

Open Enrollment Guide

Tools and Resources for Businesses in the New Health Care Era



**Navigating
a new health
care landscape**

Helping workers make informed benefits decisions during open enrollment can be a challenge. Changes resulting from the Affordable Care Act (ACA), often known as health care reform, mean this year's open enrollment may be even more complicated than those in years past. A few key aspects of benefits enrollment are changing as a result of market reforms. Understanding these changes can help businesses better adjust to the shifting benefits landscape.

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As details of the new health care reform legislation are established, you can rely on Aflac to provide you with ongoing updates at aflac.com/insights.

Disclaimer: This material is intended to provide general information about an evolving topic and does not constitute legal, tax or accounting advice regarding any specific situation. Aflac cannot anticipate all the facts that a particular employer or individual will have to consider in their benefits decision-making process. We strongly encourage readers to discuss their HCR situations with their advisors to determine the actions they need to take or to visit healthcare.gov (which may also be contacted at 1-800-318-2596) for additional information.



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Workers can shop for insurance on the individual market – even if their companies offer insurance

Actuarial value standards make comparison shopping simpler

The workforce is looking to employers for answers

Workers are more puzzled about benefits than ever before

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Workers can shop for insurance on the individual market – even if their companies offer insurance

Starting this fall (Oct. 1), open enrollment begins for the Health Insurance Marketplace. Managed by each state and/or the U.S. Department of Health and Human Services, this public marketplace is where people can access coverage information; compare insurance plans; and buy health insurance online, through the mail, by phone or with the help of an agent, broker, or navigator.

Actuarial value standards make comparison shopping simpler

Health care reform introduces a new way to understand the value of major medical coverage. Coverage levels are based upon the actuarial value (AV) of each plan and are represented by metal levels: Bronze (60 percent AV), Silver (70 percent AV), Gold (80 percent AV) or Platinum (90 percent AV). These values represent the amount a plan is expected to pay, on average, for the essential health benefits (EHBs) it provides. The remaining amount is paid by covered individual(s) in the form of the co-payments, deductibles and co-insurance.

Workers are more puzzled about benefits than ever before

If open enrollment was confusing for workers in the past, it is now even more complicated. The majority of workers (74 percent) say they sometimes or never understand everything covered in their current policies, and 90 percent elect the same benefits coverage year after year.¹ More than half (54 percent) admit to wasting up to \$750 annually due to enrollment mistakes. Since the majority of workers say they are confused about health care reform,² it's not surprising that they might not be prepared to handle the numerous and complex details of managing their health care insurance options and are wary of taking more control over their benefits decisions.

The workforce is looking to employers for answers

With so many changes, workers are looking to their employers to help explain possible shifts to their benefits plans, and how they can best prepare for those shifts. In 2013, three-quarters of employees (74 percent) said they believe their employers will educate them about changes to their health care coverage as a result of health care reform.² Yet just 13 percent of employers said educating employees about health care reform is an important issue for their companies right now, and only 9 percent indicated that they are very prepared to implement changes to their businesses based on the health care reform law.²

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Cut Through the Market Reform Noise

There's a lot of chatter about health care reform. How can your company communicate effectively to workers while also meeting reform's many requirements? Focusing on six key messages can help you cut through the noise and help workers make better informed benefits decisions.

1. Your Company's Plan

2. Workers' Risk of Losing Employer Contributions

3. Your Company's Benefits-Coverage Level

4. \$\$ Your Company Contributes

5. Voluntary Benefits Offerings

6. Your Company's Total Rewards Strategy

Cut Through the Market Reform Noise

6 Key Messages for Workers

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1. Your Company's Plan

This year, most businesses need to tell workers whether they plan to offer (or not to offer) employer-sponsored major medical insurance, and also give them information about the Health Insurance Marketplace and potential subsidies. Employers subject to the Fair Labor Standards Act (FLSA) are required by the ACA to provide written notice to workers about these changes by Oct. 1 and upon hire to all new employees after that date.

2. Workers' Risk of Losing Employer Contributions

If workers purchase coverage through the Health Insurance Marketplace, they may miss out on employer contributions to company-offered health benefits. They may also lose the tax break stemming from employer contributions that are excluded from federal income taxes. This information must be included in the Oct. 1 notice.

