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5 reasons behind soaring health costs

Plus the top 5 ways you can lower your out-of-pocket payments

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Womens Health
updated 7:31 a.m. CT, Mon., Aug 10, 2009

After years of being on her husband's health insurance policy, a divorce left Laura Scholz, a freelance public relations consultant in Atlanta, looking for her own plan. Yet even though the fit 33-year-old goes to the gym five times a week and runs marathons for charity, the policy she found cost more than $800 a month. "That's a quarter of my income," she says. "And that didn't even cover my $400-a-month asthma drugs."

Unable to handle the payments, she switched to a bare-bones plan that has a $150 monthly premium but covers only catastrophic medical crises (like a ruptured appendix or a car accident). "I can't afford to get my eyes checked, or see a dentist, and I had to pay $800 out-of-pocket when I developed a stress fracture in my foot last summer," she says. "I work hard and I take good care of myself, yet it's still next to impossible to get decent coverage."

With unemployment rising and companies cutting back on benefits, more and more Americans are experiencing the sticker shock of buying unsubsidized health insurance for the first time. "Even healthy people are facing payments they simply can't afford," says Arthur Caplan, Ph.D., director of the Center for Bioethics at the University of Pennsylvania and an msnbc.com contributor. "And if you have a preexisting problem, forget it. Insurance rates are beyond the means of everyone but the most wealthy."

But anyone who saw the Michael Moore documentary "Sicko" knows that living without health insurance is like playing Russian roulette with your financial security — all it takes is one extended illness or accident to wipe out your savings and put you deeply in debt.

Over the past decade, the average yearly contribution to even employer-sponsored plans has gone through the roof — up more than $1,800, as the table below shows. Why the upward spiral? We've outlined the top five reasons — and offer five expert-recommended ways to bring your costs back down.

1. Your doctor is freaked about getting sued
Experts call it defensive medicine. "Doctors often order unnecessary diagnostic tests, procedures, and therapies to cover their butts in case of a legal dispute," Caplan says. The more stuff your insurance company has to cover, the more it will pass those costs to you.

2. Your insurer pushes more paper than Dunder Mifflin
A third of U.S. health care expenditures goes toward administrative costs (Canada spends less than half that — about 16 percent). But that money goes to more than just reams of dead trees; it also pays the salaries of everyone from phone operators to top executives, as well as for claims processing and sales.

3. You're female
Research from the National Women's Law Center has found that when buying private health insurance, women have to cough up significantly more than men for identical policies. A 25-year-old woman, for instance, pays anywhere from 6 percent to 45 percent more. Insurance companies base the discrepancy on the fact that women are more likely to see their doctors. While that is true of women in their reproductive years, men catch up after age 50 — when they're the ones who become more likely to be hit with chronic problems such as heart disease.

But, as the government looks to overhaul the health care industry, we may see some positive change: In May, Sen. John Kerry of Massachusetts introduced a congressional bill that would prohibit insurers from charging women more just because they happen to be female.

4. Your insurer would rather pay to treat a disease than prevent one
Covering preventive care is low on most insurance companies' priority lists, even though doing so could help patients avoid serious illnesses and their complications — as well as their pricey treatments. "We pay for costly interventions like bypass surgery or chemotherapy to treat diseases at the back end instead of focusing on lifestyle changes to keep patients healthy on the front end," says Aaron Carroll, M.D., director of the Indiana University Center for Health Policy and Professionalism Research. Placing a priority on preventive care would also save billions: One recent report showed that investing just $10 per

person per year in programs on exercise, nutrition, and smoking cessation could save $16 billion per year in another five years.

5. Your doctor is paid for how much he does for you — not for how well he cares for you
Under the fee-for-service model that most health insurance plans use, physicians make more money with every office visit and procedure they do. That gives them a built-in financial incentive to push for more, though not necessarily better, health care, says award-winning journalist Shannon Brownlee, author of "Overtreated: Why Too Much Medicine Is Making Us Sicker and Poorer."

5 best ways to lower costs

1. Negotiate with your provider
"If you don't have insurance or if you have a high-deductible plan [that's where you exchange a lower monthly premium for higher out-of-pocket fees], tell your doctor," says Ethan Ewing, president of bills.com, a website that offers personal-finance services. "Explain that you'll be paying for this care yourself, and ask if you can get a better rate if they bill you directly." Some providers will also offer reduced fees if you pay cash on the spot. "Speak up as early in the process as possible," Ewing advises. "Medical providers will be much more willing to negotiate payment terms and try to work with you."

2. Consider COBRA carefully
If you're laid off by a company with more than 20 employees, you're entitled to stay on your employer's group health plan for up to 18 months. The catch: You're on the hook for the entire premium, which may be more than you can afford. If you're free of chronic conditions and don't have kids, you might be better off with a high-deductible individual plan. You'll have to pay more out-of-pocket if you do get sick, but some programs cover 100 percent of preventive care, so at least you won't have to come up with the cash for your yearly Pap.

3. Keep records of your health care expenses
You may qualify for a tax deduction if your total medical expenses exceed 7.5 percent of your Adjusted Gross Income. In addition, if you're self-employed and pay your own premiums, your insurance costs are fully deductible.

4. Get your insurer to pay for more coverage
Your doc says your treatment is necessary, but your insurer disagrees. Instead of just sighing and forking over the money, file an appeal — about half the time you can get a better deal, according to a Kaiser Family Foundation study. You'll improve your odds of success if you get your doctor on board and provide supporting evidence from medical studies to help bolster your case. (One good source: pubmed.gov.) Even if your request is rejected, you might be able to submit a second appeal to your state health board; contact the department of insurance in your state to determine what rules and regulations apply.

5. Find an advocate
A patient advocate negotiates with insurers on your behalf, scours your medical bills for errors and overcharges, and helps you file appeals. In one instance, the Medical Billing Advocates of America (MBAA) uncovered a $57 charge for a small piece of gauze to wipe down surgical equipment (the cloth was itemized on an invoice as a "fog elimination device"). For-profit firms like MBAA (billadvocates.com) and Health Advocate (healthadvocate.com) charge $50 to $100 an hour; non-profits like the Patient Advocate Foundation (patientadvocate.org) take some cases for free.

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