

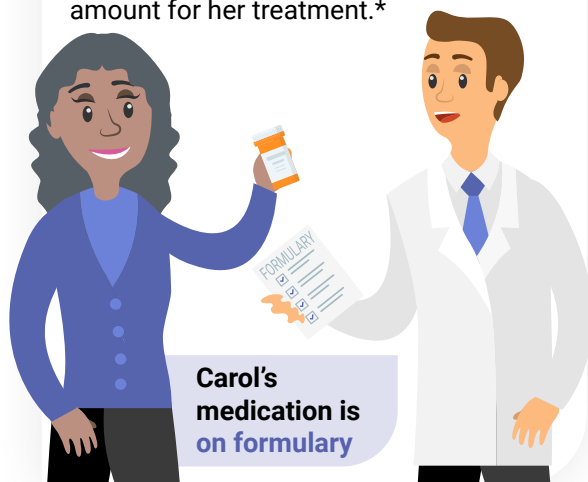
# Understanding common health insurance terms

## Formulary and coverage

A formulary is a **list of medications** covered by a health insurance plan.<sup>1</sup> Coverage means that your plan **helps you pay for healthcare**. After you pay your deductible, you may pay some of your healthcare costs (including medication) in the form of copayments (copays) or coinsurance.<sup>2</sup>

### Example:

At her doctor's office visit, Carol learned that the infused cancer medication her doctor prescribed is **covered by her Medicare Advantage plan**. This means the medication is on her plan's formulary, and she may not have to pay the full amount for her treatment.\*

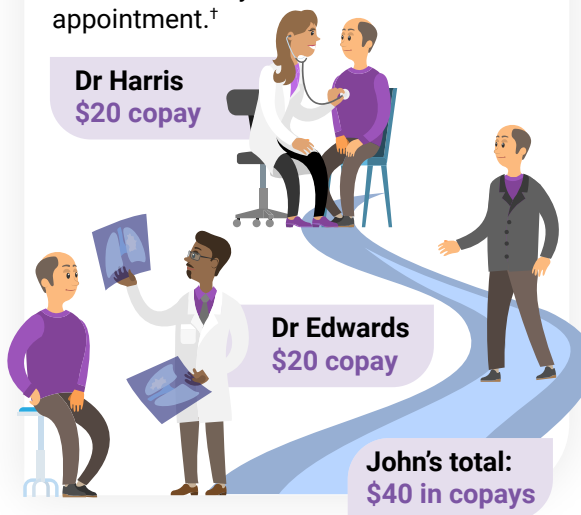


## Copayment (copay)

A **fixed amount** you may pay for a healthcare service after you've paid your deductible. The copayment is usually **paid at the time of the doctor visit**. The copayment is a part of the cost; your insurance plan pays the rest.<sup>3,4</sup>

### Example:

John needs to see 2 specialists this week. Dr Harris charges \$100 per visit. Meanwhile, Dr Edwards charges \$500 per visit. John's insurance requires him to pay a **\$20 copay to visit a specialist**, so his costs may be \$20 for each appointment.<sup>†</sup>

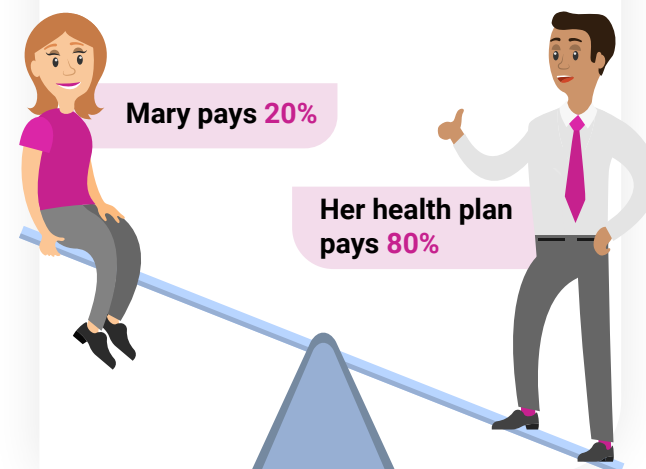


## Coinsurance

A **percentage of the total cost** of a healthcare service you pay after you've paid your deductible. A common coinsurance breakdown is the **80/20 split**. This means your insurance plan may pay 80% of your medical expenses and you may be responsible for 20%, until you reach your yearly limit or out-of-pocket maximum.<sup>4‡</sup>

### Example:

The cost of Mary's infusion is \$10,000. After meeting her \$1000 deductible, she is only responsible for **20% of the remaining \$9000**, or \$1800. Her insurance plan will cover 80%, or the remaining balance of \$7200.



