

A deductible is the amount you pay for healthcare before insurance starts covering costs.

Everyone needs health insurance but many people don't fully understand it. One important concept to understand is your deductible. A deductible is the amount of money that must be paid for covered services before the health insurance company begins paying for expenses.

For an individual plan, the deductible is straightforward. But family plans are a bit more complex.

## Embedded vs. Non-Embedded Deductibles

Family health insurance plans can have one of two types of deductibles:

- Embedded Deductible (includes an individual and family deductible)
- Non-Embedded (Aggregate) Deductible (includes only a family deductible)

Understanding the specific type in your plan and how it operates can help you prepare for out-of-pocket healthcare costs.

**Embedded Deductible:** Each family member has an individual deductible in addition to the overall family deductible. Meaning if an individual in the family reaches his or her deductible before the family deductible is reached, his or her services will be paid by the insurance company. However, these will be paid solely for that family member. Once multiple family members' medical expenses add up and surpass the family deductible, the insurer would begin to pay covered medical expenses for all members of the family. This applies even if a member did not meet their individual deductible.

Typically, embedded deductibles are exactly half of the entire family deductible. For example, the family could have a deductible of \$10,000 and individual deductibles of \$5,000 for every covered member of the family.

## Embedded Deductible Example

Ashley and Robert have a family health plan that covers them and their two children. Each family member has a \$4,000 individual deductible, and they have a \$8,000 family deductible. Ashley meets her \$4,000 deductible after giving birth to their son in March who was in the hospital for an extra week. Their daughter, Emma, has surgery in May and meets her \$4,000 individual deductible in April, which means the family deductible of \$8,000 has now been met. Later in the year, when Robert needs shoulder surgery, he only owes a co-payment because the family deductible was already met.

**Non-Embedded Deductible:** There is no individual deductible. So, the overall family deductible must be reached, either by an individual or by the family, for the insurance company to pay for services. The non-embedded deductible is most common in high insurance health plans.



### **Non-Embedded (Aggregate) Deductible Example**

Marc and his family have a health plan with a non-embedded deductible. The family deductible is \$10,000. Son Ben dislocated his shoulder and medical care cost \$700. Daughter Victoria had acute appendicitis that required surgery costing \$3,300. Marc had an accident while working on his farm which resulted in a hospital stay costing over \$6,000. The combined out-of-pocket expenses from Marc, Ben, and Victoria's medical treatments met the family deductible. Any further medical care for anyone in the family will be covered by the insurance company according to the plan benefits.

No matter what type of deductible your health plan uses, keep in mind that you must personally cover that amount before your insurance kicks in. When you understand how deductibles work and how it impacts your family's household budget, you can make wise, informed choices to set aside funds for your family's medical expenses.

