

Hi. So this time I'm here to talk about Preferred Provider Organizations, PPO. Many of you who've had to shop for insurance, whether it's on your own through the individual market or in the employer market or in the new exchanges put out by health care reform, the ACA, the Affordable Care Act, have seen PPOs as an option. Well, what are PPOs? I hope that you've already seen the history of employer-based health insurance video I've done as well as the one on HMOs because the PPO product is a direct result of that. HMOs, if you remember from that video, the individual has to choose between less expensive care, between paying less and giving up choice. If you're in an HMO, you can't choose your doctor. You can't choose when you go to a specialist. You're often kicked out of the hospital because the insurance company decides you've had enough care. The insurance company tells if you could have this medication versus that one, despite what your doctor says. The doctor has to get permission.

Well, in the '90s and henceforth up till now, a lot of people have said, wait a minute. I don't want to be locked into a plan that tells me everything I can do and every doctor I can see or can't see. I want to make choices. And you know what? I would be willing to pay more to make this choice. So that's where PPOs came about. They are basically a reaction to what we call the managed-care backlash, which happened in the early '90s. In fact, there are many movies out there-- As Good As It Gets, John Q-- there's movies where there's examples of the main character, the protagonist, in the case of Johnny Q, holding up an emergency room and insurance executives because his son needed a transplant and the insurance company said no. So our culture, our society got mad at HMOs where we were paying our premiums, and then we would go to the doctor and find out they weren't letting us go to specialists. The studies, in fact, show that that's not true, that most people were getting their referrals. But people were afraid of not getting their referrals. In any case, real or not real, what came out of this managed-care backlash is this new plan called a preferred provider.

So a PPO is in the middle. In this case, insurers contract with doctors, like HMOs do. And they negotiate rates with doctors and hospitals. And they agree to pay a discounted rate. Those are called preferred providers, hence the name Preferred Provider Organization. I, as a member, if I go to the preferred provider, it's like I'm in an HMO. I don't have very high premiums. I don't have very high co-pays and so forth. But what if I don't want to get permission? Or they deny me permission? Or I want to go to a specialist anyway? Can I go out of network? Well, in a PPO you can. The only difference is you end up paying more. So you pay less if you stay in network. And you pay more if you get out of network. So this combination, if you will, again, of managed care and indemnity. Physicians agree to get paid fee for service. They get paid for everything they do. It's just at a discount rate. So they're pretty happy. And they're happy to be on the preferred provider list because that means they get referrals. And a lot of people look on the list and see them. But if they don't want to contract with the health plan, they don't have to. The patients can still come to them. It's just patients pay more.

Now, if you look at what I have on the screen, it's called an Explanation of Benefits. And every time, if you have a PPO, every time you go to the doctor, your health plan will send you one of these. It's called, again, an Explanation of Benefits. In the first column, you'll see it shows you how much the doctor charges. Or let's say in this particular case that I'm showing, the doctor billed \$220. The next column shows the agreed upon rate, the discount the doctor gives to the plan, \$130.54. My co-pay, because I stayed in network in the preferred provider listing, is \$5. You can see that in this column. The plan pays 100% of \$130. I pay \$5. The plan then pays \$125.54. So in other words, the doctor gets 100% of the agreed upon rate, \$130.54. The patient pays \$5. The insurance pays the rest. That's in network. What if I went out of network? For example, in this same example, the doctor bills \$220. The plan is still going to pay that same amount of \$125.54. That's the member rate minus the \$5 co-pay. What do I pay? I have to pay \$94.46 because I have to pay the actual billed rate. The doctor never agreed to accept the lower rate. So I have to pay a lot more, almost \$100 in this case, versus another doctor who was in network is only \$5. But you know what? Having that ability to go out of network and get a doctor that I want makes a difference.

Let me tell you a personal story in terms of PPOs. So I was in the federal government. And every November we were able to buy-- it was open enrollment period. We could pick our next plan. I was in an HMO because I was young and healthy, about to have a kid, but everything was really good. And we'd been healthy. And we wanted to pay a lower premium, and so HMOs were fine. Well, one of my friends had a child. And the child had some birth defects. And she wanted to take her child to a specialist in San Francisco. And she had to fight her HMO and fight her HMO and actually did not get permission to go. And she went out on her own and paid the whole amount. Well, this got me nervous. I'm about eight months pregnant at this time. And it's time for me to pick a new plan. So guess what. I picked a PPO because then, I thought, you know, if something's wrong with my unborn child, I could take him-- in this case I knew it was a boy-- to whichever doctor I wanted. The plan would pay some, and I would pay the rest. But at least I had choice.

Remember when I talked about HMOs? It's a question of how much you want to pay versus choice. Well, PPO give you a middle option. So my son was born. He was completely fine. I am now paying higher premiums to get a PPO. And I'm thinking maybe we should go back to an HMO and save money. I was new in my career, and money-- we needed to save some money. So he was born in January. I had to wait till November. I'm going to go back to an HMO in November. And I thought, hmm, my last chance to go to the dermatologist. I had these dry hands, and I wanted to go to the dermatologist. But I didn't want to go get prior authorization. I didn't want to go to a gatekeeper. I didn't want the plan to say, no, you don't need to. So I could go, with my PPO, self refer. So I went for ostensibly my dry hands. And the dermatologist did what she should have done and actually found a melanoma. Guess what. I am still in PPO. My son is 19. I am fine. But because I had a PPO, I could go to the melanoma clinic in San Francisco and not have to stay in network. So this is an example of the kind of thinking you want to do when you're trying to decide between a PPO, which costs more, and you have more out-of-pocket dollars, and especially if you go out of network, you pay even more. But you have more choice. This is the balance that you have to do. So why a PPO? Why a preferred provider? Choice. You can have choice of providers. You can stay in network, and you usually have a small co-payment. You can go out of network, and you may have a coinsurance or a higher co-payment. It's up to you. There's less utilization control like that exists in a managed care plan. But you pay higher premiums for this. So again, as with managed care plans, it's a trade off between choice and higher cost. And it's up to you.