

Health Insurance Title Bout HMO vs. PPO

Our lives are full of acronyms, MHOTY (my hat's off to you) for knowing this one. Acronyms can be amusing like DIET, do I eat today or serious and serve the purpose of simplifying conversation by conveying complex ideas more succinctly. They can also be confusing and in the case of your health downright dangerous. Misunderstanding health insurance acronyms can make the difference between hearing "the doctor will see you now", and "I'm sorry that's not covered."

Two of the most commonly misunderstood and confusing health insurance acronyms are HMO and PPO. The difference in cost can be significant in terms of both premium outlay and treatment cost. The differences between the two start with which doctors and hospitals you can visit for your care and extend to your ultimate out of pocket costs.

First the terms; HMO stands for Health Maintenance Organization and PPO stands for Preferred Provider Organization. Their primary difference is in which providers, doctors and hospitals you can use. HMOs allow you to only visit doctors and hospitals within their network. PPOs also have networks but you can go outside of that network in exchange for a higher out of pocket cost.

Managed Care

Both HMO and PPO plans use Managed Care systems to administer your benefits, but what is managed care? These are plans that have contracts ranging from reduced price per service to employer – employee and ownership. In all cases these providers make up the plan's network and govern how much you pay depending on the network and its particular rules.

An HMO, Health Maintenance Organization, often but not always is the owner of the hospitals in its network and is the direct employer of the doctors, nurses and other practitioners who provide your care. The advantage to the HMO is that they can more closely control costs because they pay the salaries and control all the overhead. The result is generally a lower premium cost to you.

A PPO or Preferred Provider Organization also uses managed care and contracts to control costs but usually does not directly employ the doctors and operates on a contractual basis paying a reduced fee to physicians for agreed upon procedures. The system allows you to visit a provider outside of the network but requires that you pay a larger share (copay) of the cost of the visit. Premium costs for a PPO are usually higher than for an HMO.

Which plan is right for you is a matter of personal preference, budget and if you are switching because of a change in job or other reason and have an already established relationship with your doctor(s) that you want to continue than you will certainly want to find out which coverage he or she accepts before choosing.