

CUTTING HEALTHCARE COSTS



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It's cliché, but it's true: Your health is your most important asset. It's also a very expensive one to maintain. According to the [Centers for Medicare & Medicaid Services](#), U.S. health care spending has reached \$11,582 per person. These medical bills can turn into medical debt if you aren't careful.

To cut health care costs – and prevent medical debt – you need to learn about the “3 C’s of Health Care Costs:”

1. Care
2. Communication
3. Collections

This guide elaborates on the 3 C’s and gives you simple tips for reducing the price of your medical care.

Care

This is arguably the most important section of this guide. Caring for your health physically, mentally, and financially is the best way to prevent higher medical costs as you age.

These [charts from the health insurance company Cigna](#) offer proof:

How much could blood pressure under 140/90 save you a year?

	OUT-OF-POCKET HEALTH CARE COSTS (YEARLY)	TOTAL HEALTH CARE COSTS (YEARLY)
Blood Pressure Unknown	\$3,143	\$7,716
Blood Pressure < 140/90	\$2,730	\$5,652
DIFFERENCE	\$413*	\$2,064*

How much could cholesterol under 240 save you a year?

	OUT-OF-POCKET HEALTH CARE COSTS (YEARLY)	TOTAL HEALTH CARE COSTS (YEARLY)
Cholesterol > 240	\$3,102	\$7,392
Cholesterol < 240	\$2,749	\$5,748
DIFFERENCE	\$353*	\$1,644*

How much could a body mass index (BMI) under 30 save you a year?

	OUT-OF-POCKET HEALTH CARE COSTS (YEARLY)	TOTAL HEALTH CARE COSTS (YEARLY)
BMI > 30	\$3,320	\$8,604
BMI < 30	\$2,828	\$6,144
DIFFERENCE	\$492*	\$2,460*

* Savings derived from the “Cigna Comprehensive Evaluation of Outcomes Based Incentives”, February 1, 2015. Cigna customers enrolled in employer-sponsored plans with more than 500 employees. Assumes \$2,000 deductible, 20% coinsurance and a \$3,500 out-of-pocket max. Chronic conditions include: Coronary artery disease, congestive heart failure, chronic heart failure, chronic obstructive pulmonary disease, depression, diabetes, low back pain, osteoarthritis, peripheral artery disease, weight complications and asthma. Cigna Affordability Study, 2014.

Evidently, healthy living also means healthy savings. You can best maintain your personal health care through self-care, insurance, and prescriptions.



Self-care

Self-care is somewhat of a buzzword lately. But it's not all eating cake and taking naps – self-care also means putting in the hard work it takes to nourish your body and mind.

Healthy diet

Eating a balanced diet isn't a new idea, but it's often a difficult one to stick to. Vegetables, fruit, and protein should all be major parts of your diet. Complex carbohydrates such as oats, whole-wheat bread, and potatoes can also be part of a nutritious meal plan.

For guidance, check out [MyPlate.gov](https://www.myplate.gov). This site was created by the U.S. Department of Agriculture (USDA) and includes updated recommendations for healthy eating based on the latest research.

How will changing your eating habits save you money? Well, a study by [investigators at Brigham and Women's Hospital](#) determined that the annual cost of poor dietary habits is \$300. This money goes toward patients' health care for diseases specifically caused by poor diets, such as heart disease and type 2 diabetes. So, healthy eating could not only save your life but also save you upwards of \$300 per year.

In fact, a nutritious diet is so effective at keeping people healthy that many [researchers](#) have suggested that healthy food should be covered by insurance programs. A [Tufts University study](#) found that programs prescribing healthy food could possibly prevent 3.28 million diet-related medical conditions and lower health care costs by more than \$100 billion.

Exercise

A [study published](#) in the Journal of the American Heart Association revealed that people who exercise spend \$2,500 less on health care every year. And it doesn't take much – walking for just half an hour, five days a week is enough to keep your health in check.

You don't need a gym membership, fancy home equipment, or fashionable athleticwear to get started. If you don't feel like taking 30-minute walks outdoors, you can find YouTube video workouts led by personal trainers or even just have a dance party in your living room. Yes, that's right – a dance party. Exercise doesn't have to be boring. As long as you're moving and getting your heart rate up for at least half an hour, you're doing it right.

Reducing stress

Stress not only hurts your mental health, but your physical health as well. The [National Institute of Mental Health](#) says that stress can contribute to heart disease, high blood pressure, and diabetes, among other life-threatening (and expensive) diseases.

