



# Nickels & Dimes

WELCOA'S ONLINE FINANCIAL BULLETIN

## Health Insurance What's On The Horizon?

By Jeff Rubleski, MBA

**O**ver the past 5 years, health insurance premiums for many employers have doubled. Yet during the same period, annual inflation has been under 3 percent. So what gives? Chances are you've experienced a multitude of changes in your health care plan over the past few years, as employers struggle to provide health insurance options that offer comprehensive coverage at affordable rates. The result for most of us is that we are paying more for considerably less coverage.

### Consumerism Takes Center Stage

The health care industry is complex and services provided by your health coverage can be very expensive. How expensive? Office visits to primary care providers can cost over \$100 and outpatient procedures can tally up into the thousands of dollars for outpatient facility charges and surgeon's fees! But few of us know the actual charges because insurance as we know it pays most of the cost. A key principle behind "consumerism" is to make consumers aware of the cost of medical services, so that they will make better medical and lifestyle decisions.

### Key Elements of Consumer-Directed Health Plans

Here are three common elements of consumer-directed health care plans:

- \$ A high deductible plan design**—Typically deductibles will start at \$1,000 for single coverage and \$2,000 for two or more people.
- \$ A savings component**—Employees will often have access to a flexible spending account for healthcare expenses. Some newer options include health reimbursement arrangements and health savings accounts. All of these options provide tax-advantaged ways for employees to pay for health care expenses that are not covered under the underlying health care plan.
- \$ First dollar coverage for health exams**—Charges for routine annual physicals are typically paid at 100% by the health plan and are not subject to an individual's plan deductible.

You'll save the most money with a consumer-directed plan by using health care services appropriately. Your best line of defense to keep out-of-pocket costs in check is to be informed about your healthcare options and to practice a healthful lifestyle.

Source: Blue Cross Blue Shield Association

### Save \$\$\$ With A Flexible Health Care Spending Account

Flexible health care spending accounts allow you to set aside pre-tax dollars for qualified health care expenses through the convenience of payroll deductions. The IRS requires you to spend all amounts set aside in this account during your health plan year. Any amounts not spent during the plan year are forfeited from your account. This is called the "use it or lose it rule."

A growing number of health insurance plans require greater cost sharing by employees, making flexible health savings accounts an attractive option to pay for items subject to plan deductibles, employee coinsurance or items not covered by your health insurance plan. Elections to participate can only be made during your annual health insurance plan open enrollment period. Take the time to determine how much you'll plan to spend on non-covered health expenses. Once you make your contribution election, your decision is binding for the entire plan year, unless there is a major change in your circumstances, defined by the IRS as a "qualifying event."

Find out if your employer offers this option and during open enrollment for health benefits take the time to determine whether a flexible health care spending account makes sense for you.

Source: Internal Revenue Service



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## Understanding FSAs

Flexible spending accounts (FSAs) are offered by many employers. These accounts allow you to contribute pre-tax dollars to an account that can be used generally for two purposes. The first is for qualified healthcare expenses. The second is for dependent child care expenses.

### How FSAs Work

Participation in flexible spending accounts is voluntary, meaning that you choose whether to participate in the plan. If you participate, you also need to decide how much to place in your account during the plan year. The IRS requires all funds to be used in the flexible spending account during the plan year or they are lost or "forfeited" to the plan. It's called the "use it or lose it" provision. Make sure to use any amounts set aside in your account during the plan year.

### Things To Keep In Mind

To get a list of qualified healthcare expenses, ask your flexible benefits administrator or visit the IRS website ([www.irs.gov](http://www.irs.gov)) and download Publication 502. Keep good receipts of qualified expenses because you'll need them to receive payment from your flexible spending account.

New strategies to help you take more responsibility for your healthcare expenses are being developed at a rapid pace. Be sure to speak with your employer to learn about the best options available to you.

## Benefit Basics

Do You Know Your Employee Benefit Plan Options

By Jeff Rubleski, MBA

**Work with employers and employees on a daily basis, helping them to understand their benefit plans.** What amazes me is how little time most employees spend learning about their employee benefit plans. With more and more employers requiring employees to select health, retirement, and other benefit options, it's more important than ever to spend time getting to know your benefit plan options.

## Benefit Costs Are Rising

Employee benefits are costly. The cost of benefits for an average employer is about 30 percent of the total amount spent on wages and salaries! Healthcare costs alone have grown at double-digit rates in the past few years and it appears that these costs will continue their alarming escalation in the years to come.

Wages and salary increases in most industries are modest and will remain so for the foreseeable future, due to low inflation and businesses' lack of pricing power due to stiff competition. That's why selecting and utilizing your current employee benefits appropriately is crucial in avoiding surprising medical expenses and saving toward a secure retirement.

## Remember Open Enrollment

Most employers offer an annual "open enrollment" period for the selection of benefits. Often these meetings are held in the fall so that benefit programs can reflect changes beginning in January of the following year. Contact your human resources or benefits department and find out when your open enrollment period begins and ends.

Take the time to understand your employer-sponsored benefits. Attend any meetings that are offered to explain benefit options and ask questions for clarification. Your employee benefits are important to your health as well as your financial well-being. Make sure you are well-informed when choosing your benefit options. Mistakes in benefit selection can be costly.

Source: US Bureau of Labor Statistics

