

## Cost Categories

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When planning out your healthcare expenses for the new year, it may be helpful to bucket them into three categories:

### Fixed Costs

1. Your insurance premium would fall into this bucket. It's a set amount you pay for health insurance each month.
2. If you're like many Americans who get health insurance from their jobs, then chances are a large portion of the "total" premium is subsidized by your employer while you pay the rest (typically through an automatic payroll deduction on a pre-tax basis).

### Anticipated Costs

1. These are your routine expenses and any extra costs you didn't encounter in the past that you expect to incur next year.
2. Regarding the latter, you need to consider how your needs have changed from the previous year(s). Life happens after all.
3. Examples: Annual checkup, dental cleaning, regular prescription, scheduled surgical procedure, expecting a child.

### Unexpected Costs

1. These costs can be difficult to predict.
2. Examples: an unplanned trip to the emergency room (ER) or an urgent medical procedure.
3. See **Emergency Fund** for additional info.

## Know Thy Policy

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Familiarize yourself with your current policy's out-of-pocket costs (i.e., the costs you're responsible for paying). If you don't already have a copy, get one from your employer or insurance carrier.

### Deductible

1. Definition: A fixed dollar amount you pay before the insurer starts to make payments for covered healthcare services in a year.
2. Example: \$2,000 deductible – you pay \$2,000 in covered healthcare costs during the year, after which, your insurance kicks in and starts covering some (or all) of the costs.

### Copay

1. Definition: The set fee you pay for a covered healthcare service.
2. Example: \$25 office copay – you pay \$25 every time you go to the doctor's office.

## Coinsurance

1. Definition: The percentage of the cost that you pay for covered healthcare services once you've met your deductible.
2. Example: 20% coinsurance – you pay 20% while your insurance pays the remaining 80%.

## Out-of-Pocket Maximum (OOP Max)

1. Definition: The most you would ever have to pay for covered healthcare services in a year.
2. Example: \$5,000 out-of-pocket maximum – you pay \$5,000 in covered healthcare costs during the year, after which, your insurance will start to cover 100% of your medical bills.

## Review Your Expenses

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1. Review (at minimum) last year's expenses.
2. Review past receipts from your insurance company and healthcare providers.
  - a. Don't stress if you didn't save all your receipts.
  - b. Contact your carrier and providers for documentation.
3. The final number you come up with is a good starting point for determining your annual fixed and anticipated healthcare expenses.

## Emergency Fund

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1. If you haven't already, you should seriously consider setting up an emergency fund to help cover/offset any unexpected expenses.
2. Fund amounts to consider:
  - a. Scenario #1: Between 3-6 months' worth of living expenses.
  - b. Scenario #2: Equivalent to your annual OOP max.
  - c. Scenario #3: Equivalent to your annual deductible.
  - d. Scenario #4: Start small and focus on a goal that's attainable for you.

## Savings Accounts

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### HSA

1. Health savings account
2. Definition
  - a. An account set up & funded by your employer to help pay for eligible healthcare expenses.
  - b. The funds roll over from year to year which makes it a great long-term tool for budgeting for medical expenses.
  - c. You need a high-deductible health plan (HDHP).

# Healthcare Expenses Planner



- d. You can invest the money.
- e. You must report it when filing your taxes.
3. Account owner: you
4. Contribution: you & your employer

## HRA

1. Health reimbursement account
2. Definition
  - a. An employer-funded account that reimburses employees for eligible healthcare expenses.
  - b. What's left over in the account can be rolled over to the next year.
  - c. If you leave your employer, however, you can't take the funds with you.
3. Account owner: employer
4. Contribution: your employer

## FSA

1. Flexible spending account
2. Definition
  - a. An account that allows employees to contribute a portion of their regular earnings to pay for eligible healthcare expenses.
  - b. Unlike HRAs and HSAs, FSAs don't generally roll over at the end of each year. Check with your employer for your plan's specifics.
  - c. Your contributions to an FSA are PRE-tax. Depending on your tax bracket, you could save 20% to 30% versus just paying for items out-of-pocket.
  - d. Although you pay INTO the account with each paycheck, the FULL amount is available on January 1st. So, if you put aside money for new glasses or a surgery, you don't have to wait until the end of the year to do it.
3. Account owner: employer
4. Contribution: you & your employer

# Healthcare Expenses Planner



## Fixed Costs Tracker

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### Insurance Premiums

Row No.	Month	Amount
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11		
12		
<i>Total</i>		

# Healthcare Expenses Planner



## Anticipated Costs Tracker

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### Review (At Minimum) Last Year's Expenses

Row No.	Date	Description	Amount
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# Healthcare Expenses Planner



Row No.	Date	Description	Amount
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# Healthcare Expenses Planner



Row No.	Date	Description	Amount
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# Healthcare Expenses Planner



Row No.	Date	Description	Amount
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# Healthcare Expenses Planner



Row No.	Date	Description	Amount
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94			
95			
96			
97			
98			
99			
100			
<i>Total</i>			