

## BENEFIT BASICS

# HOW HEALTH INSURANCE WORKS



Do you know the ABCs of health insurance? With a good understanding of common health plan types, terms, and concepts, **finding an insurance plan that meets your needs and fits within your budget** will be so much simpler.

## TYPES OF HEALTH INSURANCE PLANS

### HMO

#### HEALTH MAINTENANCE ORGANIZATION

An HMO plan features low premiums, deductibles, and fixed copays for doctor visits but **requires using in-network providers and choosing a Primary Care Physician (PCP)** for care and referrals.

### PPO

#### PREFERRED PROVIDER ORGANIZATION

PPO plans generally have higher premiums than HMO plans but offer the **flexibility to see specialists and out-of-network providers without referrals**. If you do stay in-network, copays and coinsurance are typically lower.

### POS

#### POINT-OF-SERVICE

A POS plan **combines features of HMO and PPO plans**, allowing you to choose between HMO or PPO services for each healthcare visit. It has slightly higher premiums than an HMO but covers out-of-network doctors.

### EPO

#### EXCLUSIVE PROVIDER ORGANIZATION

Like HMO plans, EPO plans only cover in-network care. **However, they offer moderate freedom** to choose your health care providers, and they **typically don't require specialist referrals** from PCPs.

### HDHP

#### HIGH DEDUCTIBLE HEALTH PLAN

An HDHP can be structured as an HMO, PPO, POS, or EPO plan, **featuring low premiums but higher out-of-pocket costs**. It is **often paired with a health savings account (HSA)**, which is a tax-advantaged account for paying qualified medical expenses.

## TERMS YOU NEED TO KNOW

### PREMIUM:

The **amount you pay** the health insurance company **for coverage**.

### DEDUCTIBLE:

The amount you pay **out of pocket before your health insurance starts** to cover costs.

### COPAYMENT:

A **flat fee you pay upfront** for doctor visits, prescriptions and other health care services. Also known as a **copay**.

### COINSURANCE:

The **percentage you pay** for the cost of covered health care services, **after you meet your deductible**.

### OUT-OF-POCKET MAXIMUM:

The **limit or maximum amount you can be charged** for all in-network health care services **in a year**.

**DEDUCTIBLE  
+ COPAYMENT  
COINSURANCE  
OUT-OF-POCKET  
MAXIMUM**



Typically, a higher **deductible** leads to a lower health insurance **premium**, and the opposite is also true.



## Take the Quiz!

Can't decide between health plans? Use the **Health Plan Decision Tool** to learn which type of plan may be right for you.

**QUESTIONS? Contact TrueNorth's TRUEAdvocate Team:**  
**888-655-9980 | [trueadvocate@truenorthcompanies.com](mailto:trueadvocate@truenorthcompanies.com)**  
**Monday - Friday | 7:30 am - 5:00 pm CST**

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