Out-of-pocket costs 101

Simple definitions of medical and non-medical costs

Out-of-pocket medical costs are a reality – regardless of changes related to health care reform – and can add up quickly. Some can be very much unexpected, so it is important to consider where they arise:

Who needs to complete the communication requirement?

- **Deductible:** The amount owed for covered health care services before your health insurance or plan begins to pay. For example, if a plan deductible is $1,000, the plan won't pay anything until you pay $1,000 toward covered health care services subject to the deductible. The deductible may not apply to all services.*
- **Coinsurance:** The percentage you pay toward each covered health care service. The coinsurance is paid on top of any deductible. For example, let's say your company offers an 80/20 health insurance plan and the allowed amount for an office visit is $100. Once you've met your deductible, your coinsurance payment of 20 percent would be $20. The health insurance or plan pays the rest of the allowed amount.*
- **Copay:** A fixed amount – for example, $15 – you pay for a covered health care service, usually when you receive the service. The amount may vary by the type of covered health care service.*

- **Non-medical costs:** When faced with a serious accident or illness, there are various non-medical costs associated with a hospital stay or recovery time, including child care, transportation and reduced take-home pay due to missing work. These expenses can add up quickly, contributing to the overall out-of-pocket cost of being sick or injured.
- **Limits or exclusions:** Pay attention to services not included in your plan, as well as any limitations or exclusions. Due to health care reform, plans will no longer have lifetime or annual limits on essential health benefits, but there may be limits related to other items, such as the number of refills for certain drugs, the number of visits to certain specialists or the number of days covered for certain benefits. These limits or exclusions could mean unexpected out-of-pocket costs.
- **Out-of-pocket limit:** Out-of-pocket limits are established by the IRS. For 2018:

  Out-of-pocket limits for ACA compliant plans:

  - $7,350 – individual coverage
  - $14,700 – family coverage

  Out-of-pocket limits for high-deductible health plans:

  - $6,650 – individual coverage
  - $13,300 – family coverage

Depending on your plan, this means you will pay coinsurance – in a variety of ways as determined by your health plan – up to your out-of-pocket limit. These limits apply only to covered expenses, so if you or a family member incurs non-covered expenses, they will not count toward your out-of-pocket limit. This adds to your potential unexpected costs.

*Note: Definitions and examples were adapted from healthcare.gov/glossary.

This material is intended to provide general information about an evolving topic and does not constitute legal, tax or accounting advice regarding any specific situation. Aflac cannot anticipate all the facts that a particular employer or individual will have to consider in their benefits decision-making process. We strongly encourage readers to discuss their HCR situations with their advisors to determine the actions they need to take or to visit healthcare.gov (which may also be contacted at 1-800-318-2596) for additional information.

Aflac herein means American Family Life Assurance Company of Columbus and American Family Life Assurance Company of New York.

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