



HMO vs. PPO

Medicare Advantage plans have grown in popularity over the past decade and there are many different options to choose from. In fact, in 2022, Medicare beneficiaries will have access to an average of 39 different plan options across the United States. With so many options to choose from, it's important to have a good understanding of the differences between the two most popular plan designs, a Health Maintenance Organization (HMO) and a Preferred Provider Organization (PPO).

Service Area

Medicare Advantage plan availability is based on the county you reside in. Most HMO plans are available around major metro and urban areas, and sometimes centered around a regional healthcare system. PPO plans can be available in the same areas, but also in more rural locations or offered throughout an entire state.

Network Access

HMO plans require their members to utilize contracted, in-network providers for any and all care, although emergency and urgent care are covered out of network. PPO plans utilize a network for their members to receive care for the lowest copay or coinsurance, but allow them to seek care outside of the network at an increased cost sharing rate.

Premiums

Medicare Advantage premiums will vary by plan and carrier, with some plans offered at \$0 monthly cost. In 2021, the average HMO premium was just \$18, compared to the average PPO premium of \$25 for a local plan, or \$48 for a statewide plan.

Maximum Out-of-Pocket

All Medicare Advantage plans have a maximum out-of-pocket (MOOP), which limits the amount of cost sharing a beneficiary can pay each year for covered services. While the highest in-network MOOP limit a plan can offer in 2022 is \$7,550, HMO's average \$4,566 while PPO's average \$5,873. The out-of-pocket maximum for out-of-network coverage on a PPO plan can be as high as \$10,000, but the average in 2021 was just \$9,206.

In general, HMO plans provide the lowest cost for healthcare services in exchange for agreeing to utilize a network of providers, where PPO plans offer greater flexibility with the network but at a higher out-of-pocket cost.

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