

## Four payment terms you need to know

### You will pay your share of health-care costs in the following ways:

- **Out-of-pocket limit:** This is the most you will have to spend from your own pocket for medical care in the policy year. Once you hit that limit, your health plan will pick up 100 percent of any additional costs until years end. The maximum allowable Out-of-pocket limit will depend on what insurance plan you have.
- **Deductible:** This is the amount you must pay for covered services each year before your insurance will start paying claims. Details may vary: One plan may have a single deductible for everything, while another may have a separate one for prescription drugs. Not all services are subject to the deductible with some plans.
- **Co-payment:** This is a relatively small fixed fee required by the health insurance company to be paid by the patient at the time of each visit.
- **Coinsurance:** This refers to money that an individual is required to pay for services after the deductible has been paid. For example, if the health insurance plans allowed amount for an office visit is \$100 and you have met your deductible, your 20% coinsurance payment would be \$20. The health insurance plan pays the rest.

## EXAMPLE

Let's say that you are in a serious accident. You've accumulated \$50,000 in covered medical expenses. A sample health insurance plan might offer:

- Deductible: \$5,000
- Coinsurance: 20 percent
- Out-of-pocket maximum: \$6,000
  - In the example above, you would be responsible for the first \$5,000 (your deductible).
  - After you pay your deductible of \$5,000, you would be responsible for 20 percent coinsurance until you reach your out-of-pocket maximum of \$6,000 (in this case, you would be responsible for another \$1,000).
  - Your health insurance plan would pay the rest of the covered medical expenses (in this case, 80 percent).
  - After you reach your out-of-pocket maximum, you would not pay anything for any additional covered medical expenses for the rest of the plan year.

**Deductible:** The amount you're responsible for paying for covered medical expenses before your health insurance plan begins to pay for covered medical expenses each year.

**Coinsurance:** Shared costs between you and the health insurance plan. For example, you pay 20 percent of costs and your plan pays 80 percent. These percentages may be different from plan to plan. Some plans may not have coinsurance.

**Copayment:** The payment you make, usually a fixed dollar amount such as \$15, each time you visit the doctor or fill a prescription medication. Not all plans have copayments. These typically do not accumulate toward the deductible.

**Out-of-pocket maximum:** The most you will have to pay for covered medical expenses in a plan year through deductible and coinsurance before your insurance plan begins to pay 100 percent of covered medical expenses.