Deductibles, Copay, Coinsurance, Out-of-Pocket Maximum

Insurance Terms and FAQ

What does premium mean?

This is the amount of money deducted from your paycheck and is the cost of having insurance. All plans have a premium.

What is a coinsurance?

Coinsurance is the sharing of costs by your insurance company and you for covered services after you've met your deductible. Coinsurance is usually shown as a percentage. For example, if your coinsurance is 20%, that means you'll pay 20% of covered medical expenses after you've met your deductible (and your insurance will pay 80%) until you reach your out-of-pocket limit for the benefit period (usually a year).

Once you reach the out-of-pocket limit, your insurance should pay 100% of all covered services for the remainder of the benefit period.

What is a copay?

A Copayment is a predetermined rate you pay for health care services at the time of care. For example, you may have a $50 copay every time you see your primary care physician, a $55 copay for each urgent care visit.

What is a deductible?

A health insurance deductible is the amount of money you pay out of pocket for health care services before your insurance plan starts contributing to the cost. The deductible does not include coinsurance, charges over the allowed amount, amounts exceeding any maximum or expenses for non-covered services.

For example, if your deductible is $2,000, you'll pay in full for the first $2,000 of your health care. The insurance company will keep a running total of how much you pay, and when you hit $2,000, the cost-sharing benefits of your health insurance plan begin.

In health insurance, the deductible works on an annual basis, and after your new policy year begins, the running total of what you've paid will reset to zero. This could mean that your health care costs will be higher in the first part of the calendar year until you hit your deductible amount. Then for the rest of the year, you'll get the cost-sharing benefits of your insurance plan, and you'll pay less for covered health care services.

What does out-of-pocket mean?

The Out-of-Pocket amount is the dollar amount you pay for covered services in the plan year before insurance pays 100% for covered services. The out-of-pocket limit includes your deductible and coinsurance.

For example, if your out-of-pocket max is $3,000, the amount you pay for your deductible and coinsurance will be added together, and when the running total reaches $3,000, your health insurance company will start to pay the full cost for all covered health care services.

Your out-of-pocket limit also works on an annual basis, and the total resets to zero in the new policy year. Your out-of-pocket max helps protect you from a worst-case scenario where you need significant medical care. After your expenditures reach this limit, you won't have any out-of-pocket costs for additional treatments and services that are covered by your policy.

What is the difference between a deductible and out-of-pocket maximum?

A deductible is the cost a you pay on health care before the health plan starts covering any expenses, whereas an out-of-pocket maximum is the amount a you must spend on eligible healthcare expenses through copays, coinsurance, or deductibles before the health plan starts covering all covered expenses.

Once the total of your copays, coinsurances and deductible totals the maximum out of pocket determined by your health plan, you owe no more money for that plan year for any medical care.

What does in-network mean?

An In-network Provider, hospital, doctor, other medical practitioner and / or supplier that is contracted with our insurance plan. An out-of-network provider is a provider who does not contract with CIGNA which means you will pay a higher amount for the covered service.

What is an EOB or Explanation of Benefits?

An EOB or Explanation of Benefits shows the price of a medical service, the amount the health plan will reimburse a provider based on negotiated rates, how much your health plan paid them, and your member savings. You'll also see how much of your deductible you've paid, and any copayments, coinsurance or other amounts you may owe. And, the EOB will show you how much you may be able to save by using in-network providers.

The example below illustrates how the plan works.

Single - Employee only	Premium	Deductible	Out-of-pocket	Co-Insurance
Medical option (1) -- PPO	$175.00	$2,000.00	$6,000.00	80%
Medical option (2) -- HDHP	$164.00	$3,000.00	$3,000.00	100%

Medical expense covered within the plan
Using an In-Network provider

Medical option (1) -- PPO	
Incured medical cost	$10,000.00
Co-Pay Urgent Care	$ 55.00
Deductible you pay	**$ 2,000.00**
Sub-total	$ 8,000.00
Co-insurance 20% - you pay	**$ 1,600.00**
Co-insurance 80% - plan pays	$ 6,400.00
Total paid to physician/hospital	$10,000.00
Total paid by member	**$ 3,600.00**
Total paid by plan	$ 6,400.00
Out-of-pocket paid	$ 3,655.00

Medical option (2) -- HDHP	
Incured medical cost	$ 10,000.00
Deductible you pay	**$ 3,000.00**
Sub-total	$ 7,000.00
Plan pays	$ 7,000.00
Total paid to physician/hospital	$ 10,000.00
Total paid by member	**$ 3,000.00**
Total paid by plan	$ 7,000.00
Out-of-pocket paid	$ 3,000.00

Additional explanation assistant:

Please visit this **video** to help you understand the terminology used in Health Insurance and how Deductibles, Copays, Coinsurance, and Out-of-pocket Maximums apply to you and your health insurance plan.