Glossary

A

Accident and health insurance Insurance that pays benefits in the event of illness, injury, or accidental death

Activities of daily living (ADLs) Normal functions, such as eating, dressing, bathing, and so on, the inability of which to perform unassisted are a criterion for eligibility for long-term care insurance benefits

Adult day care Environment that offers company, supervision, social, and recreational support during the day for people who live at home

Adverse selection Selection against the insurer in terms of insuring more poor risks than good or average risks; the tendency of more poor risks to buy and maintain insurance than good risks

Annually renewable term (ART) Group term insurance is usually renewable on an annual basis. The premium is recalculated based on the age composition of the group each year. The transfer of rights in a policy from one person to another

ASO contract A contractual arrangement in which an employer purchases specific administrative services from an insurance company or a third-party administrator to administer claims and possibly provide other services

B

Benefit period In health insurance, the maximum period of time that benefits will be paid under the terms of the policy

Benefit statement A personalized statement specifying the benefit plans for which an employee is eligible and what benefits are available to that particular employee and her dependents; usually given to the employee on an annual basis

Benefit trigger In long-term care policies especially, the point at which criteria used to determine eligibility for benefits is met

Blue Cross/Blue Shield A membership association that provides health insurance for hospital and physicians' costs, and which pays benefits directly to the service providers

C

Cafeteria plan A benefit plan in which employees can choose their own benefit packages by purchasing coverage from a number of available options with a set amount of employer contributions

Capitation A method of paying for medical services on a per-person rather than a per-procedure basis; used especially by HMOs to pay participating physicians a fixed amount per month for every HMO member seen, regardless of how much or how little care the member receives

Case management A generic term referring to a system of overseeing health care for the purpose of containing health care costs; can include second surgical opinions, precertification or prior authorization for services, concurrent and retroactive reviews of services performed, and ambulatory and outpatient care; also known as utilization review

Certificate of Insurance A document issued to a group policyholder, for ultimate delivery to the covered individuals, which describes the key elements of the group coverage

Closed panel In HMOs, a narrowly defined group of health care providers sanctioned by the HMO and from whom members must seek services in order to have those services paid for by the HMO; contrast with *open panel*

COBRA A federal law which requires employers to offer extended group health coverage to terminating employees

Cognitive impairment In long-term care insurance, problems with attention, memory, or loss of intellectual capacity requiring supervision to help or protect the impaired person

Coinsurance In medical insurance, the cost-sharing amount or percentage that the insured patient is required to pay out-of-pocket

Community rating Rating all insureds in a given geographical area by the claims experience for that area; largely replaced by experience rating

Comprehensive medical policy A group medical policy that combines basic and major medical coverage in a single policy

Contributory A group insurance plan in which the insured individuals pay part of the premium cost for group coverage

Conversion privilege A period of time after separation from service during which a person formerly covered under a group life policy can be converted to individual coverage without evidence of insurability; also applies to some group medical

policies

Coordination of benefits A provision in most group medical expense plans in which priorities are established for the payment of benefits in instances where an insured is covered by more than one plan; limits employees covered by two group plans so that they cannot profit from their illness or disability

Copayment A fixed payment the patient pays, usually a small sum, each time he visits a health plan clinician or receives a covered service

Custodial care In long-term care situations, nursing home care of a nonmedical nature provided for persons who cannot perform such basic activities of daily living as eating, bathing, and dressing without assistance

D

Deductible An amount that a group medical plan requires an insured patient to pay out-of-pocket before the plan will pay benefits

Delta plan A service plan sponsored by state dental associations for the purpose of providing dental benefits

Dental health maintenance organization (DHMO) An HMO that provides dental care only

Dependent coverage Coverage provided to an employee's dependents in a group life or group medical plan

E

Elimination period See *Waiting period*

Exclusions Occurrences specifically not covered by a group contract

Experience rating Evaluating the claims history of a particular group in order to set a premium for the next period

F

Fee-for-service The traditional method of paying for medical services wherein a physician charges a fee for each service provided and the insurer pays all or part of that fee

