



## 8 Health Benefits Terms

These health benefits terms are often used during benefits open enrollment season.

### 1. CO-INSURANCE

A percentage of health care costs, e.g., 20%, that the covered employee pays after meeting the deductible.

### 2. CO-PAYMENT

The fixed dollar amount, e.g., \$50, for each doctor visit that the covered employee pays for medical services.

### 3. 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.



## **4. FORMULARY**

A list of prescription drugs covered by the health plan, often structured in tiers that subsidize low-cost generics at a higher percentage than what is paid for more expensive name brand or specialty drugs.

## **5. HEALTH SAVINGS ACCOUNT (HSA)**

Savings accounts that may be opened by employees who enroll in a high-deductible health plan. Employees can put money in an HSA using pre-tax dollars, up to an annual limit set by the government. For 2020, the limit is set at \$3,500 for individuals and \$7,000 for family coverage. Employers may also contribute funds to these accounts within the prescribed limit. HSA funds may be used to pay for medical expenses whether or not the deductible has been met. No tax is owed on funds withdrawn from an HSA to pay medical expenses. HSAs are individually owned and the account remains with the employee after employment ends.

## **6. HIGH-DEDUCTIBLE HEALTH PLAN (HDHP)**

An HDHP features higher annual deductibles (for 2020, a minimum of \$1,350 for self-only HDHP coverage and \$2,700 for family coverage) than preferred provider organization (PPO) or health maintenance organization (HMO) plans. With the exception of preventative care, covered employees must meet the annual deductible before the plan pays benefits. However, HDHPs may have significantly lower premiums than a PPO, HMO or other traditional plan. The 2020 limit on out-of-pocket expenses (including deductibles, co-payments, co-insurance, but not premiums) is \$6,750 for self-only coverage and \$13,500 for family coverage.

## **7. HEALTH REIMBURSEMENT ARRANGEMENTS (HRAS)**

Unlike HSAs, only an employer may fund an HRA, and the funds revert back to the employer when the employee leaves the organization. HRAs are not subject to the same contribution limits as HSAs, and they may be paired with either high-deductible plans or traditional health plans and \$13,500 for family coverage.

## **8. 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.



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