



of San Diego

HOME

PLANNER RESOURCES

TIPS FOR TAMING RISING HEALTH CARE COSTS

Many Americans are getting sick watching their health-care expenses skyrocket. But there are steps you can take to blunt rising costs.

While there have been some surveys suggesting that rising health care costs are moderating, health-insurance premiums, co-pays and deductibles continue their double-digit climbs. A survey of 2,800 employers by the Kaiser Family Foundation and the Health Research Educational Trust recently found that health-insurance premiums rose 13.9 percent in 2003, the highest jump since 1990. And employers are shifting more of those rising costs to employees. The same study found that the average premium an employee pays for family coverage has jumped 49 percent in three years—to \$2,412.

The Financial Planning Association suggests several ways to help blunt the rising cost of health care.

1. Don't "go naked"—that is, don't go without health insurance. This may not seem like a cost-saving measure, but it can be in the long run. Families who go without health insurance run two financial risks. First, they are jeopardizing their health because without insurance they're more likely to skip or delay basic medical care, such as vaccinations and annual checkups, which could spot a health problem before it becomes serious—and more costly. Second, a sudden costly health problem such as an auto accident could result in massive debt and even bankruptcy. If nothing else, at least get a major medical policy at work with a large deductible that will cover you for a major medical catastrophe.
2. Buy your own coverage. If you lose your job, continue your health coverage under COBRA, the federal program that allows you to stay with your former employer's group policy as long as you pay all the premiums. Or investigate buying an individual policy. It may be more affordable. The self-employed should consider setting up a medical savings account in which you buy a high deductible health care policy and pay for doctor visits and deductibles out of pocket with pre-tax dollars.
3. Review your budget. To wring out more funds to pay for insurance, review your household budget. Cut frivolous expenses (do you really need designer clothes or cigarettes?) or spend more wisely (no, you probably don't need life insurance on your kids). Look for a better paying job, a job with better benefits or a second job to help pay for medical coverage.
3. Don't automatically choose the "cheapest" plan. If you have young children who are likely to require frequent visits, for example, you may actually save more money in the long run by choosing a more expensive plan that has lower co-pays and a lower deductible.

4. Choose a higher deductible and higher co-pays. Healthy employees who don't anticipate numerous doctor visits or prescriptions may want to consider choosing a plan with a lower premium but a higher deductible and higher co-pays. Then bank those premium savings in an emergency account for the times when you do need to pay.
5. Know your plan's coverage. Know ahead of time what doctors and hospitals are on your approved list, and what services are and are not covered so there are no surprises after the fact that force you to pay for something you didn't plan on.
6. Look at the drug coverage. Increasingly, plans are offering "tiered" prescription coverage: your co-pay is less for generic drugs, more for brand-name drugs.
7. Explore buying an individual policy. Some workers have found it less expensive buying a good individual policy for their spouse and children than putting them under their employer's coverage. This is not possible in all situations, and you need to be healthy when you get the policy, but it is something to investigate.
8. Don't duplicate coverage. Many couples each have health care plans at work. It may be less expensive to carry only one plan, or if you have two plans, don't choose plans that duplicate coverage. You're wasting dollars.
9. Use a flexible spending account at work. FSAs allow you to stash pre-tax dollars in an account to later pay for out-of-pocket medical expenses. This saves you tax dollars. You can't use FSAs to pay for insurance premiums, but you can use it for co-pays, deductibles and qualified medical expenses not covered by your insurance (including dental and vision).
10. Improve your health. Staying healthy and avoiding risky behavior can reduce costly trips to the doctor and keep down premiums if you're buying an individual policy.

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