

WEB EXCLUSIVES

10 Steps to Financial Peace of Mind During Treatment

BY DIANE COLE

As many patients and their families discover, fighting cancer is hard enough without the added worry of potentially fighting bill collectors as well, but a medical crisis doesn't need to turn into a financial crisis. A level head and some financial savvy can go a long way toward allaying a patient's worst fears, including the suggestions below from cancer patients and financial experts.

Keep Your Cool

Good financial decisions are seldom made under intense emotion, says Peg Downey, a certified financial planner in Silver Spring, Maryland. In the same way that it's best to research and weigh your medical options, pocketbook issues also need to be evaluated. When medical crisis hits, "cash is king," says Downey, because it provides more options for treatment and more freedom in general. But that doesn't mean you should immediately tap into savings, sell your house or take out a loan. You may eventually decide to do so—but don't assume you'll need to do it. Before taking action, take stock of where you are financially.

What's Covered?

First, review your insurance policies. Contrary to conventional wisdom, you can buy health insurance even with pre-existing conditions like cancer, Downey points out.

When Carole O'Toole discovered her HMO would not cover a stem cell transplant to treat her breast cancer at a particular hospital she and her doctors believed would provide the best treatment for her, she researched her options to find a better insurance plan. Fortunately, Maryland had just passed a state law requiring open enrollment periods for health insurance, regardless of pre-existing conditions. O'Toole was thus able to switch to a more comprehensive policy that covered the \$75,000 procedure.

"The insurance premium was hefty (about \$1,000 a month) but I got the treatment where I wanted, and it was successful," says O'Toole. Even though O'Toole's new insurance policy was more expensive, the pay-off, including the budgeting

required, was well worth it.

Many states have similar open-enrollment laws. Professional associations often offer group coverage as well. Patients should also tap into job-related benefits, such as short-term disability.

What Costs Should You Expect?

Find out what you can anticipate—and estimate how that translates into costs, says David Landay, a New York-based lawyer. Questions to ask your medical team include: What will you need in the way of such out-of-pocket items as prescriptions, nursing or prosthetic devices? Will treatment side effects be likely to sidetrack you from work—and if so, for how long? How soon after surgery will you be able to return to work—part-time, full-time or at all?

"Always keep in mind that what you learn is not predictive of what's going to happen to you," Landay says. The idea is to be aware of and prepared to fund all possibilities.

Where Do You Stand?

Prepare a balance sheet that includes assets (such as property, stocks, bonds, retirement funds) and debts (loans, unpaid bills, back taxes); income from all sources (salary, interest, dividends, social security benefits) and your expenses, and not just big-ticket items like housing, clothing, groceries, transportation, and insurance; but less obvious ones, like holiday gifts. At the same time, sort your bills and identify a monthly "must pay" list, in order not to fall behind on such essentials as your mortgage payment, rent and health insurance. When you total the figures, is there a shortfall? How much? The next steps will help you bridge the gap.

Where Can You Cut Back?

The financial picture that emerges will give immediate clues as to where to cut spending. "Look at what you don't need," advises Cindee Taradash, a financial planner based in Whitefield, New Hampshire. After her husband Matthew was diagnosed with osteosarcoma, they found they could dispose of one of the two cars they owned; they further saved by having only to pay for insurance and maintenance on one car.

Factor in Personal Goals

At the same time, the wake-up call of illness may make you realize there are certain things you can't afford not to do. Before her diagnosis, Katie Gibson and her husband Scott Bischke had saved as much as they could in order to fund time off to pursue their passion for hiking and camping. For them, money in the bank meant "time and freedom to do what we wanted."

Through Gibson's illness, they lived even more simply—at one point, Bischke conserved transportation costs by bicycling instead of driving as he went about his daily errands—to allow Bischke to take unpaid leave from his job, also at Hewlett-Packard, and care for Gibson. Eventually, Gibson did return to work, as did Bischke—both of them part-time, taking a cut in income in order to continue to have more time together.

In 1998, with Gibson in remission, they also used their savings to fund a three-month hike across Montana's Continental Divide. Admits Bischke: "We picked the cheapest form of entertainment you can think of because when you backpack and camp out, the lodging is free, the food is what you carry on your back, and your feet provide the transportation." But the trip's symbolism was priceless: "We saw the trip as a celebration of a return to life and living, because we were able to do something that we could have done before cancer," says Bischke.