Stress-reducing activities are just as important to add to your routine as a healthy diet and regular exercise. Meditation, creative hobbies, and baking are just a few of the many activities that can help you feel less stressed. Exercise can also help by triggering the release of endorphins and other feel-good chemicals in your brain. Visit the learning center at [Stress.org](#) for more information about how stress affects your health and how you can control it.

Primary care visits

Ironically, the best way to avoid expensive doctor visits is by regularly seeing a doctor. Getting your yearly checkup ensures that any serious health issues are caught early.

Early detection is incredibly important for both your health and your out-of-pocket costs. For example, [studies in high-income countries](#) (such as the United States) revealed that treatment costs are two to four times lower for cancer patients diagnosed early than for those diagnosed with advanced-stage cancer.

Attending your annual physical exams can also help decrease your health insurance premiums. Insurance companies know that those who regularly see a physician are less likely to have more serious health problems later.

So, remember: Preventative care is *always* cheaper than the alternative.

Caring for children's health

You likely regard the health of your children as more important than you own. However, staying on top of your own health helps set a good example for your kids. Ensure you are using the advice above for your children's health, as well. Varied diets, regular exercise, and regular checkups with the pediatrician are essential for growing kids.



Here are a few other tips to keep in mind:

- Make sure your kids are always using their seatbelts and have the proper car seats for their respective ages.
- Children and teens should always wear helmets during activities such as bicycling, skateboarding, rollerblading, etc.
- Secondhand smoke can be extremely harmful. If you can, stop smoking. If you don't stop, at least smoke far away from your children.

Insurance

While it can be difficult to afford health insurance these days, it can be risky, both financially and health-wise, to go without. In fact, a [study](#) showed that 530,000 bankruptcies filed annually are due to medical debt caused by an illness. Putting off routine medical care may lead to more serious (and expensive) health problems down the road. Health insurance is one way to help pay for the care you need, and perhaps even keep your family out of bankruptcy.

Even with the Affordable Care Act, health insurance is still a major drain on Americans' budgets. While there's no easy solution to the health insurance dilemma, there are strategies you may be able to use to help make it more affordable. Here are some places to start:

Shop frequently

Websites such as [eHealthInsurance.com](https://www.eHealthInsurance.com) and [HealthMarkets.com](https://www.HealthMarkets.com) can be good starting points. You should also talk with an experienced local insurance agent who is knowledgeable about programs in your area. It can also be helpful to call your local Chamber of Commerce to find out if

they have a health insurance committee that can provide information or referrals. Additionally, ask friends and relatives about their health insurance. They may be able to refer you to a company or insurance agent who can help you find a better plan.

Understand your coverage options

You'll likely have the choice of major medical, HMO, PPO, or POS plans. Major medical plans meet all of the minimum coverage requirements set forth by the Affordable Care Act. They are usually associated with well-known insurance companies.

HMO stands for Health Maintenance Organization. HMOs are insurance groups that provide health services for a yearly fee.

PPO stands for Preferred Provider Organization. PPOs charge a subscription fee for reduced health care service rates among a specific group of medical providers with some provider flexibility.

A POS plan is a point-of-service plan. POS plans combine elements of HMOs and PPOs. In short:

- HMO: Must choose physicians within the network
- PPO: You can choose any physician, inside or outside the network
- POS: Combines both—primary care in-network but you may go out of network for other services

It's important to pick one that fits your budget and medical needs. Generally, the more flexibility you have in choosing

doctors and facilities, the more you'll pay. Weigh the costs and benefits of those choices.

Even if you can't go from one group policy to another – for instance, if you lose your job – a short-term individual policy may be helpful to keep up with any unexpected medical expenses. If necessary, look into a short-term medical policy until you start another job or can find other insurance. You may not get the best coverage, but it may be better than no coverage at all.

Consider COBRA

Generally, if you're employed at a company with 20 or more workers and you:

- Leave your job
- Your work hours are reduced (making you ineligible for employer-paid insurance)
- You're terminated for something other than gross misconduct
- You get divorced and lose coverage under your spouse's plan

You can likely elect to continue your insurance coverage under COBRA if the above situations apply to you. You'll have to pay the full amount of the premium plus an administrative fee of 2 percent. Without your employer pitching in, that can be expensive! However, you may want to hang onto it while you find other coverage.

You generally have up to 60 days after losing your employer coverage to elect to be covered under COBRA, and coverage is then retroactive. But don't wait that long to either sign

up or find other coverage. Remember, if you go 63 days without coverage, you lose important rights under HIPAA. Get information about COBRA as soon as you leave your job so you can make an informed decision. Go to healthcare.gov/unemployed/cobra-coverage/ to learn more.

