

How to save money on medical care

There are two aspects to saving money on medical care. The most important is to understand that the most important care is self-care.

The second is to have an appropriate medical insurance plan.

The wrong insurance plan can be a detriment to effective self-care and can cost you more money than you need to spend. Let's look at some hidden costs of medical insurance.

Hidden Costs

When the insurance company decides that a health care item is not covered, many people feel they can't afford it. Children ride bicycles without helmets, adults put off cancer screening tests, people decide they can't afford counseling, or an extra smoke detector or fire extinguisher. Business people or parents decide they can't afford to slow down. If you are driving and nodding at the wheel, the insurance company won't pay for the motel. So self-care takes second place, and the accident or illness comes. And all that insurance money is spent too late.

All insurance policies have limits on services covered. Sinus surgery, yes. Allergy tests, maybe. Nutritional analysis, no. The greater the extent to which your medical care is paid for by insurance, the greater the influence of the insurance company on the services you receive. You lose the ability to tailor those services to your own particular needs.

Insurance contracts are legal documents that outline services the insurance company will and won't pay for. These contracts are becoming more restrictive and more complex. It is very difficult for a person to truly understand and compare different policies when buying one. Once you've bought the coverage, it is usually impractical to contest the company's decision about what it will and won't pay for.

When you pay your health expenses yourself you have more control. More health power. The way to achieve this while limiting your financial risk is to pay for most health expenses yourself and insure only for disasters.

To show how this can save you money, let's review some insurance jargon.

A **covered expense** means an expense for which the company promises to pay. If your doctor prescribes something the policy does not cover, such as medication or a nursing home, then the insurance policy will not pay. There may be dollar limits on every service (such as an X-ray or a hospital room fee) which may or may not be adequate for your area.

The **deductible** amount is the amount that you have to pay first towards **covered** expenses before the insurance company will consider paying anything. After you pay the deductible, the company will pay part or all of your further expenses. A typical \$100

deductible policy would begin to pay when your covered expense exceeded \$100, and then would pay 80% of covered expenses until your expense reached \$2500, then would pay all of the covered expenses.

Usually each person in the family must pay the deductible amount before the policy will pay. There are exceptions. Some companies will waive the deductible if three people in the family have met the deductible.

Next, let's see how the medical expenses of a family can vary when medical insurance policies with different deductible amounts are considered. Medical expenses fall into several categories. First is the insurance premium itself. Next are expenses the insurance policy will cover such as doctor visits, emergency room visits, and most surgery. Finally are expenses the medical insurance policy won't cover, such as dentistry, preventive services, and alternative health care providers. This varies from policy to policy, and one can buy policies that cover a greater range of services. Naturally such policies are more expensive.

Insurance in Action

Let's consider a family chosen at random from our practice. The Jones are shopping for insurance and have recorded all their medical expenses for the past five years. George, aged 43, had a vasectomy in 1984 and couple of office visits in 1987 for a sprained wrist. Susan, 38, had some back trouble in 1985. Her doctor prescribed many treatments by the physical therapist. Over the five year period she also had recurrent vaginitis, premenstrual syndrome, eczema, hemorrhoids, allergic rhinitis, and some mild depression. Arnold, 11, broke his arm in 1985 and had an emergency room visit in 1987 for an allergic reaction. Sam, 9, broke his femur in 1983. Both boys made several doctor visits for minor illnesses.

Their local insurance agent prices his policies per the table below. These are 1988 rates and cover traditional providers only.

Deductible amount	\$100	\$1000	\$5000
annual premium	\$2400	958	544
pays 80% of covered expenses over	\$ 100	1000	5000
pays 100% of covered expenses over	\$ 2500	5000	10000

Let's see what their annual expense would be with these different policies. First the Jones list the medical expenses they incurred between 1983 and 1987 that the insurance company would cover. The Jones also spent money for medications, for dental work, and other health services that would not be covered. These expenses are not listed.

The Jones' expenses that an insurance policy would cover:

	1983	1986	1984	1985	1987
Susan	\$ 150	364	300	700	252
George	0	0	260	0	49
Arnold	28	0	28	385	110
Sam	3000	250	0	29	29

In 1983 the Jones's covered expenses totalled \$3178. The Jones now do some arithmetic to see how much of that expense the \$100 deductible policy would have paid. Of Susan's \$150 expense, the \$50 above the \$100 deductible is eligible for insurance reimbursement. That is paid at 80%, so the insurance company would pay \$40 and the Jones would pay \$110. The policy would have paid nothing for Arnold as his expenses didn't exceed \$100, and would have paid 80% of Sam's bills between \$100 and \$2500, or \$1920, and 100% of the \$500 above that. Total paid in 1983 by insurance would have been \$2460.

