

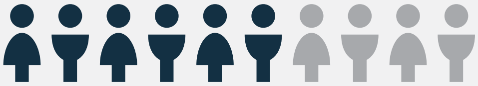

# ANNUAL ENROLLMENT GUIDEBOOK

How to make the most of your annual benefits enrollment


**Before annual enrollment begins, take the time to prepare for it. Our Annual Enrollment Guidebook can help you make more confident decisions about your benefit choices so you can make the most of your options in the year ahead. Even if you already have benefits, it's good to revisit your selections each year to make sure that they're still the best choice for you.**

Health benefits and the different choices available to you can be complex. Nearly half of Americans cannot correctly identify terms like deductible and copay—which is why we've included a glossary of common terms and phrases related to health benefits.[1] We've also provided some general decision support tools to help you decide on your health plan for the year, although your employer may offer you more specific tools that show you your previous health spending and benefits utilization.

**Our research has found that, when guided by a decision support tool at annual enrollment,**



**59% of new enrollees**

selected the likely overall lowest-cost plan option for them.[2]

Don't worry if your path in life changes next year. Certain qualifying life events, such as changes in your family, location, or job, make you eligible to adjust your benefits outside of the annual enrollment period. Take all of this into consideration, and you can be confident you've made the best choices for your family.

**Now let's make sure you have the information you need to make the right decisions as you journey through these key aspects of annual enrollment:**





# HEALTH INSURANCE PLAN

Does the health plan you chose last year still work for you and your family? If you have a choice of plans, take a few minutes to consider your options. Even the plan you had last year might have changed. Start by thinking about what is most important to you:

- How much you pay toward the premium.
- Your annual deductible.
- Copays for office visits and prescriptions.
- Your employer's contribution to a health savings account (HSA), if applicable.
- Whether your doctor and hospital are in-network.

An unexpected illness can harm more than your health; it can also undermine your financial security. Health care expenses lead to almost one-third of hardship withdrawals from retirement savings.[3] Thanks to the 2020 No Surprises Act, consumers are now protected from unexpected medical bills that could threaten their savings. However, unexpected costs may still come up; make sure you're saving for health expenses, either through an HSA, a flexible spending account (FSA), or traditional savings account.

## DID YOU KNOW?

Some of the care that employees skip because of cost—such as preventive screenings, annual visits, and immunizations—is, in fact, covered at no cost under their plans.[4] Make sure you understand what's covered by your plan so that you can take advantage of this benefit.

## Your health care needs

In addition to understanding and comparing your plan options, consider how much health care you actually use. Think about last year as a baseline, including your provider visits (such as doctor, nurse practitioner, or mental health professional), prescriptions, and diagnostic testing, like X-rays and lab work. Here are some questions to consider as you assess your upcoming needs:

**Do you anticipate that you'll have a scheduled surgery this year (such as a hip or knee replacement)?**

**If your or your family's mental health needs have changed, have you checked the list of providers included in-network? Often, fewer providers are available for mental health than for other care, according to a Kaiser Family Foundation survey.[5]**

**Did you have any unexpected health events last year?**

**Will your number of covered dependents change?**

**If you take any regular medications, have you reviewed the plan's medication list to determine if a brand or generic will be covered?**

**Do you anticipate any changes in your prescription drug utilization?**

**Has your employer expanded coverage for preventive services and chronic disease management (such as maintenance drugs)?**

**If you had to pay the full deductible all at once—for example, if you had an unexpected, expensive health event—could you afford it?**

Then compare what your out-of-pocket costs would be under each of your plan options. When deciding which plan to select, first determine what's most important to you. Is it low cost, the breadth of providers in-network, the distance you have to travel for care, or something else? See our table on page 5, which lets you to compare two health plan examples based on some key plan characteristics.

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, and, even 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 the plan's network** | **2 out of 5 hospitals** in my area included | **1 out of 5 hospitals** in my area included |
| | **Doctors in the plan 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: **$400**<br>Family: **$1,050** | Individual: **$100**<br>Family: **$450** |
| | **Annual limit on out-of-pocket costs** | Individual: **$3,500**<br>Family: **$7,000** | Individual: **$5,000**<br>Family: **$10,000** |

### 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."

# HEALTH BENEFIT ACCOUNTS

If available and you are eligible, consider if these tax-advantaged accounts are right for you to help cover out-of-pocket expenses now and in the future.

