A consumer primer for health insurance changes in 2011

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As health care enrollment season approaches, the health care reform law will have some effect on employer-provided insurance.

This year's open enrollment period, when employees choose their health insurance for the following year, will follow a familiar pattern. Higher premiums. More co-payments. Expanded deductibles. But along with the usual cost increases will come some significant changes mandated by the health care reform law. These changes could affect everything from the dependents you cover to the size of your deductible. Here's how the legislation could affect employer-provided health insurance in 2011:

Preventive care

All new insurance plans are required to offer free preventive care. That means they must cover cancer screenings, blood pressure, diabetes and cholesterol tests, flu shots and other preventive services without charging you a co-payment, co-insurance or deductible. (To find a complete list of preventive services that are covered, go to www.healthcare.gov.)

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Plan sponsors hope this change will encourage employees to get routine screenings and checkups that could ultimately lower health care costs, says Dean Hatfield, senior vice president for Sibson Consulting. "It eliminates any excuse, financially, to partner with your doctor" on preventive care, he says.

With 100% of preventive care covered, you may decide you can afford to increase your deductible, which usually results in lower premiums. But first, make sure your plan is required to comply with the rule. Insurance plans that were in existence before March 23, when the health care reform bill was signed into law, may be eligible for "grandfather" status, which means they're not required to comply with the requirement, says Randall Abbott, senior consultant for Towers Watson. Employees "can't just automatically assume they're going to have 100% preventive benefits," he says.

Plans that are grandfathered are required to make the information clear in their enrollment materials, Abbott says.

Insurance plans that make significant changes — such as reducing benefits or raising premiums — will lose their grandfather status, Abbott says. An August survey by Towers Watson found that more t han half of large plans expected to lose their grandfather status because they increased employee contributions or made other changes in plan terms.

Restrictions on flexible spending accounts

Health care flexible spending accounts let you contribute pretax dollars to pay for unreimbursed medical and dental expenses. These accounts are funded by contributions from your paycheck, and when you enroll in your insurance plan, you must decide how much you want to contribute during the year. The downside to these plans is that most employers require you to forfeit any money that hasn't been used by year's end.

In the past, workers who have funds left over near the end of the year have been able to stock up on aspirin and cough syrup. But starting in 2011, over-the-counter medications won't be covered by flex accounts unless you have a doctor's prescription, according to Hewitt Associates.

If you buy a lot of ibuprofen, this could affect the amount you put aside in your account. But even with the new restrictions, flex accounts can save you a lot of money, says Helen Darling, president of the National Business Group on Health. In addition to prescription drugs, you can use the money for co-payments, deductibles, and dental and eye doctor appointments. Your plan administrator should provide a list of products and services that are covered by your flex plan.

For 2011, there's no federal limit on how much you can save in a flexible spending account, although many employers have their own cutoffs. Starting in 2013, though, accounts will be limited to $2,500.

Expanded coverage for adult children

Health insurers must allow adult children to remain on their parents' employer-provided group plans until age 26. This is the most significant change taking effect this year, Darling says. In the past, many employer-provided plans wouldn't cover a child unless the child was claimed as a dependent on the parent's tax return, and some required that the child live at home, Darling says.

However, that doesn't mean your child will be eligible for coverage immediately. While the provision takes effect Sept. 23, plans aren't required to extend coverage until they start a new plan year, which for most is Jan. 1.

Earlier this year, several large insurers announced that they would extend coverage to adult children ahead of the deadline. However, most large employer-provided plans are waiting until the start of their new plan year, Abbott says.

Coverage isn't automatic: To obtain the extended coverage, you'll need to add your child when you enroll in your plan for next year. If your child becomes eligible after the enrollment period ends, your employer will be required to give you 30 days to enroll.

Married children and financially independent children are eligible for this coverage, but their spouses are not. Also, if your plan has grandfather status, adult children aren't eligible for coverage if they have access to their own employer-provided insurance.