Glossary of Terms

#

401(k) plan - A cash or deferred arrangement that allows employees to use a fund for their tax-free contributions, and often their employer's contributions, which grows until the employee retires.

A

Accidental Death & Dismemberment (AD&D) - A provision in a health insurance plan that pays a specific cash sum if an employee should die or lose a limb as a result of an accident.

Administrator - The company that administers a health benefits plan, usually the health insurance company, but sometimes the employer or a third party.

Agreed Medical Examiner (AME) - A doctor selected by the employer's insurance carrier or claims administrator and the attorney for an employee to determine disputed medical issues.

Annual benefit maximum - Total amount of benefits a plan will pay an employee for health costs in one year.

Annual benefits statement - A statement of deferred vested benefits provided to each employee every year. It should list vested pension rights, amount of accrued vested benefits or the date on which they will accrue, and total accrued benefits.

Annual renewable term life insurance (ART); also known as term insurance - A policy that is issued for the number of years stated in the contract, usually until age 65 or older, and is renewable annually at a predetermined premium. That amount increases each year as the policy-holder gets older and becomes a greater risk. It does not build cash value, and can be canceled at the option of the policy-holder. If the insurance is group term life insurance, up to a certain limit of employer contribution to the plan is tax-free to the employee, and deductible for the employer.

Annuity - A series of equal payments from a pool of money that terminates when the recipient dies. The amount of each payment is usually based on life expectancy. A "Certain Annuity" is an annuity that guarantees payment for a minimum time period, usually 5, 10 or 20 years. A "Deferred Annuity" is an annuity that compounds earnings on a tax-deferred basis. Payments are scheduled for later dates. A "Variable Annuity" is a deferred annuity that compounds earnings at a fixed rate, usually pegged to a US Treasury security interest rate. A "Variable Annuity" is a deferred annuity that is invested in one or more mutual funds, whose performance and return may vary. 403(b) retirement plans can be annuities.

B

Beneficiary - The person(s) named in a life insurance policy to receive the proceeds of the life insurance upon the death of the insured. The beneficiaries must be named on the life policy.

Benefits - Non-salary items of insurance plans that provide protection and specific coverage to employees enrolled on a plan.

C

Cafeteria plan - A flexible benefit plan in which employees can choose from a range of benefit options, with different providers, costs, and coverage, depending on their needs and on what they can afford.

Case management - A process whereby a covered person with specific health care needs is identified and a plan which efficiently utilizes health care resources is designed and implemented to achieve the optimum patient outcome in the most cost-effective manner.

Coinsurance - A form of cost sharing between a policy-holder and the insurance company. After a deductible has been met, a certain percentage of any bills must still be paid by the policy-holder.

Consolidated Omnibus Budget Reconciliation Act (COBRA) - An act of Congress requiring that employers with group health insurance plans continue to offer coverage to qualified beneficiaries after 1) termination of employee (for reasons other than gross misconduct) or reduction of hours of employment, or 2) the death of the employee, or 3) divorce or legal separation, or 4) the entitlement of the employee to Medicare benefits. Typically, COBRA requires employers to offer to employees who are being terminated up to 18 months or 36 months of continual health care coverage for up to 102% of the premium cost. Employers that have at least 20 employees are required to offer the insurance whether or not the employee was covered during their employment, or not. Some states have laws for companies with less than 20 employees.

Coordination of benefits - A group policy provision that applies when a person is covered under more than one medical plan. It requires that payment of benefits be coordinated by all plans to eliminate over insurance or duplication of benefits.

Co-payment - A predetermined (flat) fee that an individual pays for health care services, in addition to what the insurance covers, for example, a $20 office visit copay.

D

Decreasing term life insurance - Term life insurance in which the benefit is reduced each month or each year while the premium remains unchanged.

Deductible - A specific dollar amount that a policy-holder must pay for covered services in a year's time before insurance will cover either all or a percentage of expenses.

Defined benefit plan - A plan that uses specific formulas to determine how benefits will be accrued and measured.

Denial - A refusal by an insurance company, or someone hired by an insurance company, to reimburse a policy-holder for a specific claim.

Dental insurance - A group Health Insurance contract that provides payment for certain specified dental services. Types of coverage may include preventative, basic, major, and orthodontia. Similar to health insurance, many policies require policy-holders to pay deductibles or other costs.

Dependent - Refers to persons relying on the employee for primary financial support and insurance coverage. For example, lawful spouses, domestic partners (where approved), and unmarried

children who are not yet employed on a full-time basis qualify. "Children" may be step, foster, and adopted, as well as natural. Certain age restrictions on children usually apply.

