

The 22 Percent Solution

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Even for those braced for the usual hits on the wallet every year at this time, the news this autumn is particularly grim. Nationally, employees' health insurance premiums are set to jump an average of 22 percent this year over last, according to benefits consulting firm Hewitt Associates. Employees can expect to pay an average of \$1,565 for premiums, or about \$290 more than last year; families will pay more, individuals less. On top of that, employee costs for co-pays and other out-of-pocket expenses are also expected to rise.

Federal employees can also expect increases, according to the Office of Personnel Management, which manages health care benefits for the federal government. Federal employees, on average, will see premium increases of \$120 for individuals, while those with family coverage will pay about \$288 more per year.

Given the jump in costs, we figure you're going to need every strategy you can muster to hold down expenses. We can help. We've asked consumer health experts to share a few of their smartest tips -- including a few that are new to us -- and we present them here. We can't promise you savings that will cancel out a 22 percent premium increase, but following some of the tips should help you offset the pain.

One more thing: Just ignoring the whole business and signing up for whatever you had last year -- the way most employees do, says Tom Billet, a senior consultant at Watson Wyatt, a Washington-based benefits consulting firm -- might be a decision you'll regret. "While you may have done the legwork in years past to be sure you're in the most economical plan for you and your family, a lot of people don't take the time to think about what's changed and adjust those choices accordingly," Billet says.

Now, the tips:
1. Do the Math

Sure, it's tempting, but you can't look at just one number, like the monthly premium, in isolation. Premiums and deductibles work like a seesaw. Hold one down and the other goes up. The trick is to find the best balance, based on your health care needs and cash flow.

Many employees are so concerned about avoiding out-of-pocket expenses, says Richard Ostuw, a consultant with Towers Perrin, a benefits consulting firm based in New York, that they always choose a high-premium/low-deductible plan. Their rationale: It's easier to have the premium deducted from their paycheck than to scrape up the cash to pay for medical costs incurred before reaching the deductible. But this logic may be faulty, say Ostuw and others.

"Many people buy much more health insurance than they need," says Ostuw, and the seeming financial safety of high-premium plans is one of the reasons. Instead, he suggests buyers consider high-deductible plans, then seek ways to trim out-of-pocket costs. (For details, see some of tactics below.)

Comparing Aetna's two basic health plans for federal employees illustrates the overkill principle. Aetna, which had more than 112,000 federal members last year, offers two managed care plans: standard and high-option. Deductibles and most co-pays -- including those for prescription drugs and emergency room visits -- in the two plans are identical. What's different is that the co-pay for primary care doctor and specialist visits is \$5 more in the standard plan, and hospital stays are more expensive for the first three days. For people who want to avoid those small differences by buying the high-option plan, Aetna charges a family of three \$2,356 per year -- nearly \$750 more than for the standard option plan. It would take a lot of co-pays to make that worth your while.

Even Aetna agrees. Tom Bernatavitz, the executive in charge of Aetna Federal Health Plans, says he is baffled by the fact that 80 percent of Aetna federal subscribers opt for the high-option plan. "It puzzles me that more don't move to the [lower-cost] standard option," he says. "[It] blows my mind that consumers don't take a closer look at their insurance options."

Many firms, and the federal government, now offer paper worksheets and/or online calculators that let you plug in your anticipated health care costs to see how your options will play out in terms of premium payments, deductibles and out-of-pocket expenses. Or you can use the calculator and worksheet published by SmartMoney Magazine: www.smartmoney.com/consumer/index.cfm?Story=20020913#worksheet.

The exercise may yield some surprises. For example, if you pay a \$30 co-pay for each of three prescriptions every month, the full sting might not be apparent every time you swipe your credit card. But the worksheets and calculators will tell you that you spent \$1,080 on drugs last year. Plug in those numbers for a plan with a lower drug co-pay -- say, \$20, if that's an option available to you -- and you learn you'd save \$360 there alone. You can do the same calculations for premiums, deductibles and out-of-pocket expenses.

You haven't kept a tally of all last year's health expenses? Try calling your insurer's customer service department for the figures. (The phone number's on the back of your insurance card.) Jot it all down, so you can crunch the numbers.

2. Spend Flexibly

Have your worries about forfeiting unspent cash kept you from setting up a flexible spending account, which uses pre-tax earnings for health expenses? Join the crowd: Only about 15 percent of employees take advantage of the plans, says David Wilson, president of FlexBen, which manages flexible spending accounts.

Get over it, Wilson says. While plan maximums can range from about \$2,000 to \$5,000, he says, no more than \$40 to \$100 is typically left in accounts at the end of the plan year. Equally important: A recent IRS ruling allows employees to use FSAs for nonprescription drugs and some supplies such as Claritin and cough syrup, which could make it easier to use up those final dollars.