If needed, you can elect to keep coverage only for your spouse and other dependents who are covered under your employer-sponsored plan.

Act on the Affordable Care Act

Congress passed the Affordable Care Act, also known as the ACA or “Obamacare” in 2010. Among other things, it says insurance companies can’t deny you coverage because of pre-existing conditions. The ACA also mandates that everyone get insured, though this is now different in some states. Failure to do so results in a penalty in California, District of Columbia, Massachusetts, New Jersey, and Rhode Island. There is an individual mandate in Vermont, but it doesn’t have a penalty attached. Learn more about ACA coverage at Healthcare.gov.

Try the blues

Blue Cross/Blue Shield are large insurance companies and may offer programs for consumers who can’t get insurance elsewhere. Visit their main website, bcbs.com, for information on a Blue Cross/Blue Shield program in your area.

Insure for the worst

Major medical or “catastrophic” insurance features high deductibles and covers expenses like a stay in the hospital, surgery, intensive care, diagnostic X-ray, and lab tests. If you can’t afford the kind of coverage you’d like, it may make

sense to consider insuring for the worst – a serious illness or accident. Major medical policies often offer high deductibles of \$500 to \$2,000 or more.

That means the plan pays no benefits until you've reached the deductible amount. Still, it could be a lifesaver by helping your family get the medical care they need if the worst should happen.



Join the club

Check with trade or professional associations, alumni associations, or local Chambers of Commerce, all of which may offer health insurance programs for their members. But just because an association endorses a program doesn't mean it's good. Some large associations have been duped by fraudulent health care programs. Make sure you investigate and verify any group plan.

Check out Medicaid

If your income is low or you've been unemployed for a period of time, you may be eligible for Medicaid. Medicaid is a program under the Social Security Act that provides medical assistance for certain individuals and families with low incomes and resources. Medicaid is the largest program providing medical and health-related services to America's poorest people.



While there are national guidelines that the Federal Government provides, each state establishes its own eligibility standards; determines the type, amount, duration, and scope of services; sets the rate of payment for services; and administers its own program. Thus, the Medicaid program varies considerably from state to state as well as within each state over time.

Get Uncle Sam's help

As of 2003, self-employed consumers can often deduct 100 percent of their insurance premiums. If you're operating a small business, either on the side or full-time, you may want to talk with your accountant to find out whether you can deduct your premiums.

Also keep track of your out-of-pocket expenses, mileage to doctor's offices, even meals (if you travel for certain types of medical care).

If your medical expenses are high in one year, you may be able to deduct those that exceed 7.5 percent of your gross income. Ask a tax specialist for more details.

Consider an MSA

Known as a "medical IRA," a medical savings account (MSA) can give you the benefit of saving for health care expenses along with valuable tax deductions. These policies are usually available both to self-employed individuals as well as groups of one. MSAs combine a high deductible plan with a savings account. For example, you may have a policy with a deductible of \$2,000 and you may contribute \$100 per month to the plan to build up your savings account throughout the year.

Your contributions to this savings account are tax deductible, and your earnings in the account are tax deferred. If you use the money in the savings account to pay for qualified medical expenses, those withdrawals are tax-free. If you don't use the money, it accumulates in an account where it can be saved for retirement.

Shop for an MSA just as you would any other type of health plan by contacting local insurance agents or searching online. You'll find helpful details about MSAs from AARP.

Look for free or discounted care

Call your local health department to find out about free immunizations, health fairs, or health clinics in your area. The government also offers free health care information on topics related to various health conditions. Visit [hhs.gov](https://www.hhs.gov) for topics and resources.

You may also be able to receive free or discounted care on dental services, massages, acupuncture, or other types of health services from schools that need patients so their students can practice and learn. Search online for schools near you.

Reconsider emergency care

Many people these days are using emergency rooms as their physicians, either because they haven't established a relationship with a doctor or because they know they can't be turned away if they don't have insurance. It can be more expensive, however, since most emergency room visits mean charges from the hospital as well as from the doctor. If it's not truly a medical emergency, a 24-hour clinic may be less expensive.

Watch out for scams!

Before you sign up for a health insurance plan, make sure you check it out thoroughly. Thousands of consumers have been ripped off by health insurance scams that often look very real. These companies often employ slick marketing brochures with names that sound like trusted companies. It can be difficult to identify these companies, but the first place to start is with your state insurance department.

