It’s that time of the year again—Christmas lights, egg nog, cozy fires, snow covering mountain tops, and of course signing up again for health insurance. If you get your insurance through the Affordable Care Act (ACA) insurance marketplace, you probably have already received mail or emails reminding you to sign up again, and informing you of the new plan’s cost (in many cases with a premium increase), and signed up.
For those with high healthcare needs (and therefore costs,) who are unable to get healthcare from an employer, these marketplaces have been a godsend. For those with low or average healthcare needs (and costs,) the ACA is often looked at as a burden and perceived as a rising cost (the latter undoubtedly being true). I think a lot of people are seeing their insurance premium go up and get sticker shock from the increased premium costs. This has lead to a widespread disapproval of ObamaCare because it has been associated with increased costs to them. But what we are forgetting in these calculations and sticker shock is that a significant amount here is countered by tax savings, and most people are not taking that into account.

Let’s put this into perspective. The majority of people get their healthcare through their employer (43%), with another 36% from the government (19% Medicaid, 17% Medicare). The uninsured rate is improving annually, with the RAND Corp estimating 16.9 million newly insured through the ACA, but still comes out to 11.4% uninsured (http://obamacarefacts.com/uninsured-rates/). So that leaves 6% of folks getting their healthcare through the
ACA insurance marketplace and just over 3% obtaining non-marketplace individual plans or other insurance sources. Chances are, if you have employer or government sponsored insurance, you will continue with those benefits, so the rest of this discussion is specifically for the latter 9% of Americans (obtaining healthcare insurance through the ACA or other sources). It makes me a bit surprised how much loud and angry rhetoric there is on Facebook and in the news about how terrible the ACA is when it is covering just 6% of America.

[To be fair, the ACA has had a dramatic impact on those with employer provided health insurance as well, not only on the employers but also on the employees who often have the additional costs passed on to them.-ed]

With increases in healthcare premiums and high deductibles posing payers a significant out-of-pocket burden for medical care, people are beginning to seek other options. One such option is a non-traditional cost-sharing plan. These are often religion-based insurance alternatives where you pay monthly “shares” [read: premium], which are sent directly or indirectly to other members who have made a healthcare cost reimbursement claim from the group. I’m not going to get into the nuances of these plans, as they were well laid out in the
WCI article referenced above, but I will say that Christian Healthcare Ministries (CHM) appears to have the best “cost-to-benefits” ratio of the cost-sharing plans I researched.

I also would be remiss not to mention that plans such as CHM do NOT cover prescription medications, birth control or abortions, preventative care (flu shot, vaccinations, many screening exams), or primary care doctor visits – as such, they place the burden of these very important health maintenance costs on you and thus they are implicitly disincentivizing these medical services. Their aim is to instead cover the bigger medical events and expenses. Also, it seems somewhat antithetical for an insurance plan approved by our government to satisfy the individual mandate for insurance to be one that requires you to be a Christian that attends church regularly – which at face value really makes me hesitate to join an exclusive organization. With this requirement, they also reserve the right to refuse payment for medical expenses determined to be caused by not adhering to “biblical principles” (ie. potentially STD treatment, alcohol / drug / smoking / or prescription drug related illnesses, etc), and may even charge an increased fee for being obese or having chronic illnesses. They also do not have to cover anything at all, since contributions are a “gift,” you are a self-paying patient, and the organization can reimburse you, or not. And although this doesn’t seem to happen to my knowledge, given their track record and the many participant reviews – there are no direct guarantees. This kind of cherry-picking and excluding of the insurance pool is really not how insurance is supposed to work to benefit society at large, but perhaps is why they are able to keep their costs down, and thus your monthly “shares” [read: premiums]. All of that said, they are a low cost alternative if you feel you fit their requirements. For simplicity I will compare my ACA plan to the CHM plan, and encourage you to follow suit and perform a similar comparison using your preferences and needs.
Last year, my ACA plan was a middle-of-the-road Silver Plan that qualified for an HSA—an important feature for me, given the tax benefits and investment opportunity of having an HSA as a *triple-tax-advantage*. Last year I paid $249 per month in premiums, while this year the same plan will cost $319 per month (albeit with higher max out-of-pocket costs). That 27.8% premium increase would result in my paying a total of $831 more for healthcare insurance in 2017. But, if you happen to be in the 33% tax bracket, like I am, then when you file a 1095-A form with your taxes to indicate the amount you spent on healthcare premiums, you are able to deduct that cost from your income, and thus receive a 33% deduction—or savings. Apply that here and in post-tax dollars it is only a $567 increase from last year, instead of $831. As a general rule, you should be thinking about true tax-adjusted annual plan costs so you can better compare options.

