

# Shopping for health insurance? Five tips on how to get it right

BY: AMY FELDMAN

When Ronna Wisbrod, a real estate broker and personal organizer, returned to the Chicago area last year, she needed to figure out new health insurance. Now 57, she knew she had to have insurance, but as she set up her own business, Organization by Ronna, she also wanted to keep costs down.

“I’m at a rebuilding stage and in the process of rebuilding my budget, [which] is very tight,” Wisbrod says.

So, she looked around for insurance and spoke with an insurance broker and decided to go with a high-deductible plan that she figures will cover her in case of a medical emergency. That plan, from Assurant Health, has a \$5,000 deductible, but costs a very reasonable \$380 a month. “I had a \$2,800 deductible before, and I didn’t satisfy it because I don’t go to the doctor that often,” she says. “So what does it matter if the deductible is \$5,000? It lowers my premium.”

Shopping for insurance is all about figuring out those trade-offs of coverage and cost and finding the plan that works best for you. The variations in insurance plans are mind boggling and few people bother to read the fine print till they run into trouble. Making matters more complex, there are vast differences between states, some of which permit medical underwriting (which means the insurer can reject you from a policy or raise your premium based on your medical history) and those that do not (which means the premiums will typically be higher overall to cover the risk).

To make sense of what works for you, you’ll need to understand how your own medical spending patterns interact with the details of the different plans for which you qualify. Whatever you choose, if you’ve been covered by an employer group plan before, prepare for sticker shock. Here’s how to get through the process:

## 1. Understand your options

If you’ve recently left your job or been laid off, COBRA is the simplest option. It allows you to stay on your employer’s plan. But because it requires you to pay the full cost, it may not be the least expensive. That’s because many employers subsidize the premiums for employees who never see the full bill. If you’re healthy and see the doctor rarely, you may be able to find a high-deductible plan with less coverage at a lower cost.

**On the other hand, if you have medical issues, COBRA may be a better deal overall. “The central issue of COBRA, which is critical for people to examine if they or their family have a pre-existing condition, is that you don’t have to worry about qualifying for it,” says Martin Rosen, co-founder of Health Advocate and co-author of *The Healthcare Survival Guide*.**

**“When you are looking for health insurance, the variables are what do you need, what does it cost and how does it compare with other options. Paying for the richer coverage if you are in a situation where you are not going to use it is throwing money down the fireplace.”**

One option worth looking into for those who are between jobs are the discounted state-run programs. New York, for example, offers inexpensive insurance through its Healthy New York program for those under certain income caps (gross income max \$27,228 for a single, \$36,780 for a couple, \$55,884 for a family of four).

## **2. Shop around**

Insurance is complicated and the cost savings from finding the right plan can be dramatic, so you'll want to shop around and understand what you're buying. The online insurance brokerages, like eHealthInsurance, HealthPlanOne and InsureMonkey, offer a starting point. You simply plug in your information and get quotes, the way that you would for auto insurance or a credit card. Another way to shop around is to hire an insurance broker who can lead you through the maze.

The National Association of Health Underwriters has an online database of brokers, but not all brokers are equally good, to say the least. It's best to get a referral from a trusted friend or family member. Either way, you'll want to get multiple quotes and you'll want to compare the plans' details as well as the top-line monthly premium costs.

"People often don't understand what they've purchased until they have an event and something is not paid for," says Ida Schnipper, founder of patient-advocacy firm Health Champion. "They say, 'ooh, I thought that would be covered.' They don't go beyond the benefit summary. Knowing what's not covered is as important as knowing what is covered when you are shopping around."

## **3. Consider affiliating with a group**

Group insurance is typically cheaper than getting it yourself. When you're on staff, your employer automatically gets group rates. When you're on your own, one way to go is to find or create a group. Trade groups, alumni associations and other organization may offer association plans, which allow you to be in the group for insurance purposes. The Theater Entertainment Industry Group Insurance Trust, for example, offers health insurance to actors, writers and other creative types who are members of a

variety of accepted organizations. The Freelancers Union, similarly, offers insurance to self-employed people. Association insurance may be cheaper but not always — you'll still want to compare rates and coverage to find what's best for you.

## **4. Don't forget that health insurance is tax deductible**

When you're self-employed, you can deduct your insurance premiums for tax purposes. They're taken as a so-called "above-the-line deduction, meaning they'll reduce your adjusted gross income regardless of whether you itemize. Medical expenses, on the other hand, are a Schedule A deduction, meaning you can only take them if you itemize and you can only deduct them after they exceed 7.5% of your adjusted gross income. The upshot is that the net cost to you of a dollar spent on health insurance will generally be less than the net cost of a dollar spent on medical care.

## **5. Cost out different plans**

It's not necessarily the case that the cheaper health insurance will prove less expensive in the long run. It depends what your health spending runs, what the details are about your in-network vs. out-of-network usage, what's excluded from the coverage and a host of other factors. Before you start shopping, try to understand your family's medical spending and patterns — what doctors do you see? What medical services have you used in the past few years? Do you travel often, meaning you may be outside the coverage area for a particular plan just when you need it?

Once you understand your health issues, then you can move on to the financial ones. Premiums are important, but the other fees you'll face (such as the co-insurance for doctor visits or the cost of going out-of-network to your long-standing doctor) are equally important. Watch especially for benefit limits and exclusions. Understanding your own health spending patterns will help you know whether it's better for you in the long term to pay a cheaper amount per month for a plan with a higher deductible vs. paying more in premiums for a plan with a lower deductible.

“One of the things you can do is reflect on your health for the prior year. What was the cost? Were you in and out of the doctor’s office with your kids?” Schnipper says.

She knows from her work, but also from having been through it, how the tradeoffs between cost and coverage can play out. When she left the corporate world four years ago, Schnipper and her husband got a high-deductible plan with a relatively modest upfront deductible. “We blow through the \$3,000 deductible in the first few months of the year,” she says. “As you get older, little health issues crop up.”

**Larry Howe, 55, who recently took early retirement from the corporate world, is paying around \$1,000 a month so that he and his wife can stay on COBRA while he sorts through the insurance thicket. So far, the Plano, Texas, resident says, he’s read through *The Healthcare Survival Guide* and begun the search for an insurance broker who can give him quotes for a high-deductible plan from a major carrier. But he’s taking his time to do due diligence so as not to make a mistake.**

“You can fool yourself about getting low premiums by capping coverage to, say, \$50,000 a year,” Howe says. “You have to be really careful.”

He knows from experience how expensive medical costs can get. Two years ago, riding his bike on the trails near his home, Howe slipped and fractured his wrist, necessitating several surgeries. “When I saw the bill, I could have sworn I’d had two heart transplants — it was amazing how much it cost,” he says. “One of the things I’ve learned from that is not to try to cheat yourself on the low end because it takes only a relatively minor thing to blow past the limits.”