Many Texans obtain health insurance through a group plan—either an employer-sponsored plan or other group coverage. Group coverage is typically the least expensive health insurance option. If you are unable to obtain a group policy, you may be able to purchase individual coverage directly from a carrier. There are two types of individual coverage: indemnity plans and managed care plans. There are three types of managed care individual plans currently available. This publication provides information on two common types of managed care plans: HMOs and PPOs.

There are many things to consider when shopping for health insurance. We have developed a list of questions to help you get started.

- What benefits are most important to me and my family?
- What are my average out-of-pocket costs for healthcare?
- Does my medical provider accept this insurance plan?
- Does the company have a history of financial problems or consumer complaints?

About OPIC

The Office of Public Insurance Counsel (OPIC) is an independent state agency created by the Texas Legislature in 1992. We represent the interests of consumers, including small commercial insurance consumers, as a class on matters involving insurance rates, rules, and policy forms. This includes matters involving auto, homeowners, windstorm, and title insurance. We also participate in rulemaking proceedings for life, accident, and health insurance.

VISIT US AT WWW.OPIC.STATE.TX.US

Visitors to our site can find information about different types of insurance, compare insurance carriers and the coverages they offer, and download reports and publications produced by the office. You can also submit inquiries to the office via the website.

512-322-4143
1-877-211-OPIC (6742)

333 GUADALUPE, SUITE 3-120
AUSTIN, TEXAS 78701

For more information about purchasing individual health coverage, visit www.texashealthoptions.com or www.healthcare.gov.

(Pub. Date 4/2012)

OFFICE OF PUBLIC INSURANCE COUNSEL

Choosing an Individual HMO or PPO Plan that is Right for You

DEEIA BECK, PUBLIC COUNSEL

333 GUADALUPE, SUITE 3-120
AUSTIN, TEXAS 78701

TELEPHONE: (512) 322-4143
TOLL FREE: 1-877-211-OPIC (6742)
FAX: 512-322-4148

WWW.OPIC.STATE.TX.US

Choosing an Individual HMO or PPO Plan that is Right for You

What is managed care?

Managed care plans contract with physicians, hospitals, and other healthcare providers to create the health plan's network. Some plans will only cover services performed by providers within the network, others cover services delivered by any provider. Managed care plans include Heath Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), and Point of Service Plans (POS). This publication provides information on HMOs and PPOs.

Health Insurance Terms

Coinsurance—the percentage of the cost of a covered service that you must pay.

Copay—the fixed amount you must pay for a covered service.

Deductible—the yearly amount you must pay before your plan will contribute to a covered service.

Network—the doctors, hospitals, and other providers the plan contracts with to provide care.

Premium—the monthly cost to participate in a health plan.

What is an HMO?

A Health Maintenance Organization (HMO) requires you to receive your healthcare services from network providers within a service area. You must choose a primary care physician (PCP) to oversee your medical care and provide referrals to specialists.

When you access the HMO network you must pay a set copay for services such as doctor visits, prescription drugs, emergency room visits, and inpatient hospital stays. Generally, you will not be responsible for a deductible or coinsurance. An in-network provider may not bill you for charges beyond your copay. However, you will typically pay for the full cost of a service if you do not have a referral from your PCP or if you choose to see a doctor outside of your HMO's network.

Advantages of an HMO

- Lower out-of-pocket costs
- An in-network provider cannot bill you for any balance after you meet your copay
- Less paperwork

Disadvantages of an HMO

- Less choice of providers
- Must obtain referrals from your PCP

What is a PPO?

A Preferred Provider Organization (PPO) allows you to obtain healthcare services through in-network preferred providers or out-of-network providers. However, PPOs provide financial incentives—such as higher reimbursement rates—when you use in-network providers.

When you access the PPO network, you typically pay a copay for covered services. You may be responsible for coinsurance or a deductible as well. When you use an out-of-network provider, you will typically pay a deductible and a higher percentage of the charges. The PPO will base its reimbursement percentage on the allowed amount—the amount it typically pays for the service. You will be responsible for the remainder of the charges. You may also be responsible for filing claims for services you receive from out-of-network providers.

Advantages of a PPO

- Typically no referrals are necessary
- Coverage for out-of-network doctors and hospitals

Disadvantages of a PPO

- Higher out-of-pocket costs
- May be required to file claims