## HEALTH SAVINGS ACCOUNT (HSA)

If you participate in an HSA-eligible health plan, you have access to an account that can help you pay for qualified medical expenses today and long into the future. An HSA is designed to help you pay for qualified medical expenses and to help you save for health care costs in retirement, which are estimated to total $157,500 for a 65-year-old retiring this year.[6] Contributions, investment gains, and withdrawals for qualified medical expenses all are tax-free.[7] If you change jobs, you can keep your HSA and continue to contribute as long as you enroll in another HSA-eligible health plan. Consider contributing at least enough to cover medical expenses you expect to incur next year. Contribute the maximum if you can, because you don't have to spend everything you contribute this year. If you do decide to select an HSA-eligible health plan this year, make sure to read about what you might expect in your first year of using an HSA on page 12.

| 2024 HSA contribution limits | |
|---|---|
| Individual | $4,150 |
| Family | $8,300 |
| 55+ catch-up (in addition to above contribution limits) | $1,000 |

## FLEXIBLE SPENDING ACCOUNT (FSA)

There are two types of FSAs to consider, both of which allow you to set aside money before taxes. A health FSA can be used for qualified medical expenses, such as over-the-counter medications; and a limited-purpose FSA can be used for eligible vision, dental, and preventive care expenses in conjunction with an HSA. Contribute only what you expect to spend next year on qualified medical expenses, because in most cases you lose any money you don't spend.

DENTAL AND VISION

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Even if your health plan covers emergency dental work or annual vision exams, your employer may offer and subsidize additional coverage that can help you manage expenses. These plans include coverage for routine dental cleanings, basic eyeglasses or contacts, and more. Adding dental and vision coverage may decrease your out-of-pocket spending for these services.

DISABILILTY INSURANCE

## DISABILITY INSURANCE

If you get sick or hurt and can't work, one of the two types of disability insurance may help supplement your lost income:

### SHORT-TERM

This type provides partial income replacement for brief periods of illness or injury, like a surgery or extended medical treatment. It generally covers 40% to 80% of your salary while you're unable to work.

### LONG-TERM

This type provides partial income replacement in the event that you are no longer able to work because of illness or injury after an initial period, typically 90 days. In general, long-term disability pays 50% to 80% of your salary, although some policies cap the monthly payment.

# SUPPLEMENTAL BENEFITS

Your employer may also offer a range of additional benefits, from condition-specific benefits like mental health support, to caregiving support, to pet and legal insurance. With so many benefits available to you, it can be unclear how they all work together so you can get the best care at the lowest cost. Do you need them all? Before signing up for a condition-specific benefit (such as for diabetes), you'll want to find out how that benefit works with your regular primary care provider to keep everyone in the loop about your health progress. When in doubt, ask your HR representative.

If you happen to work from home some or all of the time, consider the benefits your employer may offer to keep you healthy. Studies have shown that remote workers tend to be more inactive, which may lead to health issues such as back pain. Now or in the future, your employer may offer health care benefits for remote workers, like "health at home" setups with diagnostic equipment available in the home, connections to virtual health and neighborhood clinics, stipends for at-home gym equipment or virtual gym membership, ergonomic office equipment, and healthy food delivery programs. Make sure you're aware of your benefit options so that you can stay on top of your health and well-being, regardless of where you work.

If, like more than one-third of Americans, you live in an area with a shortage of mental health professionals, see if your employer offers one of the many digital mental health solutions that have begun to close this gap, allowing you to meet with providers virtually. These solutions may include not only telehealth, but also meditation apps, digital therapeutics (like online cognitive-behavioral therapy), and hybrid digital and in-person mental health services.

### Examples of supplemental benefits that your employer may offer

**HEALTH-RELATED**

- Condition-specific solutions
- Family-building benefits
- "Health at home"
- Mental health solutions

**OTHER**

- Auto and home insurance
- Dependent care flexible spending account (DCFSA)
- Identity theft insurance
- Legal services
- Life insurance
- Lifestyle spending accounts
- Pet insurance

# ANNUAL ENROLLMENT CHECKLIST

- **Make sure your beneficiaries are accurate** and up to date for your retirement savings plan, HSA, and life insurance.
- **See if your employer offers a decision support tool** to guide you through annual enrollment.
- **Understand how your plan options may have changed** since last year, including new condition-specific offerings like mental health care.
- **Compare out-of-pocket costs** in plan options to make sure the plan you choose matches your budget.
- **Determine whether your providers are in-network** by using a provider search tool for the plan.
- **Consider whether an HSA or FSA is right for you.** If your employer offers a contribution match, factor that into your savings strategy.
- **Find out if your employer offers an app** to manage all of your health-related benefits throughout the year.
- If you feel comfortable doing so, **disclose your race, ethnicity, and gender identity** so that your employer can make better-informed decisions about your benefits in the future.

