5 steps to choosing the right health plan

Understanding and evaluating health care plans can be complex and overwhelming. While it may be tempting to rush through the enrollment process, it's important to take time to weigh the options available and make the right coverage choice for you and your family.

Whether it's annual enrollment time, you're switching plans due to a qualifying life event (e.g., the birth of a child, divorce), or you just started a new job (congratulations!), we'll walk through the most important considerations in choosing a plan to help you make a confident decision. We'll help you think through:

1. How much health care you used in the last year.
2. Your upcoming health-related needs.
3. The many features of a health plan.
4. The plans available to you.
5. The potential benefits of enrolling in a health savings account (HSA)-eligible health plan.

Step 1: Consider how much health care you used in the last year.

You may not be able to predict all your health expenses, but understanding historic trends in your health care needs is a good place to start. Think about the last year as your baseline, including your provider visits (such as those with a doctor, nurse practitioner, or mental health professional), prescriptions, and diagnostic testing (like X-rays and lab work).

Step 2: Consider your upcoming needs.

We know you don't have a crystal ball, but now it's time to think about your expected health care use. Be sure to consider all aspects of your health—physical and mental—in addition to any possible health events for covered dependents. Ask yourself:

- Will I have a scheduled surgery this year (such as hip or knee replacement)?
- Did I have any unexpected health events last year that I don't expect to have this year?
- Do I take regular medications and, if yes, have I reviewed the plan's medication list to determine if a brand or generic will be covered?
- What preventive services and chronic disease management (such as maintenance drugs) does the plan cover?
- If I had to pay the full deductible all at once—for example, if I had an unexpected, expensive health event—could I afford it?
- Do I expect any changes in my use of prescription drugs?
- Will my number of covered dependents change?
- If I may need mental health care, have I checked the list of mental health providers included in-network? (Often, fewer providers are available for mental health than for physical care.)

Step 3: Consider the many features of a health plan.

By now, you should have a good sense of your health care needs. Now, it’s time to think about what you need from a health plan in order to best manage those needs. Choosing a health plan is both a health care decision and a financial one—so start by thinking about the things that are most important to you. Ask yourself:

- How much will I pay monthly to have the plan (monthly premium)?
- How much will I have to pay in health care costs before my health plan starts paying (annual deductible)?
- What's the maximum amount I could pay during the year (annual out-of-pocket maximum)?
- What's the amount I have to pay upfront for office visits, prescriptions, or hospital stays (copays and coinsurance)?
- Which doctors and hospitals are included in the plan’s network, and how far do I have to travel to see them?
- Have I reviewed the plan’s medication list to determine if any drugs that I take will be covered?
- What preventive services does the plan cover? What about any chronic disease management (such as maintenance drugs) that I need?
- Will having a plan that may allow me to have a health savings account help me save on taxes?
- Is there anything else that's important to me?

Step 4: Compare the plans available to you.

Now it's time to put it all together. Keeping in mind your estimated health care needs and the features that are most important to you in a health plan, take some time to compare the plans available to you.

The following table shows how you can compare two example health plans. In Example Plan 1, most of the doctors in the community are included in the plan, but you may have to travel to see them and the premium is more expensive. In Example Plan 2, the monthly premiums are low, but the out-of-pocket limit is high. Also, though the distance you would travel to a hospital is short, there are fewer doctors in-network, and services at only one of the area's five hospitals are included in the plan's network, which limits your options. In general, in-network health services are less expensive than out-of-network services.

Comparison table of example health plans

BASIC ELEMENTS OF A HEALTH PLAN

	EXAMPLE PLAN 1	EXAMPLE PLAN 2
Hospitals in-network	**2 out of 5 hospitals** in my area included	**1 out of 5 hospitals** in my area included
Doctors in-network	**90% of doctors** in my community included	**70% of doctors** in my community included
Distance of doctors/hospitals/clinics in-network	**25–50** miles	**Less than 1** mile
Specialty care access	**No referral** required	**Referral required**
Prescription drug coverage	**Includes most prescription drugs** on the market	**Includes a limited number** of prescription drugs on the market
Cost of monthly premium	Individual coverage: **$400** Family coverage: **$1,050**	Individual coverage: **$100** Family coverage: **$450**
Annual limit on out-of-pocket costs	Individual coverage: **$3,500** Family coverage: **$7,000**	Individual coverage: **$5,000** Family coverage: **$10,000**

Bonus step: Understand the potential benefits of enrolling in a health savings account (HSA)-eligible health plan.

If you choose an HSA-eligible health plan, you may open an HSA, which can help you pay for qualified medical expenses today and long into the future. HSA-eligible health plans often have a higher deductible than those that aren't HSA-eligible, which can make some people uncomfortable with potential medical costs they could face. However, it's important to weigh the reality of having a higher deductible with these key benefits of having an HSA:

1. **Your employer may contribute to your HSA (free money!).**
   Without an HSA, you could be leaving money on the table. Your employer may put money in your HSA that you can use to pay for your qualified medical expenses. In fact, 83% of benefits professionals Fidelity surveyed said that their organization contributes to employees' HSAs.[1]

2. **Your monthly premium will likely be lower.**
   Your monthly premium is likely to be lower for an HSA-eligible health plan than it would be for a traditional health plan, saving you money over the course of each year. Some people deposit what they are saving on monthly premiums into their HSA to go toward paying the higher deductible.

DID YOU KNOW?

A variety of free decision support tools are available, including this one from Fidelity. If you'd like to compare the costs you might end up paying, select the "comparison calculator."

3. **You can save on taxes.**
   Having an HSA allows you to save on taxes in three ways.[2] First, the contributions you make to your HSA are tax deductible. Second, as long as you use your HSA to pay for qualified medical expenses, your money is not taxed when it is withdrawn. Finally, any HSA money you don't use is yours to keep, even after the plan year ends or if you leave your current job. You can save and invest it for the future—including paying for health care costs in retirement—without having to pay taxes on any earnings.

[1] Fidelity Health Thought Leadership Health Benefits Leader Survey, fall 2022.

[2] With respect to federal taxation only. Contributions, investment earnings, and distributions may or may not be subject to state taxation. The triple-tax advantages are only applicable if the money is used to pay for qualified medical expenses as described in IRS Publication 969. Please see a tax advisor with respect to your specific situation.

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