3. Your Company's Benefits-Coverage Level

It is imperative that workers know your company's level of benefits coverage to accurately compare plans. In today's market, the average actuarial value (AV)* of employer-provided coverage is 80 to 89 percent.³ In addition to offering plans with 80 and 90 percent AVs, the public Health Insurance Marketplace will offer plans with the same benefits levels but lower actuarial values (60 and 70 percent), which means these plans offer lower premiums but consumers will be responsible for more of out-of-pocket costs such as copays, deductibles and co-insurance.

4. \$\$ Your Company Contributes

Money can say a lot, especially as workers are shopping for benefits – some for the first time. Two-in-five workers (41 percent) say they do not truly understand their employers' contributions to their benefits plans,⁴ so be sure to talk to workers about your company's investment. This provides them with a clear picture of their total compensation packages. With health care costs continuing to rise, your total contribution can have a substantial effect on workers' wallets.

5. Voluntary Benefits Offerings

Even for those with major medical insurance, voluntary insurance policies, also known as supplemental benefits, help provide an essential financial safety net for workers in the event of serious illness or injury. Because dental insurance is the only voluntary benefit offered through the public Health Insurance Marketplace, other voluntary options such as disability, life and accident coverage must be purchased separately.

6. Your Company's Total Rewards Strategy

If your company offers perks such as a wellness program, flex time or discount gym memberships, be sure to boast about these perks during open enrollment. It is the perfect opportunity to educate workers about all your company has to offer. Some might not enroll in these programs, but awareness will improve employees' opinions of your company's benefits.

*Actuarial value (AV) is the amount a plan is expected to pay, on average, for the Essential Health Benefits (EHBs) offered by the plan. The remaining amount is represented as co-payments, deductibles, and co-insurance and would be paid by the covered individual(s).

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Why Voluntary Benefits Matter for Businesses

Voluntary benefits, also known as supplemental insurance, have long served as a way to protect workers when they are sick or injured – independently of major medical coverage. As health care costs continue to rise and workers take more control of their benefits decisions, voluntary insurance plans are even more relevant as key pieces of a company’s overall benefits strategy.

**A Safety Net to Help
Workers Shoulder the
Benefits Burden**

**Voluntary Benefits
Help Employers Meet
Business Objectives**

**Businesses Gain
More by Offering
Workers Voluntary
Benefits**

Why Voluntary Benefits Matter for Businesses

Help Meet Practical Business Needs in a New Health Care Era

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A Safety Net to Help Workers Shoulder the Benefits Burden

Though the rising cost of health care is not new, companies are facing difficult decisions about how to contain health care expenses. Many are shifting costs to their workforces in the form of fewer options and higher premiums, deductibles, and copayments. Even for employees covered by a comprehensive major medical plan, out-of-pocket costs – both medical and non-medical – can be substantial.

With market reform, employees face more decisions about their benefits options. Any way you look at it, employees are shouldering both additional health care costs and decision-making responsibility, and they need a strong safety net to protect their wellbeing and financial assets. Responses from over 5,200 workers across the U.S. reveal:⁵

- » **58 percent** *don't have financial plans* in place to handle the unexpected.
- » **66 percent** *would be unable to adjust to the large financial costs* associated with a serious injury or illness.
- » **Only 10 percent** *understand extremely well the total costs* associated with an injury or illness when considering medical, household and out-of-pocket costs.
- » **40 percent** *would need to borrow* from friends, family members or their 401(k)s to pay unexpected costs in the event of an immediate unexpected serious illness or accident.
- » **30 percent** *have less than \$500* saved for an emergency.
- » **53 percent** think that with more control over their health care, they *may not adequately manage their health insurance coverage*, leaving their family less protected than they currently are.