For full disclosure, I am a healthy 33-year-old male emergency physician in the 33% tax bracket, a non-smoker without prior conditions, living in Salt Lake City, UT. I’m generally a good bet for an insurance company, and thus my plans tend to be cheaper than others. My predicted medical expenses include a
prescription sleeping medication I take sparingly when flipping night and day shifts, occasional antibiotics when I travel overseas, an annual screening blood test, and occasionally an imaging study when I take a tumble exploring the Utah wilderness. I’m also an emergency physician, so any lacerations, sprains, non-scheduled medications or lab studies that I need I can often take care of by myself or through colleagues. My unpredicted medical expenses are, well, totally unpredictable (a broken leg and an ACL rupture, both requiring surgical repair), but over the past 10 years I have had nearly zero expenses for 7 of them, 2 years with incidents that required my full deductible, and 1 year with a partial deductible need. This doesn’t count small things like primary and preventative care, annual checkups/physicals, travel medicine, and occasional prescriptions. It is notable that I am not religious but grew up in a Catholic family. I fear that there may also be a remote possibility that if I try to get reimbursed for expenses, CMH may disqualify me from their plan and benefits based on my poor church attendance record, found to be living with an unmarried partner, consuming alcohol, or other behavior behavior outside of “biblical principles”. Also of note is that I will be comparing individual but not family plans—having a family will change the numbers, so feel free to adjust these calculations to your specific situation.

Comparing Health Sharing Plan With a Bronze ACA Plan
The Christian Healthcare Ministries (CHM) coverage I wanted would cost: $1,940/yr ($150/mo for the gold plan + $140/yr Brother’s keeper – which removes the reimbursement cap), with a $500 deductible per incident, and no coverage if the bill is <$500 (ie primary care, preventative care, lab studies etc). Double that cost if your family is a single-parent and children, or you are a married couple, and triple that if you are a married couple with children. CHM (and some other cost-sharing plans) is an eligible option under the ACA, and thus if you fill out IRS Form 8965 ‘Health Coverage Exemptions’ then you will not be penalized for the individual mandate of insurance (2.5% of household income up to the maximum of the national average of an ACA Bronze plan which was $2,676 in 2016). If you or I had to pay the penalty, CHM wouldn’t even be on the table for discussion.

However this is $1940 in POST-TAX MONEY you are spending AND you are not able to contribute pre-tax money into a HSA because this isn’t a high-deductible health plan. Adjusting the $1,940/year to pretax dollars is $2,895. So you have to compare this number to whatever plan you are considering. You also have to realize that contributing $3,400 to an HSA gives you a tax savings of $1,675 (again assuming the 33% tax bracket).

Another significant difference is if you have a significant medical bill. The “deductible” on CHM is only
$500 for a medical incident, so the total of the “deductible” and the “shares” (premiums) would be $2,440.

By comparison, a Bronze HSA plan (I am only considering HSA plans) will cost $2,867 / year in pretax insurance premiums alone, which is actually very similar to the CHM plan in pretax dollars. Insurance premiums are deducted from my taxable income, thus I am saving $946 – so true post tax cost is $1921. I will also be able to contribute $3,400 (in 2017) to my HSA account, giving me a $1,122 tax saving. So annual premium $2,867 – premium deduction $946 – HSA deduction $1,122 = $799 in post tax expenses for the plan. That’s $66.56 per month, which really doesn’t sound that bad anymore, especially when compared to what I spend on my cell phone plan. Unfortunately the bronze plan comes with a $5,750 deductible. Now let’s say you have some medical expenses which will require you to pay out-of-pocket (OOP) until your deductible is met. So you need to also consider that this plan may be as low as $799 post-tax expenses if you have no healthcare costs, or $6,549 if you meet your deductible in costs, or even $7,349 if you reach your maximum out-of-pocket. A Silver HSA plan with a $2,500 deductible would cost $4,321 (pre-tax) or $1,773 (post-tax including HSA deduction). For me, that made the silver plan unattractive (especially when you compare it to CHM).
How Much Health Care Will You Consume?

