

# What is a Prescription Drug Copay, Coinsurance, and Deductible?

ND Medina

December 2, 2019



*via Unsplash*

We here at [Medly Pharmacy](#) understand, from the bottom of our hearts, that insurance is a minefield for everyone. Consumers and doctors alike have experienced the difficulties that come with trying to ensure that everyone has the prescription drug coverage that's best for them.

Whether that means helping Medicare Part D patients manage the donut hole, or scanning through a health plan's formulary to see which prescription drugs are covered, navigating insurance can be an exercise in frustration. We'll try to make it a little bit easier by explaining some common terms every consumer should know.

## What is a prescription drug deductible?

A prescription drug **deductible** is the amount of money you must pay out of your own pocket before



A deductible can be combined for medical and prescription, or it can have separate medical and prescription drug deductibles. If the deductibles are separate, the prescription drug deductible is usually very low.

That said, the total amount of your deductible and whether or not it is combined varies based on your plan.

## What is a prescription drug copay?

A prescription drug **copay** is a set amount for every medication on a certain tier in your plan's formulary.

Your plan's **formulary** is the list of prescription drugs they cover. Not all plans cover all drugs, so it's highly advisable to check your plan's formulary against the list of medications you take.

The formulary is divided into **tiers**, sometimes called **groups**, which is how the insurance company organizes the drugs they cover into different price points. Each tier indicates the amount you'll pay for a covered drug. For example, Tier 1 drugs on your formulary might be \$10, while Tier 2 drugs might be \$50 and Tier 3 might be \$75.

Drugs from higher tiers usually cost more out of pocket than drugs from lower tiers. The higher-tier drugs are often preferred brand-name, non-preferred brand-name, or "specialty" drugs that are expensive and used for serious and rare conditions. Depending on how many tiers your health plan's formulary has, you may be in for quite a ride at the pharmacy counter.

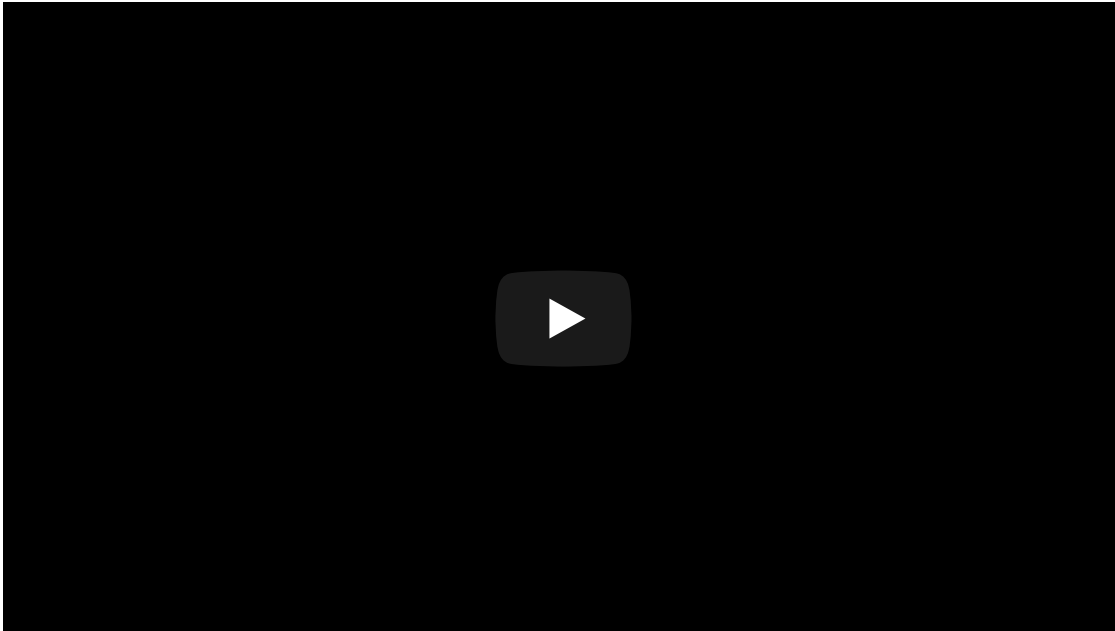
A copay often, but not always, kicks in after you have met your plan's deductible. Until you have met your plan's deductible, you will usually have to pay full price at the pharmacy. Some plans, of course, do not have a deductible.

## What is a prescription drug coinsurance?



A prescription drug **coinsurance** is a form of cost-sharing with the insurance company. Rather than a set copay, you pay a percentage of that drug's cost. While an inexpensive generic drug may be subject to a minimal copay, a rare brand-name drug may be subject to, for example, a 40% coinsurance.

This coinsurance is usually applicable after your deductible is met.



Now that you understand how insurance companies cost-share with their clients to provide prescription drug coverage, you can compare insurance plans to decide which is the best plan for you.



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Call or Text: 718-782-7539

Fax: 718-782-7951

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