Know Your Benefits

What Happens When You Waive Your Health Benefits

Open enrollment is the annual opportunity to review your health coverage options and make elections for the coming plan year. For some employees, that may include the decision to waive employer-sponsored coverage. Because those elections generally remain in effect for the entire plan year, it helps to understand the implications before making a choice.

This article explains what it means to waive coverage, the factors to consider before doing so and what changes once the decision is made.

Open Enrollment Is Your Annual Decision Point

Most health plans allow changes only during open enrollment or after a qualifying life event. Outside of those periods, your benefit elections generally remain in effect for the entire plan year, whether you enroll in coverage, select a different plan or waive coverage altogether.

Open enrollment is the primary opportunity to review your current needs and available options. Changes in your health, finances, family situations or other circumstances may affect whether last year's decision still makes sense for the year ahead.

What Happens If Coverage Is Waived

Waiving coverage means declining enrollment in your employer's health plan. Employees may choose to waive coverage for a variety of reasons, such as having access to coverage through a spouse, parent or another source.

Before making that decision, it can be helpful to understand how your current coverage, household needs and financial considerations compare with the coverage available through your employer.

The following are common factors employees consider when deciding whether to enroll or decline coverage:

- **Other coverage**—If you have access to coverage through a spouse, parent or another plan, you may wish to compare the available options. Premiums, deductibles, out-of-pocket maximums and provider networks can vary significantly from one plan year to another, even when the coverage appears similar.
- **Current health needs**—Your health and expected use of medical services may influence your decision. It may also be useful to consider how coverage would apply in the event of an unexpected illness, injury or other medical need during the plan year.
- **Plan details**—If you are unsure how a plan works or what it covers, reviewing plan materials can provide additional clarity. HR representatives and benefits advisors can often help explain coverage options, plan features and estimated costs.
- **Dependents' coverage needs**—If a spouse, domestic partner or children rely on your coverage, any enrollment decision may affect their access to benefits. Reviewing coverage needs for the entire household can help provide a more complete picture of available options.
- **Enrollment deadlines**—Open enrollment occurs during a designated period each year. Employees who waive coverage or do not enroll during the period generally must wait until the next open enrollment window to make changes unless they experience a qualifying life event.

What Changes If You Decline Coverage

Once open enrollment ends, your coverage election generally remains in place for the rest of the plan year. If you waive coverage, you typically cannot enroll later unless you experience a qualifying life event.

Common qualifying life events include:

- Marriage
- Divorce or legal separation
- Birth of a child
- Adoption or placement for adoption
- Loss of other health coverage
- A dependent losing eligibility for coverage
- Certain changes in employment status that affect benefits eligibility

If you experience a qualifying life event, plans often require you to make coverage changes within a limited period, usually 30-60 days after the event. If that window is missed, you may need to wait until the next open enrollment period.

Understanding these rules is important because health needs can change unexpectedly throughout the year. While many people who waive coverage have access to another health plan, gaps in coverage can create financial challenges when medical care is needed. According to KFF, 41% of U.S. adults report carrying medical or dental debt, and it estimates that Americans collectively owe at least $220 billion in medical debt. These figures are not specific to employees who waive employer-sponsored coverage, but they illustrate the financial impact that can occur when healthcare costs must be paid without adequate coverage.

Before Finalizing Decisions

Whether you enroll in coverage or waive it, taking the time to review the details can help ensure your election aligns with your needs for the upcoming plan year.

Before submitting your elections, consider the following:

- Compare any alternative coverage with your employer's plan, including premiums, deductibles, out-of-pocket maximums and provider networks.
- Review coverage needs for all dependents, including anyone who could lose eligibility under another plan during the year.
- Consider whether alternative coverage could change or end during the plan year and what options would be available if that occurs.
- Confirm open enrollment deadlines and any required enrollment actions.
- Identify a resource for questions before enrollment closes, whether that is HR, a benefits advisor or plan administrator.

Conclusion

Waiving coverage is one of several options available during open enrollment, and the right choice depends on your coverage needs, available alternatives and personal circumstances. Understanding how waiving coverage works, what enrollment rules apply, and how your decision may affect you and your dependents can help you make an informed election for the plan year ahead.

If you have questions about your coverage options, plan details or enrollment requirements, contact us before open enrollment ends.