Health Care Insurance: The Basics

To cope with the potentially high costs of medical care, insurance policies provide some financial protection. Many individuals with insurance are covered under an employer-based plan (options offered and partially funded by their employer). Individual health insurance coverage, though more costly, can be obtained through some companies. Uninsured persons depend on their own ability to pay, qualifying for government insurance, or the care that physicians and institutions donate to those unable to pay. The March 14, 2007, issue of *JAMA* is a theme issue on access to health care.

TYPES OF INSURANCE COVERAGE

Indemnity insurance covers some health expenses (usually at a set percentage of the charge) and allows an individual to select a physician or a hospital without restrictions. Patients are responsible for paying the portion of the medical bill that is not covered by insurance. This type of coverage has become uncommon.

Health maintenance organizations (HMOs) provide insurance coverage, usually through a lower-cost, employer-based plan. HMOs rely on a primary care physician to coordinate a person's care. There are restrictions on choice of physician, hospital, and other ancillary services. For specialty care to be covered, referrals to specialists must come from the primary care doctor. Procedures and tests must have preapproval from the HMO to be covered under the plan.

Preferred provider organizations (PPOs) are networks of physicians and institutions that work with a specific insurance company. Members of the network provide care at a negotiated rate to persons insured under the plan. In order to receive coverage in a PPO plan, your physician (both primary care and specialty physicians) must belong to the PPO network. If you choose a doctor or hospital that is not on the PPO plan (also called out-of-network), you will be responsible for some or all of the payment.

Government insurance, such as **Medicare** and **Medicaid**, is available to certain individuals under specific circumstances. Medicare is the health care plan for US citizens aged 65 years or older, persons with disabilities, and those with chronic renal failure. Most individuals need secondary insurance coverage to help with expenses not covered by Medicare. Recently, Medicare has developed prescription drug coverage to assist senior citizens with the cost of prescribed medications. Medicaid is health insurance for persons with very low incomes and for the disabled (if they do not qualify for Medicare). There are strict criteria for Medicaid qualification in each state.

Sources: US Department of Labor; National Institutes of Health; National Mental Health Information Center

INSURANCE TERMS TO KNOW

- **Medical necessity** refers to a determination that a treatment, test, or procedure is necessary to a person's health or to treat a diagnosed medical problem. Cosmetic procedures, for instance, are not covered under medical necessity provisions.
- **Co-payment** is a specified dollar amount that the patient must pay to the physician or institution each time a service or visit is requested. Co-payments are usually required at the time of service and are set by the insurance company (typically an HMO or a PPO) as part of the policy.
- **Preexisting conditions** are medical problems that an individual already has when he or she acquires an insurance policy. Preexisting conditions may not be covered by insurance policies.
- **Medical savings accounts** (MSAs) allow persons to save money (often on a pretax basis) from their paycheck to be used for health care expenses. These expenses can include deductible amounts, co-payments, uncovered medical expenses (glasses, dental care, prescription medications), or expenses above the policy limits.

It is important to read your policy thoroughly and understand what is covered. Since you will be responsible for paying medical bills that are denied by the insurance company, you should be familiar with what your policy actually does or does not cover.

FOR MORE INFORMATION

- Centers for Medicare & Medicaid Services
  877/267-2323
  www.cms.gov
  www.medicare.gov

- National Mental Health Information Center
  800/789-2647
  www.mentalhealth.samhsa.gov

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