

2.2: Health Insurance- Key Vocabulary Terms

Review this list of term and definitions to learn more about health insurance.



Health Insurance Vocabulary

Indemnity – type of insurance policy where the insurance company guarantees compensation for losses or damages sustained by a policyholder.

Fee-for-service - A method in which doctors and other health care providers are paid for each service performed. Examples of services include tests and office visits.

HMOs - A type of health insurance plan that usually limits coverage to care from doctors who work for or contract with the HMO. It generally won't cover out-of-network care except in an emergency. HMOs often provide integrated care and focus on prevention and wellness.

PPOs - A type of health plan that contracts with medical providers, such as hospitals and doctors, to create a network of participating providers. You pay less if you use providers that belong to the plan's network. You can use doctors, hospitals, and providers outside of the network for an additional cost.

POSs - A type of plan in which you pay less if you use doctors, hospitals, and other health care providers that belong to the plan's network. POS plans also require you to get a referral from your primary care doctor in order to see a specialist.

HSAs - A type of savings account that lets you set aside money on a pre-tax basis to pay for qualified medical expenses.

HRAs - Health Reimbursement Arrangements (HRAs) are employer-funded group health plans from which employees are reimbursed tax-free for qualified medical expenses up to a fixed dollar amount per year.

HDHPs - A plan with a higher deductible than a traditional insurance plan. The monthly premium is usually lower, but you pay more health care costs yourself before the insurance company starts to pay its share (also called your deductible).

A high deductible plan can be combined with a health savings account (HSA), for you to pay for certain medical expenses with money you set aside in your tax-free HSA. This is why it's more commonly called an HSA-eligible plan.

CDHPs - a high-deductible health plan which allows you to pay for part of the cost of out-of-pocket medical services using pre-tax dollars in a specified savings account.

Self-Insured - Type of plan usually present in larger companies where the employer itself collects premiums from enrollees and takes on the responsibility of paying employees' and dependents' medical claims.

Utilization Review - the evaluation of the necessity, appropriateness, and efficacy of a health care service to determine whether the health care service is medically necessary for a patient. A health insurer may conduct utilization review of a health care service that a health care provider recommends for a patient, or may contract with a utilization review organization to perform utilization review.

Wellness Program - A program intended to improve and promote health and fitness that's usually offered through the workplace, although insurance plans can offer them directly to their enrollees. The program allows your employer or plan to offer you premium discounts, cash rewards, gym memberships, and other incentives to participate.

Managed-Care Plans – Control access to providers and/or services through economic incentives to stay in network to cover services or avoid penalties.

FSAs - An arrangement through your employer that lets you pay for many out-of-pocket medical expenses with tax-free dollars.

PCP – Primary care physicians are physicians (M.D. – Medical Doctor or D.O. – Doctor of Osteopathic Medicine) who directly provides or coordinates a range of health care services for a patient.

Premium – The amount you pay for your health insurance every month.

Deductible – The amount you pay for covered health care services before your insurance plan starts to pay. With a \$2,000 deductible, for example, you pay the first \$2,000 of covered services yourself.

Coinsurance – The percentage of costs of a covered health care service you pay (20%, for example) after you've paid your deductible.

Copayment – A fixed amount (\$20, for example) you pay for a covered health care service after you've paid your deductible.

A printable copy of this glossary can be downloaded below.

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