Deductible/Co-Ins/Out-of-Pocket Max:

An Overview

How a typical health insurance plan works

Below we present a simple illustration of health care costs sharing between insured and insurer. The example plan features: $1,000 deductible, 80/20 coinsurance rate (up to $5,000**), $1,000 out-of-pocket limit (deductible excluded), and $20 copayment. The example assumes seeking health care services within your company providers' network. It shows the cost sharing from the insured's point of view.

* excluding some doctor visits, which may be covered by $20 copayment
** insurance company pays 80%, and you pay 20%.

The above example is just a simple illustration created in order to give you a better understanding of health insurance. **In reality, your policy can have different deductible, co-insurance, or co-payment and the way they relate to each other can vary slightly. If you're not sure of how your personal medical plan works, please contact your company or agent.**

If you tend better from a video format, this one is pretty good:
https://www.youtube.com/watch?v=-58VD3z7ZiQ&list=PLkcU4RHvdYJvF_JHhodv9sz94nzIUZ0hl

And Some More Details and Definitions

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 some routine care) **before the health insurance pays anything (except for some routine care, see "co-pay").**

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 in 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.** For further details in this regard, you can check this government website:
https://www.healthcare.gov/coverage/preventive-care-benefits/

Embedded vs. Aggregate Deductible

If you're on a family plan, then you'll want to know whether you have an aggregate or an embedded deductible.

An aggregate deductible means that's the amount that has to be paid out-of-pocket on any (or all) of the people covered by the plan before insurance starts paying for anything. If that overall deductible is $10,000 then it doesn't really matter how the family gets to $10,000 in spending, whether from one person or from several different people's medical care.

An embedded deductible, on the other hand, means there's the overall deductible for the entire group (the family deductible), but then there's also an embedded deductible for each individual. Let's say the overall deductible is $10,000, but the deductible for each individual is $5,000.

If Person A has a major emergency and gets at least $5,000 in care, then any further care for Person A will be covered by insurance (and won't apply to the family deductible, though any co-insurance will apply to out-of-pocket max). If Person B then gets a $1,000 bill for something else, the family will still have to pay that $1,000 paid out-of-pocket, and will still have $4,000 left on the overall deductible.

With an embedded deductible, insurance kicks in sooner for individuals who rack up large bills. However, under such a plan, it may take longer for the family to meet its overall deductible.

Plans with an aggregate deductible tend to have lower premiums than those with embedded deductibles.

Co-pay

Your co-pay is the **fixed amount you pay for using routine services defined by your plan**. For example, some plans charge you a co-pay for 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, $15 for generic prescriptions, or $30 for name-brand drugs.

If your plan charges a co-pay for certain services, this means you'll pay much less for these services right away (and long before you hit your deductible).

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.

Your co-insurance kicks in after you hit your deductible.

If your plan has a $100 deductible and 30 percent co-insurance and you use $1,000 in services, you'll pay the $100 plus 30 percent 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.

Related: The Young Adult's Guide to Affordable Health Insurance

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, presuming you stay in-network.

Deductible vs. out-of-pocket maximum

The difference between your deductible and an out-of-pocket maximum is subtle but important.

The 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.

One change in 2016 was that, even with an aggregate deductible, one person could not pay more than the individual out-of-pocket maximum within a family plan, even if the aggregate deductible is more than the individual out-of-pocket maximum, which is $6,850 for 2016. In 2017, the out-of-pocket maximum was increased to $7,150.

For instance, even if the overall aggregate deductible was $10,000, a single person in that family plan could not incur more than $7,150 in out-of-pocket expenses. After they hit that number, insurance covers everything for that person, even as the rest of the family is still subject to the deductible.

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A note about lifetime maximums: Insurance plans used to frequently have lifetime maximums, often of $1,000,000 or more. **The Affordable Care Act made these illegal.**

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 needed it most.

Please note: This information is current, based on the Affordable Health Care law as of 2016. Healthcare remains a heatedly debated topic within our nation and the federal government so it is possible that the out-of-pocket maximums could be different when you are reading this.

Sources:

- http://www.safepol.com/health-insurance/101/difference-between-coinsurance-deductible-out-of-pocket-limit-copayment-and-premium.html
- https://www.moneyunder30.com/understanding-your-health-insurance