

## Deductibles versus Coinsurance



### **What is a deductible?**

In simple terms it is the amount that you must pay before your insurance will pay out benefits in your policy. It's what appears on many bills as the patients responsibility. For example if you have a bill for \$10,000 and you deductible is \$2,000 your insurance will pay \$8,000 and \$2,000 will be your responsibility. If you cannot pay your bill in full many health care facilities are willing to set up a payment plan to make it easier for you to pay off your portion of the bill.

### **What is co-insurance?**

Co-insurance is the portion of the bill that you agree to pay after you have reached your deductible. It can be 100% meaning that after you reach your deductible the insurance company would begin to pay 100% of your bill. You could choose an 80%/20% plan where you agree to share cost with the insurance company after your deductible has been met. Co-insurance usually has a limit of for example \$2,000. Which would mean that the insurance company would pay 80% of your expenses after you meet your deductible up to the co-insurance limit.

For example if you went in the hospital and was billed \$12,000 you would first need to meet your deductible of \$2000. That would leave a balance of \$10,000. After you have met your deductible then your co-insurance would begin. If your co-insurance is an 80%-20% plan with a \$2000 limit the insurance company would pay \$8000 and you would pay \$2000. Since you have now met your deductible and have reached your co-insurance out of pocket limit your insurance will now begin to pay 100% of your covered expenses.

Co-insurance and deductibles are usually reset at the beginning of each year. Some companies will decrease your deductible on high deductible plans by a certain percentage for each year that you do not meet your deductible, which can prove very valuable over time. Ask your insurance agent if he knows of any policies that provide this benefit.