

# Executive Brief

## Understanding Microsoft Copilot Licensing (2026)

### Purpose

Microsoft's Copilot ecosystem has expanded rapidly, resulting in frequent rebranding and a layered licensing model that can be difficult to navigate. This brief provides a **clear, authoritative overview of Microsoft Copilot licensing options as of 2026**, helping leaders understand what each license includes, who it is for, and when it is required.

### Copilot for Individuals (Consumer)

#### Microsoft Copilot (Free)

Microsoft Copilot (free) is the standard consumer AI experience available to all users. It is accessed via **copilot.microsoft.com** and is also embedded into Bing, Microsoft Edge, Windows, and the standalone Copilot app.

This version operates entirely as an **internet-based assistant**. It does **not** have access to organizational or business data and only understands the information explicitly provided within the current chat session. It is best suited for general research, writing assistance, and personal productivity.

#### Microsoft 365 Premium (Consumer)

Microsoft 365 Premium replaces the former *Copilot Pro* subscription, which was discontinued in late 2025. This is an **individual (not business) plan** designed for power users who want enhanced Copilot capabilities.

Microsoft 365 Premium includes:

- The Microsoft Office desktop and web applications
- OneDrive and related consumer services
- Advanced Copilot features such as improved reasoning, faster responses, and higher-quality image generation

This plan **does not provide business or organizational data access** and should not be confused with *Microsoft 365 Business Premium*, which is a business license.

## Copilot for Work (Included with Microsoft 365)

### Microsoft 365 Copilot Chat

*(Included with most Microsoft 365 subscriptions)*

Now commonly referred to as **Copilot Chat**, this experience is included at no additional cost for licensed Microsoft 365 organizations. It is available directly within Microsoft Teams, Outlook, Word, Excel, and other Microsoft 365 applications.

Copilot Chat enables:

- AI assistance within core productivity tools
- A **no-code foundation for creating Custom AI Agents**
- Secure usage based on information the user explicitly provides in the chat

**Important limitation:** Copilot Chat does *not* automatically understand your organization. It has no inherent awareness of roles, departments, regions, or internal documentation unless that context is manually provided in the conversation. As of today, a new employee cannot simply ask Copilot Chat “How do I contact HR?” and receive an answer from internal sources.

Microsoft has announced that this limitation will begin changing **July 1, 2026**, as Copilot gains deeper contextual awareness.

## Copilot for Internal Business Use (Paid Add-On)

### Microsoft 365 Copilot Business

Microsoft 365 Copilot Business is the **entry-level paid Copilot offering for businesses** and is available as an add-on license. It is designed for organizations with up to 300 users (though it can coexist with enterprise licenses in the same tenant).

Key capabilities include:

- **Work IQ:** Secure search across SharePoint sites and documents the user already has access to
- Access to **Copilot Researcher** and **Copilot Analyst**, which combines organizational data with web data to generate deep, high-quality insights

Security is permission-based. If a user does not already have access to a document or SharePoint site, Copilot cannot surface that information.

### Prerequisite licenses include:

- Microsoft 365 Business Basic
- Microsoft 365 Business Standard
- Microsoft 365 Business Premium
- Microsoft 365 Apps for Business

## Microsoft 365 Copilot (Enterprise)

Microsoft 365 Copilot (sometimes called *Copilot Enterprise*) provides the **same functionality as Copilot Business**, but is licensed for enterprise environments.

It includes:

- Work IQ-powered access to SharePoint and OneDrive
- Copilot Researcher and Analyst
- Enterprise-grade security and compliance alignment

### Prerequisite licenses include:

- Any Microsoft 365 license

## Copilot for Automation and External Users

### Microsoft Copilot Studio

Microsoft Copilot Studio is the platform used to **build, customize, and manage AI agents** within the Microsoft ecosystem. It is required when Copilot is needed for:

- External-facing experiences (e.g., website chatbots)
- Autonomous agents that run in the background without a user prompt
- Scenarios triggered by events such as emails, CRM updates, or data changes

Copilot Studio uses **Copilot Credits**, a consumption-based billing model that charges based on the amount of work performed by the agent.

The Microsoft Copilot Studio license contains 25,000 Copilot Studio Pay-As-You-Go usage credits.

If Copilot is only being used internally by employees, **Copilot Studio licensing is generally not required.**

## Copilot Studio Pay-As-You-Go

The Pay-As-You-Go model allows organizations to link Copilot Studio usage directly to an Azure subscription. These licenses are the same as the Microsoft Copilot Studio licenses listed above but you're paying per credit. This ensures agents continue functioning during spikes in usage and is commonly used for:

- Pilot programs
- Low-volume or unpredictable traffic
- Overage beyond a standard Copilot Studio license

If Copilot is only being used internally by employees, **Copilot Studio licensing is generally not required.**

## Microsoft Copilot Studio User License

The **Copilot Studio User License** is required only for **developers, authors, and administrators** who build and manage agents.

Key points:

- It is a **\$0 license**
- End-users who chat with your bots do *not* need it
- At least **one Copilot Studio license** must exist in the tenant before this license becomes available

## Industry-Specific Copilot

### Microsoft Dragon Copilot (Healthcare)

Microsoft Dragon Copilot is a **ready-to-use, healthcare-focused Copilot**, combining the capabilities of Dragon Medical One and DAX Copilot into a single solution.

Unlike Copilot Studio, Dragon Copilot is **not a development platform**. It is a turnkey clinical assistant designed to reduce physician burnout.

Core capabilities include:

- Ambient listening during patient visits (with consent)
- Automated generation of structured clinical notes (e.g., SOAP notes)
- Medical search based on trusted clinical sources

### *Dragon Copilot – Physician Per User*

An unlimited, “all-you-can-use” license intended for full-time clinicians. It includes:

- Front-end dictation
- Ambient recording
- Generative AI note creation

### *Dragon Copilot – Physician Flex*

A hybrid consumption-based model designed for part-time clinicians or phased rollouts. It includes:

- Front-end dictation by default
- Pay-per-use billing for ambient recording and generative notes
- Typical note creation costs approximately \$3 per encounter, depending on complexity

## Executive Summary & Recommendations

- **Getting started:** Use the free **Microsoft 365 Copilot Chat** included with your Microsoft 365 subscription
- **Internal productivity:**
  - Small and mid-sized businesses: **Microsoft 365 Copilot Business**
  - Enterprises: **Microsoft 365 Copilot**
- **Automation or external users:** **Microsoft Copilot Studio** with Pay-As-You-Go for overages
- **Healthcare organizations:** Start with **Dragon Copilot Physician Flex**, then expand to **Physician Per User** for full-time staff

Microsoft continues to expand Copilot capabilities and bundle new features across licenses. This document reflects the current state of licensing in 2026.