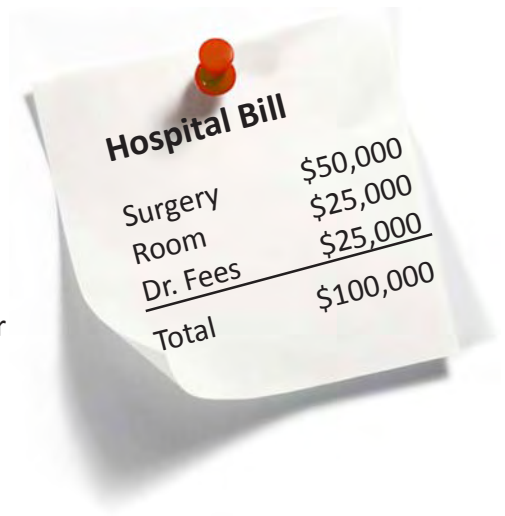


How health insurance works

How does health insurance work?

Imagine you have a \$100,000 heart surgery, which is a covered medical expense under your health plan, and let's say that this health insurance plan has a \$1,000 annual deductible, 20% coinsurance after deductible and \$1,000 coinsurance maximum per year, and a \$5 million lifetime benefit maximum.

**Not all health insurance plans feature deductibles or coinsurance.*



What is a deductible?

Typically, a deductible is the amount of money you must pay each year before your health insurance plan starts to pay for covered medical expenses.

So with a \$100,000 heart surgery bill, you are responsible for paying the first \$1,000. After this \$1,000 deductible is met, the insurance company will pay a percentage of the bill, and you will pay a percentage, or what is called a coinsurance.

What is a coinsurance?

Typically, coinsurance is a cost-sharing requirement where you are responsible for paying a certain percentage and the insurance company will pay the remaining percentage of the covered medical expenses after your deductible is met.

For a health insurance plan with 20% coinsurance, once the deductible is met, the insurance company will pay 80% of the covered expenses while you pay the remaining 20% until your coinsurance maximum is reached for the year.

What is coinsurance maximum and stop-loss?

Typically, the coinsurance maximum is the maximum amount you will have to pay out of your pocket in coinsurance requirements in a given year. Your coinsurance maximum plus your deductible equals your stop-loss amount, or the maximum amount you will have to pay out of your pocket for covered medical expenses in a given year. Once you've paid your deductible and reached your coinsurance maximum, the health insurance plan would pay 100% of your covered benefits for the remainder of that calendar year.

For a plan with a \$2,000 stop-loss, you will pay a \$1,000 deductible and \$1,000 coinsurance while the insurance company covers the remaining \$98,000 of the heart surgery bill. Even if you are hospitalized again in the same year, the insurance company will pay 100% of your covered expenses within the limit of the lifetime benefit maximum.

Hospital Bill	
Surgery	\$50,000
Room	\$25,000
Dr. Fees	\$25,000
Total	\$100,000
You pay deductible	- \$1,000
You pay coinsurance	- \$1,000
Insurance pays	= \$98,000

Next hospital bill in the same year	
Insurance pays	100%
You pay nothing	\$0

What is lifetime benefit maximum?

Typically, a lifetime benefit maximum is the maximum amount your insurance plan will pay for covered medical expenses in the course of your lifetime.

Since the health insurance plan has a lifetime benefit maximum of \$5 million — and as you pay your deductible, coinsurance and coinsurance maximum each year — the insurance company will pay for all remaining covered medical bills up to a maximum of \$5 million in your lifetime.

What is copayment?

Typically, a copayment or copay is a specific flat fee you pay for certain medical services, such as \$20 for an office visit, after which the insurance company often pays the remainder of the covered medical charges. Note that copayments do not count toward your deductible, coinsurance, coinsurance maximum or stop-loss requirements.

*Not all health insurance plans feature copayments.

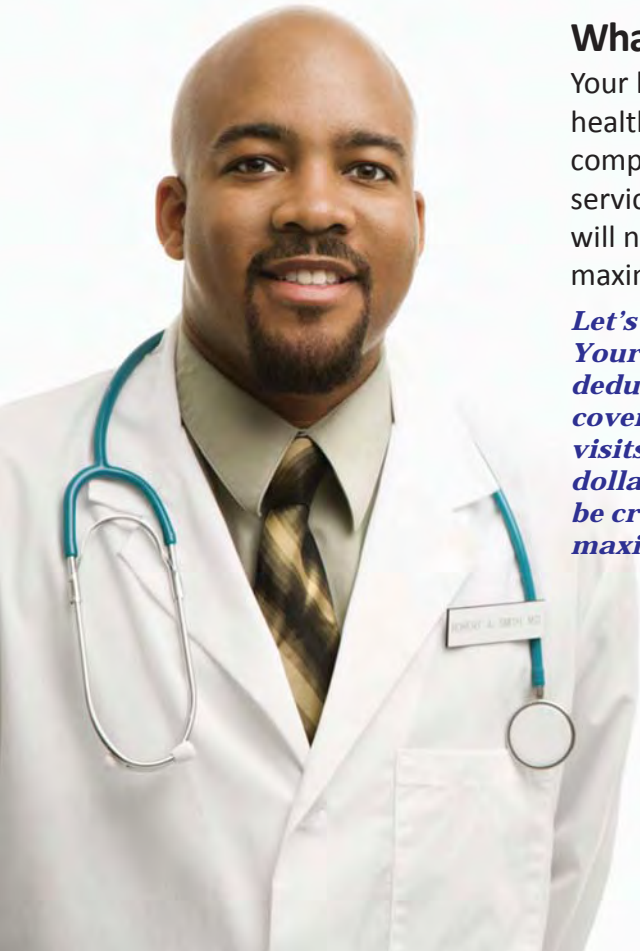
Let's say you are not feeling well and went to see your doctor who charges \$200 for the office visit. If your insurance plan has an office visit copayment of \$20, then you will only be responsible for the \$20 and the insurance company will cover the remaining \$180.

Even if you've already paid your deductible and met your coinsurance maximum, you will continue to pay your copayment for office visits each time you see your doctor.

What is a covered service?

Your health insurance policy and benefit chart should spell out what health care services are covered under your policy. The insurance company will not pay for services that are not designated as covered services. Also, any dollar amounts you pay for non-covered services will not count toward your deductible, coinsurance or coinsurance maximum requirements.

Let's say your health plan only covers two office visits per year. Your first two office visits of the year were credited toward your deductible requirement. Your third office visit of the year is not a covered benefit, so you will pay for that visit — and any future visits for the remainder of the year — out of your pocket. The dollar amounts you pay for the non-covered office visits will not be credited toward your deductible, coinsurance, coinsurance maximum or copayments.



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