

KNOW YOUR BENEFITS.

From The Elan Group

What Happens If I Miss Open Enrollment?

An open enrollment period is a short period of time when you can enroll in or make changes to your employee benefits elections. Possible changes include adding or dropping coverage, adding or removing dependents, or enrolling in benefits for the first time.

Open enrollment is your opportunity to take advantage of important benefits, such as health, vision, dental and life insurance, a health savings account (HSA), and a retirement plan.

The decisions you make during the open enrollment period can have a significant impact on your life and your finances, so it is important to weigh your options carefully and to make your decisions during the open enrollment period.

Failure to comply with your employer's open enrollment deadline could result in a loss of coverage for you and your loved ones and could subject you to a monetary penalty imposed by the Affordable Care Act (ACA). Missing this deadline also means that you could be unable to make changes or enroll in benefits until the next open enrollment period.

One exception to this rule is if you experience a life-changing qualifying event that would trigger a special enrollment period (SEP).

Events such as getting married or divorced, having or adopting children, or losing eligibility for other health coverage can trigger special enrollment rights. In some cases, you can also qualify for special enrollment if you become eligible for a premium assistance subsidy under Medicaid or a state Children's Health Insurance Program (CHIP).

If you think you might qualify for a SEP, contact your HR manager. If you have not recently experienced a life event, but have missed the open enrollment deadline, you should also contact your HR manager to find out whether you have any other options.

Missing the open enrollment deadline means that you will be unable to make changes or enroll in employer-based benefits until the next open enrollment period.

Options for Obtaining Health Coverage

If you miss your employer's open enrollment deadline, there are a number of ways in which you can try to obtain health insurance; however, the availability of some options will depend on their enrollment deadlines.

- **Spousal Benefits:**

If your spouse receives benefits from his or her employer and the open enrollment period is still open (or coming up), you may be able to enroll in coverage through your spouse's plan.

- **Young Adult Benefits Under a Parent's Plan:**

If you are younger than 26 years old, you may be able to be added as a dependent on your parent's plan. If your parent's plan offers dependent coverage, this option should be available to all children under 26, regardless of whether or not you are employed, married, have children or are a student. However, this option is likely available only if your parent's work-based plan offers coverage for family members and if the open enrollment period for that plan has not yet closed.

- **State Insurance Marketplace**

Depending on the timing, you can consider buying health insurance from the Health Insurance Exchange Marketplace. Marketplace coverage is only available for purchase during an annual open enrollment period, unless you qualify for a SEP. (See the SEP section of www.healthcare.gov to check). Similar to employer-based plans, a SEP can be triggered if you experience a qualifying life event.

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If the health insurance your job offered was affordable and covered the majority of your health care costs, you will not be eligible for a health insurance subsidy to help you pay your monthly premiums for a Marketplace plan. However, you may have more health plan options to choose from, including some lower-priced plans that would provide coverage for you until the your employer's next open enrollment period. For more information, or to enroll in a Marketplace plan, please visit www.healthcare.gov.

- **Medicaid**

Medicaid provides health coverage to low-income adults. Medicaid does not have open enrollment periods, which means that you may apply at any time. Eligibility for Medicaid varies from state to state, so be sure to check www.medicaid.gov or your state's Department of Health website to see if you qualify for this option.

- **Short-term Health Insurance**

If you are concerned about not having health insurance and are not eligible for any of the other options, you can consider purchasing a short-term health insurance policy from a private insurance company. These are temporary plans for those who are awaiting longer term, major health coverage. They generally do not cover pre-existing conditions, are not guaranteed-issue (meaning that you are not guaranteed coverage) and are subject to state and insurance company limits on how many times this type of insurance can be renewed. Most importantly, short-term insurance is not considered "minimum essential coverage" under the ACA, which means that even if you are able to enroll and maintain coverage until the next open enrollment period at your workplace, you may be subject to paying the individual mandate penalty (see below) with your federal tax return.

What Happens If You Don't Take Any Action?

Under the ACA, most individuals must obtain health coverage or pay a penalty with their federal tax returns. The fee for not having adequate coverage is the higher of the two following amounts:

2015:

- 2 percent of your yearly household income.
- \$325 per person for the year (\$162.50 per child under 18). The maximum penalty per family using this method is \$975.

2016:

- 2.5 percent of your yearly household income
- \$695 per person for the year (\$347.50 per child under 18). The maximum penalty per family using this method is \$2,085.

