What would you advise?

For each of the scenarios below, explain the characters' likely options and what types of things they should consider before making a decision about health insurance.

1. Louis and Linda are married and have one six-year-old child. Both parents work full-time for employers that offer a range of health plan options to employees for free; dependents can be added for a fee. All members of the family are healthy and are not expecting to need significant medical care this year. Which family members should be on which plan(s)?

2. Lisa is 23 years old. She is employed nearly full-time and is also working toward her MBA through the local university. Her father is retired; her mother still works full-time for a large company. What health insurance options should she consider?

3. Roberto works full-time for an employer that offers a range of health plan options. The employer pays 80% of the premiums; employees pay 20%. Roberto has always been healthy (he rarely goes to a doctor and is not on any medications), and expects his good health to continue. Because of this, his top goal is to spend the lowest amount on health insurance premiums and to focus on managing his finances so that he can retire at 62. What might be a good option for achieving his goals?

4. Sandra and Jordan are married and employed full-time. However, Sandra just learned that she is being laid off, and she wants to be sure she doesn't go without health insurance. What are Sandra's options for maintaining health insurance?

5. The Jackson family parents and two of their four children have ongoing medical issues. Fortunately, they have doctors and other service providers who they trust and who have been helping them to manage their conditions over the years. It's Open Enrollment at work, and the parents have to choose which family members to include on which parent's plan, and decide between the HMO, PPO, EMO and POS plans that the employer offers?

What would you advise? answer key

1. If the family expected to have high medical costs, it would make sense to have the entire family on a single health plan (with one parent's employer or the other). That way they would only have to satisfy a family out-of-pocket of $16,400 rather than an individual out-of-pocket maximum of $8,200 for one parent and a family out-of-pocket maximum of $16,400 for the parent who would have their child on their health plan (a potential out-of-pocket maximum of $24,600 for the entire family). Because the family is healthy, however, the two separate out-of-pocket maximums are less of an issue. And since both Louis and Linda get free health insurance for themselves, they can save money on premiums by each being insured by his/her own employer. Then, they can add their child onto the plan that charges the lowest additional premium for dependents. One reason to choose a different route, and have the entire family on a single plan, despite the extra cost for the parent being added as a dependent, would be if one parent's plan were significantly more attractive in terms of provider network and/or out-of-pocket costs (deductible, copay, coinsurance).

2. Lisa might have a few options to compare. First, if her employer offers a health plan that is free for employees, that is almost certainly her best option. If her employer doesn't offer a health plan, or if Lisa either isn't eligible or the premiums are significant, she should find out if the university provides health insurance to enrolled students. She could also be added to her mother's health plan (until age 26) if the plan allows dependent coverage and her mother is willing to do so. She should compare the cost of being added to her mother's plan to the cost of her other options. She should also consider out-of-pocket costs for each option and whether she is satisfied with the providers available to her.

3. Since Roberto has very limited health care needs and the bottom line is his top priority, he should consider a high-deductible health plan. Given his focus on preparing for early retirement, he presumably has enough in savings to cover the deductible should an unplanned major medical expense arise. In addition to saving on monthly premiums (the 20% he would be required to pay would be on the much lower premiums charged for HDHPs), he would have the opportunity to deposit pre-tax dollars into a companion Health Savings Account (HSA). This not only saves him money on taxes now, it provides a source of funds to use for health care expenses between when he retires at 62 and when he turns 65 (and becomes eligible for Medicare).

4. Sandra may have three options. The first is to continue her current health plan coverage under COBRA. This is a temporary option (most likely for 18 months, though could be extended if a second qualifying event or multiple qualifying events occur within the initial 18 months). However, COBRA coverage can be expensive—you're paying the full premium (no employer contribution) plus an administrative charge. Another option is to join Jordan's plan if dependent coverage is available. A third option would be coverage purchased through the

Health Insurance Marketplace (or state exchange). This could be particularly attractive if Sandra qualifies for premium tax credits and/or cost-sharing subsidies.

5. Because the family needs significant medical care, there is a real benefit to having everyone on one parent's insurance and limiting their out-of-pocket maximum to the $16,400 for family coverage on a single health plan. To determine which parent's plan to use, they should look at the total cost of premiums for the employed parent with the addition of five dependents, and, since they access health care services frequently, consider the deductible, copayments and coinsurance. Beyond cost—and maybe even more important—they will want to consider the physicians and providers available to them, since they want to continue using their same providers. While an HMO is likely to offer lower costs, it might not be a good option unless it includes the providers the family is already using. The same issue exists with an EPO (you can only use in-network providers). A PPO or POS plan would allow them greater flexibility regarding providers (you can go outside of the network for care). POS plans typically cost less than PPO plans, but the family might prefer to spend more on a PPO in exchange for being able to see specialists without a referral.