



# Copays, Coinsurance & Deductibles

## How do out-of-pocket costs work?

Copays, deductibles, and coinsurance let you know when and how much you may need to pay for your health care. We're here to help you understand the meaning of these important health care terms.

# Copays, Deductibles, and Coinsurance Definitions

Let's take an in-depth look at what these terms mean, how they work together, and how they are different.

## Copays

### What is a copay?

A **copay (or copayment)** is a flat fee that you pay on the spot each time you go to your doctor or fill a prescription. For example, if you hurt your back and go see your doctor, or you need a refill of your child's asthma medicine, the amount you pay for that visit or medicine is your copay. Your copay amount is printed right on your health plan ID card. Copays cover your portion of the cost of a doctor's visit or medication.

### Do I always have a copay?

Not necessarily. Not all plans use copays to share in the cost of covered expenses. Or, some plans may use both copays and a deductible/coinsurance, depending on the type of covered service. Also, some services may be covered at no out-of-pocket cost to you, such as annual checkups and certain other preventive care services.\*

## Deductibles

### What is a deductible?

A **deductible** is the amount you pay each year for most eligible medical services or medications before your health plan begins to share in the cost of covered services. For example, if you have a \$2,000 yearly deductible, you'll need to pay the first \$2,000 of your total eligible medical costs before your plan helps to pay.

<b>Costs that typically count toward deductible**</b>	<b>Costs that don't count</b>
Bills for hospitalization	Copays (typically)
Surgery	Premiums
Lab Tests	Any costs not covered by your plan
MRIs and CAT scans	
Anesthesia	
Doctor and therapist visits not covered by a copay	
Medical devices such as pacemakers	

# What is the difference between a deductible and a copay?

Depending on your health plan, you may have a deductible and copays.

A deductible is the amount you pay for most eligible medical services or medications before your health plan begins to share in the cost of covered services. If your plan includes copays, you pay the copay flat fee at the time of service (at the pharmacy or doctor's office, for example). Depending on how your plan works, what you pay in copays may count toward meeting your deductible.

## Coinsurance

### What is coinsurance?

**Coinsurance** is a portion of the medical cost you pay after your deductible has been met. Coinsurance is a way of saying that you and your insurance carrier each pay a share of eligible costs that add up to 100 percent.

For example, if your coinsurance is 20 percent, you pay 20 percent of the cost of your covered medical bills. Your health insurance plan will pay the other 80 percent. If you meet your annual deductible in June, and need an MRI in July, it is covered by coinsurance. If the covered charges for an MRI are \$2,000 and your coinsurance is 20 percent, you need to pay \$400 ( $\$2,000 \times 20\%$ ). Your insurance company or health plan pays the other \$1,600. The higher your coinsurance percentage, the higher your share of the cost is. You are also responsible for any charges that are not covered by the health plan, such as charges that exceed the plan's Maximum Reimbursable Charge

## What is an out-of-pocket maximum?

Out-of-pocket maximum is the most you could pay for covered medical expenses in a year. This amount includes money you spend on deductibles, copays, and coinsurance. Once you reach your annual out-of-pocket maximum, your health plan will pay your covered medical and prescription costs for the rest of the year.

Here's an example.\*\* You have a plan with a \$3,000 annual deductible and 20% coinsurance with a \$6,350 out-of-pocket maximum. You haven't had any medical expenses all year, but then you need surgery and a few days in the hospital. That hospital bill might be \$150,000.

You will pay the first \$3,000 of your hospital bill as your deductible. Then, your coinsurance kicks in. The health plan pays 80% of your covered medical expenses. You'll be responsible for payment of 20% of those expenses until the remaining \$3,350 of your annual \$6,350 out-of-pocket maximum is met. Then, the plan covers 100% of your remaining eligible medical expenses for that calendar year.

Depending on your plan, the numbers will vary—but you get the idea. In this scenario, your \$6,350 out-of-pocket maximum is much less than a \$150,000 hospital bill!

# What's the difference between copays and coinsurance?

Use this chart to compare copays and coinsurance to better understand the differences.

Copays	Coinsurance
Paid each time you visit your doctor, or fill a prescription	Paid for services and medicines if you've met your deductible
Fixed dollar amount	Actual dollar amount varies; you pay a percentage of the total cost of covered services
Counts toward your deductible (in some cases)	Is paid after you meet your deductible
Paid at the time of service	Billed by the provider who you will pay directly. You'll also receive an Explanation of Benefits (EOB) from your health plan explaining what charges you are responsible for.