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The New Math Of Health Benefits

This Enrollment Season, Companies Prod Workers To Choose High Deductibles or High Premiums

By Sarah Rubenstein

Get ready to do more homework on your health plan.

Companies are pushing to make the sign-up process for 401(k) plans and other retirement benefits as simple as possible, narrowing choices and often enrolling employees automatically. But when it comes to health benefits, the trend is just the opposite: Give employees an array of choices and encourage them to think hard before picking one.

As this year's open-enrollment season -- the time when employees choose their health plans for the following year -- goes into high gear at many companies, employers are trying to get workers to confront ever-rising out-of-pocket costs. Some are requiring employees to proactively choose a plan, even if the workers think they want to stick with the status quo. Some are offering online tools to help employees analyze their coverage options. Others are rolling out more-complex options, such as customized plans where employees can pick and choose features.

Many companies are hoping that more workers will decide on their own that they don't need the most-generous plans the company offers. And more are offering plans with higher deductibles, or the amounts patients must spend upfront before their coverage kicks in. To sweeten the pot, some companies are kicking in contributions to tax-advantaged health savings accounts and other vehicles designed to pay for health expenses. Deductibles on plans paired with HSAs are currently allowed to run as high as \$10,500 for family coverage, though employees may pay smaller premiums than they would for other plans.

Traci Brown, a business analyst at [GMAC Insurance Personal Lines](#), a unit of General Motors Acceptance Corp., used a company calculator and decided to increase her family's deductible from \$250 to \$500 next year. (Each member of the family has to meet the deductible before the insurance kicks in for that member. Once three members have met it, the fourth isn't required to meet it.) Ms. Brown will pay about \$1,500 less for the coverage next year, according to the company.

"It's still scary," says Ms. Brown of the higher deductible. But she says she hopes she'll be able to hoard the money she saves on the cost of the plan. "Everything should be fine, and if it's not, then you deal with it when it comes."

Efforts to get workers to do the math are coming chiefly from employers that are offering workers new "consumer driven" health plans that typically have deductibles of \$1,000 and up -- and often cost employers less than plans with lower deductibles. Companies also hope that workers who choose these plans will become more-careful consumers and reduce their health-care spending over the long run.

The so-called high-deductible plans may be cheaper for some workers, especially those with low health-care costs. But they may be costlier for employees who use lots of medical services.

Of course, even if people thoroughly analyze their health history and expectations, they can't be sure what their future health expenses will be. "People shouldn't get some sort of false sense of security" from plan-comparison tools, says Gary Claxton, a vice president at the Kaiser Family Foundation, a nonprofit health-policy research group.

Still, employers fear that people who would be good candidates for the less-expensive plans aren't considering them because they don't understand them, or because of sheer inertia. Often, employees who do nothing during the open-enrollment period are defaulted into the plan they had the prior year. "The natural tendency is to stick with what you know," says Randall Abbott, a consultant at employee-benefits firm Watson Wyatt Worldwide.

The plan-comparison push from employers comes at a time when it's tougher to choose among health plans based on acronyms such as HMO, for health maintenance organization, or PPO, for preferred provider organization. The lines between these types of plans have blurred as some HMOs have added deductibles or relaxed rules that require, for instance, patients to get a referral to see a specialist.

Last fall, [GMAC Insurance Personal Lines](#) began requiring workers to choose a plan each year. It started a mix-and-match program for its 2,500 full-time employees, allowing them to choose among a total of 12 health-coverage options. Employees are defaulted into the least-comprehensive plan available to them and must actively make changes to their coverage if they want something else.

There are three different individual-deductible levels -- \$250, \$500 and \$1,000 -- and other features employees can choose to add on, such as upfront coverage for office visits regardless of whether the deductible has been met. GMAC developed a tool that helps employees predict their total annual costs under different options.

Before GMAC started the program, 88% of eligible employees had a \$250 deductible, and most of the rest opted out of company coverage, says Janet Frazier, who directs benefits and compensation at the company. In the program's first year last fall, 43% went with deductibles of \$500 or \$1,000, often choosing to enhance coverage for office visits or drugs.

International Business Machines Corp., in a pilot program with UnitedHealth Group Inc., is giving employees in Arizona the option to pick different plans for individual members of their families. One sick family member could opt for the most-generous and expensive option, for instance, while others could go for a cheaper plan. Without such a program, some employees "feel like they're buying up for a level of coverage they don't really need," says Karen Salinaro, IBM's vice president of compensation and benefits.

For many employees, the most straightforward part of the calculation is the flat amount they'll pay out of each paycheck for the coverage. What's trickier is figuring out your total spending, including costs for hospitals, doctors, drugs and other expenses. People who have spending accounts also need to factor in how much, if anything, their employer contributes to that account -- and those with health savings accounts also need to estimate how much they stand to save on their taxes.

More employers are providing workers with online tools that predict how much employees would end up spending under

each of the plans they're considering. Some 250 midsize and large employers are using Aetna Inc.'s plan-comparison tool, up from 50 when the insurer launched the tool on a limited basis in 2004, it says. Some 175 companies are using Cigna Corp.'s tool, which was developed by WebMD Health Corp., up from 20 when the insurer started offering it in 2004, Cigna says. Another big insurer, Humana Inc., this spring expanded the availability of its plan-comparison tool.

WebMD enhanced its plan-comparison tool over the past year to make cost calculations for drug plans with four or more levels of co-payments. Subimo LLC, which has a tool used by many insurers, added a feature that lets patients specify whether they order mail-order drugs, buy generics or get preventive care.

In addition to providing cost-comparison details, Pitney Bowes Inc., of Stamford, Conn., last fall started offering employees another tool that provides information on many other health-plan details, such as what type of information is available in the plans' doctor directories, what services the plans provide over the Web and how the coverage works for a host of services such as physical therapy, lab tests and prenatal office visits.

If you are inclined to go with a less-expensive, higher-deductible plan, make sure you could quickly meet your deductible if you encounter a costly health problem. With any plan, make sure you're comfortable with the out-of-pocket maximum, which is the most you have to spend before you get 100% coverage.

Other factors to consider: whether your doctor is in a plan's network and whether there are restrictions on specialist visits or out-of-network care. And if you're looking at a high-deductible plan, look into what tools the insurer offers to help you research costs and the quality of the medical providers and services offered.