

In this handout, we'll deconstruct a table of charges and costs for a plan with copays.

	Total Medical Charges	Total Medical Cost	Total Prescription Charges	Total Prescription Cost	Total Out of Pocket	Annual Premium	Total Cost
Minimum Charge	350	90	360	120	210	1200	1410
	2350	2090	360	120	2210	1200	3410
	3350	3090	360	120	3210	1200	4410
Deductible Met	4350	4090	360	120	4210	1200	5410
	10350	5290	360	120	5410	1200	6610
	16350	6490	360	120	6610	1200	7810
Out of Pocket Reached	22350	7690	360	120	7000	1200	8200
	28350	8890	360	120	7000	1200	8200

By understanding what is going on in this table and where the numbers come from, you can modify your table so that it models your insurance plan (if it has copays). This plan has copays for Primary Care Physician (PCP) visits and Specialist Visits. You'll need to make modifications to this table since your plans contain different charges for PCP and Specialist visits, different deductibles and different out of pocket maximums.

This plan has a monthly premium of \$100 and the following details

Primary Care Physicians Office Visit Charge	\$100	Primary Care Physicians Office Visit Copay	\$30	Deductible	\$4000	Prescription Charge	\$30/mo
Specialist Visit Charge	\$350	Specialist Visit Copay	\$30	Out of Pocket Max	\$7000	Prescription Cost	\$10/mo

First row:

Each generic prescription cost \$30 per month so the annual charges are 12×30 .

This is the cost to the patient after the costs are split with the insurance company for prescriptions. In this case, it costs the insured \$10 per month for the generic or 12×10

The Premium Cost is the cost of the monthly premiums, in this case \$100 per month. For the entire year, the total is 12×100 .

	Total Medical Charges	Total Medical Cost	Total Prescription Charges	Total Prescription Cost	Total Out of Pocket	Annual Premium	Total Cost
Minimum Charge	350	90	360	120	210	1200	1410

The lowest amount of total medical charges should be the charge for the 2 Primary Care visits and specialist visit. In this case, $2 \times 100 + 150$, since each primary visit is \$100 and the specialist visit is \$150. Your charges will be different and are listed in the Project Letter

The Total Medical Cost in this row is the sum of any copays and deductibles that must be paid. In this case, the office visits are \$30 each for a total of \$90. Your copays are determined by your plan.

The total out of pocket is the sum of the Total Medical Cost and the Prescription Cost. It is what you would pay out of your own pocket (aside from the monthly premiums). In this case, it is the sum of 90 and 120.

The Total Cost the annual cost to the insured and is the sum of the out of pocket expenses and the premiums.

Next three rows:

Each generic prescription cost \$30 per month so the annual charges are 12×30 .

This is the cost to the patient after the costs are split with the insurance company for prescriptions. In this case, it costs the insured \$10 per month for the generic or 12×10

The Premium Cost is the cost of the monthly premiums, in this case \$100 per month. For the entire year, the total is 12×100 .

	Total Medical Charges	Total Medical Cost	Total Prescription Charges	Total Prescription Cost	Total Out of Pocket	Annual Premium	Total Cost
	2350	2090	360	120	2210	1200	3410
	3350	3090	360	120	3210	1200	4410
Deductible Met	4350	4090	360	120	4210	1200	5410

When charges are increased by amounts of \$2000, \$3000 and \$4000 above the visit charges. Since the deductible is not met until \$4000 in charges above the visit charges, the insured party will pay all of these additional charges. Remember, visits charges and copays do not count toward the deductible.

Each of these entries includes the copays for the visits as well as the additional charges. We must include these charges in the cost since the insured party has not met the deductible.

The total out of pocket is the sum of the Total Medical Cost and the Prescription Cost. It is what you would pay out of your own pocket (aside from the monthly premiums)

The Total Cost is the annual cost to the insured and is the sum of the out of pocket expenses and the premiums.

Rows after deductible is met but Out of Pocket Max has not been met:

Each generic prescription cost \$30 per month so the annual charges are 12*30.

This is the cost to the patient after the costs are split with the insurance company for prescriptions. In this case, it costs the insured \$10 per month for the generic or 12*10

The Premium Cost is the cost of the monthly premiums, in this case \$100 per month. For the entire year, the total is 12*100.

	Total Medical Charges	Total Medical Cost	Total Prescription Charges	Total Prescription Cost	Total Out of Pocket	Annual Premium	Total Cost
	10350	5290	360	120	5410	1200	6610
	16350	6490	360	120	6610	1200	7810

Since the out of pocket maximum is quite a bit higher than the deductible, the increments between charges are larger. If the difference between the deductible and out of pocket max is smaller, you might try smaller increments.

Since the deductible has been paid in all rows from here on down, the charges are now split according to the coinsurance percentages. Each of these entries includes the deductible of \$4000, three visits for \$90 and 20% of all charges above and beyond the visit charges and deductible. If the charges increase by \$6000, then the cost rises by 20% of \$6000 or \$1200.

The total out of pocket is the sum of the Total Medical Cost and the Prescription Cost. It is what you would pay out of your own pocket (aside from the monthly premiums).

The Total Cost the annual cost to the insured and is the sum of the out of pocket expenses and the premiums.

Rows after the Out of Pocket Max has been met:

Each generic prescription cost \$30 per month so the annual charges are 12×30 .

This is the cost to the patient after the costs are split with the insurance company for prescriptions. In this case, it costs the insured \$10 per month for the generic or 12×10

The Premium Cost is the cost of the monthly premiums, in this case \$514 per month. For the entire year, the total is 12×100 .

	Total Medical Charges	Total Medical Cost	Total Prescription Charges	Total Prescription Cost	Total Out of Pocket	Annual Premium	Total Cost
Out of Pocket Reached	22350	7690	360	120	7000	1200	8200
	28350	8890	360	120	7000	1200	8200

At a medical charge of \$22350, the out of pocket maximum is exceeded. We can increase the charges more, but the insured party will only be responsible for the out of pocket maximum or \$7000. We can find the exact value at which the out of pocket max is reached by solving $120 + 0.2(x - 350 - 4000) = 7000$. Your equation will be different from this one.

Each of these entries includes the deductible of \$4000, three visits charges at \$90, and 20% of all charges above and beyond the visit charges and deductible. Even though this cost continues to rise, the insured part is only to pay the out of pocket maximum. The insurance company picks up all excess charges. This is figured in the Total Out of Pocket column.

Once the out of pocket maximum is reached, all entries in this column are automatically 7000 since we cannot exceed this max.

The Total Cost the annual cost to the insured and is the sum of the out of pocket expenses and the premiums. Since the out of pocket max has been reached, the total cost does not change even though the medical charges are increasing in each row.