When we do similar calculations for each year and each deductible amount, these are the results.

Medical expenses paid by insurance:

	1983	1986	1984	1985	1987
\$100 deductible	\$2460	408	708	211	130
\$1000 deductible	1600	0	0	0	0
\$5000 deductible	0	0	0	0	0

Every year the Jones would have benefited from that \$100 deductible policy. It would have paid some expenses every year. That \$5000 policy would have paid not one penny. The Jones continue their analysis.

They write down what they would have had to pay themselves.

Medical expenses paid by the Jones:

	1983	1986	1984	1985	1987
\$100 deductible	\$ 718	402	406	181	310
\$1000 deductible	1578	810	1114	392	440
\$5000 deductible	3178	810	1114	392	440

Each year the family would have had to pay more with the higher deductible policies. Now the Jones add the insurance premium into these figures to see what their total medical expense would have been.

	1983	1986	1984	1985	1987
\$100 deductible	\$3118	2802	2806	2581	2710
\$1000 deductible	2536	1768	2072	1350	1398
\$5000 deductible	3722	1354	1658	936	984

When the Jones' consider the \$2400 annual premium, the \$100 deductible policy would have been only \$600 cheaper than the \$5000 policy in 1983, the year of Sam's disastrous broken femur. And for every year after 1983, total expenses are least with the \$5000 deductible policy. Next the Jones' add up all five years.

Total medical costs 1983 to 1987:

	Premium costs	+ Out-of-pocket	= Total
\$100 deductible	\$12000	\$2017	\$14017
\$1000 deductible	4790	4334	9124
\$5000 deductible	2720	5934	8654

The Jones discover that the \$100 deductible policy is the most expensive option. Least expensive would have been no medical insurance at all, but then they would not have had the peace of mind of having insurance coverage for medical disasters.

Not every family is like the Jones. Someone who has a terrible illness and many medical bills will be thankful for whatever medical insurance they have, and the more the better. A disabled person might not have the resources to pay for even everyday medical care. With these exceptions, every person can benefit by insuring himself or herself only for disasters, and then by acting to improve one's health so that the disaster never happens.

How Insurance Increases Costs

When we ask an insurance company to pay for minor expenses, the costs rise very rapidly. Well-known examples are the Medicare and Medicaid programs. These government insurance plans intend to pay most medical costs and are extremely expensive. Despite what the government says, medical care under such programs is being rationed. Here's why.

Medical expenses are most efficiently monitored and managed by the patient in the office with her hand on the checkbook. The insurance company far away can never do as well.

It is estimated that each individual doctor can be responsible for up to a million dollars worth of medical expense each year. When a drug is prescribed, the cost of that drug can continue for year after year, and thousands of dollars spent. When the insurance company is paying, it takes but a moment for the doctor to order an \$800 nuclear magnetic resonance scan or a \$300 CAT scan. When the patient in the examining room is paying, the doctor thinks much more carefully about it.

When the insurance company is paying, there is no reason to discuss a medical bill or check it for accuracy.

When the insurance company is paying, there is no reason to wait and see if the problem will go away with some less-expensive remedy.

When the insurance company is paying, there is considerable cost involved in paperwork, reports, and telephone calls between the doctor and the insurance company.

When the insurance company is paying, there's one less reason to quit smoking, to wear your seatbelt, to eat as you should, or to live in a healthful way.

When the insurance company is paying, there is some loss of privacy of medical records. A person who stretched the truth a little on the insurance application often does not get the most cost effective medical care because of that barrier between him and the doctor. A person who considers his situation embarrassing or socially improper may incur greater medical costs for similar reasons. When the insurance company is paying, you can have unpleasant choices. Imagine your physician recommends \$5000 worth of insurance-paid surgery for your low back pain. What do you do if you want to try \$600 worth of alternative care first, and the insurance company won't cover it?