Disability insurance - An employer-provided plan that provides periodic payments when the insured is unable to work as a result of sickness or injury.

E

Effective date - The date insurance coverage begins. This is not always the same date that employment begins, since there can be waiting periods before insurance becomes effective.

Elimination period - In a disability income policy, that is the period of time between the date the disability commences and the beginning of the benefit payment period. It is sometimes referred to as the *waiting period*; in a residual disability income policy, often referred to as a *qualification period*. Under a long-term care policy, the elimination period is the number of days after long-term care begins that the insured must wait before benefit payments begin. This period is also known as the *waiting period*.

Employee Retirement Income Security Act (ERISA) - A law that protects employees by setting rules and guidelines for "welfare benefit programs" so they don't get shortchanged in areas like pensions. It is enforced by the Department of Labor (DOL), the Internal Revenue Service (IRS) and the Pension Benefit Guaranty Corporation (PBGC).

Exclusions - Medical services that are not covered by an individual's insurance policy.

F

Face amount - The dollar amount of a policy that is payable in a claim.

Fee-for-service - A medical plan in which health care costs are paid for as they are incurred, usually after the policy holder pays a deductible. This policy usually has a cap on the amount paid.

Fiduciary - Under ERISA, a person who 1) exercises discretionary authority or control over the plan or its assets; 2) renders investment advice for a fee or other compensation; 3) has discretionary responsibility in the administration of the plan.

Filing claims - A procedure in which the policy-holder pays for health care first, and then submits receipts to the insurance company for reimbursement.

Flexible Spending Account (FSA) - An FSA may also be referred to as a reimbursement account and is a plan that allows an employee to set aside a portion of untaxed earnings to pay for qualified expenses established in the plan. An FSA if most commonly set up to help an employee towards medical expenses, but are also often used for dependent care. Individual accounts are funded with either flex dollars from policy-holder's budgeted balance, or with payroll deductions.

G

Guaranteed renewable - A type of insurance that cannot be cancelled or altered by the insurance company as long as the insured continues to pay.

H

Health Maintenance Organization (HMO) - A health care arrangement which employees can join, usually for a set monthly fee, to receive basic and supplemental health services.

Health Insurance Portability and Accountability Act (HIPAA) - Act of Congress passed in 1996 in order to require the U.S Department of Health and Human Services to develop requirements and standards for the maintenance and transmission of health information on individual patients effectively. The aim of this act is to improve the efficiency and effectiveness of the healthcare system through the standardizing of electronic data on patients while at the same time protecting patient's security and confidentiality.

I

Increasing Premium Whole Life (IPWL) - Term life insurance that automatically becomes whole life insurance after it's been in effect for 15 or 20 years.

Indemnity plan - A common health insurance type in which health insurance companies agree to indemnify, or reimburse policy-holders for a specific amount of actual hospital and medical expenses.

Individual Retirement Account (IRA) - An account that is established by an employer into which a portion of the employee's salary can be deposited. That money, and the earnings on it are not taxed until it is withdrawn from the account. Rules govern how much can be contributed, how much can be deducted, and when the proceeds can be distributed.

L

Life insurance - A contract under which a life insurance company agrees to pay a certain amount (face value of the policy) to one or more people (beneficiaries) upon the death of the policy-holder, as long as premiums have been paid. See: Annual renewable term life insurance; convertible term life insurance; decreasing term life insurance; single premium life insurance; universal life insurance; variable life insurance; whole life insurance (also known as ordinary or straight life).

Long-term disability income insurance - A plan that provides employees with monthly income if they become disabled due to sickness or accident and are unable to work. It usually pays a specified percentage of earnings that continues to retirement age or for a specified period of time. There is usually a waiting period. Employer or employee can pay all or part of the cost and while the employer's costs are tax-deductible, the income to the employee is taxable. If the employee pays the costs, then income is tax-free.

Long-term health care - Health and custodial care that assures support for people who have chronic long term physical or mental conditions that prohibit them from taking care of themselves.

M

Major medical - A health plan that covers a percentage of many non-hospital expenses. Examples include outpatient procedures, lab tests, and hospital room and board and physician charges. Usually there is a high annual deductible.

Managed care - A health care system under which physicians, hospitals, and other health care professionals are organized into a group or "network" in order to manage the cost, quality and access to health care. Managed care organizations include Preferred Provider Organizations (PPO) and Health Maintenance Organizations (HMOs).

Mandated benefits - Specific minimum health benefits mandated on a state-by-state basis, that insurance companies must offer to all policy-holders.

