



How to Avoid Medical Debt

People often think of their home or their retirement fund as their greatest asset, but it's actually their ability to earn a living, to produce a revenue stream. And you don't have to be a financial genius to understand that your ability to remain productively employed is heavily dependent on maintaining your physical health. Let's face it, without your health your income is jeopardized and so is everything else.

Medical debt is a leading cause of bankruptcy in the US—a fact made even more frightening because it is devastating people who actually have health insurance. According to recent statistics from the Commonwealth Fund, a nonprofit health care action group, more than 17 percent of Americans live in families who spend over 10 percent of after-tax income on health care. That's a lot of money being spent on trips to the doctor's office.

One of the most damaging aspects of medical debt is that it may occur suddenly and pile up at lightning

speed. An overnight hospital stay—depending on tests and treatments—may easily cost several thousand dollars. Like most financial crises, it's tough to find solutions when you're facing an emergency.

The bottom line: Your health is potentially your biggest money issue. FPA® offers the following tips for avoiding devastating medical bills.

See if you can get healthier. The Center for Disease Control reports that 66.3 percent of non-institutionalized US adults aged 20 or over are overweight or obese. Getting involved in a personal or group weight loss program and actually cutting pounds will significantly lower your health risk factors. Quitting smoking and limiting alcohol intake are other good moves to make. Consult your primary care physician to map out a strategy.

Review your health insurance coverage. If you are insured through an employer or buy your own coverage as a self-employed person, investigate

what that coverage actually provides in everything from minor emergency room visits to major catastrophic diseases, such as heart problems or cancer. There's a good chance those benefits change—and have probably decreased—year-to-year. It's a good idea to seek help with this process. A trusted insurance agent or a trained financial adviser can review this coverage with you or recommend someone who can.

Check your disability coverage. If you were sick and unable to work for a lengthy period of time, when would your disability coverage kick in and how long would it pay your living expenses? If you are self-employed or don't have this benefit at work, you should discuss it with an expert.

Pre-plan a health care spending strategy. Granted, it's tough to ask how much a hospital's tests, medications, and procedures are going to cost if you're strapped unconscious to a gurney. But everything in a hospital has a price—everything from tissues to MRIs. Talk to your primary care physician about ways to save

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Find Ways to Consume Less

State Children's Health Insurance Program (SCHIP)

If you are having difficulty affording health insurance coverage for your family, the State Children's Health Insurance Program (SCHIP) may be an option for you. SCHIP is a federal government program that gives money to states to provide health insurance to families with children. The program was created in 1997 to cover health expenses for uninsured children in families whose incomes are too modest to afford health insurance but too high to qualify for Medicaid.

States are able to determine their own SCHIP eligibility requirements and policies within federal guidelines. Like Medicaid, SCHIP is a partnership between federal and state governments. The programs are run by the individual states according to requirements set by the federal Centers for Medicare and Medicaid Services. States may design their SCHIP programs as an independent program separate from Medicaid (separate child health programs), use SCHIP funds to expand their Medicaid program (SCHIP Medicaid expansion programs), or combine these approaches (SCHIP combination programs). States receive enhanced federal funds for their SCHIP programs at a rate above the regular Medicaid match.

In August 2007, the Bush Administration announced a rule requiring states to use 95% of the funds for families with children where the family income is 200% or less of the federal poverty level, before using the funds to serve families earning more than 250% of the federal poverty level. The federal government said that 9 of the 17 states that offer benefits to

higher-earning families were already compliant. Contact your state Child Services Department for information about SCHIP or visit www.cms.hhs.gov.

Medicaid

Medicaid is the United States health program for individuals and families with low incomes and resources that is jointly funded by the states and federal government and is managed by the states. Among the groups of people served by Medicaid are eligible low-income parents, children, seniors, and people with disabilities. Medicaid was created on July 30, 1965, and is the largest source of funding for medical and health-related services for people with limited income.

Each state administers its own Medicaid program while the federal Centers for Medicare and Medicaid Services monitors the programs and establishes requirements for services, quality, funding, and eligibility standards. States can determine their own name for their state program.

State participation in Medicaid is voluntary; however, all states have participated since 1982. In some states, Medicaid is subcontracted to private health insurance companies, while other states pay providers (i.e., doctors, clinics and hospitals) directly.

Dental services are also available under Medicaid. Dental services are an optional service for adults above the age of 21; however, this service is a requirement for those eligible for Medicaid who are younger than age 21. Contact your state's Department of Health and Human Services or visit www.cms.hhs.gov for more information. ■

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on costs during office visits and prior to any planned hospital stays and also talk about extended payment options if you feel you'll need one.

Talk to a health care insurance expert about ways to review a potential hospital bill so you can refuse unnecessary items during your stay. Once you have these ideas written down, make sure the person you've designated as your health care power of attorney has them so they can act in your stead if you're incapacitated. These are particularly important questions to ask if you are moving an elderly relative into a nursing home or assisted-care situation where everything from aspirin to adult diapers carries an inflated price.

Put tax-advantaged savings strategies in place.

You may have the option to put money into a flexible spending account (FSAs) at work and/or set up a health savings account (HSAs) as part of your enrollment in a qualified high-deductible health plan. Unlike FSAs, HSAs allow balances to be carried forward year-to-year, growing on a tax-free basis as long as they're used for medical expenses—this way, you can accrue a fairly large nest egg against uncovered expenses while you're still healthy. Get some advice from an expert on how to best use one or both kinds of accounts if you have those options available to you.

