO, but is less restrictive. An enrollee in a PPO is free to seek care within the PPO network or outside of it and usually does not need a referral from a primary care physician. However, care received within the PPO network is usually less expensive than a visit to an out-of-network doctor.

PPOs usually require enrollees to pay out-of-pocket costs up to a fixed deductible before the plan covers any remaining medical expenses. Like an HMO, enrollees pay a fixed monthly fee for their coverage and can be charged copayments when visiting a physician, receiving treatment at an affiliated facility, or filling a prescription. Premiums for PPOs are generally more expensive than HMOs.

Do Your Homework Before Deciding

Before deciding between types of coverage, consider the following:
• Is cost your chief concern? HMOs are usually a lower-cost alternative.
• Do you (or a covered family member) require frequent visits to a specialist such as a dermatologist or alternative care practitioner such as a chiropractor? If so, a PPO may provide the flexibility you need.
• Are your doctors covered under your plan? Most insurance providers will be able to furnish you with a current listing of allied physicians and treatment centers. Be sure to find out which of your doctors are in your plan’s network before making a choice.

Points to Remember

1. A fee-for-service plan provides the most choice and flexibility, but is usually also the most expensive.
2. HMOs seek to "manage" costs by restricting the doctors from whom its members can receive services. However, if all or most of your doctors are part of its network, it can be a cheaper, convenient option.
3. PPOs may be appropriate for those who need some additional flexibility, but don't want the costs associated with a full fee-for-service plan.

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