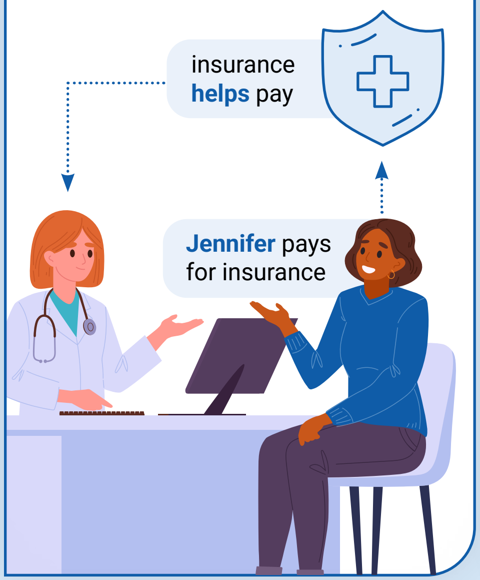
Understanding health insurance terms

Health insurance

Definition: Health insurance helps pay for medical care, such as doctor visits, medicines, and treatments. Individuals may pay a monthly fee, and the insurance company covers a portion of the costs, making it easier for patients to get the care they need[1]

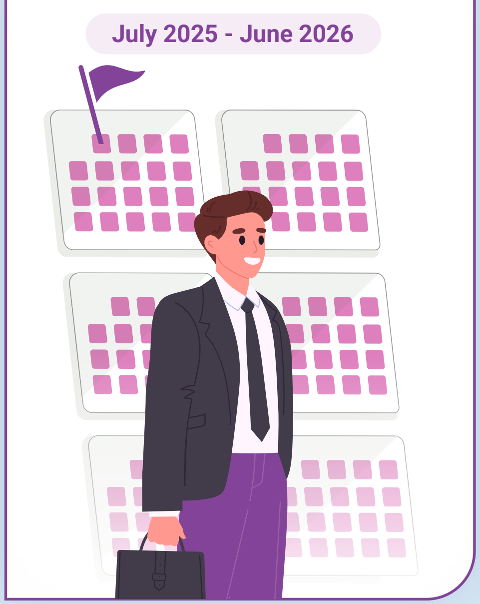
Example: Jennifer pays for health insurance. When Jennifer goes to the doctor, the insurance helps pay the bill



Plan year

Definition: A plan year is the 12-month period when your insurance plan is active. It may start in any month[2]

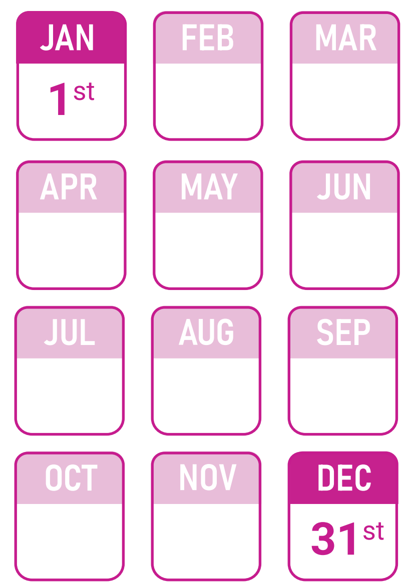
Example: Eric's plan coverage began in July 2025, and coverage ends in June 2026



Calendar year

Definition: A calendar year is a fixed period between January 1 and December 31 of the same year[2]

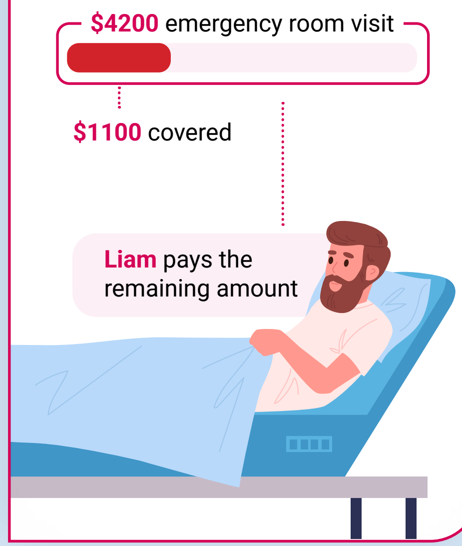
Example: January 1, 2026, through December 31, 2026