In other cases, consumers signed up for health insurance plans that were real but generated numerous complaints because of billing problems or slow payments of claims. That's the last thing you need when you're sick! A few steps can help here:

- Call your insurance broker to check out the insurance company you're considering and find out whether it's licensed and what kinds of complaints have been received. Don't do business with a company that isn't licensed or through an agent that's not licensed.
- Check the insurance company's financial stability rating with an independent company like AM Best (ambest.com) or Standard & Poors (standardandpoors.com). This can help you evaluate the company's ability to pay claims.
- Try an internet search under the company's name, perhaps also adding the word "complaints" to bring up any news releases or articles about the company. You can also check sites like the Better Business Bureau (bbb.org) or Trustpilot (trustpilot.com).

Know what you're getting

Some consumers sign up for cheap programs they think are health insurance. In fact, they may be discount health plans that

offer discounts on services from participating medical providers. While these can be helpful in reducing your costs, they are not health insurance. Instead, you'll have to pay for the services you receive, and you'll have to use a network of participating providers. Still, if you can't get insurance, they may help you keep routine costs down. These discount companies are not usually regulated by the state, so you'll have to be extra careful when researching their track record.

Know the rules

Read your plan carefully so you understand what is covered, which facilities you must use for the lowest co-payment, and procedures for receiving certain types of services such as inpatient services, outpatient services, or referrals to specialists. Fail to follow the rules and you may find yourself paying more out of pocket. If you don't understand the policy or procedures, ask the insurance company for an explanation. With health insurance, it's always better to be safe than sorry.

Watch the ceilings

Make sure your policy has a ceiling for out-of-pocket expenses for catastrophic illnesses. This is called a "stop loss" provision, and many insurance policies don't have it. In addition, look for a maximum lifetime benefit of at least \$1 million (\$2-3 million is preferable). One serious medical problem could wipe that out in a moment.

Know your rights

Under the Affordable Care Act, you cannot be denied coverage for pre-existing conditions. The U.S. Department of Health & Human Services defines a pre-existing condition as "a health problem that you had before the date that new health coverage

starts.” Some examples include cancer, COPD, and diabetes. Usually, they are long-term or chronic illnesses.

Prescriptions

Some prescriptions can cost hundreds – or even thousands – of dollars per month. If the cost is too high, ask your doctor if there are alternative treatments. If their recommended medication is the only option, use the below methods to lessen your out-of-pocket costs.

Generic brands

The FDA says that generic medications can cost 80 to 85 percent less than their brand-name counterparts. That kind of discount means big savings on prescriptions. Always ask your doctor or pharmacist if there is a generic version of the brand-name medication you were prescribed. For common drugs, there answer is often yes.

Prescription coupons

Prescription coupon websites and apps can offer medication discounts that are sometimes even better than what your insurance covers. [GoodRx](#) and [Blink Health](#) are two of the most popular. If you must get brand-name drugs, you can sometimes get coupons and discounts directly through the manufacturer’s website. Look up which company makes the medication and see if you can get a lower price.

Mail-order pharmacies

If you do have a health care plan that includes prescription benefits, you may find it (much) cheaper to order from a participating mail order pharmacy. Ask your health plan provider.

Communication

It can feel like a major taboo to discuss prices with your doctor, but it's a taboo that needs to be broken. Affordability is an important part of health care.

Providers

Ask about cost

When meeting with your general practitioner or specialists, always bring up cost. It may be awkward at first, but you can better care for your health when you're sure you can afford it. Be honest about what you can pay for. A good doctor will work with you to come up with the best treatment plan that works for your budget.

You can also ask the hospital to prepare an estimate of the cost of your stay before you go in. Whether or not you have insurance, this can help you work out a payment plan beforehand, rather than waiting until you're trying to recuperate.

Negotiate bills

If you will have trouble paying for your doctor's visits, ask your doctor upfront if you can set up a payment plan. And don't be afraid to try to negotiate a reduction in the bill. If you don't have insurance, for example, you'll likely pay more than the insurance company would. So, you may want to ask for a discount if you pay the bill at the time of visit.

Keep everything

Keep a health care file with a record of all bills, claims, and correspondence. It also helps to write down questions you want

to ask before your appointments and take notes during doctor visits. While in the hospital, if possible, question all medications and tests you are receiving and keep notes of what was administered, when. You may have to request copies of your medical records to verify that the charges for the services you received were correct. Don't be afraid to question any items on your bill. If you do believe you have found mistakes, put them in writing to the hospital billing department and keep a copy of the letter for your records.

