



Know Your Health Insurance Benefits: Definitions & An Example of Payments for Medical Treatment

- **EOB**: Explanation of Benefits: A statement that shows the medical provider's charges and the payments made by the medical plan and the person responsible for payment.
- **Charge**: Informally known as "Full retail," this is the amount charged for the medical service or product by the medical provider. Persons with no insurance usually must pay this full amount.
- Allowable Amount or Contracted Amount: Medical providers have a contract with third party administrators (Murray State's TPA is Anthem) that state a fee amount for every service or medical product they provide. This amount is usually lower than the full retail amount or "Charge."
- **Provider Responsibility**: The amount of the medical provider's discount. Informally known as a "write off." The formula is: Full Retail Contracted Amount = Provider's Responsibility.
- **Deductible**: The amount the person responsible for payment pays up front before receiving any benefit from the medical plan. Applies to all services except those covered by a copay, e.g. office visits and prescriptions on Standard and Enhanced plans.
- Copay / Coinsurance: Copay is a set dollar amount (e.g., \$25 for Office Visits in the Enhanced & Standard Plans) and coinsurance is the percentage amount (e.g., 20% in the Enhanced and 20% in the Standard Plan) that the person responsible for payment pays. The medical plan pays the balance.
- Additional Member Responsibility: Any additional amounts you may be responsible for that were not covered under your benefit plan e.g. Non-covered or experimental services.
- Out of Pocket Limit: The maximum amount the person responsible for payment pays in a calendar year (January 1-December 31) for deductibles and co-insurance. Does not include any copay amounts.

For example:

You have a \$6,500 claim and you are covered on the Standard Plan in the Employee Only Tier. This is your first medical claim for the year.

\$6,500	Total charge from provider
- \$500	Discount from TPA's contract with provider (Provider Responsibility)
\$6,000	Total charge to you
- \$1,000	Deductible (Paid by you)
\$5,000	
- <u>\$1,000</u>	20% Coinsurance (Paid by you)
\$4,000	Paid by medical plan

You've paid a total of \$2,000 in deductible and coinsurance and the out of pocket maximum for the calendar year would have been met. No more deductibles or coinsurance remain to be paid for the balance of the calendar year.