MANAGING MEDICAL EXPENSES

By Ronale Tucker Rhodes, MS

ANYONE WITH A chronic illness knows all too well the hassles of frequent doctor visits, intermittent hospital stays and the need for multiple medications. Add to these a barrage of paperwork, and managing expenses can seem overwhelming. That’s because what patients ultimately owe depends on a variety of factors. Here are some tips for navigating the medical expense maze.

Tracking Expenses

Since bills come from multiple doctors for visits, tests and treatments, understanding what is owed can be confusing. Keeping track of the status of bills will help if a problem arises. To do this, a detailed log should be kept of every medical appointment or service and any prescription drug purchased. The log should summarize each medical appointment and include any lab work, tests or procedures, and it should include a running log of all medical bills as they are received. Patients can do this themselves with a spreadsheet or they can use one of the many available online tools.

A useful Excel spreadsheet was created by Tim Sharpe, who was frustrated by making sense of bills from medical providers, which he posts on his Tim’s Eclectica website (beaststwo.org/med_trans/index.shtml). According to Tim, his is “a very simple system to manage this information, to track medical visits and procedures, to have some idea of what bills and insurance statements to expect, and to match up medical visits and procedures with bills and insurance statements to keep them honest.” In the spreadsheet, patients can enter data about visits/procedures, insurance statements and bills and payments into color-coded sections. The spreadsheet can be downloaded to be used for personal, non-commercial use without restriction.1

Other tools are also available. One is Quicken Medical Expense Manager, a $50 downloadable program that tracks claims and payments across multiple insurance companies and finds and helps to fix overcharges and billing errors. Another is Smart Medical Consumer, an online portal that offers three different services to help patients manage medical expenses and keep track of all medical billing paperwork, as well as provides billing experts for help with billing issues.

Identifying Billing Errors

Never assume that a medical bill is error-free. According to Medical Billing Advocates of America, a national association that checks bills for consumers, eight out of 10 hospital bills its members scrutinize contain errors. And, while bills from doctors’ offices and labs have fewer mistakes, they do happen.2

Consumer Reports suggests patients review statements when they arrive. Statements will include an explanation of benefits from the insurance company, followed by bills from the healthcare provider. If a bill from a provider’s office is merely an invoice, an itemized bill or statement should be requested. These should then be compared with the list of procedures noted in the patients’ log. If patients don’t understand something on the bill, they should call their provider and ask them to explain what it is.3

The eight most common billing errors are duplicate charges, cancelled tests or procedures, incorrect patient information (which can lead to a claim denial), upcoding charges (such as being charged for a more serious condition that requires more costly procedures or the highest level of emergency room services when the lowest level was received*), unbundling of charges (the separation of procedures that should have been billed under the same procedure code), balance billing when in-network (when the provider bills for charges other than co-payments, co-insurance or any other amount than what was assigned by the insurance company), incorrect quantity (such as a quantity of medications) and operating room and anesthesia time (billing for more time than a patient was in the room).4

If a mistake is found, patients should contact the billing department and ask for it to be corrected. There are companies that help patients manage bills and identify billing errors. Some of the less expensive options are Health Proponent (www.healthproponent.com) and Health CPA (www.healthcpa.com).

Reducing Expenses

Other than ensuring their bills are correct, there are a few ways patients can reduce their medical costs.

Deductibles. Regardless of how high an insurance plan’s deductible is, there are services that the insurance company must pay for in full even if the deductible has not yet been met. For instance, all insurance plans (except those that existed before the new healthcare law was enacted in 2010) must pay in full for preventive health services. A list of those services can...
be found at www.healthcare.gov/what-are-my-preventive-care-benefits. In addition, some plans may cover services that carry a co-pay from the first day the plan is in effect even if the deductible hasn’t yet been met. The key is to use pre-deductible services for care if possible. Patients should consult their plan’s summary of benefits and coverage to find out.

**Lower-cost providers.** Because insurance companies negotiate prices with providers, going to a low-cost provider can save a lot of money. Only the insurance company will know which providers have the lowest costs, and with some health plans, members can look up prices online.

**Medications.** Patients should ask for generic drug prescriptions from their providers, which often cost as little as $4 each. In addition, several drugs that were once prescription-only can now be purchased over the counter.

**In- vs. out-of-network.** With both HMOs and PPOs, patients should use those providers who are in-network to ensure they don’t get a higher bill. In-network providers have agreed to accept a negotiated health plan price as payment in full, even without meeting the deductible. Patients who go to out-of-network providers are subject to what the provider considers a “reasonable” price for the service. That means patients then pay the difference between what the health plan agrees to pay and what the provider deems reasonable. It’s easy to go out-of-network accidentally, so patients need to ask ahead of time. If going out-of-network on purpose, it’s possible to negotiate a price agreement with a provider based on the “fair” price in a geographical area, which can be found at FairHealthConsumer.org or HealthCareBlueBook.com.

**FSAs.** Patients who are employed should consider a flexible spending account (FSA), which allows them to determine how much money they want to set aside from their paycheck to pay unreimbursed medical expenses for the following year. Up to $2,500 can be put into an FSA, which is not taxable, but it has to be used in full during that year or else unspent funds are lost.4

**Claiming Expenses at Tax Time**

If medical expenses are extremely high, which they often are with chronic illnesses, many of those expenses can qualify as deductible from taxable income on Form 1040, Schedule A. While unreimbursed medical expenses are only deductible when they exceed 10 percent of adjusted gross income (AGI), there is a temporary exemption to the 10 percent rate for individuals age 65 and older and their spouses who can deduct unreimbursed medical expenses that exceed 7.5 percent of AGI from Jan. 1, 2013, through Dec. 31, 2016. Beginning Jan. 1, 2017, all taxpayers can only deduct unreimbursed medical expenses that exceed 10 percent.5

Medical care expenses include prescribed medicines and all out-of-pocket healthcare expenses, including healthcare insurance premiums (however, exclusions apply to employer-sponsored plans) and transportation costs. A complete list of deductible expenses can be found in the IRS Publication 502 at www.irs.gov/publications/p502/index.html.6 An often-overlooked source for significant tax deductions is impairment-related work expenses (IRWE) for individuals who have an impairment that substantially limits one or more of their major life activities such as performing manual tasks, walking, speaking, breathing, learning and working. Disability-related business expenses are 100 percent deductible; if it comes out of pocket and is required to be an employable person, it can be deducted. Some examples of IRWE are the cost of structural or operational modifications to vehicles needed to travel to work; the cost of driver assistance; services performed to help a person prepare for work (dressing, cooking, eating); medical devices such as wheelchairs; modifications to the exterior of the home to permit access to the street; modifications in the home to create a workspace to accommodate an impairment; and work equipment such as an adapted workstation or modified keyboard.7

**Staying Organized**

Keeping a detailed log of medical expenses and screening medical bills to ensure they are correct is essential to staying organized and paying only what is owed. To minimize healthcare costs, patients should take full advantage of deductibles and lower-cost services and medications. In the end, managing expenses can help patients to anticipate how much their medical care will cost in coming years. Those who are unable to keep up with medical expenses for any reason should not hesitate to enlist help.

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**References**


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4 Hospitals use fixed ER levels when billing patients who visit emergency rooms. The different levels reflect the varying amount of resources (equipment and supplies) the hospital utilizes. Level I represents the lowest level of ER facility fee, while level 5 is the highest. Currently, there are no nationalized standards for how hospitals assign the different ER levels, so documentation should be requested as to how that level was determined.