

## Medical Insurance Glossary

### Definitions of Key Terms

**Allowed amount.** The amount a plan pays for a covered medical care service. This may be called “eligible expense,” “payment allowance” or “negotiated rate.” The allowed amount is usually different than the charged or billed amount from the provider.

**Coinsurance.** Your share of the costs of a covered medical care service, calculated as a percent (for example, 10 percent) of the allowed amount for the service. For example, if your health plan’s allowed amount for medical care service is \$500 and you’ve met your deductible, then your coinsurance payment of 10 percent would be \$50. The health plan pays the rest of the allowed amount. (See *deductible* and *allowed amount*.)

**Copay.** Flat dollar for provider visits. When a copay is listed, the employee will pay one copay per visit which will be inclusive of that visit. For example, you may have a \$15 copay when you see your primary care physician. An Emergency Room copay is different in that you pay a \$125 copay for an emergency room visit and coinsurance follows on other services that apply. However, if you are admitted the ER copay is waived.

**Deductible.** A fixed dollar amount that the covered employee must pay out of pocket each calendar year before the plan will begin reimbursing for non-preventative health expenses. Plans usually require separate limits per person and per family.

**Flexible Spending Account.** A tax-advantaged account maintained by ISU where faculty and staff can set aside a portion of each paycheck to pay for out-of-pocket medical expenses (Examples: **coinsurance, deductibles, copays**, eyeglasses, contact lenses, hearing aids, orthodontics and some O-T-C medications with doctor’s prescription). No payroll taxes are due on funds allocated to an FSA, and the employee can use the money, tax-free, to pay for qualified medical expenses throughout the year. The total annual amount deferred is available as soon as the account starts receiving money from ISU.

**Health Maintenance Organization (HMO).** 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. An HMO may require you to live or work in its service area to be eligible for coverage. HMOs often provide integrated care and focus on prevention and wellness. ISU BLUE HMO is an Iowa Network.

**In-network.** Doctors, clinics, hospitals and other providers with whom the health plan has an agreement to care for its members. Health plans cover a greater share of the cost for in-network health providers than for providers who are out-of-network.

## Medical Insurance Glossary (continued)

**Out-of-network.** A health plan will cover treatment for doctors, clinics, hospitals and other providers who are out-of-network, but covered employees will pay more out-of-pocket to use out-of-network providers than for in-network providers.

**Out-of-pocket maximum.** The most you pay during a policy period (usually a year) before your health plan begins to pay 100 percent of the allowed amount. This limit never includes your premium, balance-billing amounts, or charges for medical care your health plan doesn't cover. Deductibles, Copays and Coinsurance all accumulate to the medical out-of-pocket maximum.

**Preauthorization.** A decision by your health insurer or plan that a medical care service, treatment plan, prescription drug or durable medical equipment is medically necessary. Sometimes called prior authorization, prior approval or precertification. Your health insurance or plan may require preauthorization for certain services before you receive them, except in an emergency. Preauthorization isn't a promise your health insurance or plan will cover the cost.

**Preferred Provider Organization (PPO).** PPO plans offer more flexibility when choosing a doctor or hospital. Members can reduce their out-of-pocket costs when they choose a network provider. ISU BLUE PPO is a preferred provider organization with a national network.

**Premium.** The amount that must be paid for a health insurance plan by covered ISU faculty and staff as well as by ISU. Premium is paid monthly and deducted from your paycheck.