Copay vs. Deductible: What's the Difference?

BY GREG DEPERSIO AND MITCHELL GRANT

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[Copays](#) and deductibles are features of health insurance plans. They involve payment on the part of the insured, but the amount and frequency differ.

KEY TAKEAWAYS

- Copays and deductibles are both features of most insurance plans.
- A deductible is an amount that must be paid for covered healthcare services before insurance begins paying.
- Copays are typically charged after a deductible has already been met. In some cases, though, copays are applied immediately.

What Are Copays?

A copay, short for copayment, is a fixed amount a healthcare beneficiary pays for [covered medical services](#). The remaining balance is covered by the person's insurance company.

Copays typically vary for different services within the same plans, particularly when they involve services that are considered essential or routine and others that are considered to be less routine or in the domain of a specialist.

Copays for standard doctor visits are typically lower than those for specialists. Note that copays for emergency room visits tend to be the highest.

What Are Deductibles?

A [deductible](#) is a fixed amount a patient must pay each year before their health insurance benefits begin to cover the costs.

After meeting a deductible, beneficiaries typically pay [coinsurance](#)—a certain percentage of costs—for any services that are covered by the plan. They continue to pay the coinsurance until they meet their [out-of-pocket maximum](#) for the year.

Some plans have a separate deductible for prescription drugs or other services. With family plans, there is often an individual deductible and one for the whole family.

Preventive Services

in most cases, preventive services are covered at 100%—meaning, the patient doesn't owe anything for the appointment. Plans offered through the Patient Protection and Affordable Care Act pay in full for routine checkups and other screenings considered preventative, such as mammograms and colonoscopies for people over a certain age.

Real-Life Example

Suppose a patient has a health insurance plan with a $30 copay to visit a primary care physician, a $50 copay to see a specialist, and a $10 copay for generic drugs.

The patient pays these fixed amounts for those services regardless of what the services actually cost. The insurance company pays the remaining balance (the "covered amount"). Therefore, if a visit to the patient's endocrinologist (a specialist) costs $250, the patient pays $50, and the insurance company pays $200.

Now suppose the same patient has a $2,000 annual deductible before insurance starts to pay, and 20% coinsurance after that.

In March, he sprains his ankle playing basketball, and treatment costs $300. He pays the full cost because he has yet to meet his deductible. In May, he has back problems, which cost $500 to treat. Again, he pays the full cost.

In August, he breaks his arm playing touch football, and the bill for his hospital visit comes to $3,500. On this bill, the patient pays $1,200—the amount that's left of his deductible. Once he meets the deductible, he also pays 20% (his coinsurance amount). In this case, that would be an additional $300 (20% of $1,500—the difference between the deductible and the hospital visit).

The Bottom Line

Copays and deductibles are two parts of the health insurance equation. In general, plans that charge lower monthly premiums have higher copayments and higher deductibles. Plans that charge higher monthly premiums have lower copayments and lower deductibles.

When choosing a plan, consider whether you expect to have a lot of medical bills. If so, it may make financial sense to buy a more expensive plan with lower copays and a lower deductible. And, of course, keep an eye on the maximum out-of-pocket limits, as well.