Insurance Operations © 2013
Chapter 4: Health Insurance—Glossary

health insurance. Insurance policies that protect the policyholder from financial risk associated with the costs of healthcare.

adverse selection. A situation in which those purchasing insurance represent a greater risk than the population as a whole.

defensive medicine. A type of medical practice in which doctors order more tests and procedures than patients really need to protect themselves from lawsuits.

chronic disease. A condition that lasts for a long time or reoccurs.

preexisting condition exclusions. Clauses in insurance agreements which state that insurer may not cover costs related to a preexisting condition for a stated period of time.

individual health plan. Health insurance for a single person or family purchased directly from an insurance company by the participant.

fee-for-service health plan. A type of health plan in which the plan participant (the insured person) pays a premium, but must also meet a deductible before coverage begins each year.

deductible. The amount a policyholder has to pay before the insurance company will cover costs.

Patient Protection and Affordable Care Act (PPACA). A major reform effort intended to reduce costs, make delivery of care more efficient, and provide health insurance to those who are not otherwise insured. Many of the changes do not go into effect until 2014.

group. A set of people who have an interest in jointly sharing risk.

group health plans. Plans that cover a group, often employees of a company, as well as their family members.

copayment. Also called a copay, a small fee to help the insurer defer some of the cost of health services.

out-of-pocket maximum. The maximum dollar amount the insured person(s) will have to pay in a given year.

lifetime limit. A maximum amount that a plan will pay out to the insured participant over the entire life of the participant. The PPACA prohibits insurance companies from setting lifetime limits.

managed care plans. Plans in which an insurance company enters into contracts with hospitals, doctors, and other providers of care.

provider network. The hospitals, doctors, and other providers of care that are under contract with a particular insurance plan.

out-of-network. A care provider not part of the provider network contract for a particular insurance plan.

health maintenance organization (HMO). This is a managed-care plan typically consisting of a network of providers that participants must use for their health care needs. The insurance company does not pay for out-of-network care.

primary care provider (PCP). A physician who manages all health care for the participant of an HMO.

Copyright Goodheart-Willcox Co., Inc.

preferred provider organization (PPO). An insurance plan that establishes a network of providers that the insurer encourages plan participants to use. Participants may choose to go out of network, but they will pay more out of pocket.

point of service plan (POS). An insurance plan that mixes features of HMOs and PPOs participants have to choose a primary care provider who coordinates in-network care, but can also choose an out-of-network provider and pay more for those services.

consumer-driven health plans. Insurance plans with a high annual deductible and a smaller premium than other health insurance plans.

health savings account. An account, often a part of a consumer-driven plan, containing untaxed money that can be used to pay for the health care costs until the deductible is met. These funds can also be used to cover copayments and other health expenses.

HIPAA (Health Insurance Portability and Accountability Act). A legislation that makes it easier for people with preexisting conditions to obtain health insurance.

portability. Continued access to health insurance regardless of employment.

elimination period. Waiting period before it will cover costs related to your condition.

Consolidated Omnibus Budget Reconciliation Act (COBRA). A federal law that includes a provision to extend health plan coverage in certain circumstances.

uncompensated care. Medical care provided to people who have no insurance and are unable to pay for the care on their own.

Copyright Goodheart-Willcox Co., Inc.