Voluntary Benefits Help Employers Meet Business Objectives

A 2013 study by Towers Watson predicts that the percentage of employers that expect voluntary benefits to be very important to their total rewards strategies will more than double over the next five years. Survey participants indicated the primary reasons are the ability to personalize benefits to meet employees' needs and lifestyles, and to show how voluntary benefits enrich the company's total rewards packages.⁶ Headed into the post-health-reform era, voluntary benefits options continue to demonstrate value and grow in popularity with employers of all sizes by:

Figure 1

Employers that expect voluntary benefits to be very important to their total rewards strategies



- » **Maximizing the overall benefits strategy:** Most voluntary benefits policies can be offered, sold or provided with or without corresponding major medical plans, and research shows that offering these benefits help round out an overall benefits package. For example, workers with voluntary benefits options are more likely to be extremely or very satisfied with their benefits options than workers who do not have voluntary benefits (69% compared to 48%).⁵ These policies have long been a solution for employers who want to create customized benefits packages because they offer workers a variety of coverage levels and types to meet individual life stages.
- » **Offering options with little-to-no cost to the bottom line:** As a business leader, you know benefits are linked to overall worker satisfaction and loyalty. Research also shows that workers with voluntary benefits are more likely to believe their companies are known as great places to work and have reputations for taking care of employees.⁵ Still, if your company is like most, controlling health care costs is a top concern. You might be surprised to learn that many voluntary policies are offered at no direct cost to the policyholder's employer. You can choose to contribute a portion of the premium or simply make the products available for your workforce to purchase. Carriers such as Aflac offer payroll deduction without any added direct cost to your business.
- » **Supporting healthier and better-protected workers:** It is not surprising that as employers are embracing voluntary insurance benefits, 1-in-4 companies (25 percent) say they have experienced lower worker compensation claims since they began offering such products.⁵ Employees who are offered and enrolled in voluntary benefits options are significantly more likely to say they have peace of mind (52 percent compared to 42 percent) and financial plans (49 percent compared to 39 percent).⁵
- » **Helping workers build smarter benefits profiles:** While no one can anticipate the unexpected, more than 38.9 million injuries requiring medical consultation occur in a year.⁷ Voluntary policies provide cash benefits for expenses not covered by major medical insurance. Having voluntary coverage in place can save accident victims from out-of-pocket costs and unexpected debt and may even prevent bankruptcy, helping them focus on getting better and getting back to work.

Businesses Gain More by Offering Workers Voluntary Benefits

Many businesses make voluntary benefits available to their workforces, and the number is increasing as companies seek solutions to growing health care costs. HR professionals and decision-makers are finding that voluntary plans help soften the impact of inevitable cost-shifting and rising out-of-pocket costs on workers. These plans can be added to companies' benefits portfolios with no direct effect on their bottom lines, and they give workers the opportunity to enroll in the options that best suit their needs and incomes.

Want to Know More About Voluntary Insurance?

Consider asking your benefits adviser about these popular policies:

- » [Accident Insurance](#)
- » [Cancer Insurance](#)
- » [Hospital Confinement Indemnity Insurance](#)
- » [Short-term Disability Insurance](#)

For a more in-depth look at voluntary benefits, check out [Voluntary 101 for Businesses](#) and [Why Supplemental Insurance Matters](#).

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Why Voluntary Policies Matter – Even With Major Medical Insurance

Health care reform and increasing health care costs continue to drive the need for voluntary benefits, also known as supplemental insurance. But you may be wondering, “What is voluntary insurance and how is it different from my major medical policy?”

**The Basics of
Voluntary Insurance**

**Health Care Reform:
Gaining More
Responsibility,
but Still Facing Risks**

**Voluntary Insurance
Helps Support Your
Financial Safety Net**

Why Voluntary Policies Matter – Even With Major Medical Insurance

Build an Essential Safety Net in a New Health Care Era

Health care reform and increasing health care costs continue to drive the need for voluntary benefits, also known as supplemental insurance. But you may be wondering, “What is voluntary insurance and how is it different from my major medical policy?”

For many people, voluntary benefits help solve a number of common concerns and challenges. Even for those with comprehensive major medical plans, medical and non-medical out-of-pocket costs associated with an illness or injury can be substantial. Having the right voluntary policies in place can help ensure you have ample financial protection for the things that matter most.



