

FINANCE

Medical Expenses: Think Ahead

by C.D. Moriarty

Serious diseases, surgeries, and long-term illness can strike any of us at anytime. Having medical insurance helps but is not a guarantee of financial solvency.

What is the number-one cause of most personal bankruptcies? Medical costs. As many as 62 percent of all individual bankruptcies are a result of medical expenses, according to a Harvard University study. This is one reason why health insurance is such a hot political topic.

But I wonder if anyone has looked deeper. This same study shows that 78 percent of bankruptcy filers did have some form of health insurance. There is a myth that only the uninsured are vulnerable to bankruptcy. But the deductibles on private and public insurance programs can mean a family is still responsible for thousands of dollars of bills—sometimes tens of thou-

sands of dollars—which can quickly drive people into debt.

Cash is needed for numerous things beyond the insurance deductibles and copays. Wages are often lost as the sick or injured person is unable work, but living expenses remain: groceries, gas, utilities. And there are incidentals—special equipment that may be needed and other expenses. My summer was interrupted by my husband's knee injury. Before the medical bills rolled in, we had expenses for crutches, a shower chair, and medications. The costs of traveling to the hospital and doctor's office also quickly add up.

No one likes to be sick. A medical emergency or illness means dealing with a maze of prescriptions, terminology, and testing. Our life is upset, and we can't think straight. We know stress increases blood pressure, and the medical bills themselves are stress



inducing. But there are ways to minimize that stress.

Preventing a Financial Crisis

What can you do to prevent a medical emergency from turning into a financial crisis? The

best things you can do are before you get sick. Maintain and make monthly contributions to a safety account—a three- to six-month reserve of cash in the bank, which provides a cushion to fall back on. After illness strikes, you will not want to empty the account, but having some ready cash to pay bills will show your sincerity and help you with daily needs.

First and foremost, don't compound the problem by ignoring bills and your cash needs. When you are sick, it is hard to do all this and stay focused. If you can do only one thing, open your bills and respond. It isn't

necessary to pay your medical bills in one lump sum: most hospitals have payment plans and programs for low-income patients. Hospitals will work with you if you show a sincere intent to pay your bills.

When you do get a bill, review it and double-check it. Do not just assume the bill is correct. Not long ago, a local hospital had to apologize for a computer glitch that sent bills out a second time—including bills that had already been paid.

When a government program like Medicaid or Medicare is involved in

• Open the mail. Avoiding looking at the bill won't magically make the debt disappear.

• Talk to your doctor's office or the hospital. Let them know you are working on paying the bill. They may have plans or ideas on how to help you pay it off.

• Pay a little. Even paying a small amount monthly helps. When you correspond and send some money toward a bill, you are seen as trying.

• Avoid collection agencies. Once a bill goes to collections, not only is it difficult to deal with those incessant calls, but your credit report is also affected.

“As many as 62 percent of all individual bankruptcies are a result of medical expenses.”

paying bills, more paperwork and statements arrive in the mail. Older Americans typically have more medical expenses, and they often get overwhelmed with the paperwork. A simple filing system can help.

So if you are *not* the one in a medical emergency, you could offer to help someone who is sick or elderly or just too overwhelmed to sort through the papers. If it is you with the mounds of paper, here are some recommendations:

• Use your cash reserve. A medical crisis is the time to draw on those reserves.

Because medical bills are unsecured debt, no one can take your home or car away because of your inability to pay them. This country does not have a debtors' prison. However, if you let your medical bills slide, you may end up in bankruptcy. Maintain your physical and fiscal health by staying on top of what you need before any crisis strikes.

C.D. Moriarty writes from Bristol and is a financial speaker and coach dedicated to empowering others around their money. Her financial advice and information are at www.MoneyPeace.com. □