**Health Insurance: The Basics**

Health insurance is a critical element in any family’s financial security since it will help you cover costs for long-term needs or unexpected emergencies. It can also be extremely complicated, with consumers facing a wide range of choices and rules to get the coverage they need. The \_\_\_\_\_\_\_ Society of CPAs offers this overview of some of the basics on health care insurance.

[What Terms Do You Need to Know?](https://www.wpsic.com/members/smart-consumer/healthinsuranceterminology.shtml)

Some important, commonly used terms in health care insurance include:

* *Deductible*. The amount you will pay upfront before your health insurance kicks in. For example, say you have a $500 deductible and a $750 medical bill. You would pay $500 toward the bill and your insurance would cover the remaining $250.
* *Premium*. The cost you pay for health care insurance, usually monthly.
* *Co-pay or co-insurance*. The set amount you pay whenever you get health care.

**What Kinds of Plans Are Available?**

[The type of plan you choose](https://www.medmutual.com/For-Individuals-and-Families/Health-Insurance-Education/Compare-Health-Insurance-Plans/HMO-vs-PPO-Insurance.aspx) can have an impact on your choices of physician or hospital and your out-of-pocket costs as well as other considerations. Here are a few common options:

* *Health maintenance organization (HMO)*. With this type of plan, you can choose among specific health care providers and hospitals within the HMO network. If you see a doctor or go to a hospital outside the network, your costs usually aren’t covered. There may also be limits on what services are covered. If you want to see a specialist, you usually need a referral from your primary care physician. Premiums are generally lower than for other plans, though, and there are usually low or no deductibles.
* *Preferred provider organization (PPO)*. These plans also offer networks of doctors or hospitals, but you usually get some coverage when going outside the network and referrals to specialists generally aren’t required.
* *Exclusive provider organization (EPO)*. These are similar to HMOs but with more flexibility in choosing a health care provider, although out-of-network doctors and hospitals aren’t covered.
* *Point-of-service plan (POS)*. You can choose out-of-network providers, but you will pay more for care and a referral is needed.

When making your choices, remember that generally the plans with the least flexibility in going outside the network—like HMOs—offer the lowest premiums and deductibles, and consider whether cost or flexibility is more important to you.

**Which Deductible Is Best?**

The size of the deductible will generally have a direct impact on your monthly premiums, with higher deductibles translating into lower monthly bills. How do you choose? A plan with a lower deductible plan may be best if you make frequent doctor or emergency room visits – which is often the case in a family with small children – or if you are taking costly medications. If you have a chronic condition or are expecting to have surgery soon, a lower deductible may also be a better idea. If you don’t have a higher required <https://www.forbes.com/sites/christinalamontagne/2014/12/09/should-i-choose-a-high-or-low-deductible-health-insurance-plan/#3445afa964ef> upfront cost, your insurance will begin covering your expenses sooner.

On the other hand, you may choose a high deductible if lowering monthly premium costs is a necessity. In addition, if you are generally in good health you may decide that you can afford a high deductible – and benefit from the lower premiums –on the assumption that you won’t need a great deal of costly medical care. And if you do have a high deductible plan, find out if you are eligible to contribute to a health savings account.

**Turn to Your Local CPA**

Every day, CPAs around the country help their clients sort through complicated financial details to make the right decisions for their needs. Consult [your local CPA](http://www.mscpaonline.org/findacpa) for advice on addressing all your financial concerns.