If I have ANY high medical expenses (any surgery or hospitalization will likely cause you to meet your full deductible and OOP expense) then I will save a LOT of money ($1,500 to $3,592) with the CHM plan, because I would only be paying $500 per medical incident. If I have NO medical expenses, I can expect to save $1,457 in premiums vs the CHM plan by selecting the cheapest Bronze HCA plan from the exchange. The middle ground is where it gets murky trying to decide. My personal history is one of 7 years of no expenses, 2 years of full OOP, and 1 year of \( \frac{1}{2} \) OOP expenses. Play that scenario out to an annual average, and the Bronze ACA and CHM plans are nearly identical (with CHM $170 more costly in a year based on post-tax dollars). This seems to be the inflection point in these two plans. That is to say that when you reach maximum OOP healthcare expenditures more than 30% of the time, then CHM plan seems to be cheaper than a Bronze ACA plan. The converse being if you have no healthcare expenditures >70% of the time, a Bronze ACA plan is cheaper.

It is also worth noting that is hard to determine the benefit of having a triple-tax-advantaged HSA account, and how much more that is worth to you. To me, I see a lot of benefit of having an account that will compound and grow quicker than any other investment account I have, so I tend to weigh that highly. Also, there are a lot of small costs not covered by CHM plan that could add up (primary care, preventative care, medications, and anything under $500). That said, savvy healthcare consumers and physicians can often find ways to save money in healthcare. For example, you can order your own lab studies and interpret them using a service like Econolabs.
and getting their annual panel for $115 (CBC, CMP, UA, TSH, Lipid, PSA). For radiology exams, use Health Care Blue Book and get a Chest X-Ray for $51, Wrist X-Ray for $56, non-contrast knee MRI $545. And use your knowledge of drugs to obtain cheap prescription medications using generics and similar class alternatives through the $4 and $10 list of meds from Walmart.

In the end, I decided on getting the Bronze HSA Plan from the ACA exchange, as I think I can keep my medical costs down (fingers crossed), and I would like to contribute as much as possible into my HSA account while I am young so that it can grow rapidly to be used later when I am more likely to need it, thereby reaping the triple-tax-advantage.

This is just one example (of my personal situation) and my thought process with analysis of 3 plans – the preferences, context, specifics, and costs most certainly would differ for you. This is a comparison of apples to oranges, as you have different benefits, costs, and coverages with each plan, so it gets both complicated and difficult to predict what best fits you. But hopefully following my process can help you come to a better decision about what plan to choose for this significant annual line item bill. But don’t forget, the whole reason we get insurance is to protect us from serious or catastrophic financial loss – make sure you don’t get in a situation where you are underinsuring yourself. For those of you that already signed up for an ACA plan and feel you want to change, its never too late as there are no deadlines for joining CHM, but going the other direction is more difficult since there are well-defined open enrollment periods.

[Editor’s Note: Dr. Kanaan makes some excellent points that he discovered from his research. Let me summarize what I see as the key points:}
1. Health-sharing plan shares are not-deductible and no health-sharing plan is HSA eligible. Thus, for high earners and good savers, there is a serious disadvantage to using a health-sharing plan and you must tax-adjust any comparison.

2. Health-sharing plans do not qualify for the ACA tax subsidies, which are significant for even above average Americans.

3. “Deductibles” are much lower for health-sharing plans than even the more expensive HSA eligible plans. However, they are “per incident,” not “per year.”

4. Low health care consumers should focus on after-tax premium cost and HSA benefits.

5. High health care consumers should focus on maximum out of pocket costs including premiums and all tax-deductions.

6. The value of an HSA is difficult to determine, but it becomes more valuable the more you earn, the longer you can leave the money in the account, and the better job that you do investing it.

7. Physicians should be expert users of economical health care due to their knowledge and access to professional courtesy.

8. A high-earner who does not qualify for a subsidy can purchase a plan on the open market through an insurance broker rather than through the ACA plan, but the end result is basically the same.

What do you think? What are you using for health insurance? Why? Did you run the numbers and come to a different conclusion than Dr. Kanaan? Comment below!