

Understanding Your New Health Insurance

After the hoopla about the implementation of the Affordable Care Act last winter, many people never want to think about health insurance again. But others who have health insurance for the first time are just learning to use their new policies and services. In case you are in the latter category, you may still be confused by the health insurance landscape, which can be very complex.

Health insurance is essentially a contract between you and an insurance company designed to protect you from health care expenses exceeding what you might be able to pay out of your pocket. In the contract, the health insurance company specifies the percentages or amounts of charges they will pay and how much will be your responsibility for different health care services.

These are some of the terms and definitions associated with health insurance:

- The amount the insurance company charges you for a policy is called the **premium**. The premium is determined by the level of coverage you have—generally, the more medical expenses that are covered by the insurance company, the higher the premium. (The Affordable Care Act requires that all policies now cover at least 60 percent of expenses.)
- The **deductible** is the amount that you must pay for expenses other than preventive services each policy year before any insurance coverage kicks in. The Affordable Care Act designates which basic preventive services are covered by your premium with no deductible. Preventive services may include annual physicals, immunizations and screenings that can keep you from getting sick.
- For every medical service not a part of your preventive care, you will be charged a **co-pay** (co-payment). A co-pay is a fixed fee (such as \$15) that you are asked to pay, usually at the time of service. The co-pay is subtracted from the amount filed with your insurance company. The amount may vary from doctor to doctor.
- **Coinsurance** is the percent of the cost of covered health care services paid by consumers. The level of coverage you have determines your coinsurance. For example, your coinsurance at different levels might be 10, 20, 30 or 40 percent. Obviously, a policy with 10 percent coinsurance would have a higher premium than a policy with 40 percent coinsurance.
- The Affordable Care Act places a **cap**, or limit, on your out-of-pocket expenses, currently at \$6,350 for one person and \$12,700 for a family. If you reach that amount, then deductibles and coinsurance will no longer be charged, although you will continue to pay co-payments.
- A **claim** is a request for payment that a consumer or healthcare provider submits to the health insurance company for items or services rendered. For example, once you have completed a doctor's appointment, the doctor's office will submit the information to your health insurance company to process (if the doctor is an out of network provider you may be responsible for submitting the paperwork to the insurance company yourself). The health insurance company will make a determination and send payment to your healthcare provider if applicable. The

insurance company will also send a claim statement to you for your records explaining what services were covered.

- An **allowed amount** is the maximum amount allowed to be paid for covered health services by a health insurance company. This may also be called “eligible expense,” “payment allowance,” or “negotiated rate.” In most cases your doctor will accept the allowed (maximum) amount paid by the health insurance company as ‘paid in full’ and you will not be responsible for the difference.
- **Balance billing** is when the provider bills the consumer for the difference between the provider’s charge and the amount allowed by the health plan. For example, if your doctor does not accept the maximum allowed then you may receive a bill from them charging you the difference between the doctor’s charge and the maximum allowed by your health insurance company. You will then be responsible for making this payment.

You will find a more complete glossary of health insurance terms at <https://www.healthcare.gov/glossary/>. The better you understand your health insurance, the more you can benefit.

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