Underinsured

Definition: Someone who has health insurance that doesn't fully cover their needs, often leaving them with high out-of-pocket costs or uncovered services they can't afford[3]

Example: Liam has insurance. His plan only covered $1100 out of his $4200 emergency room visit, so he has to pay for most of it



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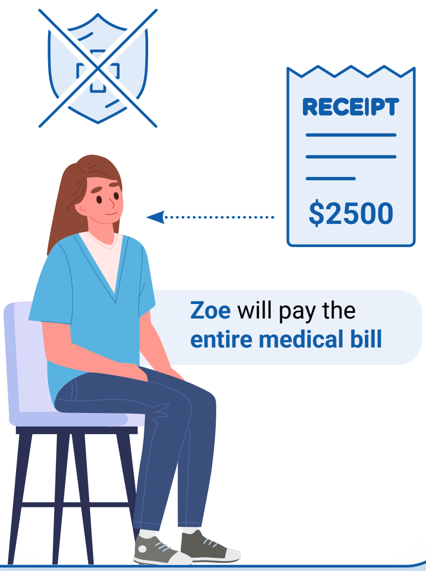
Understanding health insurance terms (cont'd)

Uninsured

Definition: Someone who does not have any insurance to help pay for medical care[3]

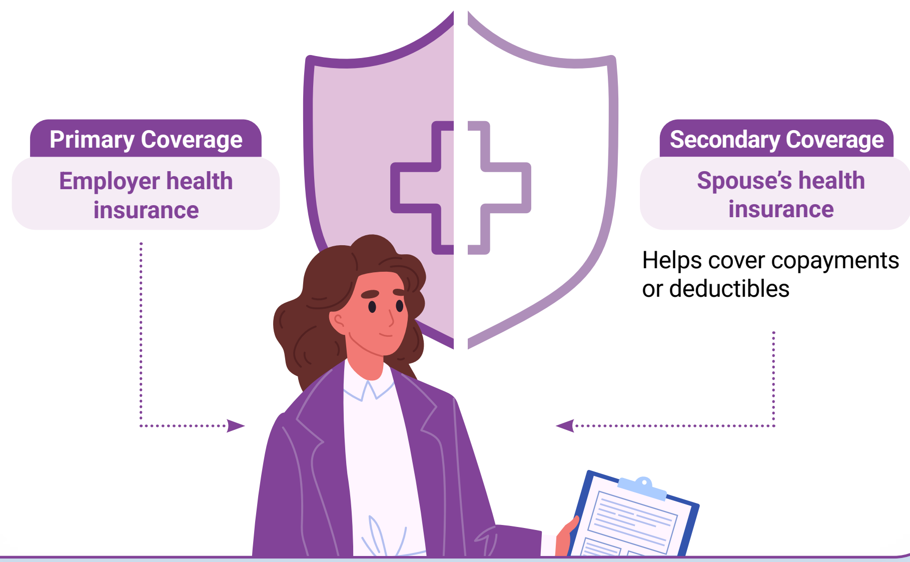
Example: Zoe doesn't have insurance, and her medical bill amounted to $2500



Dual coverage

Definition: Used to describe when a person has two insurance plans at the same time, such as employer insurance combined with a spouse's plan or both private insurance and Medicaid[4]

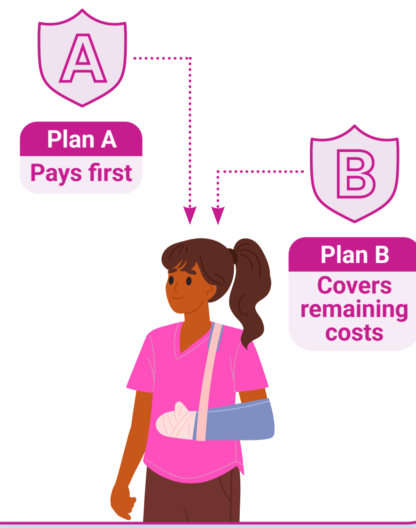
Example: Paula has health insurance through her employer and is also covered under her spouse's health plan. In this case, her employer's plan is the primary insurance and her spouse's plan acts as secondary coverage, helping cover costs like copayments or deductibles that the primary insurance doesn't fully pay for



