

Paying the Price for Life: Selecting the Right Health Insurance Coverage

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admin

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The one thing that causes me even more stress than our income taxes is figuring out health insurance. When I quit my full-time job to focus on my freelance career, I went from having a preferred provider organization (PPO) plan with a flexible spending account (FSA) to my husband's high-deductible health plan (HDHP) with a health savings account (HSA). Just when I thought I had next year's coverage figured out, my husband became eligible to enroll in an open-access plan (OAP) with an FSA.

As if calculating medical expenses isn't difficult enough, now my brain is like a bowl of alphabet soup. For the purpose of this column, I'll only address our two options: the HDHP and the OAP. Wading through the benefits guide my husband brought home, I have to sort out premiums, deductibles, copays, and out-of-pocket maximums to determine the best solution to meet my complex medical needs.

Tallying the costs

The premium is the monthly cost for insurance coverage. The tradeoff of the high deductible of an HDHP is a much lower premium. The rate for both my husband and me would be \$139 a month for the HDHP compared to almost \$271 a month for the OAP.

At first glance, the HDHP looks like the better deal. But that is if both of us were healthy and only saw a doctor for preventive care. For someone living with a chronic disease, the deductible, copays, and maximum limits come into play.

The annual deductible is the out-of-pocket amount we must meet before insurance starts paying. One Remicade (infliximab) infusion costs more than \$4,700. With our HDHP, I had to pay \$3,500 of the cost to meet the deductible before insurance paid a percentage of the infusion. That still left me paying an additional balance of a couple hundred dollars. Assuming the OAP handles the infusion the same way, I would only have to pay the lower \$1,500 deductible before insurance paid.

Hitting the magic number

Copays are a fixed amount paid out of pocket for expenses like doctor visits and prescriptions. Our HDHP doesn't have copays. Instead, we pay the full amount until meeting the deductible and then are responsible for 10 percent of the remaining cost. Because my doctors charge different fees, our payments are unpredictable. With an OAP, we would have a \$50 copay for each specialist visit. By estimating how many visits I have each year, I could easily calculate the annual expenditure.

With regard to prescriptions, I had to pay more than \$450 for a 30-day supply of one of my medications under our HDHP before the cost went down to \$90 after meeting our deductible. With an OAP, we would pay a fixed copay of \$10, \$30, or \$70 a month depending on the type of medication.

Finally, the out-of-pocket maximum is the magic number to hit each year. This amount is the most we would have to pay for expenses, including deductibles and copays, before insurance covered 100 percent. For an HDHP, our maximum is \$8,000. For an OAP, it would be \$4,500. I know firsthand that the maximum limit can prevent bankruptcy. In 2017, I accumulated almost \$1 million in visits to my gastroenterologist, labs, diagnostic tests, and medications leading up to and following my liver transplant. Because of maximum limits, I only paid \$5,500.

Expect the unexpected

Another big difference between the HDHP and the OAP is the associated spending account. With an HDHP, a health savings account is used to save and pay for out-of-pocket medical expenses. Money placed in this account can be made pre-tax from a payroll deduction or contributed after-tax and written off as a deduction on income taxes. The OAP utilizes a flexible spending account (FSA). Like HSAs, FSA contributions are made pre-tax. Whereas HSA funds can be carried over year to year, FSAs have a use-it-or-lose-it rule that requires all funds to be spent during the benefit year or else be forfeited.

With my chronic diseases and medical history, I have a pretty solid idea of how much we may spend on medical expenses in a year, and I've learned to expect the unexpected. With this in mind, an OAP with a higher monthly premium makes more financial sense. While we may pay more upfront, we'll pay less by the end of the year with the lower deductible and out-of-pocket maximum.

Maybe one day, health insurance won't be such a hassle to figure out. But for now, as someone with a preexisting condition, I'm just thankful that I'm still able to have coverage.

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