Fiduciary A person who exercises authority of control over an employee benefit plan's management and/or who provides investment advice to a plan in return for compensation

First-dollar coverage In medical expense insurance, coverage for benefits without a deductible or coinsurance

Flexible benefit options In a Section 125 plan, the opportunity to choose the kinds of benefits desired from a large selection; often referred to as a cafeteria plan

Flexible spending accounts In a Section 125 plan, the means by which employees may pay for certain medical expenses on a before-tax basis that ordinarily must be paid for on an after-tax basis

G

Gatekeeper system In an HMO, a system requiring members to select a primary care physician who in turn provides or authorizes all care for that particular member

Group People who may be insured together because of something they have in common, such as their employer, their occupation, or membership in an organization

Group HMO A model of HMO made up of one or more physician group practices that are not owned by the HMO, but that operate as independent partnerships or professional corporations and are paid by the HMO at a negotiated rate, with each group responsible for paying its doctors and other staff as well as for paying for hospital care or care from outside specialists

Group insurance A type of insurance in which several life or health risks are underwritten collectively as a group

Group ordinary or permanent life Insurance issued on a group basis, but having cash values and usually level premium

Group rep A salesperson who sells and installs group insurance plans, perhaps in conjunction with a conventional insurance agent

Group term Term insurance issued on a group basis

Guaranteed issue Insurance contract provision that guarantees plan participation by a group member without medical certification

Guaranteed renewable An insurance contract in which the insured's coverage cannot be canceled except for nonpayment of premium

H

Health maintenance organization (HMO) A health care facility that provides medical services to enrolled persons on a

prepaid basis using a network of doctors, hospitals, and other medical professionals that their members must use in order to be covered for their care

Hospital expense benefits Those benefits provided by a medical expense plan for hospital charges incurred, such as room and board and other charges for services and supplies ordered by a physician while the insured is hospitalized

I

Individual employer group The most common type of group eligible for group insurance in which the employer is the policyowner and the employees are the insureds

Individual practice association (IPA) A physician-owned entity that contracts to provide medical services to an HMO; consisting of many physicians in solo or group practices who continue to develop their own practices and may belong to other IPAs or PPOs

Inflation protection In long-term care policies, a provision that allows the insured to increase benefits over time to offset higher service costs associated with inflation

Intermediate care Occasional nursing and rehabilitative care, ordered by a doctor, that can only be performed by or under the supervision of skilled medical personnel

L

Level premium An insurance premium that remains constant throughout the payment period

Long-term care policy A policy providing coverage for various levels of nursing home, at-home, or adult day care for periods of uncertain long-term duration, but for periods no longer than those specified in the policy

M

Major medical insurance Medical insurance that provides substantial protection against serious or catastrophic medical expenses

Malingering Staying off the job longer than medically necessary in order to continue collecting disability benefits

Managed health care An umbrella term for HMOs and all health plans that provide health care in return for pre-set monthly payments and coordinate care through a defined network of primary care physicians and hospitals

Master group policy The policy issued to the employer or other sponsoring organization which describes the coverage provided; contrast with the certificates of insurance received by individual insureds

Medicaid A government-sponsored health care program for poor people in which the state and federal governments share in the costs

Medical savings account An alternative to regular medical expense plans in which an employee maintains a high-deductible medical expense policy and deposits money in a special account for use in paying medical expenses beneath the high deductible

Medicare A government-sponsored health care plan intended primarily for persons age 65 and older who qualify for Social Security benefits

Multiple employer trust (MET) A trust which provides and administers group insurance benefits for the employees of firms who are either too small to have their own group plans, or who are attracted by the cheaper premiums available through the MET

Multiple employer welfare association (MEWA) A system in which several small businesses pay into a central pool to provide their employees with health insurance coverage

N

Noncontributory A group insurance plan in which the employees do not contribute to the cost of the group plan's coverage; the employer funds 100% of the plan

Nondiscrimination A requirement of federal law that group plans not provide disproportionate benefits for upper-echelon employees such as officers, owner-employees, and key executives

O

Occupational accident An accident that arises from and occurs in the course of employment