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\*Note that Medicare patients may enter a coverage gap (also called the "donut hole"), a temporary limit on what the plan will cover for drugs.

<sup>†</sup>Assuming the doctors are in-network.

<sup>‡</sup>Coinurance costs could be higher if you use out-of-network healthcare providers.

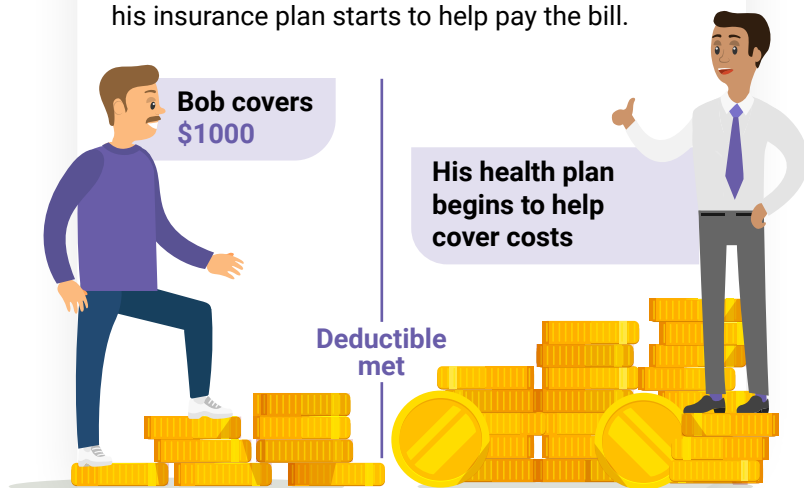
# Understanding common health insurance terms (cont'd)

## Deductible

An **up-front amount** that some insurance plans require you to pay each year **before the plan starts to pay its share**. After you pay your deductible, you usually pay only a copayment (copay) and/or coinsurance.<sup>5</sup>

### Example:

Bob's \$1000 deductible means he will need to pay **\$1000 for medical services**—like the infusion of cancer medication he received at the clinic—before his insurance plan starts to help pay the bill.



## Out-of-pocket (OOP) maximum:

Your plan may have an OOP maximum to limit what you pay. This amount is **the most you would pay** for healthcare each year. It includes your deductible, copayments (copays), and coinsurance, but **does not include** your monthly premiums.<sup>6\*</sup>

### Example:

Jill's health insurance plan has a \$10,000 OOP maximum. By July of the year, Jill had spent \$10,000 on the infusions her doctor prescribed for her cancer. This means that her insurance will **pay all of her costs (100%)** for the rest of the year.<sup>†</sup>



\*Your premium is the amount you pay your health plan every month.

†With a Family Plan, each member must meet their individual deductible; each member gets the same benefit; and the coverage isn't combined.

**References:** 1. Healthcare.gov. Accessed March 20, 2024. <https://www.healthcare.gov/glossary/formulary/> 2. Healthcare.gov. Accessed March 20, 2024. <https://www.healthcare.gov/why-coverage-is-important/protection-from-high-medical-costs/> 3. Healthcare.gov. Accessed March 20, 2024. <https://www.healthcare.gov/glossary/co-payment/> 4. BCBS Arizona. Published October 14, 2022. Accessed April 5, 2024. <https://www.azblue.com/inspire-health/blog/breaking-down-how-health-insurance-works> 5. Healthcare.gov. Accessed March 20, 2024. <https://www.healthcare.gov/glossary/deductible/> 6. BCBS. Accessed March 20, 2024. <https://www.bluecrossmn.com/members/member-resources/health-plans-101/what-out-pocket-maximum>