Create a health insurance emergency fund.

An emergency fund would be useful to cover the deductibles and co-insurance on your health insurance if you don't have an HSA in place. Health insurance policies will list a "total out of pocket" amount on the coverage page, which can run thousands of dollars—try to keep this amount in reserve. ■

Medical Knowledge Trivia

Check out these bits of medical trivia and then take the quiz below.

1. Misuse of alcohol is the third leading lifestyle-related cause of death in the United States and accounts for 75,000 deaths per year.
2. Health problems directly associated with alcohol misuse include liver cirrhosis, pancreatitis, liver cancer, and high blood pressure.
3. It is not okay for a woman to drink while pregnant. It is always dangerous. Problems associated with drinking while pregnant include low birth weight, birth defects, and fetal alcohol syndrome.
4. Approximately 179,000 new cases of invasive breast cancer were expected to be diagnosed last year. Approximately 40,000 women were expected to die of breast cancer last year.
5. The American Cancer Society recommends that all women have yearly mammograms beginning at age 40. Many insurance providers cover the cost of a yearly mammogram.
6. Hypertension, or high blood pressure, is called the “silent killer” because in the vast majority of cases, the patient shows no symptoms.
7. Nine out of 10 people will develop high blood pressure at some time, increasing their risk for heart disease and stroke. Heart disease is the #1 cause of death in the US.
8. Men have more heart attacks but women are twice as likely to die from heart attacks because some of the symptoms women experience may be mistaken as symptoms of another condition.
9. Lung cancer is the most commonly diagnosed cancer. Early detection is very important for effective treatment.
10. Lung cancer is the leading cause of cancer deaths among both men and women, and 87% of lung cancers are caused by smoking.

Test Your Knowledge

1. The third leading lifestyle-related cause of death in the United States is misuse of _____.
2. Last year, approximately _____ women were expected to die of breast cancer.
3. At some time in their lives, high blood pressure will be developed by _____ out of _____ people.
4. The most commonly diagnosed cancer is _____.
5. Liver cirrhosis, pancreatitis, liver cancer, and high blood pressure are all health problems directly associated with misuse of _____.
6. Low birth weight, birth defects, and fetal alcohol syndrome are all problems that can be caused by a pregnant mother _____ while pregnant.
7. _____ is the leading cause of cancer deaths in men.
8. _____ is the leading cause of cancer deaths in women.
9. _____ have more heart attacks than _____ but more _____ die from heart attacks than _____.
10. Women should have a yearly mammogram beginning at age _____.
11. The #1 cause of death in the US is _____.

TIPS & TRICKS

Little Tips That Could Go a Long Way

Check out ALL the benefits of your health insurance.

Your health plan may offer valuable services that you don't get told very much about. Explore the company's website if they have one and read all the benefit information you are provided to learn what's available.

For example, some insurance companies have nurses on call twenty-four hours a day to answer questions and give simple medical advice about whether symptoms you are having warrant a visit to the doctor's office. Some plans even offer discounts on gym memberships, massage treatments, and weight-loss programs.

Other options offered by some insurance plans include mental health care, marriage and individual coun-

seling, and free classes in personal care, organization, and stress relief.

Many insurers also cover preventive care like mammograms and pap smears, which help you stay healthy longer. Be sure to find out just what is available to you.

Make a list of covered medications.

Take a copy of your insurance company's list of the prescription medications covered by your benefits next time you make a visit to your doctor. Many insurance companies cover a larger portion of some medications than others so some medicines cost you more than others. If your doctor knows what's on your insurer's list, he can select the best medication for you at the lowest price. Many times

there is a generic version of a drug that can be used that is much less expensive and still offers the same benefits.

Don't be afraid to tell your doctor what your financial situation is.

Are you short on cash? Do you have a high insurance deductible? Don't be embarrassed to tell your doctor or dentist. He or she may be able to suggest less-costly treatment options or even agree to lower fees. In fact, a Wall Street Journal/Harris Interactive poll found that three out of five people who negotiated with their doctors received discounts. Some doctors offices would rather work directly with their clients on a cash basis than deal with the paperwork and bureaucracy of the insurance companies. Some will even offer a large discount for their services if they are paid in advance

Avoid the emergency room if possible.

Never use the emergency room as a substitute for your regular doctor. You'll pay much more, and you'll probably wait longer to be seen. If your child feels lousy on a Friday morning, make an appointment with the doctor for that day or visit an insta-care practice which are often a faster and less expensive alternative to a hospital emergency room. ■

Catastrophic Health Insurance Coverage Could Save You Money

If you are not able to obtain subsidized health insurance through an employer and are trying to find coverage on your own, you can often reduce the cost of that coverage by choosing the highest deductible you can find. For example, catastrophic health insurance policies require that you pay for the first \$1,000 to \$5,000 in medical bills out of your own pocket, and the insurance covers everything beyond that amount up to a limit of \$500,000 to \$1 million.

So, instead of costing \$300 to \$500 a month for two people in their 30s (which is the typical cost for lower-deductible plans), catastrophic policies can run in the neighborhood of \$100 to \$200 a month, which can certainly ease the burden when you're trying to live within a limited monthly budget. And while the costs increase the older you are, catastrophic coverage will still be less expensive than the alternatives. For example, a couple aged 55 could pay more than \$1,200 a month for a traditional medical plan, while high-deductible plans will cost around \$500. ■

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