Or the personal goal may simply to feel more secure financially. To that end, as part of their budget plan, O'Toole and her family set up what she dubs a "slush fund" of several thousand dollars as an emergency home repair fund. It was one less worry to distract her from getting well.

What Can You Negotiate?

Although most complementary therapies are not reimbursable through insurance, many practitioners will be open to negotiation. Similarly, even if insurance appeals are unsuccessful, physicians may prove open to discounting their fees or setting up a payment plan and working with you on the cost of treatment. Ditto with other services. For example, when Taradash's husband required a prosthetic leg, insurance covered only part of the cost, she says, but "the man who constructed it was kind enough not to bill us any additional fees." If treatment takes you to a hospital out of town, check if they provide discounted rental or hotel rates.

Cash Is King

If you still need cash, you now have a solid base on which to choose the option that fits your particular medical, financial and family situation. Before proceeding, though, be sure you understand, and can accept, the possible risks and tax bills each could incur:

Selling stocks, bonds, or mutual funds, for instance, can provide cash—as well as commissions and a sizable tax bill. That's why the rule of thumb is to sell low-earning assets, or those that will yield a tax loss, first.

If you're severely ill—or if your nerves are made of steel—instead of selling, borrowing on margin (taking out a loan against your brokerage account holdings) may make more sense. In the case of one of Downey's clients, for instance, paying interest on the margin loan came to less than paying capital gains taxes on stocks whose value had risen considerably over the several decades she had owned them. The risk here: if the stock against which you borrow declines significantly, you'll receive a "margin call"—that is, you'll have to pay back the loan, in part or in full, perhaps losing the stock altogether.

Retirement accounts may provide another source of quick cash—if (for those under the minimum age of withdrawal of 59 and a half) you're willing to pay the 10 percent penalty for withdrawal. Even so, check with your employer or accountant to see if you can avoid the penalty by qualifying under its hardship provision.

If you're a homeowner, you might look into a home equity loan, mortgage refinancing or reverse mortgage. The plus is immediate cash, but the caveat is

that you might lose your home if you aren't able to make the payments. "If you can't afford the payments, you will lose your home, and you do not want to be sick and homeless," cautions financial planner Ginita Wall. But if you have a second home or property consider selling—or renting it out.

Then there are credit cards, which offer a short-term solution—as long as you're able to pay on time. Just be aware that interest rates can grow at astronomical rates. And if your bills are headed out of control, says Wall, call Consumer Credit Counseling Service, a non-profit organization that can help you negotiate a payment plan you can follow through on.

Life insurance policies also provide a number of possibilities for raising cash—but the pros and cons are especially tricky. For instance, you can borrow against the value of your insurance policy—but you may still have to pay premiums on the entire policy, points out David Landay. Accelerated benefits—getting an advance on the death benefit while you're still alive—will decrease the amount left to provide for survivors. "It's a matter of balancing current need against" the future, says Landay.

Most controversial of all are viatical settlements, which is selling your life insurance policy, for a percentage of the full benefit, to another party who, as the new policy owner, continues to pay all premiums and receives the benefits upon your death. Proceed cautiously, though and make sure you're dealing with a reputable broker.

Can You Delegate?

Whether or not you're already used to handling finances, calculating the best money moves in a time of crisis can take time, energy and focus. And for the cancer patient, fighting the illness and getting well often leaves little strength or patience for other matters. If you can rely on someone else to take charge of financial and insurance issues, do so. It can be a relative, close friend or a financial adviser. "We have some clients who have had or are going through treatment for cancer, and one of the biggest issues they face is fatigue. As a result, many times the last thing patients want to deal with is money issues," says Scott A. Leonard, a financial planner.

On the other hand, throughout her treatments Katie Gibson felt that handling the family's financial affairs was one activity she could still do, and gave her satisfaction knowing she could. Either way, the decision is yours.

Remember the Bottom Line

The most important aspect a patient should be focused on during treatment is to be well; physically, emotionally—and financially.