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Understanding Basic Health Insurance Definitions

A Resource from True Rx Health Strategists

Understanding Basic Health Insurance Definitions

Knowledge is power and when it comes to health insurance, understanding common insurance terms empowers you to get the most out of your insurance and avoid surprises.

We've put together this guide of common terms used with medical and pharmacy insurance coverage. Some pharmacy plans may only have a co-pay, while others may have a deductible and a co-pay, or use a deductible, co-pay and co-insurance.

Deductible: Your deductible is the amount of money you must pay each year before your insurance starts covering its portion of costs. For some policies, the medical and pharmacy deductibles are combined, while other policies have two separate deductibles.

For example, if your insurance plan has a \$200 pharmacy deductible, you must pay your covered medications until you have spent \$200. After that, your insurance plan will cover all or part of your medication.

High Deductible Health Plan (HDHP): A High Deductible Health Plan has a higher deductible than a traditional insurance plan. The monthly premium is usually lower, but you pay more health care costs yourself before the insurance company starts to pay its share.

A high deductible plan can be combined with a health savings account (HSA) for you to pay for certain medical expenses with money you set aside in your tax-free HSA. This is why it's often called an HSA-eligible plan.

Preferred Provider Organization (PPO): If you have a PPO health plan, your insurance covers care or medications with providers or pharmacies that are part of a selected network. If you seek care outside of the selected network, you will pay a higher percentage of the care costs than with providers in the network.

Co-payment: This is a fixed amount of money you pay for each prescription or each doctor's visit. Your pharmacy co-pay varies depending on which category or tier your medication is listed in on your formulary. (See formulary and tier explanations below.) Some preventive medications have a \$0 co-pay.

Co-insurance: This is the percentage of the cost you pay for a medication or medical service. With many plans, you will pay 20% or 30% of the cost after you meet your deductible. If your plan has both, you will pay the co-payment and the co-insurance.

Out-of-pocket maximum: Most insurance plans include an out-of-pocket maximum for each 12-month period. Both prescriptions and medical expenses count toward this cap. You may have an individual out-of-pocket maximum and a family out-of-pocket maximum. Once an individual has met their limit, insurance then covers 100% of the member's claims. Once a family has reached their family maximum, insurance will cover 100% of the claims for all family members on the plan.

Formulary: A list of drugs covered by your plan. See True Rx formularies listed at truerox.com/formularies; drugs are grouped by tiers.

Tier: Formularies have tiers, which are groups of medications classified by cost. Your co-payment depends on which tier your medication is in.

- Tier 1 includes the least expensive prescription drugs on your plan. These are typically generic drugs. Generic drugs are required to be just as effective as brand-name medications.
- Tier 2 is more expensive generic drugs and some brand-name drugs.
- Tier 3 includes expensive brand-name drugs and some specialty medications. These drugs usually have a higher cost.

An Example of Your Medication Cost

If your plan has a co-payment, deductible and co-insurance, here is an example of how those three items work together. Let's say your doctor prescribes a medication that costs \$75. Let's pretend you have a \$200 pharmacy deductible and you have already met the deductible. According to your formulary, the medication is considered Tier 1 and has a \$10 co-pay. Your co-insurance is set up for you to pay 20% of the cost in addition to your co-payment. This means your co-insurance will be \$15 (20% of \$75) and you will also pay the \$10 co-pay. You will pay \$25 for your medication and your insurance will pay the remaining \$50.

Use the True Rx Portal or App to Calculate Your Costs

You can use the True Rx member portal or mobile app to calculate the price you will pay for your medication. Videos on truerx.com/members walks you through instructions. If you have questions about your benefits, talk to a member of our Patient Care Team by calling 866-921-4047 from 8 a.m. to 8 p.m. ET, Monday through Friday.

Call the Patient Care Team

866-921-4047

Monday through Friday

8:00 a.m. to 8:00 p.m. ET



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