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Starting Out

Picking a Medical Plan

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This is the time of year when corporate employees are asked to choose among an alphabet soup of options for medical coverage. In some cases, the plans that make the most sense for twentysomethings may be different from those that appeal to many other workers.

For instance, some older workers shy away from health maintenance organizations, or HMOs, because they generally limit coverage to medical providers and facilities within their networks. That may be unattractive to workers who find that an HMO doesn't include one or more doctors they've seen for many years.

But that negative may not loom as large for many twentysomethings, who may not be as wedded to individual providers. Meanwhile, the comparatively low premiums for HMOs mean young workers can take home a larger portion of their pay than with some other plans. You typically pay a set co-pay for basic services, such as, say, \$20 for a doctor's office visit.

A very different option may appeal to some generally healthy twentysomethings, especially those with higher earnings: plans that have low premiums but require you to

pay a big chunk of your medical expenses before coverage kicks in.

If that deductible is at least \$1,100 on an individual plan or \$2,200 for a family, you can qualify for a tax-favored health savings account or HSA that lets you set aside pretax earnings to pay for any medical expenses. Money that isn't used continues to grow sheltered from tax for future years or even retirement.

Self Check-Up

In selecting a plan, start by taking a good look at yourself, says Ken McDonnell, program director at the Employee Benefit Research Institute. Consider your physical and mental health, routine prescription-drug use and future life plans. For instance, if you and your spouse are considering starting a family soon, scrutinize maternity and infant coverage.

Then, consider different types of plans. For instance, preferred provider organizations, or PPOs, allow members access to all medical providers and facilities but typically require users to pay more for out-of-network care.

While a PPO typically costs more than an HMO, it "may be worth your while if you live in a smaller city" where an

HMO plan has a very limited number of providers, says Abbie Leibowitz, co-founder of Health Advocate, which advises patients on health-insurance issues. (Point-of-service, or POS, plans have some characteristics of both HMOs and PPOs.)

Do the Math

Factors to consider in gauging costs include premiums, co-pays, deductibles, and the percentage of your medical bills you might have to pay even after you satisfy a deductible. Many plans have a maximum amount you would have to pay out-of-pocket in a given year.

Generally, if you are in good health and don't need to see a doctor regularly, look for a plan with lower premiums and a somewhat higher deductible, suggests Alexander Domaszewicz, a senior consultant at Mercer Human Resource Consulting.

But study the trade-offs and make sure you can handle the deductible if you have an accident or serious illness. "Saving \$5 a month on your premium may not be worth a hospital visit" that requires a \$1,500 deductible you can't afford, Mr. Domaszewicz cautions.