The Basics of Voluntary Insurance

Simply put, voluntary insurance plans help people protect their financial well-being in the event of a serious accident or illness. These policies offer a way to stay ahead of the medical, non-medical and out-of-pocket expenses that add up quickly after an injury or illness. From emergency treatment and transportation costs to everyday bills, voluntary insurance pays cash benefits directly to the policyholder, unless he or she designates otherwise.

Health Care Reform: Gaining More Responsibility, but Still Facing Risks

You may have noticed that health care is becoming more customer-focused. From prescription drug commercials to doctor visits, you are becoming more involved in health care decisions.

Employers are also introducing benefits plans that give you more decision-power. These plans are often called “consumer-driven health plan options” and include plans such as High Deductible Health Plans (HDHPs) with a health savings account and/or health reimbursement account (HSA or HRA). In many instances, Americans are making more of their own health care choices – including how much to spend on health care coverage and what types of coverage to have.

With so much responsibility, it is important to calculate risk. It may come as a surprise, but the cost of medical care – even for those with major medical coverage – can be daunting. In fact, illness or medical bills contributed to 62 percent of bankruptcies in 2007, and three-quarters of those debtors had medical insurance.⁸ While no one anticipates the unexpected, injuries and illness pose more than simply health risks; they also pose financial risks. As you become more responsible for your own health care decisions and costs, it's important to remember that voluntary policies can help you build a smarter benefits package and a stronger financial safety net.

Discover the real cost: You can learn more about the real costs of injury and illness with [Aflac's Real Cost Calculator](#).

Voluntary Insurance Helps Support Your Financial Safety Net

For many, voluntary benefits have long been solutions for building a stronger financial safety net:

» **Benefits When You Need Them Most:**

Unlike major medical insurance, voluntary insurance benefits are paid directly to policyholders when they are sick or hurt, unless they designate otherwise.

» **Affordable Benefits for Any Life Stage:**

If you are like most individuals, you would be hard-pressed to pay even small health care expenses that aren't covered by a major medical plan. Voluntary benefits offer a variety of levels and types of coverage to meet individual needs and life stages, and you can choose the ones that best fit your lifestyle. Voluntary policies are low-cost options that help protect your financial future. For example, Aflac's most popular policy, Accident Indemnity Advantage®, costs as little as \$4.98 per week.⁹

» **You Choose How to Use Your Benefits:** With voluntary coverage, you decide how you want to use your policy's cash benefits. That means you can use them to pay the mortgage or rent, child care costs or even grocery bills. These are benefits that everyone can use!



Gain More with Voluntary Insurance

Voluntary policies, like those offered by Aflac, work with major medical insurance to help provide financial protection to policyholders. As health care costs continue to rise, these policies serve as important and affordable financial buffers for your family. Unlike major medical insurance, voluntary insurance pays cash benefits directly to you, unless otherwise assigned, if you are sick or injured. Consider asking your employer about these popular options:

- » [Accident Insurance](#)
- » [Cancer Insurance](#)
- » [Hospital Confinement Indemnity Insurance](#)
- » [Short-term Disability Insurance](#)

For a more in-depth look at voluntary benefits, check out [Voluntary 101 for Businesses](#) and [Why Supplemental Insurance Matters](#).

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3 Benefits Enrollment Tips for Small Businesses

As a small business owner, you know that a benefits package can boost your ability to attract and retain talented employees, as well as increase productivity and lower costs associated with employees being out of work because of sickness or injury.

1. Take advantage of tax credits

2. Consider current and new options

3. Communications is key to benefits understanding

3 Benefits Enrollment Tips for Small Businesses

As a small business owner, you know that a benefits package can boost your ability to attract and retain talented employees, as well as increase productivity and lower costs associated with employees being out of work because of sickness or injury.

While benefits are an important safety net for your employees, the endless number of options, cost comparisons and administrative efforts can be overwhelming, especially with all the changes due to the implementation of the Affordable Care Act, or health care reform.

If your employees aren't enrolling in the benefits you offer or seem apathetic toward their options, it may be they don't understand the solutions available to them.

Approximately 60 percent of employees don't understand their health care benefit options.¹⁰

To help make this year's open enrollment a success, here is a list of the top three benefits enrollment tips.

