



**SALUS GROUP**

## What Is an Out-of-Pocket Maximum?

An “out-of-pocket maximum” is a common health insurance term that you may not fully understand. Your out-of-pocket maximum can provide financial protection in years when you need a lot of treatment by capping the total amount you spend on medical expenses. Understanding your out-of-pocket maximum can significantly impact your financial planning and ability to manage medical expenses. This article provides an overview of out-of-pocket maximums.

### **Overview of Out-of-Pocket Maximums**

Your out-of-pocket maximum is the maximum amount of money you must pay for covered health care services during a specific period, typically a year. Once you’ve reached your out-of-pocket maximum, the insurance plan will typically cover 100% of your covered, in-network health care costs for the rest of the year. At the end of your policy year, your out-of-pocket maximum will typically reset.

Understanding how your out-of-pocket maximum works in practice can help you be aware of how it will impact your finances. For example, imagine that your health insurance plan has an out-of-pocket maximum of \$6,000 per year, a \$1,000 deductible and a 20% coinsurance. In this scenario, you will pay your \$1,000 deductible upfront when you use your plan and an additional 20% of all covered medical expenses afterward. Your insurance company will pay the remaining 80% of covered medical expenses as you continue to incur medical costs for the year. Your medical spending will accumulate until you reach your out-of-pocket maximum of \$6,000. Once you reach this limit, your insurance company will typically pay for 100% of your covered health care costs for the rest of the year.

### **Expenses That Count Toward Your Out-of-Pocket Maximum**

The exact details regarding expenses that count toward your out-of-pocket maximum may vary with your health care plan, so it’s important to read the fine print. Your out-of-pocket maximum will typically include various expenses incurred during the policy year, such as deductibles, copayments and coinsurance. However, some plans don’t count all of your copayments, deductibles, coinsurance or other expenses toward this limit. Additionally, your monthly premiums and out-of-network expenses won’t usually count toward your out-of-pocket maximum.

### **Selecting an Out-of-Pocket Maximum**

You can typically choose from various health care plans with different out-of-pocket limits. You should keep in mind that plans with lower out-of-pocket maximums usually have higher premiums. Conversely, health care plans with higher out-of-pocket maximums generally have lower premiums. However, some employers only offer one option. If this is the case, it’s important that you note what your out-of-pocket maximum is. You may be eligible for lower out-of-pocket maximums if you earn under certain income thresholds or meet other requirements.

### **Conclusion**

Your out-of-pocket maximum is essential for managing health care costs and providing peace of mind in times of medical need. It allows you to anticipate and allocate funds for your health care expenses and can help you avoid catastrophic health care bills that could otherwise lead to financial hardship.

Contact your employer if you have further questions regarding your health insurance.

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