

Useful Health Insurance Terms

Actuarial Value

The average share of medical spending paid by a plan for a defined set of covered services across a standard population. For example, if a plan has an actuarial value of 70%, on average the plan would pay for 70% of medical spending for covered services and the beneficiary would pay the remaining 30% out-of-pocket in the form of deductibles, co-pays, and coinsurance.

Cost sharing

When users of a health care plan share in the cost of medical care. Deductibles, coinsurance, and copayments are examples of cost sharing.

NOTE: PREMIUMS ARE NOT COUNTED TOWARDS A PLANS OUT-OF-POCKET COST SHARING.

Deductible

The amount an individual must pay for health care expenses before insurance (or a self-insured company) covers the costs.

Coinsurance

Refers to money that an individual is required to pay for services, after a deductible has been paid. Coinsurance is often specified by a percentage. For example, the employee pays 20 percent toward the charges for a service and the plan pays 80 percent.

Copayment

A predetermined, flat fee that an individual pays for health care services, in addition to what the insurance covers. For example, some HMOs require a \$10 copayment for each office visit, regardless of the type or level of services provided during the visit.