



## EOB GUIDE: Understanding the Math – How Your Healthcare Expenses are Calculated.

A lot more goes into calculating your healthcare expenses than meets the eye. Unfortunately, most insurance companies fail to break the transaction down into simple math and explain how they got to what you owe. Here are the basics of EOB math.

### The Basic Math

The key to understanding comes down to identifying four numbers: the provider **charges** (amount billed from doctor, hospital, etc.), the **discount** (which is based on the negotiated rate of your individual plan coverage), what **insurance paid** and **patient responsibility**. Insurances may call them different things, so we'll describe those in a little more detail.

The amount the provider sent to your insurance company as their “charge” or “billed amount” should be the largest figure on the EOB. Next, find and subtract the “discount” to arrive at the allowed amount. This is the amount your insurance company and your provider agree is the fair amount to be paid.

|                                 |                               |                 |
|---------------------------------|-------------------------------|-----------------|
| <b>Billed or Charged Amount</b> | <b>Example - Office Visit</b> | <b>\$100.00</b> |
| <b>- Discount Amount</b>        |                               | <b>\$ 32.00</b> |
| <b>= Allowed Amount</b>         |                               | <b>\$ 68.00</b> |

Remember some insurance companies give you the full math. They may show you the discount, and then show you the resulting allowed rate, which should be less than or equal to the charged amount. Other companies only display the allowed amount and do not show the network savings or discount.

### Patient Responsibility

Now look at the amount your insurance paid. It can be anywhere from \$0 to the full allowed amount. Subtract what the insurer paid from the allowed amount. What's left is the patient responsibility. To double check the math, add together the amount the insurance paid and the patient responsibility, it should equal the allowed amount which is sometimes referred to as the negotiated rate.

|                                 |                               |                 |
|---------------------------------|-------------------------------|-----------------|
| <b>Allowed Amount</b>           | <b>Example - Office Visit</b> | <b>\$ 68.00</b> |
| <b>- Insurance Paid</b>         |                               | <b>\$ 48.00</b> |
| <b>= Patient Responsibility</b> |                               | <b>\$ 20.00</b> |

### What Do You Owe?

The patient responsibility may NOT be the balance owed to your provider, depending on if the insurance company reflects your payments (including co-pays, pre-payments and any other payments you have submitted). If payments you have previously made (or will make) are NOT reflected on the EOB, you will need to subtract your payments from the patient responsibility amount to figure out the balance owed to the provider.