

Your Step-by-Step Guide to Choosing a Health Insurance Plan

<https://www.nerdwallet.com/blog/health/health-insurance-guide/>

Lacie Glover

The health insurance landscape can be tricky to navigate. Here's a start-to-finish guide to choosing the best plan for you and your family, whether it's through the federal marketplace or an employer.

IN THIS ARTICLE:

[Find your marketplace](#)

[Compare types of health insurance plans](#)

[Compare provider networks](#)

[Compare out-of-pocket costs](#)

[Comparing benefits](#)

[Checklist: How to choose a plan](#)

Step 1: Find your marketplace

Most people get health insurance through an employer. If you're one of them, you won't need to use the government insurance exchanges, or marketplaces. Essentially, your work is your marketplace.

If your employer offers health insurance and you still wish to search for an alternative plan in the exchanges, you can. But plans in the marketplace are likely to cost a lot more. Most employers that provide insurance pay a portion of workers' premiums, so they'll likely offer the least expensive option.

If your job doesn't provide a health insurance benefit, shop on your state's [Affordable Care Act](#) marketplace, if available, or the federal marketplace to find the lowest premiums. Start by going

to [HealthCare.gov](https://www.healthcare.gov) and entering your ZIP code. You'll be sent to your state's exchange if your state is green on the map below. Otherwise, you'll use the federal marketplace.

You can also purchase [health insurance](#) through a private exchange or directly from an insurer. If you choose these options, you won't be eligible for premium subsidies, which are income-based discounts on your monthly premiums.

Step 2: Compare types of health insurance plans

You'll encounter some alphabet soup while shopping for plans; the most common types are HMOs, PPOs, EPOs, or POS plans. The kind you choose will help determine your out-of-pocket costs and which doctors you can see.

While comparing plans, look for a summary of benefits. Online marketplaces usually provide a link to the summary and show the cost near the plan's title. A provider directory, which lists the doctors and clinics that participate in the plan's network, should also be available. If you're going through an employer, ask your workplace benefits administrator for the summary of benefits.

COMPARING HEALTH INSURANCE PLANS: HMO VS. PPO VS. EPO VS. POS

Plan Type	Do you have to stay in network to get coverage?	Do procedures & specialists require a referral?	Best for you if:
HMO: Health Maintenance Organization	Yes, except for emergencies.	Yes	You want lower out-of-pocket costs and a primary doctor that coordinates your care for you, including ordering tests and working with your specialists.
PPO: Preferred Provider Organization	No, but in-network care is less expensive.	No	You want more provider options and no required referrals.
EPO: Exclusive Provider Organization	Yes, except for emergencies.	No	You want lower out-of-pocket costs but no required referrals.
POS: Point of Service Plan	No, but in-network care is less expensive; you need a referral to go	Yes	You want more provider options and a primary doctor that coordinates your care for you,

out of network.

including ordering tests and
working with your specialists.

When comparing different plans, put your family's medical needs under the microscope. Look at the amount and type of treatment you've received in the past. Though it's impossible to predict every medical expense, being aware of trends can help you make an informed decision.

If you choose a plan that requires referrals, such as an HMO or POS, you must see a primary care physician before scheduling a procedure or visiting with a specialist. Because of this requirement, many people prefer other plans.

POS and HMO plans may be better if you don't mind your primary doctor choosing specialists for you; one benefit of this system is that there's less work on your end, since your doctor's staff coordinates visits and handles medical records. If you do choose a POS plan and go out of network, make sure to get the referral from your doctor ahead of time to reduce out-of-pocket costs.

If you'd rather choose your doctors, you might be happier with a PPO or EPO. An EPO may also help you lower costs as long as you find providers in network; this is more likely to be the case in a larger metro area. A PPO might be better if you live in a remote or rural area with limited access to doctors and care, as you may be forced to go out of network.

Step 3: Compare health plan networks

Costs are lower when you go to an in-network doctor because insurance companies contract lower rates with in-network providers. When you go out of network, those doctors don't have contracted rates, which costs your insurance company, and you, more.

If you have preferred doctors and want to keep seeing them, make sure they're in the provider directories for the plan you're considering. You can also directly ask your doctors if they take a particular health plan.

If you don't have a preferred doctor, you'll probably want a plan with a large network so you have more choices. A larger network is especially important if you live in a rural community, since you'll be more likely to find a local doctor who takes your plan.

Eliminate any plans that don't have local in-network doctors and those with very few provider options compared with other plans.

Step 4: Compare out-of-pocket costs

Nearly as important as network size is how costs are shared. Any plan's summary of benefits should clearly lay out how much you'll have to pay out of pocket for services. The federal marketplace website offers snapshots of these costs for comparison, as do many state marketplaces.

This is where it's useful to know a few health insurance vocabulary words. As the consumer, your portion of costs consists of the **deductible, copayments, and coinsurance**. The total you spend out of pocket in a year is limited, and that maximum is also listed in your plan information. In general, the lower your premium, the higher your out-of-pocket costs.

Cost-sharing options vary, so your goal is to narrow down choices based on out-of-pocket costs. A plan that pays a higher portion of your medical costs, but has higher monthly premiums, is better if:

- You see a doctor, whether a primary physician or a specialist, frequently.
- You frequently need emergency care.
- You take expensive or brand-name medications on a regular basis.
- You are expecting a baby, plan to have a baby, or have small children.
- You have a planned surgery coming up.
- You've recently been diagnosed with a chronic condition such as diabetes or cancer.

A plan with higher out-of-pocket costs and lower monthly premiums is the financially smart choice if:

- You can't afford the higher monthly premiums for a plan with lower out-of-pocket costs.
- You are in good health and rarely see a doctor.

Step 5: Compare benefits

By now, you likely have your options narrowed down to just a few. To further winnow down, go back to that summary of benefits to see which plans cover a wider scope of services. Some may have better coverage for things like physical therapy or mental health care, while others might have better emergency coverage.

If you skip this quick but important step, you could miss out on a plan that's much better tailored to you and your family.

Once you're down to a couple of options, it's time to address any lingering questions. In some cases, only speaking with a person will do, so call the customer service line of the insurers you're considering. Write your questions down ahead of time, and have a pen or computer handy to record the answers.

Your questions will be based on your current health situation, but here are some examples of what you could ask:

- I take a certain medication. How is that covered under this plan?
- Which drugs for this disease are covered under this plan?
- What maternity services are covered?
- What happens if I get sick when traveling abroad?
- How do I get started signing up, and what documents will I need?

A final tip: Don't forget to discontinue your old plan before the new one starts if you switch.

Checklist: Choosing a health insurance plan

Here's a quick checklist that summarizes the steps above:

1. Go to your marketplace and view your plan options side by side.
2. Decide which type of plan — HMO, PPO, EPO, or POS — is best for you and your family.
3. Eliminate plans that exclude your doctor or any local doctors in the provider network.
4. Determine whether you want more health coverage and higher premiums, or lower premiums and higher-out-of-pocket costs.

5. Make sure any plan you choose will pay for your regular and necessary care, like prescriptions and specialists.

Lacie Glover is a staff writer at NerdWallet, a personal finance website. Email: lacie@nerdwallet.com. Twitter: [@LacieWrites](https://twitter.com/LacieWrites).

Updated Aug. 5, 2016.