Insurance companies encourage brief doctors' office visits. This may give the doctor only enough time to learn something about the problem and order a laboratory test or an X-ray. In some cases this strategy works well. In some cases it is very inefficient. Susan Jones above had many minor complaints. Had she been able to sit down with one physician and discuss her situation at length, she and her physician might have decided that a change in her lifestyle and health habits was what she needed. That \$100 office call might have prevented many office calls and laboratory tests in the future.

And last, health insurance has the effect of spreading medical payments over a period of time. As with any other form of time payment, there is the temptation to spend more than you intended.

We see that medical insurance can often increase your medical costs. What are your options?

Health Insurance Options

AT WORK If you do have health insurance coverage through your work, you may benefit from "Stay-well health insurance" offered through Blue Shield. This plan pays you \$500 and gives you a \$500 deductible policy. You keep any part of that \$500 you don't need to spend for medical care. Above \$500 the insurance company pays. In Mendocino County this incentive to conserve on medical care expense was accompanied by a health education campaign. The school district saved money on premiums, even after giving each teacher \$500. The teachers saved money by better knowledge of self-care. In the first two years of the plan 25% of the district employees incurred no medical expense at all.

AT HOME If you provide your own health insurance you can analyze your situation as the Jones did. Keep a record of your health-care expenses. These might include insurance premiums, medications, health education, vitamins or other supplements, and

health-care provider fees. This will help you budget your costs as the years go by, help you make realistic decisions about insurance and about health-care advisors in the future, and may come in handy on April 15th!

If you are already experiencing high medical expenditures because you or a family member are already ill, you should hold tightly to whatever health insurance you already have. It will be very difficult to buy more. You might as well call the fire insurance agent after your house is on fire. Yet you can still use self-care techniques to reduce your expenses.

- 1) Ask your physician to set up an appointment for you with a medical social service worker. This person is trained to help you survive your illness financially as well as physically.
- 2) Take medical power into your own hands. Accumulate your own medical records. Many labs send reports to doctors in duplicate; you can ask for a copy, as well as a copy of any hospital discharge summaries. Then should you consult a physician unfamiliar with you, you needn't guess whether or not you had a thyroid test in the past year; you open up your file and look. Physicians need to do less testing and may require fewer office visits if there is no need to send for medical records from other physicians.
- 3) A person with some continuing life dissatisfaction, such as Susan Jones in our example above, may end up on a medical treadmill. Susan's mild depression contributed to her physical problems. Money spent on the various physical problems were of only temporary help for Susan. Susan is not an unusual person. A study in the American Journal of Public Health reported that people with chronic health problems saved \$300 per person per year by adding psychotherapy to their allopathic medical program, even after paying for psychotherapy. If you are on a medical treadmill, give yourself some time to talk over your situation with a counselor. You are more than a biologic machine.

Spend a Nickle, Save a Dime

When we pay most medical expenses ourselves and retain control of our medical purse-strings we have the financial freedom to adopt healthier living habits.

We can afford that class in healthful cookery. We can afford personalized yoga instruction to help us with our chronic back pain. When we see that Blue Cross reports a 50% saving in medical costs in policy-holders practicing the Transcendental Meditation™ technique, we can afford to take the course. When we see reports that psychological health leads longer life, we have the slack in our budget to help us make the changes we may need.

When we pay the doctor ourselves, we have the freedom to choose the doctor we want, be she chiropractor or allopath. We can discuss fees. We can change doctors. We can get a second opinion.

In every way we can take care of ourselves better.

After all, does money buy good health? Eat properly, live properly, and nature is kind to us. Overeat, smoke, live unwisely, and nature's laws will prevail. Money or no money.

And if you ever wish that some health-care service were free or paid for by the government or an insurance company, remember Alexander Solzhenitsyn's words.

"But is [the fact that it is free] such a great achievement? What do you mean by 'free'? The doctors don't work without pay. It's just that the patient doesn't pay them, they're paid out of the public budget. The public budget comes from those same patients. Treatment isn't free, it's just depersonalized. If the cost of it were left with the patient, he'd turn the ten rubles over and over in his hands. But when he really needed help, he'd come to the doctor five times over."

Solzhenitsyn is commenting here on Soviet medicine in his novel The Cancer Ward. Socialized, government, and insurance company medicine are fine if there is no other choice. But they do remove a measure of control from the customer. If you want the best in health, pay for preventive care and save your insurance for disasters.

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