Health insurance

Ask about benefits before treatment

Find out if a medical procedure you're having requires prior authorization. If it does, and you fail to get the authorization, you may be stuck with the whole bill. Even if you're admitted because of an emergency, most insurance companies require you to notify them within 48 hours. Make sure your spouse or family members have copies of your insurance cards in case they are needed.

Dispute bills properly

If you have a dispute over a medical bill, particularly if you think your insurance was supposed to cover it, don't simply refuse to pay. Doing so may mean the bill will be sent to a collection agency and then damage your credit for the next seven years.

Ask the insurance company how to appeal a claim if they refuse to pay for something you thought should be covered. Put any disputes or appeals in writing and mail them certified mail, return receipt requested. Keep copies of all correspondence and make notes of each phone conversation.

You can also complain to your state insurance commissioner, but don't assume they will resolve the problem for you.



They usually look for patterns of complaints before acting on an issue. If you still think the insurance company should pay for a particular bill but refuses, you may want to consult an attorney.

Speak up

If you have a complaint against your health insurance company, you can file a complaint with your state's insurance department. Visit [NAIC.org](https://www.naic.org) to learn more.

Patient advocates

A patient advocate is someone who can adequately explain your treatments, their costs, and how to navigate insurance procedures.

Some employer-sponsored health insurance plans offer the help of patient advocates. If you get your insurance on your own, patient advocates may be part of your coverage plan. You could also hire a private advocate.

The Patient Advocate Foundation provides free advice. Visit [PatientAdvocate.org](https://www.patientadvocate.org) to learn more.

Collections

The last of the 3 C's is the one to avoid the most. Unpaid medical debts can sometimes be sent to a debt collection

agency. These accounts will then be treated like any other debt in collections and can be much harder to deal with.

Avoiding collections

The best way to deal with collections is to not let your medical bills get there in the first place. Hopefully, if you've followed the instructions under the other two C's, this won't be an issue.

Don't ignore the bills

It often takes a long time for a medical provider to send a bill to collections. But if you ignore it time and time again, it may just end up there. Try to pay every bill as soon as you get it. If you can't pay it, don't ignore it – call the office or billing department and start negotiating.

Protect your credit

A medical debt in collections is treated like any other collections account. This means it will affect your credit report in the same way. It could be on your report for seven years if you don't act on it, potentially limiting your ability to make major purchases.

What to do with a health care bill in collections

Don't wait

The three major credit bureaus – TransUnion, Equifax, and Experian – enacted the National Consumer Assistance Plan in 2015. It changed medical debt reporting rules to prevent abuse by collectors. There is now a grace period of 180 days before a collector can report a medical debt account to the credit bureaus.

Take action as soon as possible to prevent the account from

being added to your report. If you or your insurance pays the bill before the 180-day period ends, the account will not affect your credit.

Ask for proof

A collections agency must legally provide proof of the debt if you ask for it. Before doing anything else, request that the agency mail you proof of the debt. It may be a scam if they don't.

Contact your provider

Sometimes, a health care provider may be willing to take an unpaid bill back out of collections. Ask the hospital or medical office about the bill and how you could work with them to pay it outside of collections.

Contact your insurance company

Perhaps the health care service you were billed for was supposed to be covered by your insurance and there was a mistake. If that's the case, the collections account will immediately be removed from your credit report once paid by insurance.

Pay it yourself

Pay off the debt in full if you can afford it. The collections account will remain on your credit report, but will fall off after seven years. You can also attempt to settle the debt for less than what you owe, although this will also negatively affect your credit report.

What about “pay for delete?”

Those who settle their medical debt in collections may want to try the “pay for delete” method of removing the account from their credit report. Experts don’t recommend this, because it’s not reliable and can sometimes be a scam. Instead, try negotiating to have the collections account listed as “paid in full” on your credit report instead of “settled.”

Other medical debt relief options

Credit counseling

For help deciding on the best medical debt solution for you, you can call a certified counselor. If you then enroll in a Debt Management Program (DMP) for your credit card debt, you may also be able to enroll your medical debt. However, you cannot enroll in a DMP for medical debt alone.

Debt settlement

To settle your debt, you make an agreement with the collector to pay less than what you owe. It will hurt your credit and you will either have to make a lump-sum payment or monthly payments. You can attempt to negotiate a settlement on your own or contact a debt settlement agency.

Bankruptcy

You may be able to discharge your medical debt collections account if you file for bankruptcy. You will get a fresh start if you file, but it will also majorly damage your credit.