

KNOW YOUR BENEFITS.

From

Embedded and Non-embedded Deductibles

Health insurance is something that everyone should have, but it's also something that many people don't completely understand. One of the concepts that is essential to grasp is how your deductible works. There are two basic types of deductibles for family coverage, and knowing which one you have and how it works will help you plan for out-of-pocket health care expenses.

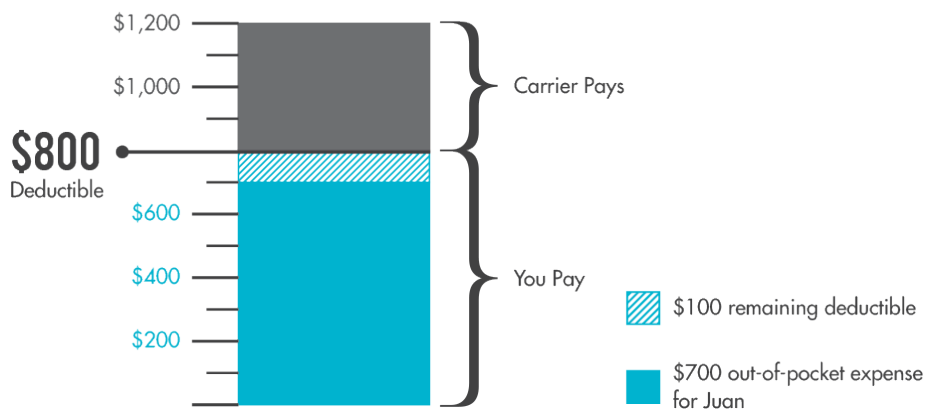
Deductibles

A deductible is the amount you must pay out of pocket for medical care before the insurance company will begin paying. For example, if you have an \$800 deductible, you will have to pay for all health care costs until you've reached \$800. After that, your insurance will start paying, although you may owe a copay or coinsurance amount. The deductible starts over annually.

The deductible may not apply to all health care services, such as preventive care, which is covered without any cost sharing for non-grandfathered plans under the Affordable Care Act (ACA). In addition, not every medical expense you have counts toward your deductible; for example, if you have a service such as plastic surgery, which is not a covered benefit, those out-of-pocket expenses won't help meet your deductible.

Deductible example: Juan's health insurance has an \$800 deductible, and he has had no health care expenses yet this year. Then Juan slips off a ladder while cleaning the gutters and breaks his leg. The X-rays, cast and crutches cost \$700, meaning Juan will pay the entire amount out of pocket because he has not yet met his deductible.

Individual Coverage - Standard Deductible



There are two basic types of deductibles for family coverage, and knowing which one you have and how it works will help you plan for out-of-pocket health care expenses.

Deductibles with Family Coverage

Insurance plans can cover an individual or a family. If the plan is for family coverage, the deductible can be designed as either an embedded or non-embedded deductible.

Embedded Deductibles

Embedded deductibles have two components: the individual deductibles for each family member and the family deductible. When a family member meets his or her individual deductible, the insurance company will begin paying according to the plan's

Embedded and Non-embedded Deductibles

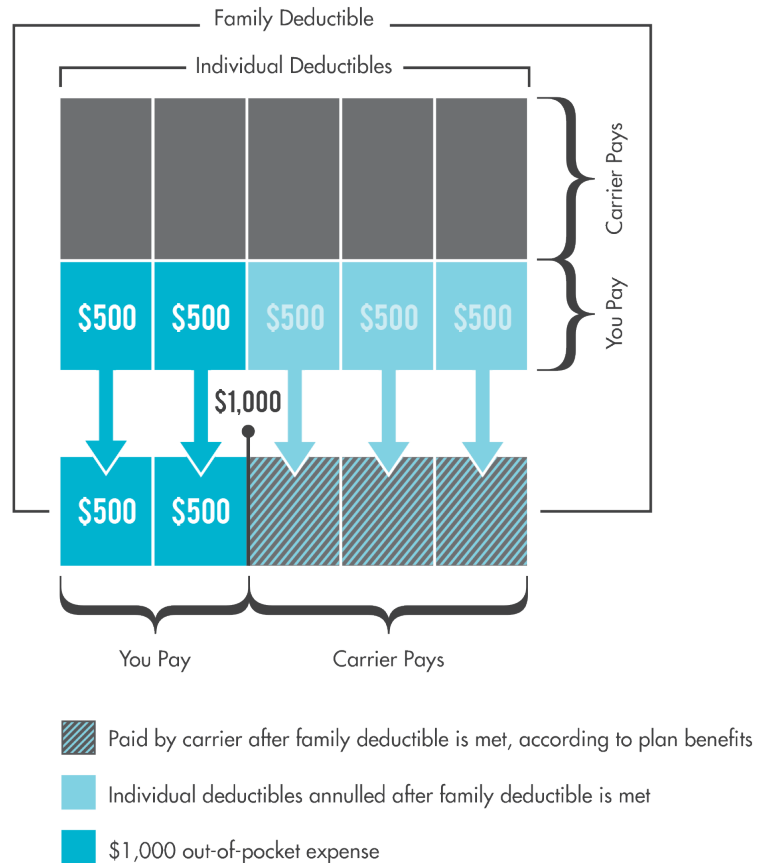
coverage for that member. If only one person meets an individual deductible, the rest of the family still has to pay their deductibles.