1. Take advantage of tax credits.

If you offer your workforce health insurance and employ 25 or fewer full-time workers, your business is eligible for the Small Business Health Care Tax Credit. To be eligible, small businesses are required have 25 or fewer full-time equivalents whose average annual wages are no more than \$50,000.

Small Business Health Care Tax Credits can be worth up to 50 percent of a small business' premium costs.¹¹

Note: As of 8/26/13, irs.gov states that **fewer than** 25 employees are eligible for these credits, however Internal Revenue Code Section 45R states that the term "eligible small employer" means an employer which has **no more than** 25 full-time equivalent employees for the taxable year.

2. Consider current and new options.

While many small businesses try to simplify with one plan option, benefits are not one-size-fits-all. The soon-to-be retiree will have different insurance and 401(k) needs than a single mom or soon-to-be new parent. Providing employees two or three options can help them tailor an overall benefits package for their unique situation. To expand the options you provide without adding costs to your bottom line, look into low-cost voluntary benefits options, such as accident, cancer, life and short-term disability insurance.

Some 59 percent of employees say they would likely purchase voluntary insurance benefits if offered by their employer.¹²

3. Communications is key to benefits understanding.

Benefits can be confusing. Many employees say they make mistakes during open enrollment that can cost them up to \$750, often by choosing the wrong levels of coverage.¹³ While workers acknowledge these mistakes, they may not be comfortable speaking up and asking for help. In fact, 90 percent of employees choose the same benefits year after year, and only 26 percent say they always understand everything that is covered by their policy.¹³ Effective communication is essential to help employees understand their benefits options – to improve employee engagement with the benefits you are offering:

- » **Communicate year-round about benefits** to remind employees of the important health and financial choices available to them. Be sure your communications are written in easily understood terms and are targeted to the appropriate workforce segment so they are relevant.
- » **Use multiple avenues to communicate enrollment details**, such as home mailers, emails, videos, benefits booklets, worksite meetings and online tools or portals to help ensure your employees don't miss out on important benefits.

More than 2-in-5 workers agree that a well-communicated benefits program would make them less likely to leave their job.¹²

Employees prefer to get their employee benefits information and advice from multiple resources, including their company's HR professional (30 percent), company intranet (17 percent), benefits booklet (17 percent), and/or benefits provider's website (12 percent).¹²

- » **Be sure to make enrollment information available to spouses and partners.** Many studies indicate that spouses of workers are often the decision-makers when it comes to benefits decisions.

Women make approximately 80 percent of health care decisions for their families.¹⁴

6

Get Out From Under the Benefits Microscope by Focusing on the Big Picture

They say good things come in small packages, but when it comes to health insurance benefits, most workers prefer a different adage: “The more the merrier.”

A Panoramic View

**The Communications
Gap**

**Turn the
Conversation to Total
Rewards**

**What to Say to
Workers and When to
Say It**

**Start Spreading the
News**

**Total rewards
resources and
information**

Get Out From Under the Benefits Microscope by Focusing on the Big Picture

They say good things come in small packages, but when it comes to health insurance benefits, most workers prefer a different adage: “The more the merrier.”

Unfortunately, there hasn't been much benefits-centered merriment at U.S. companies for some time. The recession forced employers to cut back on spending, and the budget-slashing mindset spilled over into the benefits arena. Workers are reeling from years of increasing health insurance premiums and co-payments, as well as the wholesale elimination of some benefits offerings.

With the implementation of health care reform on the horizon, workers are wondering what's coming next – and companies, many uncertain about how the reform will affect their coffers, aren't in a giving mood. Wise leaders are using open enrollment to switch employees' focus from a microscopic view of health care benefits to a telescopic view of “total benefits” or “total rewards.”

Total rewards are all the things that help a company attract, motivate and retain employees, communicated to workers in one tidy package.

What exactly are total rewards? They're the entire range of benefits provided to workers, from health care coverage and retirement benefits to career-development opportunities and work-life balance. In a nutshell, total rewards are all the things that help a company attract, motivate and retain employees, communicated to workers in one tidy package.

