

# Insurance Terminology in Plain English

**Accept Assignment:** An agreement that a doctor makes to accept as full payment the amount that Medicare approves for a service. *Example: Normally Dr. Smith charges \$300 for a physical exam and blood work, but because Sandra is covered by Medicare and Dr. Smith accepts assignment, he will only charge her \$125, the amount approved by Medicare.*

**Annual Election Period (AEP):** A timeframe beginning October 15th and ending December 7th in which a person may change a Medicare Advantage Plan or Prescription Drug Plan. *Example: John used his AEP to enroll into a prescription drug plan.*

**Appeal:** A formal request to review a coverage decision. *Example: Gary decided to appeal his insurance carrier's decision to deny his back surgery.*

**Approved Amount:** The amount of money that Medicare will pay a provider for a particular service. *Example: The Medicare approved amount for Ray's office visit was \$65.*

**Benefit Period:** A period of time used to define hospital and skilled nursing facility admissions that begins on the day you are admitted, and ends after you have not received inpatient services for 60 consecutive days. *Example: Susan was in the hospital in January and again in June. However, because she went more than 60 consecutive days without inpatient care after her January stay, her June stay counted as a new benefit period.*

**Coinsurance:** There are two ways for a person to share cost with their insurance: coinsurance or copay. A coinsurance is a percentage sharing in which the insurance company pays a percent of charge, and you pay a percent of the charge. *Example: Bill's coinsurance for his office visit was 20%.*

**Copay:** There are two ways for a person to share cost with their insurance: coinsurance or copay. In a copay situation, you pay a flat amount, and the insurance company pays the rest. *Example: Mary's copay for her office visit was \$25.*

**Coverage Gap:** See Donut Hole.

**Covered Service:** A service that Medicare or your insurance will cover. This does NOT mean that they will fully pay for the service, only that the service will be applied to your plan benefits. *Example: Anne wanted to have laparoscopic thyroid surgery, but since it wasn't a covered service, she opted for traditional thyroid surgery which was a covered service.*

**Deductible:** The amount of your bill that you must pay before your insurance coverage begins to pay. *Example: Before Rich's drug plan began to pay for his prescriptions, he had to pay a \$250 deductible.*

**Donut Hole (Coverage Gap):** After drug costs surpass the initial coverage limit, you begin to pay more for your medications. For more information on the details of the Donut Hole, click [here](#). *Example: This month Andrew has to pay almost full cost for his medications because he just entered the Donut Hole.*

**Formulary:** A list of prescription medications that a Medicare Advantage Plan or Prescription Drug Plan will cover. *Example: Sue was very happy to find out that Celebrex was on her plans formulary.*

**Grievance:** A complaint filed with either Medicare, a Medicare Advantage Plan, or a Prescription Drug Plan about the operations or behavior of either the plan or a healthcare provider. This is different from an appeal in that an appeal is a complaint about a plan's decision to approve a service. *Example: Irene*

*decided to file a grievance with Medicare after her Prescription Drug Plan terminated her without proper notice.*

**Initial Coverage Limit:** The maximum amount of total drug cost a Prescription Drug Plan will allow before entering the Coverage Gap. *Example: Sharon's drug costs can total \$2,930 before she enters the Coverage Gap.*

**Initial Election Period (IEP):** The period of time beginning three months before you receive Medicare benefits and lasting seven months in which you can enroll into a Medicare Advantage Plan or Prescription Drug Plan. *Example: Since Lila was scheduled to begin receiving Medicare benefits on April 1st, she can enroll into a Prescription Drug Plan using her IEP anytime between January 1st and July 31st.*

**Low Income Subsidy (LIS):** See Extra Help.

**Medicaid:** A state run program that gives healthcare assistance to persons with low or limited incomes. *Example: Since his income was so low, James decided to apply for Medicaid to help with his medical costs.*

**Medicare Disenrollment Period (MADP):** A period of time beginning on January 1st, and ending February 14th in which a person can disenroll from a Medicare Advantage Plan and return to Original Medicare. *Example: Phil was dissatisfied with his Medicare Advantage Plan, so he used his MADP to leave that plan and return to Original Medicare.*

**Medicare Select:** A type of Medicare Supplement in which you are required to use certain hospitals. Typically this restriction only applies to planned stays and not emergency stays. For more information on Medicare Supplements, click [here](#). *Example: Since Victor has a Medicare Select policy, he needs to check with his carrier before scheduling his heart surgery to make sure the hospital is on the facility list.*

**Open Enrollment:** The six month period beginning the month you enroll into Medicare in which any company that sells a Medicare Supplement must offer it with no underwriting and no pre-existing conditions. *Example: Even though she was currently being treated for cancer, Patsy was able to enroll into a Medicare Supplement because she was in her Open Enrollment.*

**Primary Care Physician (PCP):** A physician who oversees your health coverage and decides when or if you need a referral to a specialist. A PCP is typically only used in HMO plans. *Example: Dwain wanted to see a specialist regarding his back pain, but he need to get a referral first from his PCP.*

**Service Area:** The geographic area in which a Medicare Advantage Plan or Prescription Drug plan operates. *Example: Harriett needed to find a new Medicare Advantage Plan because she recently moved out of the plans service area.*

**Special Election Period (SEP):** A period of time in which a person can change their Medicare Advantage plan or Prescription Drug Plan outside of the normal election periods. SEPs are generally triggered by a change in your circumstances. *Example: Since Norm had entered a skilled nursing facility, he was able to change his Medicare Advantage plan using a Special Election Period.*

**Tier:** A term used to note differences in medications. Higher tiers will have higher copays or coinsurance, and lower tiers will have lower cost. *Example: Kathy decided to take Metformin instead of Glucophage because Metformin is a tier 1 medication, and Glucophage is a tier 3 medication.*