A financial advisory practice of Ameriprise Financial Services, LLC

Seven Ways to Lower Health Care Costs and Save Money

This article was provided by Ameriprise Financial, a longstanding leader in advice and financial planning.

No one can fully predict future health care needs or medical expenses, but there are proactive steps you can take to manage your costs today and save money in the long run.

Here are seven ways to help you keep medical expenses under control:

1. Make sure your health insurance coverage is working for you

Many assume the health care plan with the most coverage is the best option. But that's not always the case— especially if you're younger and in good health.

Check your current health care plan and past medical expenses to see if you're adequately using the benefits your policy provides. Low usage of the policy may indicate that you're over-insured. If bills for out-of-pocket costs are accumulating at a fast rate, it may signal that you're under-insured.

As you evaluate your coverage, here are some of the pros and cons of the two major types of insurance plans:

- Low-deductible health plans have lower payments upfront and higher monthly premium. These plans may be a better choice for those with chronic health conditions or costly prescriptions or those who participate in high-risk sports/activities.
- High-deductible health plans have higher out-of-pocket costs before plan benefits kick in, but they may come with the option to fund a health savings account (HSA), which has significant tax benefits. These plans are generally optimal for healthy individuals who don't anticipate major health care needs.

2. Anticipate future medical needs and expenses, when possible

Medical emergencies and health surprises are impossible to predict. However, certain expenses you may be able to plan for, such as:

- Prescription medication
- Specialty services such as allergy shots, or treatment for chronic illness
- Expenses related to the birth of a new child
- Elective surgery or other non-time-sensitive medical procedures

Review your health care plan options, considering the medical needs of you and your family members. A long-term mindset can help you better determine the right level of coverage and find opportunities for potential savings.

3. Comparison shop

When you are able to plan ahead for medical expenses, use the extra time to comparison shop. Seek out and identify lower-cost options for medications, procedures and appointments. For example, many generic drug prescriptions cost less than their name-brand peers.

Work with your health care provider and insurer to get the most accurate cost estimate. You'll also want to consult with your doctor for guidance on whether the lower-cost option will adequately meet a comparable quality of care.

4. Enroll in an HSA or FSA

If you have a high-deductible health plan, you may have access to a health savings account (HSA); and in some cases, your employer may also offer a health care flexible savings account (FSA). These tax-advantaged accounts can be used to pay for common medical expenses like:

- Copays
- Dental expenses
- Prescriptions
- Vision exams and eyeglasses

HSAs, in particular, can offer a triple tax advantage, meaning that contributions are pre-tax dollars, the invested assets grow tax-free, and withdrawals are not taxed if you use the distributions for eligible medical expenses. This translates into big tax savings on medical expenses.

FSAs are funded with pre-tax dollars. However, you generally don't have the option to invest the contributions and funds generally must be used that same year based on employer provisions.

5. Take medical expense deductions

If your medical expenses are significant in a given year, you may be able to take a tax deduction. To do so, however, your qualified unreimbursed medical expenses must exceed 7.5% of your adjusted gross income (AGI) and you must itemize your taxes.

Deductible medical expenses may cover:

- Doctors, specialists and mental health professionals
- Inpatient hospital care
- Insulin and other prescription drugs

For a full list of eligible medical expenses, see the IRS website.

6. Consider insurance to pay for the high costs of long-term care

While Medicare is a valuable health care program for retirees, its coverage for in-home care, assisted living and nursing home facilities is extremely limited. Insurance can help fill this gap in coverage and potentially protect your legacy goals by reducing your need to draw down on assets to pay for expenses associated with long-term care in your later years.

Acquiring insurance earlier can set you up for cost-savings down the road. For example, if you are 40 years old and in good health, you'll pay a lower monthly premium than if you had obtained a policy when you were older.

You have options when it comes to insurance coverage, including separate long-term care insurance, hybrid policies combining life insurance with long-term care insurance and life insurance with long-term care riders. Your financial advisor will help you determine the optimal time to begin looking at long-term care insurance solutions, as well as what type of policy may help you meet your care needs and financial goals.

7. If you're near retirement, consider strategies to lower your Medicare premiums

The more income you withdraw in retirement, the more you may have to pay in Medicare monthly premiums. For Medicare Part B and Part D, if your modified adjusted gross income as reported on your federal tax return from two years ago exceeds certain thresholds, you will have to pay a surcharge on top of the standard premium. The surcharge, known as the Income Related Monthly Adjustment Amount (IRMAA), kicks in when your MAGI is above $97,000 for an individual and $194,000 for a couple.

If you're near retirement, strategies such as a Roth conversion can potentially reduce your taxable income and may help you avoid the IRMAA surcharges for Medicare parts B and D. Depending on your income, you could save up to hundreds of dollars in monthly premiums.

Your financial advisor will discuss pre-retirement strategies and help you determine an income distribution strategy that accounts for IRMAA surcharges and taxes.

Let's discuss your options

Reach out to a financial advisor from S&T Financial Services to discuss ways you can save money on near-term health care expenses, while also planning for future medical costs, like those in retirement.

Investment products are not insured by the FDIC, NCUA or any federal agency, are not deposits or obligations of, or guaranteed by any financial institution, and involve investment risks including possible loss of principal and fluctuation in value.

We have a partnership with Ameriprise Financial Services to provide financial planning services and solutions to our clients. We are not an investment client of Ameriprise, but we have a revenue sharing relationship with them that creates a conflict of interest. Details on how we work together can be found on ameriprise.com/sec-disclosure.

This information is being provided only as a general source of information and is not a solicitation to buy or sell any securities, accounts or strategies mentioned. The information is not intended to be used as the sole basis for investment decisions, nor should it be construed as a recommendation or advice designed to meet the particular needs of an individual investor. Please seek the advice of a financial advisor regarding your particular financial situation.

Ameriprise Financial cannot guarantee future financial results.

Before you purchase, be sure to ask your sales representative about the insurance policy's features, benefits and fees, and whether the insurance is appropriate for you, based upon your financial situation and objectives.

Ameriprise Financial, Inc. and its affiliates do not offer tax or legal advice. Consumers should consult with their tax advisor or attorney regarding their specific situation.

A Roth IRA is tax free as long as investors leave the money in the account for at least 5 years and are 59 1/2 or older when they take distributions or meet another qualifying event, such as death, disability or purchase of a first home.

Investment advisory products and services are made available through Ameriprise Financial Services, LLC, a registered investment adviser.

Securities offered by Ameriprise Financial Services, LLC. Member FINRA and SIPC.