A Panoramic View

During the depths of the recession, many workers made conscious decisions to remain in their current jobs until the financial skies began to clear. Now, with the economy moving again, many are polishing their resumes and looking for new opportunities: A recent Right Management survey revealed that 86 percent of employees plan to actively look for new jobs in 2013.¹⁵ What's more, it may take very little for companies to reel them in: Aflac's 2013 WorkForces Report¹⁶ revealed that 59 percent of employees would take a job with slightly lower pay if it came with more robust benefits.

Lest you think only rank and file employees are looking for greener pastures, be aware that the best and brightest workers are polishing their resumes too. Last year, 32 percent of employers lost their top performers to other organizations, and 39 percent of companies worry the trend will continue.¹⁷

Given that superior benefits are an attractive enticement to job-seekers, companies that want to retain their valued workers and bring in top new talent communicate about benefits at open enrollment and all year round.

The Communications Gap

Unfortunately, many companies don't invest time and effort into their benefits communications. Some simply don't grasp the urgency of letting employees know what types of coverage are available to them, or the importance of communicating about how coverage helps with both physical and financial well-being.

The just-released 2013 Aflac Open Enrollment Survey¹⁸ showed how wide the communications chasm truly is, with 69 percent of workers saying their employers have not communicated about reform-driven changes to their benefits packages. Time is running short for companies to share the information before the Oct. 1 deadline, although it's possible they're simply delaying the delivery of bad news: Nearly 4 out of 10 companies surveyed (37 percent) said they'll likely discontinue their plans or reduce benefits as a result of health care reform.

If that's the case, employers can expect to get bad news in return: 55 percent of workers say they're at least somewhat likely to look for other work if their employers stop offering comprehensive benefits or send them to marketplaces or exchanges to purchase health insurance.

Turn the Conversation to Total Rewards

Clearly, health care reform and ongoing changes to employers' benefits portfolios are making workers nervous. They're especially worried about how changes to their benefits plans will affect their financial circumstances, with 51 percent of Aflac Open Enrollment Survey participants saying they can't afford more than a \$25 monthly increase in costs.

To limit worker attrition and increase the odds of attracting employees seeking new work opportunities, companies should develop communications plans and materials that encourage workers to take a look at the bigger picture, which oftentimes is brighter than the health benefits snapshot alone.

What to Say to Workers and When to Say It

Many companies communicate about benefits at three key stages of the employee work cycle: at hiring, at open enrollment and at retirement. Unfortunately, this strategy has an unwanted side effect. In the absence of ongoing communication about total rewards, workers focus only on a single benefit that's easy to understand – take-home pay.

Unfortunately, this strategy has an unwanted side effect: In the absence of ongoing communication about total rewards, workers focus only on a single benefit that's easy to understand: take-home pay.

When communicating about total rewards, or the total value of employment, the conversation should expand to encompass not only wages and salaries, but also employer-paid taxes; workers' compensation insurance; employee assistance programs; wellness initiatives; company-sponsored health, life and disability insurance; access to voluntary insurance; health-care spending accounts; dependent-care spending accounts; commuter-assistance programs; training; vacation time; sick days; pension funds; 401(k) matches and any other perks that have an innate monetary value.

Many of these benefits are well-known to the people in HR, but not to the worker population at large. What's more, when companies do talk about compensation other than salaries, the communications are often muddled by acronyms, jargon and charts that only HR representatives understand.

Unfortunately, even some companies that comprehend the importance of clear, straightforward benefits communications drop the ball with respect to timing. Benefits communications should be delivered throughout the year and in small doses to ensure they're read, understood and absorbed.

Key times to spread the benefits message include open enrollment, during recruiting and on-boarding and when a worker is promoted or transferred to another department. The message can also be timed to life events, such as marriage or the birth of a child. Other opportune moments are work anniversaries and significant age milestones.

Start Spreading the News

With workers nervous and unsure about how health care reform will affect their benefits packages, now is the time for companies to launch total rewards discussions or even provide employees with annual total rewards report cards outlining the true monetary value of their benefits. Many employees who view the improving economy as a chance to seek jobs with better benefits have skewed impressions of just what constitutes a “better benefits package.”

By reminding workers to consider their full range of benefits, from salary to health care to PTO and more, many

With workers nervous and unsure about how health care reform will affect their benefits packages, now is the time for companies to launch total rewards discussions.

companies will help workers realize that the green grass on the other side of the fence is actually artificial turf.

