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THE NET EFFECT of HDHC is a growing population of health care consumers that are paying "out of pocket" for the first several thousand dollars of health care expenses each year.



High Deductible Health Care

Patients with HDHC plans must learn to ask up front for a "cash" price on health care services

A strong and growing trend in health care insurance is the use of High Deductible Health Care Plans (HDHCP). Usually these high deductible insurance products are combined with a Health Savings Account or Health Reimbursement Account that provides some financial support for the initial deductible costs of medical care.

The net effect is a growing population of health care consumers that are paying "out of pocket" in some fashion for the first several thousand dollars of health care expenses each year. What is the impact of this for health care providers?

The first fact to consider is that historical pricing for health care services are much higher than providers expect to receive. In a (past) world in which prices dictated how much insurers would pay for services, it made good sense to raise prices every year and to keep well ahead of current reimbursement levels. There has been little to change this behavior even as providers of health care are usually contractually locked into reimbursement agreements that may reflect only a

small fraction of charges.

Enter the consumer with a high deductible plan. Last year, with his old more traditional health insurance, he sees a physician for an initial visit. With ancillaries, the office bill might be \$300, but the patient pays his \$20 co-pay and leaves. The physician is contracted with the insurer to provide that level of service for a total of \$110, and collect the remaining \$90 from the carrier. Everybody is happy. This year, no one is happy. The consumer with the HDHCP gets a \$300 bill for the same service that cost him \$20 last year. He doesn't know or doesn't remember that his health care insurance premiums are lower than last year (as he may not pay them). He is outraged by the charges.

I can relate that this has happened to my family twice recently. Health care encounters at two different hospital systems resulted in frankly outrageous bills based on the "old way." After some protest that I had a high deductible plan, the first health care system agreed to take what they would be reimbursed under a typical managed care plan (which was 15 percent

of what they initially charged me!) The second health care system offered a 50 percent discount on my protest, which was still a multiple of typical managed care reimbursement. We have not settled the argument to this date.

Clearly, health care providers need to adapt to the new world of HDHC plans. Hospitals and physician offices should have a list of charges for patients paying cash or having these plans. The charges would fairly approximate what they expect to receive from patients with Medicare and/or managed care plans for the same services.

Conversely, patients with these HDHC plans must learn to ask up front for a "cash" price on health care services. I've learned the hard way, and hope that this article helps you avoid the same while either providing or receiving care.

Dr. Podnos is the author of "Building and Preserving Your Wealth, A Practical Guide to Financial Planning for Affluent Investors," which is available at www.amazon.com and in local bookstores. He is a fee-only financial planner in Brevard County and can be reached at www.WealthCareLLC.com

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