You could simply pay the penalty and remain uninsured until the next open enrollment period opens up. However, accidents and diseases can strike at any time, so the cost of being uninsured can add up quickly. Additionally, this may not be a viable long-term strategy as the penalty amounts are scheduled to increase each year.

As explained, there are other options for you to obtain health insurance if you have missed your open enrollment deadline. However, many of these are costly, not as beneficial as employer-provided benefits, have limited availability, are highly difficult to attain or are unattractive. In addition, many employers offer other benefits besides dental, vision and health insurance. If you miss the enrollment deadline, you could experience loss of these other benefits as well.

FSAs, HRAs and HSAs

Many employers offer one or more health spending accounts as part of their benefits packages. Depending on which type of account your employer provides, missing the open enrollment deadline will result in different consequences.

- **Flexible Spending Account (FSA)**

You can put up to \$2,550 per year into an FSA account, which can later be used to cover specified health care costs. These arrangements are tax-free and are only available with job-based health plans. As a result, if you missed your open enrollment deadline, you will not have ample funds in your FSA, and you will have to pay out of pocket for any costs your insurance does not cover. Also, if your employer usually makes a contribution to your FSA, you would miss out on that. Your taxable income will also be higher if you are not making pre-tax contributions.

- **Health Reimbursement Arrangement (HRA)**

A HRA is an account set up and funded by your employer. While some employers allow unspent funds to be carried over to future plan years, most do not. In the event that you have unspent money in your account and your employer allows carryovers, you would need to remain HRA-eligible (enrolled in the company health plan) to access those funds. Therefore, if you miss your employer's open enrollment deadline, you will typically lose access to your HRA as well, and you will have to pay out of pocket for any costs your insurance does not cover.

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- **Health Savings Account (HSA)**

A HSA is an account, owned by you, in which you can contribute either pre-tax or post-tax income. If you miss the open enrollment deadline to make contributions to this type of account, you will be unable to contribute pre-tax amounts to your HSA using payroll deductions, and your taxable income will be higher. Also, if your employer makes any contribution to the HSA, you would miss out on that.

However, you can still make contributions to an HSA if you are an eligible individual, and you can deduct any amounts contributed. If you missed the opportunity to set up an HSA through your employer, you can still set one up on your own with a bank or other HSA custodian if you are an eligible individual.

Although you can certainly pay out of pocket for additional health care costs, without tax-advantaged funds, these expenses can be overwhelming. If your employer offers either an FSA or HSA, it is true that you are typically the only contributor to these accounts. However, the money you are contributing is pre-tax. Missing out on either of these will result in your post-tax budget taking a hit. Be sure to enroll in a health spending account that your employer offers before the open enrollment period closes so that you can receive the health care that you need without having to empty your pockets.

Don't Forget About Your Other Benefits

Additionally, if you've missed open enrollment, you will be missing out on a lot more than just health care benefits. Some other benefits that you may be losing out on include the following:

- **Life Insurance:**

If you have lost coverage or do not have ample coverage for the next year due to missing the open enrollment deadline, consider buying a term life policy from a third-party to ensure that you and your loved ones will be taken care of if anything should happen to you. Talk to The Elan Group for more information on this option.

- **Retirement:**

Although it may seem like missing a year of contributions to an employer-matched plan is not a big deal, setting yourself up for a comfortable lifestyle after retirement should be a top priority. If you are worried about falling behind on saving for retirement after losing out on the ability to make contributions to your employer-sponsored retirement fund, consider setting up an individual retirement arrangement (IRA) or a Roth IRA on your own. You should also reference your tax withholding statement and make adjustments to your allowances accordingly as you will no longer be receiving the tax break on retirement deductions from your paycheck.

- **Disability**

Disability insurance replaces some of your income if an injury or illness prevents you from working, which can ease the financial burden on a household. Short-term disability (STD) pays you a portion of your income for a short period of time (generally between nine and 52 weeks) after you run out of paid sick leave. Long-term Disability (LTD) pays you a portion of your income after you run out of both paid sick leave and STD. If you have missed open enrollment and are unable to enroll or amend your work-based policy, consider purchasing coverage on your own. Talk to The Elan Group for more information on this option.

Summary

Missing your employer's open enrollment deadline can be costly. Be proactive—mark deadlines on your calendar and create reminders in your phone so that you do not miss your employer's open enrollment period. If you do happen to miss the deadline, be sure to talk to your HR manager right away.

A photograph of a family in a living room. A man is sitting on a light-colored sofa, holding a mug and reading a book. In front of him, two young children are sitting on a white rug, playing with toys. A large blue speech bubble with white text is overlaid on the image.

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