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Health Insurance, Decoded

L4.5.3 · THE VOCABULARY

I CAN

define every term on a health plan and calculate what a real year would cost

TERM	WHAT IT MEANS	YOUR PLAN'S NUMBER
Premium		
Deductible		
Copay		
Coinsurance		
Out-of-pocket maximum		
Network		

Premiums for the year

Deductible if you use care

Coinsurance after that

Worst realistic year — capped at the out-of-pocket maximum

THE NUMBER THAT MATTERS MOST

The out-of-pocket maximum is the worst case. Explain why a low premium with a high maximum can be the more expensive plan:

Answers and talking points

What a good answer looks like, and one question to ask when the pencils go down.

Term	What it means
Premium	What you pay every month whether or not you ever see a doctor
Deductible	What you pay yourself first, each year, before the plan pays anything
Copay	A flat fee for a visit or a prescription, usually from day one
Coinsurance	Your percentage share of the bill after the deductible is met
Out-of-pocket maximum	The most you can possibly pay in a year. After it, the plan pays everything
Network	The providers your plan negotiated with. Outside it, you pay more or the plan pays nothing

9-12

The arithmetic

The plan numbers are the student's own, so there is no single key — but the method is fixed. **Premiums for the year = monthly premium $\times$ 12**, and that is owed even in a year with no care at all. A bad year is **premiums + deductible + coinsurance**, and the whole thing **stops at the out-of-pocket maximum**, which is why that one number caps the damage.

Ask: "What does this plan cost you in a year where nothing happens?" Twelve premiums. Most students expect zero.

9-12

Why a low premium can be the expensive choice

A cheap premium saves a small, certain amount every month and buys a much larger, uncertain worst case. **Compare plans on the worst realistic year, not the monthly price.** A plan \$60 cheaper each month saves \$720 a year and can cost thousands more the one year something goes wrong — and the year something goes wrong is exactly the year you cannot absorb it.

Ask: "Which plan would you pick if you knew you would break an arm?" Then: "And if you knew you would not?" Insurance is a decision made without knowing.