

# What Is Coinsurance & What Does It Mean for You?

As you browse the available health insurance plans during this Open Enrollment period, you may find yourself confused about some of the terms and conditions. And you can't make an educated decision about a plan that works best for you and your family without first having a clear understanding of coinsurance, copays, deductibles, and how it all works.

Today, we wanted to spend a little time shedding light on the various aspects of coinsurance. There are unique differences and nuances with coinsurance that may have implications on your decisions for health insurance. What does coinsurance really mean, and how does it apply to your needs right now?

## Coinsurance Defined

Coinsurance is a common term that refers to a percentage of your medical expenses that you split payment with your insurance company once the deductible is met. But it can often be confusing to understand and anticipate your potential out-of-pocket costs.

## What Coinsurance Is

When you're choosing a new health insurance plan, you definitely want to familiarize yourself with the plan's deductible. But once the deductible is met, your medical service invoices will venture into coinsurance territory. Coinsurance is the percentage of your bill your insurance provider covers, leaving you with a remaining amount to pay yourself. These percentages vary by plan, and you'll want to explore coinsurance payment information before choosing a new health insurance plan for next year.

## The Coinsurance Example

As an example, let's assume you have a plan that offers 20% coinsurance. You see your physician and incur a bill of \$100 for the visit. If you have met your health insurance plan's deductible, you will now pay 20% of that invoice, or \$20. The remaining \$80 will be paid by your provider. If you have not met your deductible for the year, you'll be responsible for the full \$100 payment.

## Coinsurance Percentages Vary By Plan

As you browse available health insurance plans right now, you'll want to look beyond the cost of monthly premiums. Typically, plans with [higher monthly premiums](#) cover more services and tend to have lower coinsurance. Those options with lower monthly premiums tend to have tighter coverage parameters and higher coinsurance.

## What Coinsurance Isn't

To better understand how coinsurance works, it's also helpful to recognize what coinsurance *isn't*. It can be challenging to calculate your potential costs without clarifying how coinsurance, copays, deductibles, and out-of-pocket maximums work, as well.

### Not to Be Mistaken for a Deductible

The deductible is the amount outlined by your chosen health insurance plan that you will pay each year before your health insurance provider begins to share in the costs. As you review new plans for 2021, you will see that deductibles vary. It's a concrete, out-of-pocket expense you can expect to pay before the insurance begins covering invoices and before coinsurance even kicks in, either.

### Not the Same as a Copay

Coinsurance is not the same as copayment. Your copay amount refers to a flat fee, out-of-pocket expense that you'll pay for each service or appointment. Most copay amounts are listed on your health plan ID card, and some services have higher copays than others. A routine visit to your general practitioner, for example, might only cost you \$20 at the time of service. But referral visits to a specialist provider might instead have a \$50 copay.

### Coinsurance and Out-of-Pocket Expenses

Health insurance plans will often outline an allowable cost for out-of-pocket expenses. You will also have a plan deductible to pay. As an example, let's assume you have a plan with a \$3,000 deductible and a 20% coinsurance. Now, imagine you experience a health condition that requires significant treatment and comes with a \$12,000 bill.

- First, you would be responsible for the entire deductible amount of \$3,000
- Secondly, your coinsurance would apply (20% of the remaining \$9,000,) making you responsible for another \$1,800.

Your total out-of-pocket costs with this example are \$4,800, and this amount will be applied against your out-of-pocket maximum. Once you've met this maximum allowance, your insurance plan will cover any remaining expenses through the end of the plan year.

## What to Expect When Shopping for Health Insurance

You'll want to be mindful of each health insurance plan's benchmarks for coinsurance as part of your selection process. What you pay for coverage, along with how much you can expect to pay for services, can help you select an affordable plan for you.

### Metal Tiers of Plans to Help you Sort by Cost & Coverage

As you navigate the Marketplace, you can sort the countless plans by metal tier - Bronze, Silver, Gold, Platinum. The more precious the metal, the more high-value coverage is available. None of these affect the actual quality of care. Rather, they indicate certain tradeoffs between fixed monthly charges and plan coverage costs for services. The higher the premium, the less you can expect to pay out-of-pocket in terms of deductibles, coinsurance, and maximum amounts.

### How to Determine What's Affordable for You

When you sort through plans and try to calculate potential costs for affordability, you'll notice certain correlations between monthly premiums and remaining costs. For example, high premiums usually translate to lower deductibles. Your coinsurance will trend similarly, as well. Remember, whatever coinsurance is listed, that is the percentage you will pay. The remaining amount is what the plan will cover. So, a higher coinsurance translates to more potential expense on your end.

### Putting It All Together

Let's assume you're relatively healthy but are faced with having an unexpected surgical procedure. The surgery and short hospital stay will cost \$100,000. Now, your health insurance plan has a \$3,000 deductible, a 20% coinsurance, and a \$7,000 out-of-pocket maximum. When the dust settles, you'll pay \$3,000 before the coinsurance begins on the remaining \$97,000. But you won't pay more than your maximum allowance for the year.

Don't discount the costs of coinsurance as you work through which health insurance plan is best for you and your family.