



ADULTING 101

DECODING BENEFITS



Decoding Benefits: What You Need to Know

HMO

HMO stands for Health Maintenance Organization. Under this type of plan, you'll be limited to doctors who agree to work with the HMO. It won't typically cover out-of-network expenses unless there's a real emergency. Generally, the network coverage is smaller, and rates are lower.

PPO

PPO stands for Preferred Provider Organization. This is just a larger network of doctors that provides you with more flexibility in your choice of care. However, you're often going to pay more for this coverage.

Deductible

The amount you pay for covered health care services before your insurance plan starts to pay. With a \$2,000 deductible, for example, you pay the first \$2,000 of covered services yourself. If you have a \$10,000 hospital bill, you would be responsible for paying the first \$2,000 of your deductible, and then your health insurance would pay the remaining balance. After you pay your deductible, you usually pay only a copayment for covered services and your insurance company pays the rest. However, in many health insurance policies, you can use some services like a routine doctor's visit or emergency room visit without meeting the deductible first. Generally, plans with lower monthly premiums have higher deductibles. Plans with higher monthly premiums have lower deductibles.

Copay

The copay is the flat fee you pay for certain medical expenses. For instance, you might pay \$25 for every office visit or \$10 for every prescription drug.

Flexible Spending Account

A Flexible Spending Account is a special account you can put money into tax free that you can use to pay for certain out-of-pocket medical, dental, and vision care costs.

401k

A 401k is a retirement savings plan sponsored by the employer. It lets workers save and invest a piece of their paycheck before taxes are taken out. Taxes aren't paid until the money is withdrawn from the account. Employees can save on their own, while many companies will also contribute a certain percentage of your paycheck or match what the employee puts in their 401k. There are limits to the maximum amount of compensation that an employee can defer to a 401k plan (\$18,000 in 2017). If you leave a job, you can roll over your account into a new employer's 401k in most cases.

Vesting

Vesting is the amount of time you must work for your company before gaining access to its payments to your 401k. You always have access to any payments you have made.

