MARTIN INSURANCE GROUP, LLP

CLIENT NEWS & ADVISORY

3rd QUARTER - 2026 ISSUE

Cash Pay – The Great Illusion

Hello Everyone,

Summer is over for most, for some that's a disappointment – for parents that is guilty blessing! In all seriousness, this is the time of the year where you go over your budget, figure out how much the family summer vacation was, how much back to school shopping will be, and the realization that you only have a few months to save before the holiday season shopping hits you.

With all that said you are naturally going to be wanting to look for financial "deals" where you can. So, in this issue we are going to cover one extremely common misconception about the healthcare system, and that is "discount illusion" with cash pay.

The "Discount Illusion"?

Some of you are too young to recall what "Black Friday" truly was. It was the Friday after Thanksgiving, where stores marked down last season's merchandise (*often up to half off*), quantities were limited, and when the inventory was gone, the sale was over.

Then Black Friday extended to "Cyber Monday," and nowadays you will see Black Friday sales lasting the entirety of the month of November. Which eventually made people ask themselves, **"am I actually getting a discount – or am I getting the *illusion* of a discount?"**

When the Price Really *isn't* the Price?

If you have ever reviewed an Explanation of Benefits (EOB) after a medical service, you may have been shocked by the difference between what a provider initially charged and what was actually paid:

Example A: A facility bills **$4,000.00** for medical services. Thanks to standard pre-negotiated insurance rates, the actual allowed amount dropped to **$180.32**.

Claim for Taylor (self)

Provider: [redacted] (In-Network)

Claim ID: [redacted] Received on 7/15/26	Amount billed	Member rate	Not payable by plan (Remarks)	Applied to deductible	Your copay	Amount remaining	Plan's share	Your coinsurance	Your share C+D+E+H=I
Service type and date	A	B	C	D	E	F	G	H	I
MEDICAL SERVICES [redacted] on 7/13/26	4,000.00	180.32				180.32	180.32 (100%)		
Refer to Remarks Section			(2)						
Totals:	4,000.00	180.32		0.00	0.00	180.32	180.32	0.00	**$0.00**

(Continued on next page)

Example B: $541.75 outpatient lab work is reduced via contractual discounts to an allowed amount of **$55.29**.

			YOUR BENEFITS APPLIED			YOUR RESPONSIBILITY				
Service Description	Service Dates	Amount Billed	Discounts and Reductions	Amount Covered (Allowed)	Health Plan Responsibility	Deductible Amount	Copay Amount	Coinsurance	Amount Not Covered	Your Total Costs
Laboratory Services	12/27/2023	78.25	(1) 72.03	6.22		6.22				6.22
Laboratory Services	12/27/2023	90.75	(1) 82.86	7.89		7.89				7.89
Laboratory Services	12/27/2023	99.00	(1) 81.57	17.43		17.43				17.43
Laboratory Services	12/27/2023	82.00	(1) 76.28	5.72		5.72				5.72
Outpatient Lab Test	12/27/2023	118.75	(1) 107.92	10.83		10.83				10.83
Laboratory Services	12/27/2023	41.50	(1) 35.89	5.61		5.61				5.61
Laboratory Services	12/27/2023	31.50	(1) 29.91	1.59		1.59				1.59
CLAIM TOTALS		$541.75	$486.46	$55.29	$0.00	$55.29	$0.00	$0.00	$0.00	$55.29

Naturally your next thought is "*why such an extreme difference?*"

It comes down to network contract negotiations. When a healthcare provider joins an insurance network (PPO, EPO, or HMO), they agree to specific fee schedules. **To maximize reimbursement potential, providers often establish artificially high "sticker prices" (*billed charges*) before negotiating down** to fair contractual rates with insurance carriers.

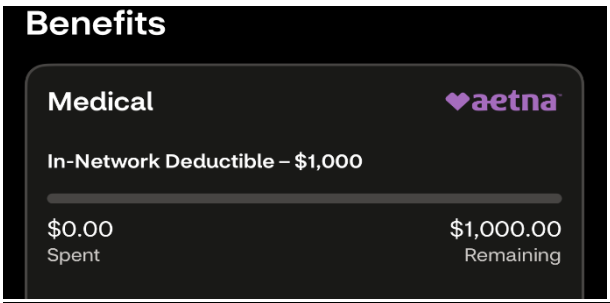
Unpacking the "Cash-Pay Discount"

Providers sometimes offer a cash discount because paying upfront saves them administrative costs—they skip *medical coding*, *claims submission*, and *waiting* weeks for carrier reimbursement. In some simple cases, passing those administrative savings to you is a genuine win-win!

