

The Difference Between HMO And PPO Health Plans

When you are shopping for a health plan, you will run into two main categories: HMO and PPO. These two different methods of managing your health care each have their own pros and cons, and it's important to know the differences before you make a decision as to which type of plan you would like to sign up for.

Health Maintenance Organization (HMO)

An HMO is a type of managed health care program in which all services are provided by the main HMO company, and only doctors who are members can provide you with care. Under an HMO plan, you will be required to select a primary care physician who will be in charge of your health care. All referrals to specialists will be made through this primary doctor, and only to other doctors who are also a part of the HMO.

HMO coverage is often more affordable, with lower monthly premiums, lower co-pays, and lower out of pocket costs overall. The downside, however, is that you are limited to the doctors who are members of the HMO, and any doctor you see outside this group will not be covered at all, except in an emergency situation. You will also have to rely on your primary care physician for everything, and can't see a specialist without a referral.

Preferred Provider Organization (PPO)

A PPO is a health care plan that allows quite a bit more freedom than an HMO can offer. Doctors fall into two categories: in-network and out-of-network. An in-network doctor, also called a participating provider, will be covered at a higher rate than a doctor who is not a member of the PPO. Unlike an HMO, however, a PPO plan will cover any out-of-network doctor or service, albeit at a lower rate than the in-network allowance.

PPO plans don't usually require a referral from a primary care physician in order to see a specialist. You can make an appointment with any doctor you choose at any time, bearing in mind only that you will pay more out of pocket if the doctor is not a participating provider. A PPO plan is usually quite a bit more expensive than an HMO, but gives you much more freedom. Co-pays and co-insurance amounts may be higher, with higher premiums as well.

How To Choose

Whether you choose an HMO or a PPO depends on your needs as well as your family's health care requirements. If having your choice of doctors is less important to you than affordable monthly premiums, an HMO might be a great choice. If you value the freedom to choose and don't mind paying more for the privilege, look at a PPO. You should be sure to compare the actual coverage on each policy before making a decision. What is covered is just as important as the type of plan.