However, out-of-pocket expenses used to meet an individual deductible are also counted toward meeting the family deductible, which is generally two to four times larger than an individual deductible. Depending on your specific plan, once two or three family members meet their individual deductibles, you will likely have met your family deductible. Keep in mind that after an individual meets his or her deductible, coinsurance or copays typically will not count toward the family deductible.

Once the family deductible is met, all family members will have medical expenses paid according to the plan's coverage, even if they have not met their own individual deductibles. Having an embedded deductible is most common for non-high deductible health plans (HDHP).

***Embedded deductible example:** Susan and John have a family health plan that covers them and their three children. Each family member has a \$500 individual deductible, and they have a \$1,000 family deductible. Susan meets her \$500 deductible after giving birth to their youngest child in February. Son Tommy breaks his leg and also meets his \$500 individual deductible in March, which means the family deductible of \$1,000 has now been met. Later in the year, when John needs carpal tunnel surgery, he only owes a copayment because the family deductible was already met.*

Family Coverage - Embedded Deductible



Non-embedded Deductibles

A non-embedded, or aggregate, deductible is simpler than an embedded deductible. With a non-embedded deductible, there is only a family deductible. All family members' out-of-pocket expenses count toward the family deductible until it is met, and then they are all covered with the health plan's usual copays or coinsurance. It doesn't matter if one person incurs all the expenses that meet the deductible or if two or more family members contribute toward meeting the family deductible.

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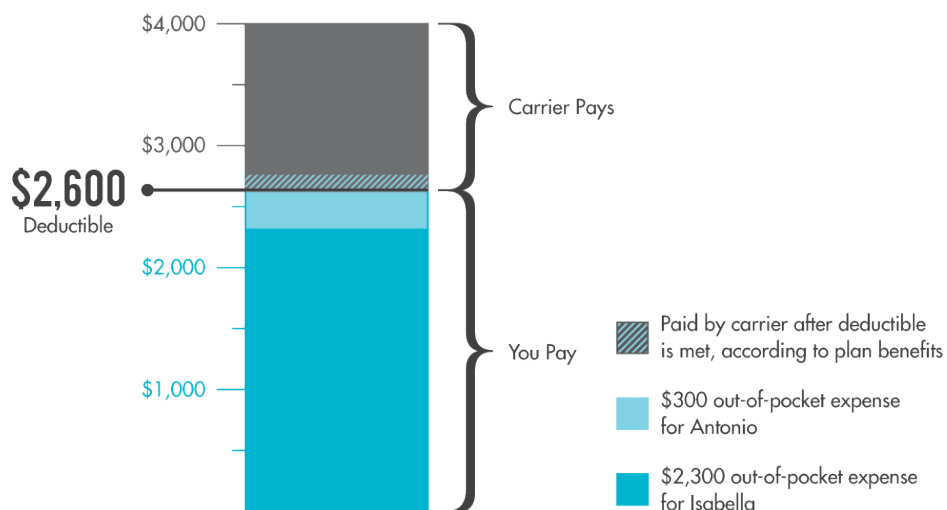
Embedded and Non-embedded Deductibles

The non-embedded deductible is most common in HDHPs.

Non-embedded deductible example: Antonio and his family have a health plan with a non-embedded deductible. The family deductible is \$2,600. Daughter Isabella had acute appendicitis that required surgery costing \$2,300. Antonio sprained his ankle and medical care cost \$400. The combined out-of-pocket expenses from Isabella's and Antonio's medical treatments met the family deductible; any further medical care for anyone in the family will be covered by the insurance company according to the plan benefits.

Regardless of which type of deductible your plan uses, remember that you will need to pay that amount out of pocket before your insurance will start paying. Understanding how your deductible works will help you plan and save for your family's medical expenses.

Family Coverage - *Non-embedded Deductible*



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