

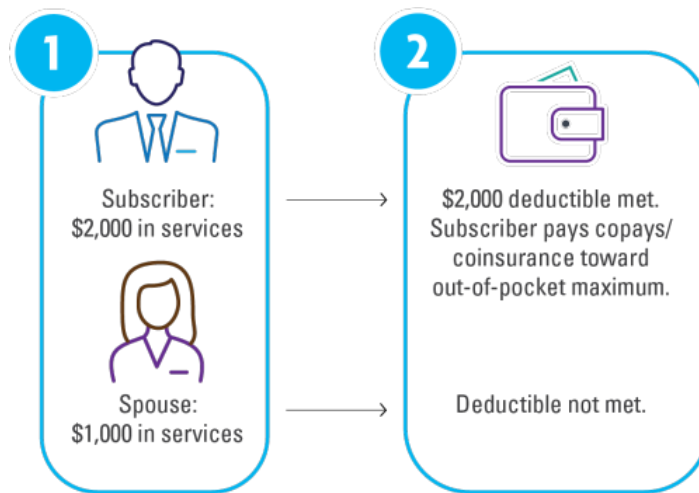
# UNDERSTANDING THE TYPES OF HEALTH INSURANCE DEDUCTIBLES

## POS 1000, POS 750, PPO 750 OOA – (Embedded Deductibles)

If you have a family plan (two or more members), there are two types of deductibles. The first deductible is what is called an embedded deductible, meaning that there are two deductible amounts within one plan: single and family.

The single deductible is embedded in the family deductible, so no one family member can contribute more than the single amount toward the family deductible. Once the member meets their single deductible, they will start paying copays and coinsurance toward the out-of-pocket maximum.

For example, if you have a \$2,000/\$4,000 (single/family) embedded deductible, this is how it would work:



Since the subscriber met his deductible, he was able to move on to his copays/coinsurance. The spouse will continue to pay toward the deductible until it is met.

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**More Details about an Embedded Deductible:** An embedded deductible is where each family member has an individual deductible in addition to the overall family deductible. When a family member meets his or her deductible before the family deductible is reached, the insurance company will begin paying according to the plan's coverage for that member. If only one family member meets an individual deductible, the rest of the family still has to pay their deductibles.

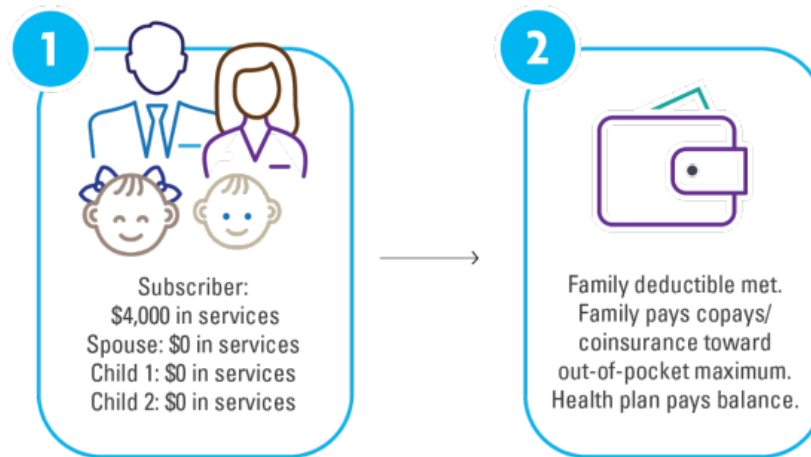
Out-of-pocket expenses used to meet an individual deductible are counted toward meeting the family deductible, which is normally twice as large as an individual deductible. However, after an individual meets his or her deductible, coinsurance or copays typically will not count toward the family deductible. 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. The POS 1000, POS 750 and the OOA POS 750 have an embedded deductible.

**Embedded Deductible Example:** The Lee family has the POS 1000 plan that covers Mr. and Mrs. Lee and their two children. Each family member has a \$1,000 individual deductible, and they have a \$2,000 family deductible. Mr. Lee meets his \$1,000 deductible after going to the emergency room in February. Mrs. Lee has an outpatient surgery and meets her \$1,000 individual deductible in March, which means the family deductible of \$2,000 has now been met. Any further medical care for anyone in the family will be covered by the insurance company according to the plan benefits.

## HSA 1500 – True Family Deductible (Non-Embedded)

The second type of deductible is a true family deductible. This means that a family can meet the deductible by pooling deductible expenses. Unlike embedded deductible plans, there is no limit to the amount one member can pay toward the family deductible.

Let's say you have a \$2,000/\$4,000 (single/family) true family deductible. Here's how your plan would work:



In this example, the subscriber met the entire family deductible, so the entire family moves on to copays/coinsurance.

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**More Details about a Non-embedded (Aggregate) Deductible:** 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. The non-embedded deductible is most common in high deductible health plans. The HSA 1500 Plan deductible is non-embedded.

**Non-embedded Deductible Example:** Antonio and his family have an HSA 1500 health plan. The family deductible is \$3,000. Antonio's daughter Isabella had acute appendicitis that required surgery costing \$2,300. Antonio sprained his ankle and medical care cost \$700. 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.