

BENEFITS TERMS DECODED

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20 Benefits-related Terms to Know

Benefits language can feel like its own vocabulary, filled with abbreviations and terms that rarely come up outside of enrollment season. This glossary explains the terms most commonly encountered when reviewing or selecting benefits, organized into four groups covering cost-sharing basics, account types, coverage and access, and life events and documentation.

Reviewing these 20 terms ahead of time can make enrollment decisions easier to navigate.



Cost-sharing Basics

1. Premium

The amount deducted from your paycheck for coverage, whether or not you use any care during the year. This is separate from what you pay when you actually receive care.

2. Deductible

The amount you pay out of pocket before your insurance begins covering costs. Preventive care is often covered before the deductible is met.

3. Copayment (Copay)

A fixed fee for a specific service, such as $30 for an office visit. The amount is set in advance and does not change based on the total cost of care.

4. Coinsurance

A percentage of the cost you share with your insurer, rather than a flat fee. Coinsurance typically applies after the deductible has been met.

5. Out-of-Pocket Maximum

The most you will pay in a plan year. Once this limit is reached, your plan covers 100% of eligible costs for the rest of the year.

Savings Accounts and Contributions

6. HSA (Health Savings Account)

A tax-advantaged account for medical expenses, available only to those enrolled in a high deductible health plan (or HDHP). Unused funds roll over each year and stay with you even after a job change, and they can even be used for retirement healthcare costs down the line.

7. Health FSA (Flexible Spending Account)

A tax-advantaged account for eligible medical expenses. Unlike an HSA, most funds must be used within the plan year, with only a small carryover amount, if any, allowed.

8. Dependent Care FSA

A tax-advantaged account for eligible childcare or eldercare expenses, separate from a healthcare FSA, which may also be called a dependent care assistance plan (or DCAP). Like a health FSA, funds are generally subject to a use-it-or-lose-it rule.

9. HRA (Health Reimbursement Arrangement)

An employer-funded account that reimburses employees for qualified medical expenses. Unlike an HSA, funds are owned and controlled by the employer, not the employee.

10. Contribution

The amount you or your employer sets aside into an account like an HSA, FSA or HRA. Contributions can come from you through pre-tax payroll deductions, from your employer or both, depending on the account and your employer's plan design.

Coverage and Access

11. Network

The doctors, specialists and facilities that have agreed to a plan's negotiated rates. Receiving out-of-network care typically costs more, sometimes significantly, than in-network care.

12. Formulary

A list of prescription drugs a health plan covers, often organized into cost tiers. During open enrollment, reviewing the formulary for any medications you take regularly can help you choose the plan that keeps your prescription costs predictable for the year ahead.

13. Coordination of Benefits

The process insurers use to determine payment order when a person is covered by more than one health plan, such as their own and a spouse's.

14. Consolidated Omnibus Budget Reconciliation Act (COBRA)

A federal law that allows employees to temporarily continue employer health coverage, usually at their own full cost, after leaving a job or losing eligibility.

15. Prior Authorization

Approval required from an insurer before certain services, procedures or medications are covered. Skipping this step can result in a denied claim, even for otherwise eligible care.

Life Events and Documentation

16. Qualifying Life Event

A change in circumstances, such as marriage, the birth of a child or the loss of other coverage, that allows benefit elections to be changed outside of open enrollment.

17. Beneficiary

The person or people designated to receive proceeds from a life insurance policy or retirement account. Worth reviewing whenever enrolling in a policy or when personal circumstances change.

18. Dependent

A spouse, child or other qualifying individual who can be added to an employee's health or life insurance coverage, subject to the plan's eligibility rules.

19. Explanation of Benefits (EOB)

A statement from your insurer after a claim is processed. It is not a bill, but a summary of how the claim was applied toward your deductible or coinsurance.

20. Waiting Period

The length of time a new employee must wait after their hire date before benefits coverage becomes effective, typically 30 to 90 days.

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