## Health care glossary[8]

**Coinsurance:** The percentage of costs of a covered health care service you pay (20%, for example) after you've paid your deductible.

**Copayment (or copay):** A fixed amount ($20, for example) you pay for a covered health care service after you've paid your deductible.

**Deductible:** The amount you pay for covered health care services before your insurance plan starts to pay. With a $2,000 deductible, for example, you pay the first $2,000 of covered services yourself.

**Flexible spending account (FSA):** An arrangement through your employer that lets you pay for many out-of-pocket medical expenses with tax-free dollars. Allowed expenses include insurance copayments and deductibles, qualified prescription drugs, insulin, and medical devices.

**Formulary:** A list of prescription drugs covered by a prescription drug plan or another insurance plan offering prescription drug benefits. Also called a drug list.

**Health savings account (HSA):** A type of savings account that lets you set aside money on a pretax basis to pay for qualified medical expenses. By using untaxed dollars in an HSA to pay for deductibles, copayments, coinsurance, and some other expenses, you may be able to lower your overall health care costs. HSA funds generally may not be used to pay premiums.

**In-network coinsurance:** The percent (for example, 20%) you pay of the allowed amount for covered health care services to providers who contract with your health insurance or plan. In-network coinsurance usually costs you less than out-of-network coinsurance.

**Network:** The facilities, providers, and suppliers your health insurer or plan has contracted with to provide health care services.

**Out-of-network coinsurance:** The percentage (for example, 40%) you pay of the allowed amount for covered health care services to providers who don't contract with your health insurance or plan. Out-of-network coinsurance usually costs you more than in-network coinsurance.

**Out-of-pocket costs:** Your expenses for medical care that aren't reimbursed by insurance. Out-of-pocket costs include deductibles, coinsurance, and copayments for covered services plus all costs for services that aren't covered.

**Out-of-pocket maximum:** The most you have to pay for covered services in a plan year. After you spend this amount on deductibles, copayments, and coinsurance for in-network care and services, your health plan pays 100% of the costs of covered benefits.

**Premium:** The amount you pay for your health insurance every month. In addition to your premium, you usually have to pay other costs for your health care, including a deductible, copayments, and coinsurance.

**Preventive services:** Routine health care that includes screenings, checkups, and patient counseling to prevent illnesses, disease, or other health problems.

**Provider:** A physician (M.D. [medical doctor] or D.O. [doctor of osteopathic medicine]), nurse practitioner, clinical nurse specialist, or physician assistant, as allowed under state law, who provides a range of health care services.

# THE FIRST YEAR IN AN HSA

Thinking about switching to a new health plan with a health savings account? After weighing their options during annual enrollment, some people decide to switch from a traditional health plan to an HSA-eligible health plan for several reasons:

- They have minimal health care needs in a normal year, and their doctors are still in-network.
- The premiums are considerably lower than in a traditional health plan, even though the deductible is higher.
- Many employers make a lump-sum contribution to the HSA at the start of the year.
- The HSA has tax advantages: The money you contribute is tax-free, it can grow tax-free, and withdrawals for qualified medical expenses also are tax-free.[9]

Let's take this hypothetical scenario: Susan enrolled in an HSA-eligible health plan last year. Her employer made a $1,000 contribution to her HSA (about average for family coverage) as a lump-sum deposit.[10] She decides to contribute $250 a month, knowing that she can increase her contributions at any time during the year. Susan's $250 HSA contribution reduces her taxable income, so fewer taxes come out of her paycheck:

| | |
|---|---|
| SUSAN'S INCOME | **$3,000** |
| SUSAN'S HSA CONTRIBUTION | **($250)** |
| SUSAN'S TAXABLE INCOME | **$2,750** |

Let's look at Susan's first year in an HSA:

| | January–March | April–June | July–September | October–December |
|---|---|---|---|---|
| **Starting HSA balance** | $1,000 | $1,620 | $270 | $1,270 |
| **Susan's HSA contributions** | $750 | $750 | $1,050 | $1,050 |
| **HSA money available to spend** | $1,750 | $2,370 | $1,320 | $2,320 |
| **Health care and/or prescriptions purchased** | Prescription for asthma inhaler = $130 | Urgent care visit, X-rays, and cast for broken arm = $2,100 | Telehealth visit for sinus infection = $50 | Over-the-counter motion sickness medication = $20 |
| **Costs paid using HSA** | ($130) | ($2,100) | ($50) | ($20) |
| **Ending HSA balance** | $1,620 | $270 | $1,270 | $2,300 |

- Employer makes lump-sum contribution.
- Susan makes monthly contributions of $250.
- After the broken arm, Susan decides to increase her monthly contributions to $350.
- Over-the-counter medications are considered qualified medical expenses.
- Susan has $2,300 to carry over for next year.

