

DEDUCTIBLE AND OUT-OF-POCKET MAXIMUM: HOW THEY WORK TOGETHER

At first glance, it seems as though deductible and out-of-pocket maximum should be the same. After all, once you hit your deductible, the Plan starts paying, right? That is true, but the Plan may not pay all of your expenses at 100%. Instead, you are responsible for a percentage of the costs—known as coinsurance—until you reach your out-of-pocket maximum. Then, the Plan covers 100% of your costs. First, here are some simple definitions. Then we'll look at real examples using the Anchor Plus health plan.

Annual deductible

This is the amount you pay before the Plan begins to pay its share for covered medical expenses. Preventive services such as an annual well visit and copays for office visits and prescriptions do not count toward your deductible. The amount that you pay for other covered medical services, like hospital visits or high-end radiology, will count toward your deductible. It's important to remember that even though copays do not count toward your deductible, they do count toward your out-of-pocket maximum, which is the total amount you will need to pay for healthcare in a given year (more details below). The annual deductible for a family is cumulative, meaning that any combination of claims—even if it's just from one person—counts toward satisfying the family deductible.

Coinsurance

Once you have satisfied your annual deductible and before you have reached your out-of-pocket maximum, you and the Plan share in the cost of covered medical expenses. This is called "coinsurance." For in-network services, the Plan's share is 90% and your coinsurance is 10%. Coinsurance applies for any services that are subject to the deductible, but does not apply to services that have a copay.

Out-of-pocket maximum

This protects you and your family against high medical expenses. The out-of-pocket maximum represents the total amount of money you would be required to spend on medical services in a given year. The out-of-pocket maximum includes your deductible, your copays for medical and pharmacy, and any coinsurance you may need to pay. Once you have satisfied the out-of-pocket maximum, the Plan then pays all covered services at 100% for the remainder of the year.

Example 1: Anchor Plus Health Plan

You have FAMILY coverage.

Family deductible: **\$1,000**

Coinsurance: **10%**

Out-of-pocket maximum: **\$2,000**

Even though the hospital bill is **\$100,000**
you pay only \$2,000
since that is the out-of-pocket maximum

A family member ends up in the hospital with a major medical issue.

Hospital bill..... **\$100,000**

Family deductible (assumes the entire deductible is applicable for this expense)..... **\$1,000**

Remaining cost of hospital bill..... **\$99,000**

Coinsurance of 10% (up to out-of-pocket maximum)..... **\$1,000**

Plan pays **\$98,000**

Family has now satisfied the full out-of-pocket maximum, so all services for the remainder of the plan year will be paid at 100% by the health plan.

Example 2: Anchor Plus Health Plan

You have INDIVIDUAL coverage.

Individual deductible: **\$500**

Coinsurance: **10%**

Out-of-pocket maximum: **\$1,000**

You have two prescriptions and monthly specialist visits.

Office visits..... **\$25/month**

Prescriptions..... **\$200/month**

	January	February	March	April	May	June-December
Office visits	\$25	\$25	\$25	\$25	\$25	\$0
Rx	\$200	\$200	\$200	\$200	\$75	\$0
Cumulative total you have paid	\$225	\$450	\$675	\$900	\$1,000	\$0

In May, you would reach your **\$1,000** annual out-of-pocket maximum, so you would only pay **\$75** for your prescriptions in that month. Your plan would then pay all medical expenses at 100% for the remainder of the plan year, June-December.

Have questions? We're here to help!

Call the **State of Rhode Island Employee CARE Center**
(401) 429-2104 or **1-866-987-3705**

Monday – Friday, 8:00 a.m. – 8:00 p.m., and
Saturday, 8:00 a.m. – noon.

