Deductible and Out-of-Pocket Maximum: How They Work Together

FOR ANCHOR CHOICE

At first glance, it seems as though deductible and out-of-pocket maximum should be the same. After all, once you hit your deductible, the Plan starts paying, right? That is true, but the Plan may not pay all of your expenses at 100%. Instead, you are responsible for a percentage of the costs—known as coinsurance—until you reach your out-of-pocket maximum. Then the Plan covers 100% of your costs. Here are some simple definitions. Then we'll look at real examples using the Anchor Choice health plan.

Annual deductible

This is the amount you pay before the Plan begins to pay its share for covered medical expenses. Your Anchor Choice health plan includes a health savings account (HSA), which is like a savings account for medical expenses. For individual coverage, the State contributes $1,650 to your HSA—$825 in January and $825 in July. For family coverage, the State contributes $3,300 to your HSA—$1,650 in January and $1,650 in July. You can make contributions to your HSA as well.

You must be an active State employee at the time the State's contribution is made. If you are hired on January 1 and enrolled in the HSA, you will receive the January 1 contribution. If you are hired and enrolled between January 2 and July 1, you will receive the July contribution. If you are hired and enroll any time after July 1, you will receive your first contribution in January of the following year, assuming you remain enrolled in the HSA-eligible medical plan.

With the Anchor Choice plan, there are no copays (except for prescription copays after your deductible). Instead, you pay the full amount for medical services until you meet your deductible. But there are several ways you are still saving some money:

1. HSA contributions offer a range of tax advantages (see page 2 to learn more).
2. Blue Cross & Blue Shield of Rhode Island (BCBSRI) members pay lower negotiated rates for medical services and goods, so you can feel confident you are still receiving the benefit of your healthcare coverage even before you reach your deductible.
3. Preventive services, such as an annual well visit with an in-network primary care provider (PCP), will cost you nothing.

Other covered medical services, like hospital visits or high-end radiology, will count toward your deductible and your out-of-pocket maximum, which is the total amount you will need to pay for healthcare in a given year (more details below). The annual deductible for a family is cumulative, meaning that any combination of claims—even if it's just from one person—counts toward satisfying the family deductible.

Coinsurance

After you have satisfied your annual deductible and before you have reached your out-of-pocket maximum, you and the Plan share in the cost of covered medical expenses. This is called "coinsurance." In most cases, the Plan's share is 90% and your coinsurance is 10% for in-network services. For example, for high-end radiology at an in-network, hospital-based facility, your coinsurance is 10% and the Plan's share is 90%. For the same services at an out-of-network facility, your coinsurance is 30% and the Plan's share is 70%.

See examples inside >

Out-of-pocket maximum

This protects you and your family against high medical expenses. The out-of-pocket maximum represents the total amount of money you would be required to spend on medical services in a given year. The out-of-pocket maximum includes your deductible and any coinsurance and/or prescription copays you may need to pay. Once you have satisfied the out-of-pocket maximum, the Plan then pays all covered services at 100% for the remainder of the year.

Maximize the value of your HSA

You can make contributions to your HSA. When you put money into your HSA, you get a **triple tax advantage**. An HSA is one of the only tax savings vehicles that allows you to:

- Make payroll contributions tax-free.
- Grow your savings tax-free. (Interest and investment earnings are not taxed.)
- Withdraw funds tax-free for qualified medical expenses.

Once your balance reaches $1,000, you can invest the money in your account for even greater earnings potential.

ANCHOR CHOICE WITH HSA HEALTH PLAN EXAMPLES

Example 1

You have INDIVIDUAL coverage

Deductible: **$1,650**

State HSA contribution: **$1,650**
($825 in January; $825 in July)

Coinsurance: **10%**

Out-of-pocket maximum: **$3,000**

Even though the hospital bill is **$100,000,** you pay only **$3,000** since that is your out-of-pocket maximum.

You are hospitalized with a major medical issue.

Hospital bill	**$100,000**
Individual deductible (assumes full deductible is applicable for this expense)	**$1,650**
Coinsurance of 10% (up to out-of-pocket maximum)	**$1,400**
Plan pays remaining balance	**$96,950**

How much would you actually pay?

Out-of-pocket maximum	**$3,000**
State HSA contribution (if utilizing)	**$1,650**
Your final cost	**$1,350**

Even though the hospital bill is $100,000 and your out-of-pocket maximum is $3,000, you received a $1,650 contribution to your HSA from the State that you can use to reduce your final cost to $1,350. Plus, you have now satisfied your out-of-pocket maximum, so all services for the remainder of the plan year will be paid at 100% by the health plan.

Example 2

You have INDIVIDUAL coverage
Deductible: **$1,650**
State HSA contribution: **$1,650** ($825 in January; $825 in July)
Your (optional) annual HSA contribution: **$1,000** ($38.46/pay period pre-tax deduction)
Coinsurance: **10%**
Out-of-pocket maximum: **$3,000**

You are in good overall health and rarely need to see a doctor.

Annual preventive exam	**$0**
One visit with Doctors Online for a skin irritation	**$52**
One prescription (brand-name cream) to treat irritation	**$45**
One visit to specialist (dermatologist) for a skin check	**$175**
One monthly prescription (preventive medication, preferred brand at $35 copay/month)	**$420**
Your total healthcare expenses	**$692**

HSA money available to spend on your 2025 healthcare expenses

State HSA contribution	$1,650
Your annual HSA contribution *(from example)*	+ $1,000
Total HSA contributions available to spend	$2,650
2025 healthcare expenses *(from example)*	– $692
Remaining HSA balance	$1,958

Your remaining HSA balance rolls over, year after year. There is no deadline to use the funds, so you can hold onto the money for years—even until you retire—and if you leave your current employer, your HSA is yours to keep.

2025 annual HSA contribution maximums

Individual plans: **$4,300**

Family plans: **$8,550**

If the account holder is 55 years or older, they can contribute an extra $1,000.

See back page on how HSAs save >

AN HSA OFFERS MONEY-SAVING ADVANTAGES

How does an HSA help me save?

- The State funds your HSA up to the deductible of your coverage.
- Contributions you make to your HSA are done pre-tax.
- Money withdrawn from an HSA to pay for qualified medical expenses is withdrawn income tax-free.
- Accounts earn interest, and this growth is not taxable.
- HSA funds not spent during the plan year carry over to subsequent plan years.

You can invest your HSA dollars (tax-free!)

Once your HSA reaches the investment threshold of $1,000, you may choose to invest a portion of your HSA dollars in mutual funds. HSA investment earnings such as interest or dividends are not considered taxable income.

You can use your HSA for anyone in your family

You can use your HSA to pay for the qualified medical expenses of anyone you claim on your taxes (as long as their expenses are not otherwise reimbursed), even if you're only enrolled with single coverage. This is a great way to plan for unexpected medical expenses for the whole family.

Have questions? We're here to help!

Call the **State of Rhode Island Employee CARE Center (401) 429-2104** or **1-866-987-3705**
Monday – Friday, 8:00 a.m. to 8:00 p.m. Saturday, 8:00 a.m. to noon

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