

[Explainer: Deductibles And Co-Payment Clauses In Health Insurance](#)



In case of co-payments, insurance companies pay a part of the claim while the other part is borne by the policyholder. Read on to find more.

Thanks to medical inflation and rising healthcare cost, there is a significant increase in the number of people buying health insurance. While most expenses are covered by health insurance, some costs are not covered under it and policyholders need to pay them. It is due to the policy's co-payment or deductible clauses.

Co-payment and deductible in health insurance are types of cost-sharing options. "A deductible is pre-fixed amount of money that a customer bears either out of pocket or from another health policy, for covered services before the insurance plan starts to pay. In other words, the insurance company is liable to pay the claim amount only when it exceeds the deductible amount opted by the insured. This deductible would be applicable either per year (aggregate deductible) or on per claim basis, as the respective policy specifies. Whereas, co-payment is generally a specified percentage of the admissible claim amount that the policyholder needs to bear out of pocket for each claim," explains Bhaskar Nerurkar, head of the health administration team at Bajaj Allianz General Insurance.

For example, if your health insurance plan's deductible amount is Rs 5,000 and the policy claim is Rs 40,000, then the health insurance company is only liable to pay Rs 40,000-Rs 5000=Rs 35,000. The percentage of deductible that is Rs 5,000 will be paid by you as a part of the plan. According to experts, deductibles are mostly suited for senior citizens over the age of 60 because even a small deductible lowers the premium to some extent.

Deductible Versus Co-Payment Clause

Co-payment is the fixed portion of the amount a policyholder pays towards his treatment expenses and the rest is paid by the insurer. This can be paid as a fixed amount or a fixed percentage of the total treatment cost. Whereas, a deductible is the fixed amount the insured has to bear before their health plan kicks in and covers the remaining portion of your total medical bill.

Pros And Cons Of Deductibles

1. The premiums for a policy with deductibles would be priced lower than the policy without deductibles.
2. As the premium for policies with deductible are lower one may opt for higher sum insured policies at lower premiums.

Pros And Cons Of Co-Payment Clauses

1. The premiums for a policy with co-payment would be priced lower than the policy without co-payment.
2. The insured will have to bear a certain percentage of the claim amount for each & every claim that one lodges. The higher the claim amount the higher will be the co-payment.

Remember that once you have a deductible, you could claim your insurance only when it's over and above your deductible amount. Also, when you choose a deductible to save on premium, you end up spending money every time you make a claim. Hence, before opting co-payment or deductible it's important to think through all pros and cons. Moreover, to make the claim process smooth and avoid confusion, it's advisable to read the terms and conditions and policy papers carefully. If you learn the clauses well, you would be able to plan your expenses better.