Total rewards resources and information

Considering implementing a total rewards strategy to market your company and its benefits to employees? Get more information about how to go about it from these resources:

- » The Society of Human Resource Management’s free booklet, [“Implementing Total Rewards Strategies”](#)
- » [“What is Total Rewards?”](#) from the Alliance for Work-Life Progress
- » World at Work’s [“What is Total Rewards?”](#) materials
- » Towers Watson and World at Work’s [“The Next High-Stakes Quest: Balancing Employer and Employee Priorities”](#)

7

Out-of-Pocket Costs 101

Out-of-pocket medical costs are a reality – regardless of changes related to health care reform – and can add up quickly. Some can be very much unexpected, so it is important to consider where they arise.

Deductible

Copay

Limits or exclusions

Coinsurance

Non-medical costs

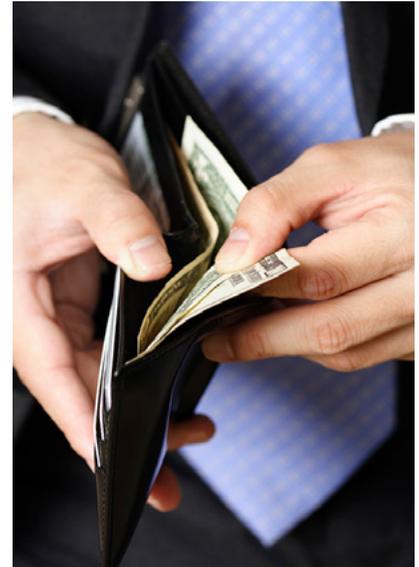
Out-of-pocket limit

Out-of-Pocket Costs 101

Simple Definitions of Medical and Non-medical Costs

Out-of-pocket medical costs are a reality – regardless of changes related to health care reform – and can add up quickly. Some can be very much unexpected, so it is important to consider where they arise:

- » **Deductible:** The amount owed for covered health care services before your health insurance or plan begins to pay. For example, if a plan deductible is \$1,000, the plan won't pay anything until you pay \$1,000 toward covered health care services subject to the deductible. The deductible may not apply to all services.*
- » **Coinsurance:** The percentage you pay toward each covered health care service. The coinsurance is paid on top of any deductible. For example, let's say your company offers an 80/20 health insurance plan and the allowed amount for an office visit is \$100. Once you've met your deductible, your coinsurance payment of 20 percent would be \$20. The health insurance or plan pays the rest of the allowed amount.*
- » **Copay:** A fixed amount – for example, \$15 – you pay for a covered health care service, usually when you receive the service. The amount may vary by the type of covered health care service.*
- » **Non-medical costs:** When faced with a serious accident or illness, there are various non-medical costs associated with a hospital stay or recovery time, including child care, transportation and reduced take-home pay due to missing work. These expenses can add up quickly, contributing to the overall out-of-pocket cost of being sick or injured.
- » **Limits or exclusions:** Pay attention to services not included in your plan, as well as any limitations or exclusions. Due to health care reform, plans will no longer have lifetime or dollar limits, but there may be limits related to other items, such as the number of refills for certain drugs, the number of visits to certain specialists or the number of days covered for certain benefits. These limits or exclusions could mean unexpected out-of-pocket costs.
- » **Out-of-pocket limit:** Out-of-pocket costs are different than out-of-pocket limits. Out-of-pocket limits are established by the IRS and for 2014 they are \$6,350 for individual coverage and \$12,700 for family coverage. This means you will pay coinsurance – in a variety of ways as determined by your health plan – up to your out-of-pocket limit. These limits apply only to covered expenses, so if you or a family member incurs non-covered expenses, they will not count toward your out-of-pocket limit. This adds to your potential unexpected costs.



*Note: Definitions and examples were adapted from healthcare.gov/glossary.