Medicaid - A federal/state cooperatively funded and state-administered program of health benefits available to eligible low-income people. Established under Title XIX of the Social Security Act, states determine program benefits, eligibility requirements, rates of payment for agencies and institutions that provide services, and methods of administering the program under broad federal guidelines.

Medical necessity - The determination by health insurance companies that medical treatments must be performed before they will agree to pay for the treatment. Certain procedures may require pre-approval to deem whether they meet the standard set by the company.

Medicare - A federal health insurance program for people age 65+ or over who are eligible for Social Security, and for some people under age 65 who are disabled. The hospital benefits are known as Part A, while the medical expense portion is Part B. Part A is compulsory social insurance; Part B is voluntary government-subsidized, government-operated insurance.

Medigap insurance - Private health insurance purchased to cover the gaps between Medicare payments and physician and hospital charges, and additional services not covered by Medicare.

O

Out-of-pocket payments - Costs that policy-holders pay directly that are not covered by the insurance policy. Examples of out-of-pocket expenses include coinsurance, copayments and deductibles.

P

Permanent disability - Benefits paid to an employee when the residual effects of an injury sustained on the job are considered to "diminish the employee's ability to compete in the open labor market."

Portability - The ability of employees to transfer their account balances, after leaving one employer, to another employer without restrictions or penalties.

Pre-existing conditions limitation - A waiting period before a medical plan will provide coverage for health conditions that a policy-holder had prior to becoming insured.

Preferred Provider Organization (PPO) - A group of health care providers that arranges to offer health care to groups of employees at a discounted rate. The PPO will provide policy-holders with a list of doctors and other health professionals to choose from.

Premium - Monthly payment to an insurance company by a policy-holder. Premiums can be taken directly out of employees' paychecks.

Q

Qualified Beneficiary (QB) - Any individual covered by a group health plan on the day before a qualifying event. Can be an employee, employee's spouse and dependent children, or a retired employee (and spouse and dependent children).

Qualified Medical Examiner (QME) - A doctor chosen to evaluate permanent disability or to resolve other medical issues.

Qualifying event - An occurence (such as death, termination of employment, divorce, etc.) that triggers an insured's protection under COBRA or Continuation, which requires continuation of benefits undera group insurance plan for former employees and their families who would otherwise lose health care coverage.

R

Renewable - A type of insurance offering employees the right, during a specified period of time, to renew their policy without evidence of insurability.

S

Single premium life insurance - A type of whole life insurance that entails the payment of a single premium and builds immediate cash value that can be borrowed against without tax consequence.

Social Security Act - A social welfare legislative act that created the Social Security Administration system in the United States and established old age, survivors, disability, and unemployment compensation insurance. Employees and employers equally divide the costs of old age, survivors, and disability, commonly known as Social Security. Employers pay unemployment insurance through a payroll tax.

Summary of material modifications(SMM) - A summary of any material change or modification of a benefits plan or the information contained in the Summary Plan Description that must be furnished to each participant and beneficiary.

Summary plan description - A document describing the contents of a benefits plan, which must be provided to each plan participant and beneficiary who is receiving benefits under the plan.

T

Term life insurance - Life insurance that does not build up cash value and where the premium normally increases as the insured gets older. See Annual renewable term insurance (ART).

Third-party administrator (TPA) - A firm selected to administer medical claims or conduct employee wellness and safety programs on behalf of a broker or an insurance carrier.

Thrift plan - A hybrid savings plan that usually contains two related provisions requiring contributions by participants and the employer. The employer's contributions are usually based on the amounts contributed by employees.

Trust account - A legal entity organized for purposes of holding property for the benefit of another. A 401(k) plan is a trust established by an employer to hold retirement assets for employees.

U

Universal life insurance - A type of whole life insurance in which the cash value (savings account) portion of the policy builds at a rate tied to current market interest.

V

Variable life insurance - A type of whole life insurance in which the cash value is invested in a mutual fund.

Vesting - The timing schedule that determines when an employee obtains a non-forfeitable right to contributions and benefits derived from plan contributions made by the employer.

W

Waiver of premium - An option that allows an employee's coverage to continue without any payment of premiums if they are totally disabled for more than a specific period.

Wellness program - An employee program that can include educational classes, seminars, on-site exercise facilities, or anything that encourages improved health and healthful lifestyles for employees.

Whole life insurance (also known as ordinary or straight life insurance) - A policy that combines term life insurance with an investment/savings account, so that the policy can be surrendered for cash or borrowed against.

Workers' compensation - A program of payments funded by employers and mandated by state law for employees who are injured on the job or who become temporarily or permanently disabled due to an on-the-job injury or illness.

Workers' Compensation Appeals Board (WCAB) - The court that hears and decides disputes involving workers' compensation claims.