Coordination of benefits

Definition: When someone has coverage under 2 or more insurance plans, a coordination of benefits is used to help decide which plan provides coverage first for the same medical service[5]

Example: Emma is covered under 2 plans, Plan A and Plan B. Per the coordination of benefits, Plan A pays first and Plan B covers the remaining costs for her surgery



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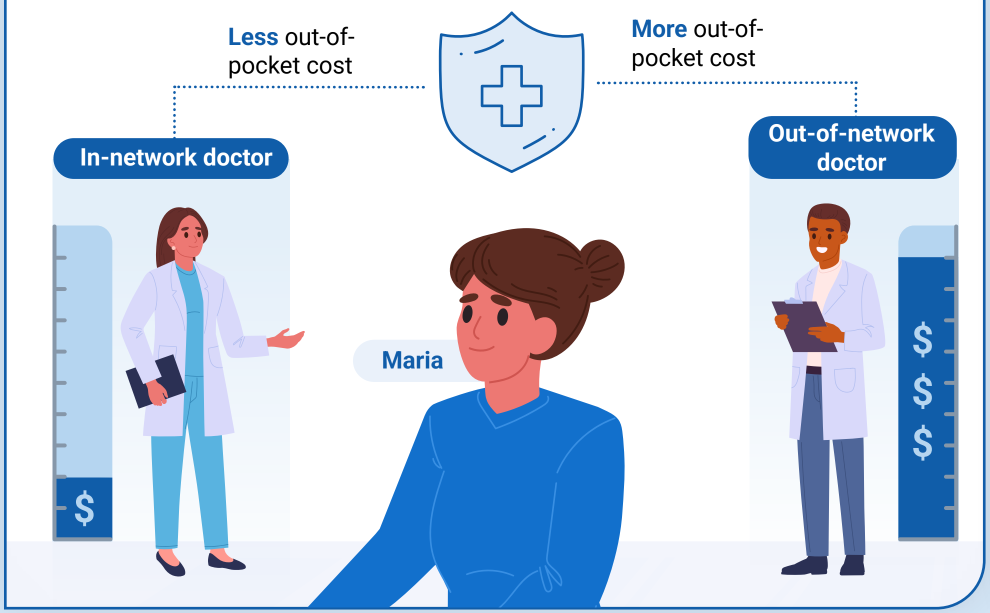
Understanding health insurance terms (cont'd)

In-network/Out-of-network

Definition: An in-network provider or facility is contracted with your health insurance plan and may provide services at lower, negotiated rates.[5] Using an out-of-network provider or facility, which are not contracted with your health insurance company, may result in higher costs for you

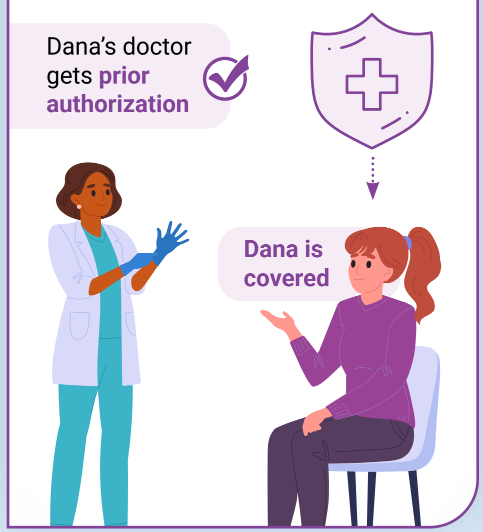
Example: Maria's doctor is in-network, meaning her health insurance plan covers more of the cost. If she were to see an out-of-network doctor, it may mean paying more out of pocket



Prior authorization

Definition: A healthcare provider must receive approval from a patient's health insurance company before providing a specific treatment, medication, or service to make sure it is covered[5]

