SMART MONEY

REST INSURED

Ah, open enrollment season—the time of year that makes many of us wish we had a PhD in insurance speak. Consider this a crash course.

BY CHERYL LOCK

LET'S START WITH A QUIZ. True or false: "Coinsurance" refers to the fee you pay for medical appointments.

The answer is false. Got it wrong? Lots of folks did: Of 2,000 people surveyed by Forbes Advisor last year, 77 percent missed it. (Coinsurance is the portion of the medical bill you're responsible for after you meet your deductible; your insurer pays the rest. It's not to be confused with a *copay*, which is what you fork over on the spot for a service.) The survey confirmed that most of us are confused about health insurance. "With a topic as complicated as this, the only thing you can do is take it step by step," says Caitlin Donovan, a senior director with the National Patient Advocate Foundation, a group that lobbies for affordable health care.

We're heading into open enrollment, the period of time when you can make changes to your current health insurance or apply for new coverage. So we asked health care experts to walk us through the process. The first step is knowing your deadline. (If you sign up through work, ask your HR department; if you use the insurance marketplace, visit healthcare.gov.) Mark the date on your calendar, and follow these steps to cross the finish line.

Look at Last Year

Jot down any doctors, services, and medications you used over the last 365 days and note the ones you'll keep. Then go to your insurance member portal to download your claims history and explanation of benefits, says Tasha Carter, Florida's insurance consumer advocate, who helps with the state's health care advocacy and education efforts. "You can't predict every medical expense, but being aware of past trends will help you make informed decisions," she says.

Think About the Future

Make a list of appointments you've been considering or putting off (like the bunion surgery you've dragged your feet on). Now is also the time to dig into your family history. "It's important to be aware of conditions that run in your family and the impact they may have on you and your future health care needs," Carter says. If any relatives have had breast cancer, for example, you might want to check what kind of preventive care and screenings each plan covers.

Compare Coverage

There are several types of plans to choose from, with HMO and PPO being the two most common. The first usually costs less but limits you to the doctors and hospitals in your plan's network. With the latter, you'll typically pay more in monthly premiums (which we'll get to) but be able to see nearly any provider you'd like, though sometimes at an extra cost. Check out each option and see if your preferred doctors, services, and medications are covered, and what the out-of-pocket costs will be if they're not. This info should be in the literature provided by your employer or on individual insurance websites.

Weigh the Costs

And now, your monthly premium! It's the amount you pay for the insurance each month. In 2022, single people paid an average of $7,911 for the year, while families paid an average of $22,463. Though it's tempting, don't just pick the lowest number. "Focusing on premiums is the single biggest mistake people make when choosing insurance," says Jonathan Kolstad, PhD, professor of economic analysis and policy at the University of California, Berkeley's Haas School of Business. The premium doesn't show the full picture. For instance, a lower premium usually means a higher deductible—how much you pay for services before coverage kicks in. There are high-deductible plans and lower-deductible plans, which are just what they sound like. For 2024, high-deductible plans will have deductibles of *at least* $1,600 for a single person and $3,200 for a family. A plan with a higher premium can make sense if your savings won't cover all that, Kolstad says.

For a clearer picture of how much a plan costs, Kolstad says to multiply the monthly premium by 12, then add the cost of the deductible. "That's your estimated worst-case scenario, and it's a good place to start when comparing what you'd pay on different plans if you got really sick," he says.

Don't forget about copays and prescriptions. This is where your walk down Medical Memory Lane comes in handy, Carter says. How much were those in 2023? Does it make sense to switch to a plan with lower copays?

Skip the Extras (Probably)

Health insurance add-ons are like extra coverage you might purchase for your homeowners insurance, Carter says. Hospital indemnity and critical illness are two upgrades you may see. They can be used to cover out-of-pocket medical costs (like your deductible, copays, or even rent) if you go to the hospital or get diagnosed with a new condition, such as heart attack, stroke, or cancer. Kolstad says they're usually not worth it unless you have a high-deductible plan with limited coverage.

Consider Opening a Tax-Advantaged Account

Health savings accounts (HSAs) and flexible spending accounts (FSAs) let you put away pretax dollars to cover certain health care costs, like medications, doctor visits, and drugstore items. What's the difference between the two? An HSA may earn interest and is only available with high-deductible plans. In 2024, you'll be able to contribute up to $4,150 if it's just you, and up to $8,300 if you've got a family plan. HSA funds are yours to keep, and you can spend them at any point on qualified medical expenses. "It's a good idea to max out your HSA if you can afford it," Kolstad says. Just like a 401(k)!

FSAs are trickier because, while you and a spouse can each save up to $3,050 a year, that money doesn't always roll over to the following year. So you've either gotta be good at estimating costs or OK with buying a bunch of eye drops in December.

GOT ALL THAT? Let's end with another true or false: You read this article and gained some clarity. True? Happy open enrollment to you! ■

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