

# 8 HEALTH INSURANCE TERMS EVERY AMERICAN NEEDS TO KNOW



Health insurance has a language all its own. Understanding how your insurance plan works is something every American needs to master. These terms are important to know to get the most out of your health care coverage.

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# 1 PREMIUM

The amount you pay for your health insurance every month



## Why it matters

The premium is an indicator of the value of your plan and depends on many factors:

- The cost of health care in your area
- Which services are covered
- How much you pay during the year (your out-of-pocket costs)



## Don't forget

You need to consider all the factors when you choose a health plan, not just your monthly premium cost.

If you get health insurance through work, your premium probably comes out of your paycheck before taxes. This lowers the amount you pay in taxes.

## ② DEDUCTIBLE

The amount you pay out of pocket for health care before your insurance starts to help out



### Why it matters

Your deductible is tied to your premium. Just like car insurance, a plan with a low deductible will cost you a higher premium. On the flip side, a high-deductible health plan will have a lower premium.

Consider if you have enough money in your budget—or in savings—to cover the deductible.



### Don't forget

Only services that are covered by your health insurance “count” toward your deductible. However, some services—like your annual physical and certain exams—are free to you. For those, your plan pays the whole cost, even if you haven't paid your deductible.

# DECODING YOUR DEDUCTIBLE

Not all deductibles are created equal. There are three common types:



1

## Annual deductible

This is the most common—you have one deductible to meet per year. Once you meet it, you're done with deductibles until the next year.

2

## Out-of-network deductible

Some health plans, PPOs especially, have a separate yearly deductible for when you get in-network care and out-of-network care.

3

## Family deductible

With some plans, you'll need to meet the deductible for each covered family member. With other plans, one family member can meet the deductible for the entire family. When you cover your family, review your family deductible closely.

## 3 NETWORK

A group of doctors, labs, hospitals & other providers that your plan contracts with at a set payment rate



### Why it matters

You'll almost always pay less when you get care in-network because:

- Your share generally is less—your deductibles, copays and coinsurance are often lower in-network.
- Your plan has negotiated rates with those providers, so they discount their services or charge lower rates.



### Don't forget

Some plans only offer in-network coverage. If your plan covers out-of-network providers, you most likely have a separate deductible and separate out-of-pocket maximum if you use out-of-network providers.

## ④ HEALTH SAVINGS ACCOUNT (HSA)

A Health Savings Account is a personal savings account that's only for qualified health care expenses



### Why it matters

You can only have an HSA if you're in a high-deductible health plan. IRS rules define how much you can contribute—currently, it's \$3,300 for just you, or \$6,550 if you cover your family. Plus, the account has some big tax advantages. High-deductible plans with HSAs are becoming popular. If you don't already have this as a plan choice, you will soon.



### Don't forget

HSAs can help you build a health care nest egg now. When you need health care in the future—even during retirement—you can use the account to pay for qualified health care expenses. You don't pay taxes on the contributions, earnings or withdrawals, as long as you use the account for qualified health care.

## 5 COPAY

A set dollar amount you pay for doctor visits, prescriptions and other health care services



### Why it matters

Copays can vary a lot from plan to plan, so do your homework to make sure a plan's copays fit your budget.



### Don't forget

Generally, copays don't count toward your deductible. However, depending on your plan, copays may count toward your out-of-pocket maximum. If you're in a high-deductible health plan with an HSA, you won't pay copays (if your plan has them) until after you've paid your full deductible.

## 6 COINSURANCE

The percentage you pay for the cost of covered health care services, after you meet your deductible



### Why it matters

Coinsurance is how you share costs with your plan. Typically, once you meet your deductible, you start paying coinsurance.



### Don't forget

Think of health care costs as two pieces of a pie. Your share—called coinsurance—is one piece. The other piece is paid for by your health plan. Also, coinsurance and copays are two separate parts of your plan—don't think of them as being interchangeable!



## 7 IN-NETWORK OUT-OF-POCKET MAXIMUM

This is a “cap” on your costs for the year; it is the most you’ll pay for in-network health care services



### Why it matters

In a worst-case-scenario year where you need a lot of care, your plan pays for all of your health care once you hit this cap.

This is the true insurance part of your health insurance. It protects you financially, especially if you get really sick or seriously injured and need specialized (and expensive) care.



### Don't forget

Like your deductible, your out-of-pocket maximum only includes what you pay for covered services—delivered by in-network providers. For that reason, using network providers gives you added financial protection. Depending on your plan, you may have a separate out-of-pocket maximum for out-of-network care.

## TOTAL OUT-OF-POCKET COSTS

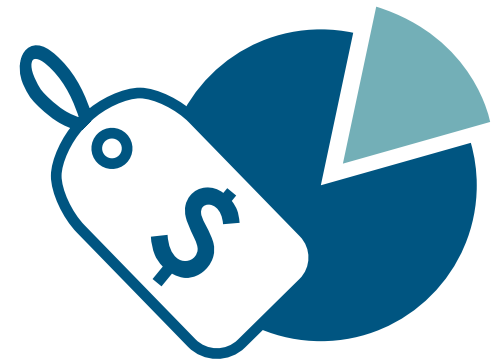
Here's a simple equation that shows how much you'll pay out of pocket for your health insurance each year.



Premium



Deductible



Copays & Coinsurance  
(up to out-of-pocket max)

## 8 FORMULARY

The set list of medications that are covered under your health plan



### Why it matters

What you pay for prescriptions depends on whether the drug is covered by the plan's formulary, plus whether it's generic, preferred or brand-name.

In most cases, only drugs on the formulary list will be covered. So, if you get a prescription for a medicine that isn't on your plan's formulary, you may have to pay the full cost.



### Don't forget

Ask for generics! Generic medications contain the same active ingredients as brand-name drugs but cost less. Talk to your doctor about getting generics and making sure medications are on your plan's formulary.

# 8 HEALTH INSURANCE TERMS

- 1 Premium:** The amount you pay for your health insurance every month
- 2 Deductible:** The amount you pay out of pocket for health care before your insurance starts to help out
- 3 Network:** A group of doctors, labs, hospitals and other providers that your plan contracts with at a set payment rate
- 4 Health Savings Account (HSA):**  
A Health Savings Account is a personal savings account that's only for qualified health care expenses
- 5 Copay:** A set dollar amount you pay for doctor visits, prescriptions and other health care services
- 6 Coinsurance:** The percentage you pay for the cost of covered health care services, after you meet your deductible
- 7 In-network out-of-pocket maximum:**  
This is a "cap" on your costs for the year; it is the most you'll pay for in-network health care services
- 8 Formulary:** The set list of medications that are covered under your health plan

**We know health care is confusing.** Please feel free to use or print this resource, and share with your friends and family!

This resource is intended for educational purposes to give you general information about and a general understanding of the common health insurance terms. It is not intended for, and should not be taken as, an interpretation of law or specific legal advice. It summarizes common health plan provisions but does not replace or amend the underlying plan document for your insurance coverage. The plan documents for your specific plan govern in all instances.