Occupational disease Impairment of health caused by continued exposure to conditions inherent in a person's occupation, or a disease caused by or resulting from the nature of an employment; does not include illness or disease to which the general public is normally exposed

Occupational risk A condition in an occupation that increases the possibility of accident, sickness, or death

Open panel In an HMO, a wide range of medical care providers from whom members of the HMO may seek care; contrast with *closed panel*

P

Partial disability A condition in which, as a result of injury or sickness, the insured cannot perform all of the duties of an occupation but can perform some duties

Permanent and total disability Total disability from which the insured does not recover

Plan administrator The person who manages a group insurance plan for an employer or other sponsoring organization

Point of service (POS) A type of HMO coverage that allows members to choose to receive services either from participating HMO providers or from providers outside the HMO network, with in-network care more fully covered and out-of-network care requiring deductibles and coinsurance

Preadmission testing Having pre-operative tests done on an outpatient basis in order to shorten a surgical patient's hospital stay

Precertification A managed care technique that requires a physician's recommendation for hospital admission be approved by the payer prior to admission

Preexisting condition A condition of health or physical condition that existed before the policy was issued or coverage began

Preferred provider organization (PPO) An organization of medical services providers that provides discounted medical services to members who are willing to use the preferred providers participating in the organization

Premium conversion In a Section 125 plan, the method by which employees convert payment of their group insurance premiums from an after-tax to a before-tax basis

Premium-only plan (POP) A Section 125 plan that offers only premium conversion

Preventive care Care designed to prevent disease altogether, to detect and treat it early, or to manage its course most effectively

Primary care physician In an HMO, the physician selected by the member to provide or authorize all care paid for by the HMO

Probationary period The period of time that must be met before an employee is eligible for coverage under a group insurance plan

Prospective review Descriptive of managed care techniques such as precertification of inpatient hospital treatment that evaluates the necessity and appropriateness of treatment before the treatment is actually rendered

Provider Any entity that provides health care services: a hospital, physician, clinic, laboratory, physical therapist, et cetera

Q

Qualification requirements Standards that a group insurance plan must meet to qualify for tax breaks under the Internal Revenue Code

R

Referral A formal process that authorizes an HMO member to get care from a specialist or hospital; authorization is usually requested from the member's primary care physician

Retired lives reserves (RLR) An employer can pre-fund the cost of providing post-retirement group life protection by making contributions during the employee's working years to an RLR fund

Retrospective review An evaluation of the necessity and appropriateness of treatment and the charges made for that treatment after the treatment has actually been rendered

S

Second surgical opinion A requirement of some health plans that recommendations for surgery be reviewed by another physician before the surgery is performed

Section 125 plan A tax-favored method of paying for group health insurance and medical bills

Self-insured plan Acceptance of the responsibility for paying claims without having commercial insurance coverage; applies to both individuals and businesses

Skilled nursing care Daily nursing and rehabilitative care, ordered by a doctor, that can be performed only by, or under the supervision of, skilled medical personnel

Staff HMO A type of HMO in which the doctors and other medical professionals are salaried employees of the HMO and the clinics or health centers in which they practice are owned by the HMO

Stop-loss coverage Used as protection by employers who self-fund employee benefits. If individual or aggregate claims excess a specified amount, the insurance steps in.

T

Third-party administrator A firm contracted by a self-insuring employer to handle the administrative aspects of the employer's group insurance plan

Total disability A degree of disability from injury or sickness that prevents the insured from performing the duties of his occupation

Twenty-four hour managed care The coordination of coverage, claims administration, and reporting between a workers' compensation policy and a group insurance policy written for an employer by the same insurer

U

Uniform, customary, and reasonably (UCR) In health plans, refers to the charges made by medical practitioners that are normally charged in a particular geographical area

W

Waiting period Either (1) in group insurance, a period of time before a new employee becomes eligible for group insurance, or (2) in disability income insurance, a period of time after the onset of disability before benefit payments begin

Wellness A health care concept that involves keeping individuals from getting sick in preference to treating them after they become sick; includes nutrition counseling, exercise, stop smoking programs, and so on

Y

Yearly renewable term (YRT) See *Annually renewable term*