Copays, Deductibles and Coinsurance Explained

Copays, deductibles and coinsurance all work together to limit your out-of-pocket medical expenses and help protect your finances.

Let's take a look at each of these terms, and how they affect your overall medical expenses.

Copays / Copayments

Most people are familiar with copays, a flat fee you pay toward services such as doctor visits or prescriptions. You walk into a doctor's office, they often expect a copay. This is your initial payment for service.

With some insurance plans, you will have a copay for prescriptions, and doctor or urgent care visits.

Some insurance companies offer plans that may allow you to see any doctor without a referral. Most insurance have a network of providers so you are sure to find the specialist you need in your network. If you do go out-of-network, most plans will still have coverage but, depending on your plan, a higher copay or your out-of-network deductible and coinsurance may apply.

Deductibles

This is the portion of your medical expenses that is <u>not covered</u> by a copay and you are responsible for 100%, until you reach your deductible. It's like car insurance. Should you need to, you pay your deductible and then insurance kicks in to help pay.

The basics about annual health deductibles:

- Expenses related to hospitalization, surgery and procedures are typically applied to your deductible first.
- Lab tests, MRIs, CAT scans, surgical costs, anesthesia, physical therapy, medical devices usually go toward your deductible first.
- Charges for mental health, chiropractic care and other services may also go toward your deductible first.
- **Premiums are not applied toward the deductible**. Deductible amounts are different for individuals and families. Deductibles are much lower if you see in-network versus out-of-network (outside the network) providers; if you go out-of-network, you will have an out-of-network deductible which is higher and separate from the in-network deductible.

Choosing a high- or low-deductible plan

In choosing a plan, you want the best value for your money. You ask: Which is better, a higher deductible or a lower deductible?

High deductible: To get a lower monthly premium, some people look for plans with a higher deductible. When does this work best? If you had very few medical expenses last year, you probably didn't reach your deductible. If you feel that will stay the same for the coming year, a plan with a higher deductible may be the right fit.

Low deductible: For active families, a lower-deductible plan might be a good choice. If the kids are in sports—or someone has a chronic health problem, with lots of medical and emergency visits—it may be worth paying a higher premium to get a lower-deductible plan, with lower copays.

Coinsurance

Some people get confused about copay versus coinsurance. **<u>Just remember, they are not the same thing</u>**.

When you reach your deductible, you must pay a percentage of the remaining costs—this is the coinsurance amount.

Let's say you have a policy with 20% coinsurance. That means the insurance company will pay 80% of covered services after your deductible has been met and you pay the remaining 20%. But you won't have to pay that 20% forever. You pay until you reach your out-of-pocket maximum—perhaps $6,350, depending on your plan. Then, your insurance will cover the rest of qualifying medical expenses for that calendar year.

Example of a person with Cigna insurance: You have a $100,000 hospital bill, and a Cigna plan with a $2,750 annual deductible and 20% in-network coinsurance. You pay the $2,750 deductible plus 20% coinsurance until you reach your $6,350 annual out-of-pocket maximum.

The out-of-pocket maximum is a wonderful thing. Every Cigna plan has this feature. Check your plan to see if copays, deductibles and pharmacy costs accumulate to the out-of-pocket maximum.

Which is right for you?

Make sure you are aware of when the Open Enrollment Period is for the insurance coverage you have. Outside of Open Enrollment, you may be eligible to purchase insurance if you have a qualifying life event.