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DECODING MEDICAL BILLS

Terms You Need to Know

Copay, co-insurance, premium, deductible, out-of-pocket maximum. It helps to know what these and other terms mean as you're making sure your medical bill is correct.

Explanation of Benefits (EOB)

A statement that tells you and your provider how the charges generated from medical care you have received will be paid. The "allowable," is the most that the provider will be paid for any given service. In theory, that amount is negotiated between the payer and the provider. Large provider groups and hospital organizations have greater ability to negotiate terms than small group or solo practices. Of the allowable amount, the EOB shows what you owe. In some cases, you will be responsible for the entire allowable amount, especially if you have not yet met your deductible. In other situations, you may only be required to pay a co-pay or a co-insurance amount. The EOB will also show how much of what you owe is applied to your deductible and your out-of-pocket maximum.

EOB Specific Terms

- **SERV Date** = Date the services were performed
- **POS** = Place of service
- **PROC** = The codes/description of services performed
- **GRC/RC-AMT** = Group/Reason Code and Amount: explanations for why services are paid, not paid, or "written off"

Summary of Benefits and Coverage (SBC)

A snapshot of a health plan's costs (not including premiums), benefits, covered health care services, and other important details about the plan.

CPT Codes

These codes tell the insurance company what services you received. If the EOB does not explain in lay language what the CPT code represents, you can do an internet search to see what they mean.

Certificate of Insurance/Evidence of Coverage

For more comprehensive information regarding your plan benefits, you'll want to review, or at least have a copy of the Certificate of Insurance or Evidence of Coverage (EOC) document, which has far more details. If the information on the SBC and the EOC don't match, the EOC information is what counts.

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Deductible

The annual amount your insurance company requires you to pay for medical services before they will start paying for the care you receive. Except for certain preventive services, and those for which there is a co-payment, commercial carriers typically will not pay for any health care services until you have met your deductible. Once the deductible has been met, you most likely will still be required to pay something for the health care services which you receive until you have met your out-of-pocket maximum.

Co-Insurance

A percentage amount of the allowed cost of your medical care that you are required to pay. For example, with an 80/20 plan, if the charge for medical services was $100, and you had met your deductible, of the $100 charge you would pay 20%, or $20, and your insurance would pay the remaining 80%, or $80.

Allowed Amount

The negotiated amount that a health care plan has agreed that providers will be paid for a covered health care service. May also be called “eligible expense,” “payment allowance,” or “negotiated rate.”

Out-of-Pocket Maximum (Individual and Family)

The most that you can be required to pay for covered medical costs within a given plan benefit year, not including your monthly premium. This typically consists of the amount that you pay for deductibles, co-pays, and co-insurance.

In-Network

Refers to use of a health care provider that has a contract with your health insurance plan to provide health care services to its plan members at pre-negotiated rates.

Out-of-Network

Refers to a health care provider that does not have a negotiated contract with your health insurance plan. If you use an out-of-network provider, health care services could cost more.

Write-Off Adjustment

The write-off, or contractual adjustment, is the difference between the amount a provider charges for a given service and the allowable amount for that service. If a provider contracts with an insurance company or the government (such as Medicare or Medicaid) to accept patients under that payer’s plan, the provider cannot collect more from the payer and the patient combined than the allowed amount.

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Food for Thought

- Unlike your medical bill, which shows charges for the amount you owe, your explanation of benefits (EOB) doesn't require you to do or pay anything. So, based on this video, why do you need to look at your EOB?

- Part of being able to make sure your bills and explanations of benefits (EOBs) match is staying organized. Just in case you need them, keep your EOBs and bills in file folders (either in real life or on your computer) arranged by year.

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