Paycheck deductions for flexible spending accounts give you two advantages: First, every dollar you designate for this purpose is available from Day One regardless of when in the year you use it. Second, you cover your out-of-pocket medical costs for up to 40 percent less money, because flexible spending account dollars are not subject to payroll taxes. Since this summer, the option has been available to federal employees.

Want to be a bit more sure about how much money to stash away in the account? Many firms plan to offer online calculators that will let you add up projected expenses. If your employer doesn't have one, you can use a free version -- on the Web at www.wageworksmarket.com/why/index.cfm -- offered by WageWorks, a benefits consulting firm in San Mateo, Calif.

The site's calculator offers two options: Put in your actual costs. Or plug in your health care use, such as number of prescriptions per month and numbers of doctor visits per year, and it will compute the average annual cost.

If you know your tax bracket for federal, state and local taxes (you can check with your accountant or tax preparer), you can plug those in as well to figure out how much you save by socking away cash in an flexible spending account. If you don't know, the site uses a default calculation of 40 percent to take into account most people's total tax brackets. Still on the fence? WageWorks offers a list of health care expenses likely to be eligible for reimbursement, according to the Internal Revenue Service. Check the list at www.wageworksmarket.com/eligible.

3. Ask for a Discount

If you're paying out-of-pocket, some experts advise, ask your doctor for a cash discount. After all, you're sparing the staff from insurance hassles; the only paperwork you're creating is the deposit slip.

A Harris survey conducted last year shows this idea may be catching on. Thirteen percent of those surveyed reported negotiating with a doctor's office for a lower price; more than half of these said they had been successful.

Some doctors are upfront about offering a discount if there's no insurance paperwork involved and they don't have to schedule appointments. At Pediatric and Adolescent Care, a Silver Spring practice, doctors have set aside two walk-in days for child and family flu shots. Show up those days and you pay \$25, only in cash or by check; you'll have to file any insurance paperwork on your own. On other days, staff will submit the insurance paperwork for you -- and add \$15 for the service.

4. Be Thrifty About Drugs

Tougher times call for tougher tactics. Some plans, says Tom Beauregard, national health care practice leader with Hewitt Associates, are not only raising co-pays but also adding a deductible you have to shell out before they'll pay for any drugs. And some plans, says Gary Claxton, a vice president with the Kaiser Family Foundation, which conducts an annual survey on employer health benefits, no longer count expensive drugs (if there's a cheaper option) toward the out-of-pocket maximum you have to spend before insurance kicks in.

Best options for drugs savings:

* When your doctor prescribes a drug, ask whether the drug is covered by your insurer and what the co-pay is, before you leave the office. Or ask the doctor to call in your prescription to the pharmacy once you get the insurance information. Why? If the drug requires a high co-pay, insurers will also list the alternatives available for a lower co-pay. If the doctor still thinks you need the pricey drug,

ask the doctor to request preauthorization from the insurer. You may still have to pay a high co-pay, but you likely won't have to pay the full cost of the drug.

* Ask your doctor for samples, especially for new drugs likely to come with the highest co-pays. Your doctor also may be able to give you sample vouchers, good for a one-to two-week supply of the drug when redeemed at a pharmacy.

* Check online sites for discount coupons. Try putting your drug brand name into Google to see what discounts come up. For example, the maker of the nasal allergy drug Flonase (www.flonase.com) offers a \$5 rebate on each prescription up to eight times per year.

* Buy generic. It's not a new idea, but it can make a big difference. Many insurers charge co-payments of only \$5 to \$10 for a generic prescription. Co-pays for brand-name drugs, meanwhile, sometimes exceed the drug's retail price. Aetna subscribers buying 30 pills (500 milligrams each) of the brand-name diabetes drug Glucophage, for example, must pay \$80 -- \$54 more than the cash price of the same drug at drugstore.com. Aetna subscribers who buy the same amount and strength of metformin, the generic equivalent of Glucophage, pay only \$20. Long-term studies of generic drugs have found virtually all of them to be safe and effective.

To get more of its members to buy generic, Anthem, one of the country's largest insurers, offers a free month's supply of a number of generic medications. The list includes the blood pressure drug tenormin (brand name Atenolol), naprosyn (Naproxen) for pain and inflammation and diltiazem (Cardizem) for heart disease. While Anthem's coverage doesn't extend to the Washington area, this idea is gaining steam. Keep reading your mail to see if your insurer makes a similar offer.

