

Insurance Cost Calculator Worksheet

Chapter 11.3: Managing Insurance Costs

Understanding Insurance Cost Components

This worksheet will help you calculate insurance costs based on different scenarios. You'll analyze how various insurance components (deductibles, co-payments, co-insurance, and out-of-pocket maximums) affect total costs.

Key Terms Review

- **Premium:** Regular payment to maintain insurance coverage (not included in out-of-pocket calculations)
- **Deductible:** Amount you must pay before insurance begins to pay
- **Co-payment (Co-pay):** Fixed amount you pay for specific services
- **Co-insurance:** Percentage of costs you pay after meeting your deductible
- **Out-of-pocket Maximum:** Maximum amount you'll pay during a policy period

Primary Scenario: Medical Bill Calculation

Scenario Details

You have a health insurance plan with the following components:

- Annual Premium: \$2,400 (\$200 per month)
- Annual Deductible: \$500
- Co-insurance: 20% after deductible
- Co-insurance Cap: \$2,000
- Annual Out-of-pocket Maximum: \$4,000

Situation: You receive a medical bill for \$8,000. Calculate your total out-of-pocket cost.

Step-by-Step Calculation

Step 1: Apply the Deductible

First, you must pay your deductible before insurance starts to pay.

Deductible amount:	\$500
Remaining bill after deductible:	$\$8,000 - \$500 = \$7,500$

Step 2: Calculate Co-insurance Amount

Next, calculate your co-insurance (20%) on the remaining amount after the deductible.

Co-insurance percentage:	20%
Co-insurance amount (20% of \$7,500):	$\$7,500 \times 0.20 = \$1,500$

Step 3: Check Co-insurance Cap

Determine if your co-insurance amount exceeds the co-insurance cap. If so, you only pay up to the cap.

Co-insurance cap:	\$2,000
Is your co-insurance amount (\$1,500) greater than the cap (\$2,000)?	No, co-insurance is below the cap
Actual co-insurance payment:	\$1,500

Step 4: Calculate Total Out-of-Pocket Cost

Add up deductible and co-insurance to find your total out-of-pocket cost.

Deductible:	\$500
Co-insurance payment:	\$1,500
Total out-of-pocket cost:	$\$500 + \$1,500 = \$2,000$

Step 5: Check Out-of-Pocket Maximum

Verify if your total out-of-pocket cost exceeds the annual out-of-pocket maximum.

Annual out-of-pocket maximum:	\$4,000
Is your total out-of-pocket cost (\$2,000) greater than the maximum (\$4,000)?	No, below the maximum
Final out-of-pocket cost:	\$2,000

Conclusion

For this \$8,000 medical bill, your total out-of-pocket cost is \$2,000:

- \$500 deductible
- \$1,500 co-insurance (20% of remaining \$7,500)

The insurance company would pay the remaining \$6,000.

Note: This does not include the premium costs, which would be an additional \$2,400 annually.

Additional Scenarios to Calculate

Scenario 1: Higher Medical Bill

Same insurance plan, but now your medical bill is \$15,000. Calculate your out-of-pocket cost.

Your Calculation

Step 1: Apply deductible	
Step 2: Calculate co-insurance amount	
Step 3: Check co-insurance cap	
Step 4: Calculate total out-of-pocket cost	
Step 5: Check out-of-pocket maximum	
Final out-of-pocket cost:	

Scenario 2: Higher Deductible Plan

You have a different insurance plan with:

- Annual Premium: \$1,800 (\$150 per month)
- Annual Deductible: \$1,500
- Co-insurance: 20% after deductible
- Co-insurance Cap: \$2,000
- Annual Out-of-pocket Maximum: \$4,000

You receive a medical bill for \$8,000. Calculate your out-of-pocket cost.

Your Calculation

Step 1: Apply deductible	
Step 2: Calculate co-insurance amount	
Step 3: Check co-insurance cap	
Step 4: Calculate total out-of-pocket cost	
Step 5: Check out-of-pocket maximum	
Final out-of-pocket cost:	

Scenario 3: Multiple Medical Bills in One Year

Using your original insurance plan:

- Annual Premium: \$2,400 (\$200 per month)
- Annual Deductible: \$500
- Co-insurance: 20% after deductible
- Co-insurance Cap: \$2,000
- Annual Out-of-pocket Maximum: \$4,000

You have three medical bills in one year: \$1,200, \$5,000, and \$10,000. Calculate your total out-of-pocket cost.

Your Calculation

Bill #1 (\$1,200) - Apply deductible	
Bill #1 - Calculate co-insurance	
Bill #1 - Total out-of-pocket	
Bill #2 (\$5,000) - Remaining deductible	
Bill #2 - Calculate co-insurance	
Bill #2 - Total out-of-pocket	
Bill #3 (\$10,000) - Calculate co-insurance	
Check co-insurance cap and out-of-pocket maximum	
Total annual out-of-pocket cost:	

Reflection Questions

Question 1

How does a higher deductible affect your out-of-pocket costs? What are the trade-offs between premiums and deductibles?

Question 2

In what situations would it make financial sense to choose a plan with a higher premium but lower deductible and co-insurance?

Question 3

How does an out-of-pocket maximum protect you financially? Why is this an important feature to consider when selecting insurance?