In other cases, when you are being told ***"it will be 'X' if you use insurance, but if you cash pay now, we can reduce it to 'Y' for you!"*** This now turns into a word game, what exactly is the "X" figure?

- Is it $4,000 that you tell the insurance company the medical service costs?
- Or is it $180.32 that the insurance company actually pays?

If the provider's "discounted cash price" is equal to or higher than the carrier's contracted rate, you aren't receiving a true discount—the provider is simply collecting the net negotiated amount upfront while skipping administrative overhead.



The Hidden Financial Risk of Cash Pay

For an isolated, routine service, paying cash might seem harmless. However, skipping your insurance network can create significant financial drawbacks over the course of a plan year because **cash payments are not submitted to your insurer and do not count toward your deductible or out-of-pocket maximum.**

Example 1	John receives an MRI on his hip at an imaging center and opts for a cash-pay rate rather than billing his insurance. His results come back normal, and he incurs no further medical costs for the rest of the year. In this isolated instance, cash pay worked out fine.

Example 2	John pays cash for the same MRI, but the scan reveals he needs a full hip replacement. His subsequent care involves surgeon fees, anesthesiology, facility charges for the operating room, a two-night hospital stay, physical therapy, and prescription medications

Because John paid cash for his initial MRI, **$0.00 of that expense applied toward his annual deductible**. When his major surgery occurred, he had to satisfy his full deductible from scratch before his coverage kicked in. By attempting to save a few dollars upfront, he ended up significantly worse off financially.

(Continued on next page)

Key **Take Aways**

What I always tell clients staff members when doing open enrollment meetings: "***medical insurance is not designed to cover every expense at a $0 to you cost. It is to protect you and your family from catastrophic financial loss due to medical claims."***

Before agreeing to a cash-pay offer, always consider whether that expense could help you satisfy your deductible for larger medical events later in the year.

Thank you for reading and for trusting Martin Insurance Group with your business! If we can support your team or review your benefit structures this quarter, please don't hesitate to reach out.

If you would like to schedule a consultation, please contact Taylor Martin –
Email: TaylorMartin@miglp.com | Phone: (210) 236-9821

Taylor M. Martin, BA, REBC
Chief Executive Officer

"Helping Texas **Employers, Employees** and **Families** since 1986."

National Association of Benefits and Insurance Professionals
San Antonio Chapter
NABIP
Shaping the *future* of healthcare

Schedule a Demo: Experience E-Nav from both the employer and employee view. **Contact us today** to schedule your personalized walkthrough!

employee NAVIGATOR

Benefits Administration
HR Management
New Hire Onboarding
ACA Reporting
PTO
Integrated Payroll, COBRA, FSA

Other Specialized Services:

EMPLOYEE BENEFITS

Group Medical/RX	Group Dental/Vision
Group Basic/Supplemental Life	Group Short/Long Term Disability
Group Accident/Critical Illness	Employee HSA/HRA/FSA Account
Section 125/POP Plan	ERISA Wrap
Payroll	Benefit Administration/Enrollment Systems

PROPERTY & CASUALTY COVERAGE (through our alliance partners)

Auto/Property Insurance (carsonal & Commercial)	
Workers Compensation	General Liability
Bonds – Fidelity, Surety, etc.	Umbrella Policies

Specialized Services for Individuals:

PERSONAL LIFE INSURANCE

Term Life	Whole Life
Indexed Universal Life	Joint Life Insurance

MEDICARE SUPPLEMENT & RETIREMENT-

Medicare Supplements & RX Coverage	

MARTIN INSURANCE GROUP, L.L.P.

Registered Employee Benefits Specialists & Consultants

13333 Blanco Road Suite 212, San Antonio, Texas 78216

Telephone: 210-236-9821

www.MIGLP.com