

# PREFERRED PROVIDER ORGANIZATION (PPO) PLANS

## DEFINITION

This is a form of a managed health care organization plan comprised of “preferred” physicians, hospitals, clinics, and other health care providers that contract with the insurer to provide services at pre-determined rates.

## HOW THEY WORK

The insured can have a primary care physician (PCP) within the network but they are not required to get referrals to specialists within the plan from the PCP. Also, care is not restricted to providers within the network. If the insured wants to see an out-of-network, physician, they may do so but the deductible for services may be higher and the percentage the insurer will pay may be lower. The member will also need to pay the physician or specialist directly and file a claim with the PPO to get reimbursed.

These plans are similar to HMOs, but the care is paid for as it received instead of in advance. Each insured typically has an annual deductible before the insurer will start paying as well as copayments.

## ADVANTAGES

- They provide greater flexibility and choice compared to other managed care plans as members are not restricted to receive in-network services.
- Since members can see specialists without a referral by their PCP, this can potentially save the insured time and money since they do not first need to visit their PCP and pay a copayment.
- The PPO network offers lower costs, as long as the member uses in-network care providers compared to an indemnity/fee-for-services plan.
- There is greater control over healthcare decisions with a PPO plan, compared to an HMO plan. In PPOs, members can see any doctor or care provider within the network without a referral.

## DISADVANTAGES

- These plans typically have deductibles and copayments, which may end up costing the insured more in out-of-pocket expenses.
- Although a PPO plan provides the freedom to visit an out-of-network provider, the cost to do so will likely be high, so PPOs strongly recommend its members to use in-network physicians and services.

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