

10 Money Steps to Take When Someone in the Family is Facing a Serious Health Crisis

A June 2009 article in the American Journal of Medicine reported that medical bills are behind more than 60 percent of U.S. personal bankruptcies, adding that more than 75 percent of these bankrupt families had health insurance but still were overwhelmed by their medical debts.

The article, based on research from Harvard Law School, Harvard Medical School and Ohio University, underscores how a single health crisis can financially destroy both individuals and families. It is information that underscores the need for adequate planning ahead of any health crisis, particularly when known risk factors exist in a family. A financial expert such as a CERTIFIED FINANCIAL PLANNER™ professional can help individuals determine if their insurance and savings options are adequate to handle the possibility of any future health crisis.

If you have time to prepare, most financial planners will advise:

- Creation of an adequate emergency fund to cover several months (usually a minimum of three months and, even better, up to a year) of family expenses if a patient can't work during their treatment;
- Purchase of separate disability insurance to pay everyday expenses since company-bought disability coverage will likely be limited - the benefits on any individual policy need to be coordinated with the group policy;
- Creation of health care advance directives, health care powers of attorney and financial powers of attorney, health care proxies (each state has a "preferred" document that is accepted; clients need to execute the form for their state of residence) and DNR forms among the examples.
- Building lists of critical phone numbers, major assets and where information on each can be found on investment accounts and other key information in case the person is incapacitated;
- Communicate funeral plans to family members in writing so that wishes can be implemented in the event of death. Even better, complete a personal death awareness document that covers both the practical aspects of death and the interior emotional aspects of death.

But if you're suddenly faced with a frightening, expensive and potentially life-threatening diagnosis without such preparation, here are some basic steps to take:

Start by realizing it's not all about the money: If you or someone you love is sick, obtain the best care possible, not what your bank account and health insurance can buy. A CFP® professional with experience in dealing with healthcare issues can help you assess your financial situation against various goals for retirement, your expenses, your children's education and other matters.

Grill the patient's insurance agent or HR person: If you or family members have bought health insurance through an agent or your employer, insist that they explain exactly what the plan covers and where your deductibles do and don't apply. Generally, a serious illness will quickly use up the deductible (this is where your emergency fund is important). Pay attention to how much the insurance will pay and how much you'll pay out of pocket once the deductible is exhausted.

Check on experimental treatment and see how it will affect coverage: If the diagnosis is cancer or some other potentially life-threatening illness, in addition to tried and true treatments, research medical centers offering clinical trials. And, keep in mind that some insurance plans might look askance at certain treatments that could potentially lead to other health issues. Err toward caution in these matters, but if the insurer approves, see if such experimental treatment can get you a break on costs.

Get those directives in order: A health care advance directive is a formal, preferably notarized instruction sheet for doctors to follow in case you or family members are incapacitated. The most commonly known health care directive is a do-not-resuscitate (DNR) order. A health care power of attorney designates a particular individual — a spouse, a friend, an adult child — to carry out your medical wishes if you are incapacitated. Meanwhile, financial powers of attorney designate an individual to handle financial affairs if the sick or deceased are single or did not designate joint tenants for certain assets. Again, each state follows a particular set of documents.

If there isn't a will or a complete estate plan, make one: A will doesn't have to be enormously detailed to relieve problems for survivors, but it can create enormous problems if it doesn't exist. If there is no executed will, the estate is intestate, which means that property is distributed by state laws. Yet it makes even more sense to review all of a patient's assets to determine if more detailed directives are necessary and most important, to make sure beneficiaries on insurance, retirement accounts and other investments are up to date.

Consider whether you can make monetary support a gift: It's good to get tax and financial advice on making a one-time gift to support the patient. Would the potential loss of money injure you, and worse, will it injure the relationship? If you don't think you will be repaid would you be willing to consider it a gift?

Ask for generics and samples: Many physicians are willing to recommend a generic substitute or at least supply you with a few samples of the drug they're already prescribing. While doctors can't get away with passing sample drugs to all their patients, always ask. As long as they are prescribing the medication, samples with the proper dosage can provide cost savings to patients.

Begin negotiations before there's a financial problem: The best time to speak with hospital bean counters isn't when you're behind on your payments. Once a diagnosis is made, either you or someone you designate as your agent needs to contact the hospital business office to check on payment schedules and possible discount plans if you are uninsured or fear your insurance may not cover a significant portion of costs. Any creditor appreciates a customer who's willing to come to the table first.

January 2010 — This column is produced by the Financial Planning Association, the membership organization for the financial planning community, and is provided by _____, a local member of FPA.