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It's About Time to Check the Fine Print on Your Health Plan

Walecia Konrad / The New York Times
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BACK to the future — that about sums up this year's open enrollment season.

Sally Ryan for The New York Times
This year, even more than most, "doing nothing could cost you money," says Sara Taylor of Aon Hewitt, a benefits consultant.

This is the time of year when your employer allows you to make changes to your benefits package — most importantly, to your health insurance. You may even have already received your gigantic packet of plan descriptions and sign-up forms by now.

As in years past, employers will be rejiggering their plans with an eye toward passing much of this year's increase in health insurance costs to employees. Health insurance premiums are expected to rise an average of 8.8 percent, according to data compiled by the benefits consulting firm Aon Hewitt. Employees' out-of-pocket expenses are expected to increase 12.5 percent from 2010, in the form of higher premiums, higher deductibles, higher co-pays and co-insurance, or all of these, said Sara Taylor, health and welfare solutions leader at Aon Hewitt.

But the biggest changes arrive this year courtesy of the new health care law. The new rules require employers to extend health insurance coverage to uninsured dependents up to age 26, eliminate any lifetime caps on coverage, and pay 100 percent of the cost of annual physicals and some other preventive care.

Plans that don't significantly change their cost and coverage structures will be exempt from the preventive care requirements. But for the most part, rising health costs will force employers to alter their plans, if only to shift more of the burden to employees. The new requirements and complicated new options will make selecting the right insurance plan perhaps more daunting than ever.

That's no reason to put it off. "We know that people spend more time choosing a cellphone than they do picking a health plan," said Ms. Taylor. "But doing nothing could cost you money."

Here are a few considerations for consumers headed into open enrollment season.

OUT-OF-POCKET EXPENSES

Many consumers focus on what a plan covers, not what it is likely to cost them out of pocket. But out-of-pocket expenses are rising as employees are asked to pick up more of the health care bill.

Start by calculating what you spent on health care last year, including premiums, co-pays, deductibles, prescriptions and any other expenses. How many times did you or your family members visit the doctor? Fill a prescription?

Then estimate what each of your company's offerings might cost you out of pocket this coming year, advised Tracy Watts, a partner at Mercer Health and Benefits.

You may find that you are paying a high premium for a fancy plan that you do not fully use. If you are in good health and the numbers work, it may make sense to switch to a lower-premium alternative, like an H.M.O. or a high-deductible plan, and then sock away what you will save on premiums in a tax-exempt flexible spending account or health savings account, which can be used to cover your out-of-pocket costs.

COVERAGE OF DEPENDENTS

Pay particular attention to coverage of a spouse, children and other dependents under your company's proposed plans. Coverage of dependents has been eroding for years, experts say, and the trend is likely to accelerate in 2011.

For starters, expect a jump in premiums for the dependents on your health plan. Some employers also are expected to restructure the way you pay for coverage. Instead of charging one price for family coverage, long the standard, a handful of employers are starting to charge for each dependent on your plan, Ms. Taylor said.

“Say you paid $4,000 a year for family coverage last year, regardless how many kids you have. Now it’s going to be, say, an extra $3,000 for each extra person on the plan,” Ms. Taylor explained. “That’s a huge change for big families and for people taking advantage of the new rule for dependents up to age 26.”

Some employers are simply cutting back on what they will pay for dependent benefits, picking up 70 percent of the premiums, say, instead of 75 percent. If you and your spouse have access to employer-sponsored health insurance, take a good look at options from both employers. Changes in dependent coverage are inconsistent, and you may find that one employer remains more generous, said Ron Fontanetta, Towers Watson director.

CO-PAYS AND CO-INSURANCE

Another trend to watch for is employers’ changing from a system of co-payments to co-insurance.

What’s the difference? Co-pays are a flat fee — say, $10 or $20 — that you pay each time you visit the doctor, go to the hospital or fill a prescription. Co-insurance is the percentage you pay, usually 10 to 30 percent, of the amount your doctor, hospital or pharmacist charges your insurance company.

The more health care services you use, the more co-insurance will cost you. “There’s been a general trend moving toward co-insurance over the past several years, and it can be shocking if employees don’t understand and don’t plan for it,” Ms. Taylor said.

Many employers use a combination of co-pays and co-insurance, so be sure to read the fine print carefully to calculate what each option will cost you.

FLEXIBLE SPENDING ACCOUNTS

Because of the new health care law, you may need to rethink how much money you put into flexible spending accounts.

These accounts allow you to save money tax-free for eligible health care expenses, such as deductibles, co-pays, prescription drugs and even supplies like bandages. Under the new law, however, over-the-counter medications such as aspirin, allergy medicine and cough syrup are no longer allowed as eligible expenses. (Employers are waiting for clarification on a few other items, like saline solution for contact lenses.)

Remember, if you don't use the money you put into these tax-free accounts within the prescribed time period, usually a year, you forfeit the funds. Your doctor may be able to help you preserve an eligible expense by writing a prescription for an over-the-counter medicine you use regularly.

EMPLOYER HEALTH INCENTIVES

Employers are offering a laundry list of incentives for you to stay healthy. Under the new rules, lots of preventive care — such as annual physicals and some tests — will be provided with no out-of-pocket cost to you.

What's more, your company may be offering cash rewards, like gift cards or discounted health care costs, if you complete a health risk assessment or get screened for blood sugar, high cholesterol or high blood pressure.

"Take advantage of the on-site testing your employer may be sponsoring during open enrollment or a health fair," Mr. Fontanetta said. "It could save you money."

Should these risk assessments turn up a problem, many employers can refer you directly to assistance in chronic illness management.

This article has been revised to reflect the following correction:

Correction: October 15, 2010
An earlier version of this column incorrectly stated that plans that did not significantly change their cost and coverage structures would be exempt from more than the preventive care requirement. It also stated incorrectly that, as of January, employers would have to drop annual caps on coverage.