

Introduction to Health Insurance

Health insurance can be confusing, so it may be helpful to decode the process and some common health insurance terms. This video explains the basics of health insurance.

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Premium

The premium is an amount of money a consumer pays for a health insurance plan. The consumer and/or their employer usually make this payment bi-weekly, monthly, quarterly, or yearly. The premium must be paid regardless of how many services, if any, the consumer uses.

Deductible

The amount a consumer must pay for covered health care services received before their plan begins to pay. For example, if a consumer's deductible is \$2,000, their plan won't pay anything until the consumer has paid \$2,000 for covered health care services. A plan with an overall deductible may also have separate deductibles that apply to specific services or groups of services. For example, a plan may have separate in-network and out-of-network deductibles.

Copayment

A fixed amount (for example, \$25) you pay for a covered health care service, usually when you receive the service. The amount can vary by the type of covered health care service.

Coinsurance

The percentage of the costs of a covered health care service that a consumer pays (for example, 20% of the cost of a prescription) after paying a deductible.

Out-of-Pocket Maximum

The most you could pay during a coverage period for your share of the costs of covered services. After you meet this limit, the plan will usually pay 100% of the allowed amount. This limit helps you plan for health care costs.

This limit never includes your premium, balance-billed charges or health care your health insurance or plan doesn't cover.

Some health insurance or plans don't count all of your copayments, deductibles, coinsurance payments, out-of-network payments or other expenses toward this limit.