Be careful what you buy, however. Some companies, including WellPoint, a California insurer that often takes the lead in shifting drug costs to consumers, is so hot on generics that it is also lowering co-pays for members who choose some drugs that are similar but not identical to brand-name products. For example, under the company's GenericSelect program, fluoxetine (Prozac) is listed as an alternative to brand-name antidepressants Paxil and Zoloft, which do not yet have generic equivalents. While fluoxetine may be good substitute for some people, it is somewhat more likely to produce side effects, says Cherry Jackson, assistant dean of the South University School of Pharmacy in Savannah, Ga.

* Get bucks back from your pharmacy: Many drug chains offer discounts and even cash back for consumers who sign

up for their loyalty card. Recently CVS offered discounts for multiple prescriptions purchased by a certain date, and gave cardholders small amounts of cash back to for purchases on most things in the store, including prescription drugs. Ask your pharmacy about any benefit plans for loyal customers.

* If you're on a drug long-term, such as statin drug for high cholesterol, check your insurance plan for mail-order options. Often, mail order will charge you only two co-pays for a three-month supply, and those co-pays are often less than what you'd pay at the store.

* Buy Canada?

Buying drugs from Canadian pharmacies is the subject of political and legal debate all over the country. But it may be getting tougher as U.S. regulators threaten to crack down on the legally questionable practice. Just last week the Food and Drug Administration asked the Canadian health ministry for help in ending U.S. deliveries by one Canadian Internet pharmacy. And several drug companies, including Eli Lilly and GlaxoSmithKline, say they will reduce drug supplies to Canada to discourage sales to Americans, who are seeking savings that range from 26 to 85 percent off U.S. retail drug prices.

Still, several states and municipalities are exploring or developing plans to buy Canadian. And some advocacy groups, including the New York State Senior Action Council, defend the practice. The United Health Alliance, a physician/hospital group in Bennington, Vt., lists on its Web site (www.unitedhealthalliance.com) the phone numbers of four Canadian pharmacies that the group's physicians have inspected. The alliance's phone number 866-633-7482.

5. Share the Risk

According to a recent survey by the Kaiser Family Foundation, about 5 percent of firms offer a consumer-driven health plan -- a relatively recent invention that, in return for lower premiums and more choice, shifts some of the health cost decision-making and financial risk to consumers. The plan starts you off with a small allowance (usually about \$300 per member) for preventive care and an allowance (usually about \$2,000 per family) for all other medical care. Once that allowance is used up, you have to meet a high deductible before the insurer contributes any more money. David Cowles, president of Benemax, an employee benefits management company, predicts the number of consumer-driven health plan participants to double to 3 million by the beginning of 2004.

You come out ahead if you control your health spending by buying generic, seeing in-plan physicians, rationing doctor

visits and having the good luck to avoid accidents, surgeries and other big expenses. But if your bills mount, you may have to dig into your savings . . . or your credit line. If you've had a healthy year and haven't used your entire allowance, you can roll over balances (up to a certain amount) for use the next year.

Except for those who belong to the American Postal Workers Union (which has its own plan, introduced last year), federal employees in the Washington area have only one option for a consumer-driven plan next year, offered by Aetna.

Annual premiums for federal workers who choose the Aetna Health Fund for a family of three will cost \$1,935 -- priced between the insurer's two HMO options. Once you've spent the \$2,000 family medical spending allowance plus \$300 per person for preventive care such as mammograms and pediatric immunizations, you'll be facing a \$2,000 deductible before costs are shared again. If you still have expenses beyond that, the plan pays 85 percent for in-network providers and 60 percent for out-of-network providers. That switches to 100 percent of costs after a family spends \$10,000 for the year.

In a relatively calm medical year (including, for example, one visit per parent to both a primary care physician and a specialist, plus six visits to the pediatrician and five annual prescriptions, including two generics), the family can expect to roll over \$1,400 to bank for future medical expenses, says Aetna's Tom Bernatavitz. Total out-of-pocket medical costs for the family totaled \$1,935, about \$160 less than the standard HMO plan and almost \$850 less than the high-option HMO plan.

But the figures will be quite different in the following year if, for example, one parent needs surgery and some pre- and post-surgery specialist visits, and a child has a trip to the emergency room for a broken leg plus the after-care visits and some physical therapy.

Aetna pegs this family's second-year medical expenses at \$2,700 more than the first year, even after using the \$1,400 in rolled-over savings. And the out-of-pocket expenses were \$1,100 more than they would have been under Aetna's high-option HMO plan and \$1,400 more than the standard-option HMO plan. "You can't be risk-averse if you opt for a CDHP," says Bernatavitz.

To cushion the blow, experts advise consumer-driven health plan members to sock the maximum allowed into a flexible spending account. No broken leg that year? Buy an extra pair of glasses and get an early start on the orthodontist.*