

Eight Steps to Better Health Insurance

Open-enrollment season is upon us -- that time of year when companies across America communicate what's new in your benefits package for 2007.

It's possible that there's a package containing your company's benefit options for 2007 sitting on your work desk right now. And if you're self-employed and running your own company like me, now's the time to be reviewing these options as well.

Your health benefits are an important part of your 2007 financial strategy. Here's what you need to know in order to plan successfully:

1. Get the deadline on your calendar

You'll usually get a full month, maybe more, to review your open-enrollment package. Don't just let it sit on your desk. You need to open the package up and read it. Give yourself enough time to thoroughly review all your options.

If you don't take any action, your company will probably enroll you in what you selected for 2006 or, worse, you might not get enrolled for anything at all. So be smart -- know the deadline and give yourself plenty of time.

2. Include your spouse or partner

If you're married or have domestic partner benefits, don't forget to include your significant other in the decision-making process. Schedule a "benefits date" for the two of you to review everything.

If you both have company-sponsored medical coverage, you'll want to compare plans. One of them may be noticeably better than the other, in which case you may want to cancel the lesser plan and use the superior one to cover you both and save some money in the process.

3. Know that your health-care costs are going up

With annual open enrollment comes annual premium rate hikes for companies -- which translates into a higher paycheck deduction for you.

According to the Kaiser Family Foundation/Health Research and Educational Trust 2006 Annual Employer Health Benefits Survey, the average premium increase for employer-sponsored health plans in 2006 was 7.7 percent.

On average, employees contributed about 27 percent of the premium (\$2,973 a year) for family coverage and 16 percent of the premium (\$627 a year) for single coverage. But the Kaiser report also reveals that in 2007, 49 percent of employers are likely to increase what employees pay for coverage. Thirty-nine percent are likely to increase plan deductibles, co-payments, and /or co-insurance.

What does this mean for you? That you've got to factor rising costs into your budget for 2007.

4. Review, research, and compare options

Start your options review process by taking an inventory of what benefits you currently have and how much you're paying for each. This will give you a good reference point. Then, review your new options in detail.

You'll probably be given several different types of health insurance plans to choose from. Briefly, there are three major types to consider:

- Managed Care

Includes HMO, PPO, and POS plans. All managed care plans involve a prearranged agreement between the insurance company and a selected network of doctors, and all three will offer you financial incentives to use the doctors in that network.

An HMO requires you to select a primary care physician and to get a referral to see a specialist. Out-of-network care is generally not covered. PPO and POS plans allow you more flexibility with their out-of-network options but you may need to meet a deductible.

- Fee for Service

Also known as an indemnity plan. After you pay a deductible, a specific percentage of the cost is reimbursed to you up to an annual cap. There are no networks to consider, although you'll probably end up with more out-of-pocket charges in exchange for having more freedom to see the doctor of your choice.

- Consumer-directed

Also known as consumer-driven or consumer-choice plans. These are high-deductible plans designed to give members more flexibility with health benefit decisions and more control over their health benefit dollars. Examples of

consumer-directed plans include Health Savings Accounts, Health Reimbursement Arrangements, and Flexible Spending Accounts.

5. Don't be intimidated

The choices can be complex, but don't be alarmed. Instead, get the facts. For full details on the different types of plans, check out these helpful web sites:

- The U.S. Department of Health and Human Services Agency for Healthcare Research and Quality
- HealthInsurance.info
- Plan for Your Health

While you're there, check out the free book you can order called *Navigating Your Health Benefits for Dummies*.

6. Collect information on each plan

Here's a list of questions to ask yourself when comparing plans side by side:

- What's my new monthly premium going to be?
- What's my co-pay?
- Am I required to meet a deductible? If so, what's the deductible?
- After my deductible has been met, what percentage of my medical expenses is reimbursed?
- What's my maximum out-of-pocket expense?
- Are my doctors in the plan's network?
- Am I allowed to see a doctor outside the network? If so, what's the reimbursement difference?
- Do I need a referral to see a specialist?

Don't simply go with a plan because it's the cheapest. Go with the very best plan you can afford. The more expensive the plan, the more flexibility and most likely better quality of care you'll get. After all, this is your health we're talking about!

7. Make your 401(k) plan automatic

According to a study by Barclays Global Investors Services, about 80 percent of people who sign up for a 401(k) plans never make a change after the day they sign their enrollment form.

Check to see if your employer has added new options to your plan this year. My recommendation is to increase whatever you're saving -- in 2007, the maximum you can save is \$15,500 if you're under 50, \$20,000 if you're over 50. And if you're not enrolled, sign up. Saving money automatically is the secret to becoming an Automatic Millionaire.

8. Ask questions

If your company offers any open-enrollment meetings, take the time to go. Otherwise, don't hesitate to stop by your Human Resources department to get all your questions answered.

By the time open enrollment is over, you'll have made some smart, educated decisions that are an important part of your overall financial plan. So congratulations -- here's to your health benefits and to your good health in 2007!

Credit – David Bach