LOWERING THE COST OF HEALTH CARE

SEPHTON FINANCIAL

WIDOW & WISDOM™

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INTRODUCTION

America's spending on health care is growing faster than the rest of the economy. What are the reasons for this, and what can you do to lower your health-care costs?

WHY IS THE COST OF HEALTH INSURANCE RISING?

The main reason for premium increases is the growing cost of health care itself. Several factors are contributing to the rise in health-care costs:

- **Increase in the average age of the population**
- **New medical technology**
- **High administrative costs**
- **More government regulation**
- **Oversupply of health-care facilities**
- **Overuse and misuse of medical services**
- **Prescription price increases and their increased use**
- **Tougher medical provider negotiations with health plans**
- **Consumer demands for easier and broader access to care**
- **The medical needs and demands of 77 million baby boomers**
- **Investors putting pressure on insurance companies to be profitable**

What can you do to lower the cost of health insurance? Obviously, there are areas you have no control over. But there are some things you can do.

BECOME AN INFORMED CONSUMER

Group insurance is less expensive than individual health insurance. If you can't get group coverage from your employer, investigate buying insurance through another group such as a fraternal or professional association.

If individual coverage is the only alternative, look at different types of plans. For example, if you need insurance for just you and your spouse, individual policies may be less expensive than a family plan. Research the benefits and options. Find out which best suit you and your family. Don't buy more insurance than you need. Many on-line resources are available to help you purchase health insurance. However, an insurance agent or financial advisor may save you both time and money.

You may be able to save money by self-insuring against routine medical expenses (i.e., paying routine medical expenses out of pocket) and buying major medical insurance to cover only costly illnesses or emergencies. If your cash reserve is large enough to pay for minor medical expenses, you should consider choosing a higher deductible. For example, increasing your deductible from $250 to $500 could significantly lower your insurance premiums.

You may also shop for health insurance coverage through either a state-based or the federal health insurance Marketplace. You can compare health plans according to price and quality, and purchase an affordable plan through a Marketplace that best meets your health insurance needs.

OTHER WAYS TO REDUCE PREMIUMS

- **Avoid purchasing single disease policies**
- **Avoid duplicating any coverage your spouse may have from his or her employer**
- **Ask how much you can save by paying premiums annually**

After you determine what you need, compare at least three companies for the best deal. Remember that the lowest price does not necessarily mean the best plan. Ask questions such as:

- **What is the plan's history of premium increases?**
- **How much notice is given before a premium increase?**
- **How are deductible and out-of-pocket costs figured?**
- **What are the co-payment levels, and when are they charged?**
- **What is excluded?**
- **How long is the free-look period?**
- **Is the insurance company financially healthy?**

Try to get quality and accreditation reports on the plans you are considering. Quality reports contain consumer ratings that outline how satisfied consumers are with the doctors in their plan and how well a health-care organization prevents and treats illnesses. Accreditation reports give information on how accredited organizations meet national standards, and often include clinical performance measures. Most employer groups can provide this information. Talk to your plan's administrator or customer service department.

DON'T LIE

Be truthful on the insurance application. If you make a minor error, such as your month of birth, there shouldn't be a problem. However, if you fail to report that you are a smoker, benefits could be denied for smoker-related problems that you might later develop. Worse yet, your policy could be rescinded, leaving you with no coverage at all.

CONTROL YOUR OUT-OF-POCKET COSTS

Avoid unnecessary surgery. Ask questions. If it's not an emergency, find out if there are alternative treatments. It is your responsibility to make sure that you are covered for certain procedures. If you choose an elective surgery, make sure that your policy will cover it. Do the benefits include hospital and doctor's fees? Some plans pay only one or the other.

Does the plan pay a percentage of the actual costs, or does it pay based on a set fee schedule? A plan that pays 80 percent of a fee schedule instead of 80 percent of the actual costs can end up costing you more out of pocket. Ask your doctor if he or she will agree to accept the insurance company's set fee. And ask about home health care for your recovery. Home care would be less expensive than a nursing home or hospital stay, and you'd be able to recover in the more comfortable environment of your own home.

TAKE ADVANTAGE OF TAX DEDUCTIONS

Medical expenses are generally deductible to the extent that they exceed 7.5 percent of your adjusted gross income. Deductible expenses can include:

- **Insurance premiums**
- **Prescriptions**
- **Doctors and dentists**
- **Hospitals and clinics**
- **Lab and X-ray fees**
- **Glasses and contact lenses**
- **Transportation for medical reasons**

WORK TO CONTINUALLY SAVE MONEY

- **Live a healthy lifestyle. For example, a smoker who quits can usually receive a premium reduction.**
- **Ask your insurance company about other discounts.**
- **Take advantage of free health screenings at local clinics, hospitals, and health fairs.**
- **Avoid the overuse of antibiotics.**
- **Watch your co-payments and out-of-pocket expenses to make sure that you don't overpay.**

Each year, check the coverage of your policy. Make sure that it's keeping up with the changing needs of you and your family. Check rates when your lifestyle changes, such as moving to a new part of the country or getting married. When your children go off to college, look into college health plans. Some are subsidized by tuition and might save you money.

Reducing the amount of care you require will pay off. You will save money in out-of-pocket costs, insurance premiums, and lost time from work. But the greatest payoff will be a longer and healthier life.

NOTES:

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