Sources:

- ¹ 2013 Open Enrollment Survey of the Aflac WorkForces Report, a study conducted by research now on behalf of Aflac, August 2013.
- ² 2013 Aflac WorkForces Report, a study conducted by Research Now on behalf of Aflac, January 7 - January 24, 2013.
- ³ Gabel, J.R., Lore, R., McDevitt, R.D., Pickreign, J.D., Whitmore, H. Slover, M. & Levy-Forsythe, E. (2012). More Than Half Of Individual Health Plans Offer Coverage That Falls Short Of What Can Be Sold Through Exchanges As Of 2014. Health Affairs, 31(6):1339-1348.
- ⁴ 2013 Aflac WorkForces Report, a study conducted by Research Now on behalf of Aflac, January 7 - January 24, 2013.
- ⁵ 2013 Aflac WorkForces Report, a study conducted by Research Now on behalf of Aflac, January 7 - January 24, 2013.
- ⁶ Towers Watson (2013). Importance of Employer-Sponsored Voluntary Benefits and Services Expected to Surge, Towers Watson Survey Finds. Accessed on August 28, 2013, from <http://www.towerswatson.com/en/Press/2013/08/Importance-of-Employer-Sponsored-Voluntary-Benefits-and-Services-Expected-to-Surge>.
- ⁷ Injury Facts, 2011 edition, National Safety Council.
- ⁸ Himmelstein, D.U., Thorne, D., Warren E. and Woolhandler, S. (2009), Medical Bankruptcy in the United States, 2007: Results of a National Study, The American Journal of Medicine, accessed on September 9, 2012, from http://www.washingtonpost.com/wp-srv/politics/documents/american_journal_of_medicine_09.pdf.
- ⁹ Rate is based on individual coverage for ages 18–70, 24-Hour Accident-Only, Plan 2, no riders, payroll deduction, Industry A. Individual Aflac coverage is underwritten by American Family Life Assurance Company of Columbus. In New York, individual Aflac coverage is underwritten by American Family Life Assurance Company of New York. Policies may not be available in all locations.
- ¹⁰ ADP Research Institute, (July 2011), “Employee Benefits Communications: There’s Room for Improvement,” <http://www.adp.com/tools-and-resources/adp-research-institute/insights/insight-item-detail.aspx?id={BF7C9CA0-9130-4511-8460-C1B7A3B279B6}>, accessed on August 26, 2013.
- ¹¹ Internal Revenue Service (2013). Small Business Health Care Tax Credit for Small Employers. Accessed on August 26, 2013, from <http://www.irs.gov/uac/Small-Business-Health-Care-Tax-Credit-for-Small-Employers>
- ¹² 2013 Aflac WorkForces Report, a study conducted by Research Now on behalf of Aflac, January 2013, captured responses from 1,884 benefits decision makers and 5,299 employees across the U.S.
- ¹³ 2013 Open Enrollment Survey of the Aflac Workforces Report, a study conducted by Research Now on behalf of Aflac, August 2013, among 2,001 consumers ages 18 and older of whom 1,622 were employed full-time and 379 were employer part-time.
- ¹⁴ United States Department of Labor, “General Facts on Women and Job-Based Health,” www.dol.gov/ebsa/newsroom/fshlth5.html, accessed on August 26, 2013.
- ¹⁵ Right Management employee survey, <http://www.right.com/news-and-events/press-releases/2012-press-releases/item24318.aspx> - accessed Aug. 19, 2013
- ¹⁶ 2013 Aflac WorkForces Report conducted by Research Now on behalf of Aflac, http://www.aflac.com/aflac_workforces_report/2013/executive_summary.aspx - accessed Aug. 20, 2013
- ¹⁷ Career Builder, Nearly One-Third of Employers Are Concerned About Top Talent Leaving Their Organizations, <http://www.careerbuilder.com/share/aboutus/pressreleasesdetail.aspx?sd=5%2F13%2F2010&id=pr570&ed=12%2F31%2F2010> – accessed Aug. 19, 2013
- ¹⁸ 2013 Aflac Open Enrollment Survey, part of the 2013 Aflac WorkForces Report, was conducted by Research Now on Aflac’s behalf, Aug. 2013

As you continue to navigate health care reform, you can rely on Aflac to provide updates and helpful information at: aflac.com/insights. To learn more about coverage available in your state, visit: healthcare.gov, cciio.cms.gov and irs.gov.

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