In this scenario, Susan would have $2,300 to carry over for next year to spend or save. She might also consider using her HSA for saving or investing for health care costs in retirement. The HSA can be invested, just like any other brokerage account. Some HSA users want to keep some level of cash, say $1,000, readily available in the account, assuming they will spend that much on qualified medical expenses in a given year. Then, they might opt to invest any money over that amount, knowing they can change the amount invested at any time. They plan to choose an investment they're comfortable with.

Ready to enroll in an HSA-eligible health plan and open an HSA? Here are a few resolutions to help make your first year in the plan successful.

- Open your HSA, if you need to, so you will be sure to get your employer contribution.
- Keep in mind you can adjust the amount you contribute to your HSA anytime. You don't need to wait for annual enrollment.
- Know what services are available to you to help manage your costs. You may have telemedicine options or access to an online service that helps you manage your expenses, payments, claims, and receipts all in one place, on any device.
- If you're not able to contribute to your HSA regularly, you can still add money to pay for specific health bills and get the tax advantage.
- Think about the future. You can save the money in your HSA until you really need it—including all the way into retirement. If you're thinking long term, consider investing some of your HSA balance to make it work harder for you.

# End notes

[1] Forbes, "Americans Confused By Basic Health Insurance Terms But Happy With Their Plans," December 8, 2022, https://www.forbes.com/advisor/health-insurance/confused-by-health-insurance-terms/.

[2] Based on Fidelity recordkept data through December 31, 2021, for those eligible to use the Fidelity proprietary decision support tool. Percentage based on number of eligible employees who selected the medical plan recommended.

[3] Fidelity Investments recordkept data as of December 31, 2019; eCertified participant web entries.

[4] Fidelity Investments, "Paying for Health Care: How Employers Can Better Support Their Employees' Health Care Spending," April 29, 2022.

[5] Kaiser Family Foundation, 2022 Employer Health Benefits Survey, Figure 13.13, October 2022, https://www.kff.org/report-section/ehbs-2022-section-13-employer-practices-telehealth-provider-networks-and-coverage-for-mental-health-services/attachment/figure-13-13-3/.1.

[6] Estimate based on a single person retiring in 2022, 65-years-old, with life expectancies that align with Society of Actuaries' RP-2014 Healthy Annuitant rates projected with Mortality Improvements Scale MP-2020 as of 2022. Actual assets needed may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes. The Fidelity Retiree Health Care Cost Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, original Medicare. The calculation takes into account Medicare Part B base premiums and cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services and long-term care.

[7] 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 applicable only if the money is used to pay for qualified medical expenses.

[8] "Glossary," Healthcare.gov, https://www.healthcare.gov/glossary/.

[9] Contributions, earnings, and distributions are tax-free for federal tax purposes when used to pay for qualified medical expenses. Each state may decide to follow the federal tax guidelines for HSAs or establish its own. As of the publication date (07/25/2023), only California and New Jersey tax eligible contributions to HSAs. These states regard HSAs as regular taxable brokerage accounts, so residents have to declare any capital gains, interest, and dividends they receive to the state. New Hampshire and Tennessee tax earnings but not contributions.

[10] Note: Some employers make monthly instead of lump-sum HSA contributions. The average employer HSA contribution for family coverage was $1,117 in 2022, according to the Kaiser Family Foundation 2022 Employer Health Benefits Survey.

**Investing involves risk, including risk of loss.**

The information provided herein is general in nature. It is not intended, nor should it be construed, as legal or tax advice. Because the administration of an HSA is a taxpayer responsibility, you are strongly encouraged to consult your tax advisor before opening an HSA. You are also encouraged to review information available from the Internal Revenue Service (IRS) for taxpayers, which can be found on the IRS website at IRS.gov. You can find IRS Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans, and IRS Publication 502, Medical and Dental Expenses, online, or you can call the IRS to request a copy of each at 800-829-3676. Consult an attorney or tax professional regarding your specific situation.

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