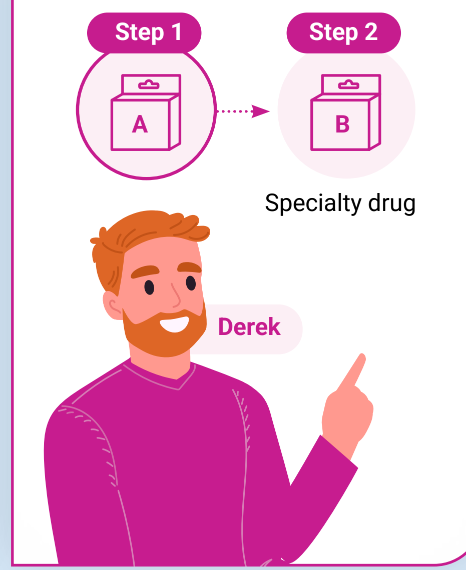
Example: Dana needs immunotherapy. Her doctor gets prior authorization from her insurance company to make sure it is covered before having her start treatment



Step therapy

Definition: Step therapy is when the insurance company asks patients to try one medication first. If it does not work, then the insurer may cover a different medication. This process is implemented to find the right treatment while helping to lower costs[6]

Example: Before Derek can try a specialty drug, his plan is requiring that he try another medication first

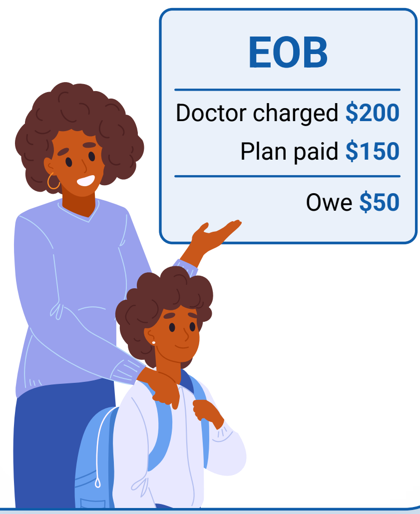


Understanding health insurance terms (cont'd)

Explanation of benefits (EOB)

Definition: A document patients may receive from their health insurance company that shows what was billed for their care, what the insurance paid, and what the patient may owe. It is not a bill, but a summary of how the claim was processed[7]

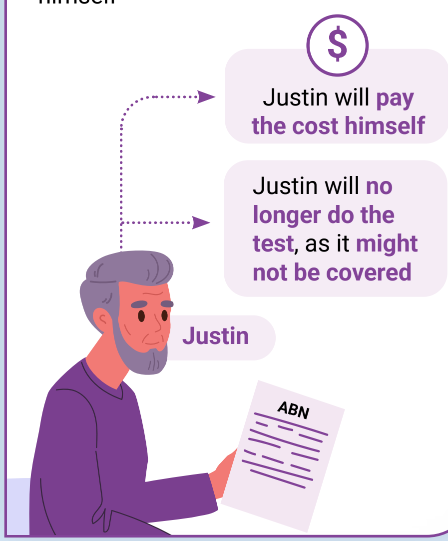
Example: Tara and her family get an EOB showing the doctor charged $200, her health plan paid $150, and they owe $50



Advance Beneficiary Notice (ABN)

Definition: A form that patients on Medicare receive from their providers telling them that a service or treatment may not be covered by Medicare. This allows the patient to decide whether to get the service or treatment and pay for it themselves[8]

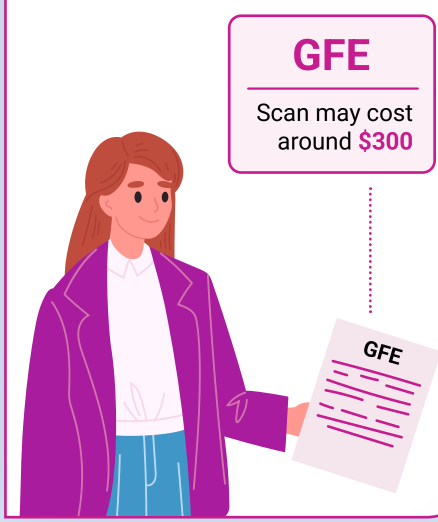
Example: Justin gets an ABN saying that his diagnostic test might not be covered by Medicare. He must now decide whether to do the test even though he may have to pay for it himself



Good faith estimate (GFE)

Definition: A document that tells a patient how much their treatment might cost before it starts. It helps the patient understand the expected expenses for things like doctor visits, tests, and medicines, so there are no big surprises later[9]

Example: Before Carmen has a scan, her family gets a GFE showing it may cost around $300



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