Know Your Benefits

Preparing for Open Enrollment: Common Questions and Answers

As open enrollment season approaches, it's never too early to start preparing so that you can make educated choices on benefits enrollment for the upcoming year. This annual window offers the opportunity to enroll in, change or update coverage options such as health insurance, dental plans, and voluntary benefits like life and disability insurance.

The choices made during this period can have a lasting impact on both your health and overall well-being. However, navigating the array of plans, yearly changes, terminology, and cost structures can be challenging.

This article outlines questions you might have about open enrollment.

When Is Open Enrollment?

Open enrollment is the designated period each year when you can enroll in, change or cancel your health insurance coverage. This window typically occurs in the fall, but exact dates can vary depending on your employer or health plan. Outside of open enrollment (which usually lasts two to four weeks), changes to your coverage usually require a qualifying life event, such as marriage, birth or loss of other coverage.

Where Do I Sign Up?

Your employer will guide you through the enrollment process. Typically, you'll receive an email or HR communication with the following information:

- Enrollment dates and deadlines
- Access to your benefits portal or HR system
- Plan comparison tools
- Links to Summary Plan Descriptions
- Contact information for HR or a benefits advisor

Most companies use an online platform that lets you select and confirm your choices digitally. Some may offer in-person or virtual benefits fairs to help you understand your options.

How Will I Know How Much Care I Need?

Understanding your anticipated health care needs is essential to choosing the right plan. Start by reviewing your medical history and considering any expected life changes. Ask yourself questions such as:

- How often did you visit doctors last year?
- Do you or your dependents have any chronic conditions?
- Are you planning for a major procedure, surgery or childbirth in the coming year?
- Do you take regular prescriptions? If so, what types of prescription drugs (e.g., generic medications, specialty drugs)?

In addition to thinking through your health needs, evaluate out-of-pocket costs, check whether your preferred providers are in-network, and determine if a health savings account or flexible spending account fits your situation.

Your medical situation may influence whether you choose to enroll in a high deductible health plan (HDHP) or a plan with a lower deductible.

What Is a Premium?

A health insurance premium is the amount you must pay to keep your health insurance policy active. In return for your premium payment, your health plan covers a portion of your

health care expenses, as outlined in your health insurance policy. You must pay your premium to keep coverage active, regardless of whether you use it or not.

Most people pay their premiums every month, but payments could be due biweekly or quarterly. If your employer provides health insurance, your premiums will typically be taken directly out of your paycheck.

You'll still pay the premium even if you don't use your insurance. So it's important to balance the premium cost with potential medical expenses. A low-premium plan may come with a high deductible, while a high-premium plan may offer more comprehensive coverage and lower out-of-pocket costs.

What Is a Deductible?

Your health insurance deductible is a set amount you must pay before your insurance company starts sharing the cost for covered medical expenses. Essentially, it represents your initial financial responsibility before insurance helps cover the financial burden of medical care. Understanding your out-of-pocket health insurance costs can help you manage your annual medical expenses and improve your health literacy.

Finding the health care plan with the right deductible for you will vary depending on your health and financial circumstances. For example, if you are healthy, don't need much medical care and prefer lower monthly premiums, a higher deductible health plan may be right for you. Alternatively, a health care plan with a lower deductible may be a better choice if you expect high medical costs for the year and prefer more comprehensive coverage. Depending on what health care plan options your employer offers, you may have the option to choose between an HDHP or a plan with a lower deductible but higher premiums.

What Is a Copay?

A copayment, or copay, is a fixed amount of money you may be required to pay when you receive certain covered health care services or purchase prescription medications. It is a cost-sharing arrangement between you and your insurer in which your insurer covers the remaining portion of your medical expense in exchange for your copay.

The exact cost of your copayment will vary depending on the health care plan you choose. For example, your copay for an annual checkup with your primary care physician might be $20, $25 or $30. Health insurance plans with higher premiums typically have lower copayments, whereas plans with lower premiums usually have higher copayments.

What Is Coinsurance?

Coinsurance is a cost-sharing arrangement between you and your health insurance provider. It represents the health care costs you pay after meeting your deductible. Unlike a copayment, which is a fixed dollar amount you pay for a specific service or medication, coinsurance is a percentage of the total cost of a covered service.

Common splits are 80/20 or 70/30, where the insurance company pays the larger portion. For example, suppose your plan has a 20% coinsurance rate and you've already met your deductible. If you have a $2,000 hospital bill, you pay $400 (20%) and insurance pays $1,600 (80%).

Unlike a copay, coinsurance can be unpredictable because it's based on the total cost of care. It's especially important to check whether your providers are in-network, since out-of-network services often have higher coinsurance rates or aren't covered at all.

What Is an Out-of-Pocket Maximum?

An out-of-pocket maximum (OOPM) is the most you'll pay for covered health care services in a plan year. After reaching it, your plan typically covers 100% of your in-network, covered costs for the rest of the year. The OOPM usually resets at the start of each new policy year.

What counts toward your OOPM can vary by plan, but it generally includes deductibles, copayments and coinsurance—not premiums or out-of-network costs. Plans offer different OOPM levels; those with lower limits often come with higher premiums, while higher OOPMs usually mean lower premiums.

Why Are Health Care Costs Rising?

In recent years, health care costs have been rising drastically. This trend is expected to continue due to a range of factors, including the following:

- Increased use of behavioral health services as the population ages
- Rising prices for hospital services and prescription drugs
- Growing demand for specialty drugs such as GLP-1s, cell and gene therapies, and biologics
- Administrative costs associated with billing and insurance

- Chronic illness rates, such as diabetes and heart disease
- Medical technology advancements, which may be life-saving but expensive

These trends affect premiums, deductibles and out-of-pocket costs. When you review rising health care costs for the upcoming year, these factors play a role in why you may see your health care expenses go up.

What Happens if I Miss Open Enrollment?

If you miss the open enrollment window, you could be locked out of making any changes to your benefits until the next open enrollment period, typically a year away. This means you could be stuck with your current plan, or even go without coverage for you and any dependents you were planning on enrolling.

However, there are exceptions. If you experience a qualifying life event, such as getting married, having a baby, losing other coverage or moving, you may be eligible for a special enrollment period (SEP). This SEP typically gives you 30 days from the date of the event to make qualifying changes to your coverage.

Mark open enrollment dates on your calendar as soon as your employer announces them and check your HR portal or emails for notifications.

Make the Most of Open Enrollment

Open enrollment is your chance to take control of your benefits—and your health care finances. By understanding terms like premiums, deductibles and coinsurance and by assessing your personal care needs, you can select a plan that aligns with your budget and your lifestyle.

Check with your employer to learn more about preparing for open enrollment.