

Understanding Billed Amounts, Allowed Amounts, Deductibles and Co-pays

Billed Amount- This can be confusing because the billed amount for the supplies or service received is higher than what insurance allows.

The billed amount is the amount charged for each item or service performed or provided by the provider. In other words, it is the total charge of the claim. The billed amount for specific items is based solely on the provider.

This amount is not a factor in processing a claim because a provider agrees to accept the insurance plans fee schedule as part of the insurance company's network of providers.

One reason the billed amount is higher is that providers bill many Insurance plans that have different fee schedules. Most providers will bill high enough so that their charges are not lower than any fee schedule the company is billing. Fee schedules are set by the insurance plan. A provider that participates in a specific plan agrees to the plans fee schedule, regardless of what is billed. Traditionally the rule of thumb to set billed amounts was 10 to 20% above a fee schedule allowable. Over time most insurance plans have cut allowable charges as much as 50%, most providers will keep their billed amounts the same even when reimbursement is reduced. It would be a difficult task for a provider to have differing billed amounts for each insurance plan.

Allowed Amount- This is the maximum reimbursement Insurance plans allow for a specific service or product. It is the maximum dollar amount assigned to a product service or procedure based on various pricing mechanisms set by the insurance plan. The provider has no influence over allowed amounts; providers agree to accept these amounts. Every item, service or product has a universal billing code used to bill insurance plans. The bottom line is, regardless of what the provider charges the insurance plan will pay only the allowed amount for each item.

Deductible- a deductible is the amount paid for health care services before health insurance begins to pay.

For example, if your deductible is \$1,500, you would pay 100 percent of your health care charges until the amount you paid reaches \$1,500. After that, some services you receive may be covered at your plans percentage, most plans are 80/20 plans. Meaning once you have paid your deductible your insurance will pay 80% of a provider's allowable charge.

Co-pay

Co-pay is a fixed amount you pay for a health care service, usually when you receive the service or product. The amount can vary depending on your insurance plan. Most plans have a 20% co-pay.

For example; if the allowed amount for a CPAP mask is \$125, on an 80/20 plan, the insurance plan would cover 80% of the \$125 allowable of \$100. The co-pay for this item would be \$25.