How to Make Sure You’re Not Paying More Than You Should for Healthcare in Retirement

In 1999, engineering teams from NASA and Lockheed Martin were collaborating to get the Orbiter satellite to enter Mars’ orbit. For their calculations, NASA team used the metric system and the Lockheed Martin team use the English system. As a result, the Orbiter got off course and was lost in space. The cost of the lost Orbiter all $125,000,000, all caused by a simple mistake.¹

Likewise, mistakes can happen on your medical bills and insurance statements. Teams from medical providers and health insurers use complex coding systems to figure out what you should pay. If these teams make a mistake, you could end up overpaying. The American Medical Association found that 7.1% of bills have at least one error.² Other groups that review bills on patients’ behalf found error rates closer to 80%.² Most of us aren’t even aware those errors could exist. Let’s find out how to find those errors so you can avoid overpaying for your healthcare.

What We’re Going to Cover:
- Why we get so many medical bills
- Hidden errors
- How to detect the errors

First, Why Do We Get So Many Medical Bills?
Thanks to medical advancements, most of us are living longer and healthier lives than previous generations. But those advancements come at a price. And we’re paying for it, especially after we turn 65. Fidelity estimates that we’ll need $280,000 to cover our health care expenses in retirement.³ After we turn 65, 92% of us will be managing at least one chronic condition and 77% will be managing two or more chronic conditions.⁴

7%-80% OF MEDICAL BILLS COULD HAVE ERRORS

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Understanding Your Statements and Bills

The statements and bills you receive might not look exactly like the examples shown. And the categories and descriptions might be different. But below are some things to look for.

**Explanation of Benefits (EOB) Statement:**

1. **Service Date:** The day you saw the doctor or when the procedure was performed. Make sure this matches the date on the medical bill.
2. **Description:** The type of service you received
3. **Amount Charged:** This is the amount that your medical provider billed your insurance company. This is what you would have been charged if you didn’t have health insurance
4. **Allowable Charges:** If the provider is in your insurance network, this is the amount for each service that has been agreed to by your insurance company and medical care provider. It should match the amount in the “Payment Adjustment” section on your medical bill.
5. **Applied to Deductible:** The amount you need to pay each year for services before your plan starts to pay
6. **Coinsurance:** This is the fixed percentage you may pay for certain services. Some plans may require you to pay a deductible first.
7. **Amount Paid:** The dollar amount that your insurance company agrees to pay your provider.
8. **Code:** Each service you receive is identified by a code, which determines how you are billed. Not all EOBs have codes included. But you can ask your health insurance company to provide them. You can do a Google search to find out what each code means.

**Medical Bill:**

1. **Date:** The day you saw the doctor or when the procedure was performed
2. **Code:** These codes should match the codes on your EOB statement
3. **Service Description:** These descriptions should match the descriptions on your EOB statement
4. **Charges:** The amount billed by your medical provider to the insurance company
5. **Payment/Adjustments:** The amount the medical provider has agreed not to charge you. This should match the allowable charges in the EOB.
6. **Patient Balance:** The amount you are responsible to pay
Sample Explanation of Benefits (EOB) Statement:

<table>
<thead>
<tr>
<th>Service Date</th>
<th>Description</th>
<th>Amount Charged</th>
<th>Allowable Charges</th>
<th>Other Insurance</th>
<th>Applied to Deductible</th>
<th>Copay</th>
<th>Coinsurance</th>
<th>Other Amounts Not Covered</th>
<th>Amount Paid</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/1/18</td>
<td>Medical Care</td>
<td>$500</td>
<td>$250</td>
<td>$0</td>
<td>$250</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
</tbody>
</table>

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Sample Medical Provider Bill:

<table>
<thead>
<tr>
<th>Date</th>
<th>Code</th>
<th>Service Description</th>
<th>Charges</th>
<th>Payment/Adjustments</th>
<th>Patient Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/1/18</td>
<td>92557</td>
<td>Medical Care</td>
<td>$500</td>
<td>$250</td>
<td>$250</td>
</tr>
</tbody>
</table>

Note: These numbers should match. The information in the forms above are only examples.
that doesn’t seem right, call your insurance provider. Their number and website will be on the statements. You can also ask them to explain any codes that you don’t understand.

Next, review bills you receive from medical providers, e.g. doctors, hospitals, specialists, etc. Check to see if the dates, descriptions, codes, and amounts on the bills match the info on the insurance statements. If they don’t match, call your medical provider. They may have coded your bill incorrectly and can fix it. If your medical provider won’t fix and reissue your bill, call your insurance provider and tell them your concern.

**AARP Offers Decoders to Help You Understand Medicare Statements**

If you are still having a tough time, AARP can help you understand Medicare MSN statements. If you’re insured by Medicare, you’ll be receiving one of these every quarter when you receive medical treatment. These statements contain information similar to EOB statements. AARP created decoders for Medicare [Part A](http://example.com) and [Part B](http://example.com) that can help you make sense of the sections on these statements. If you try the decoders, and still have questions about your MSNs, call 800-MEDICARE (800-633-4227).

If you’ve been billed for a treatment that you think should be covered by Medicare, call Medicare first and try to resolve it over the phone. If you’re still not satisfied, Medicare has an appeal process. It’s a bit tedious, but it can be worth it.

**You Can Also Get Help From Billing Advocates**

If you’d rather not dig into all the details of bills and EOB statements, you can hire a professional billing advocate. Sometimes, health insurers provide access to billing advocates. But often you’ll need to pay for them yourself. They can cost up to $250 per hour, or some charge a percentage of the amount saved. You can find billing advocates at [Alliance of Claims Assistance Professionals](http://example.com) or [Medliminal](http://example.com).

**Is It Really Worth All the Work?**

If you’re going to dispute a bill or statement, it’s going to take work. You’ll need to do your homework and have your facts straight. It can also be frustrating to navigate complex bureaucracies. But doing nothing could mean you’re responsible for paying a big bill that you shouldn’t have to pay. And if you don’t pay it, you could have creditors coming after you.

**To Summarize, We’ve Covered:**
- Why we get so many bills
- Hidden errors
- How to detect the errors

**Mistakes Are Going to Happen. Don’t Let Them Cost You Money.**

Whenever humans and complex systems exist, mistakes are possible. NASA found that out the hard way. If mistakes happen on your medical bills or insurance statements, you might overpay. But now you know how to find those errors. The few minutes it takes to check for accuracy could be well worth it.

**Next steps:**

1. Gather a few of your most recent medical bills and EOB statements, or MSN statements if you’re on Medicare
2. Compare the amounts on your medical bills to your statements
3. If the amounts on your bills don’t match the amounts on your statements, you may have found an error. If you find an error on your bills, call your medical provider. If you find an error on your statements, call you insurance provider

**Sources**

3. A Couple Retiring in 2018 Would Need an Estimated $280,000 to Cover Health Care Costs in Retirement, Fidelity® Analysis Shows, Fidelity, 4/19/18
7. Don’t Overpay Because Your Doctor Screwed Up Your Bill, GOBankingRates, 12/12/15. Most recent data available

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