

Insurance Information: Am I Covered?

Even when insurers break down plan benefits in neat grids, you need to know the difference between deductibles, premiums, out-of-pocket maximums, co-pays, and co-insurance to know what you're actually paying.

If you already have insurance, it's important to be prepared for your share of the doctor's bill, but it's especially important to understand this stuff if you are shopping for health insurance. With the launch of the Affordable Care Act (Obamacare) on Oct. 1, 2013, nearly everyone in American can now buy health insurance on their own through each state's healthcare exchange. In order to compare plans, you must understand how they are priced.

There are several health insurance terms to understand:

- **Premium:** The monthly fee for your insurance.
- **Deductible:** How much you must kick-in for care first, before your insurer pays.
- **Co-pay:** Your cost for routine services to which your deductible does not apply.
- **Co-insurance:** The percentage you must pay for care after you've met your deductible.
- **Out-of-pocket Maximum:** The absolute max you'll pay annually.

PREMIUM

Your premium is the amount you pay into the insurance plan on a regular basis.

If you belong to an employer-sponsored plan, the premium is likely deducted from each paycheck as pre-tax dollars. If you purchase your own health insurance plan, you may have the option to pay your premium annually, quarterly, or monthly. Health insurance premiums vary greatly depending on what medical expenses the plan covers, which doctors you can see, and how much you will have to pay in other ways when you use services.

DEDUCTIBLE

Your health insurance deductible is the amount that you will have to pay annually for your healthcare (such as surgical procedures, blood tests, or hospitalizations, but not routine office visits) before the health insurance pays anything.

For example, if you have a \$2,500 deductible and undergo three \$1,000 procedures in a year, you will have to pay the full bill for the first two procedures and \$500 of the third...your insurance will cover half of the third procedure.

Increasing your deductible is the easiest way to lower your premiums and, if you're mostly healthy, might be a good idea. Just understand, however, that if you have a \$10,000 deductible and get sick, you could end up with \$10,000 of medical bills in a year. Typically, your deductible does not apply for preventative health checkups and many routine health services...you'll just pay a co-pay instead.



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CO-PAY

Your co-pay is the fixed amount you pay for using routine services like visiting your primary care physician or an emergency room or purchasing a prescription drug.

In most cases, the payment is the same regardless of the extent of the visit or the cost of the drug. For example, a plan may require co-pays of \$20 for office visits, \$100 for emergency room visits, and \$15 for generic prescriptions or \$30 for name-brand drugs.

CO-INSURANCE

Co-insurance is similar to a co-pay, although co-insurance generally applies to less routine expenses, and is expressed as a percentage rather than a fixed dollar amount. Co-insurance is in addition to your deductible. So if your plan has a \$100 deductible and 30% co-insurance and you use \$1,000 in services, you'll pay the \$100 plus 30% of the remaining \$900, up to your out-of-pocket maximum. You may find plans with no co-insurance requirements, some with 20/80 or 50/50 coinsurance, or other combinations.

OUT-OF-POCKET MAXIMUM

Your out-of-pocket maximum is an important feature of your health plan because it limits the total amount you pay each calendar year for healthcare including co-pays, deductibles, and co-insurance.

If your policy carries a \$2,500 out-of-pocket maximum and you get sick and require a lot of healthcare services, the most you will pay in a year is \$2,500. After that, insurance picks up the rest of the tab.

Deductible vs. Out-Of-Pocket Maximum

The difference between your deductible and an out-of-pocket maximum is subtle but important. Out-of-pocket maximum is typically higher than your deductible to account for things like co-pays and co-insurance. For example, if you hit your deductible of \$2,500 but continue to go for office visits with a \$25 co-pay, you'll still have to pay that co-pay until you've spent your out-of-pocket maximum, at which time your insurance would take over and cover everything.

A Note About Lifetime Maximums

Insurance plans used to frequently have lifetime maximums, often of \$1,000,000 or more. The recent healthcare reform has made this illegal, however. These lifetime maximums could be devastating if you ever required intensive surgery or cancer treatments, which often can cost up to \$500,000 a piece. If you needed more than one, you could basically run out of health insurance when you need it most.