

# Paying for Your Plan: Budgeting for Health Insurance

For many Americans, health insurance premiums will be a new expense added to the monthly household budget. The cost of the monthly **premium** (the amount paid for your health insurance plan) will be based on many factors including: your age, your income, your family size, where you live, and the plan you choose.



In addition to the premium, the health insurance plans will also require you to pay **deductibles** (the amount you owe for covered health services before your health insurance plan begins to pay) and **co-pays** (fixed amount you pay for a covered health service, usually when you get the service). To manage these new costs of living, there are steps you can take now to get a handle on your finances.

The first step in preparing for these new expenses is to figure out if your current income covers all of your expenses. An increase in expenses usually means a change in lifestyle. The sooner you look at your household budget, the more options you will have and the better off you will be in the long run.

Once you have a better understanding of how much money is coming in and where it is going, it's time to look at ways to make the best use of every dollar. This guide will walk you through ideas for saving on everyday spending and finding the money you need to make your money match the month.

When you're ready to plan how to cover your health care costs, look over the steps in this guide. See which tips fit your situation and give them a try. If you want more information or additional options, contact your county UW-Extension office.

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Carol Bralich, Family Living Educator  
UW-Extension Washington County  
333 E. Washington St., Suite 1200  
West Bend, WI 53095  
(262) 335-4479  
carol.bralich@ces.uwex.edu

## Use this checklist to budget for the cost of healthcare.

- Explore the cost of health insurance plans.
- Make a monthly spending plan.
- Keep track of your monthly spending.
- Explore ways to balance your budget.

# Step #1: Figuring Your Health Care Costs

If you have selected a health insurance plan, you can fill in the chart below. If you are still shopping and curious about the actual costs of a health plan, you can use the premium estimate tool, <https://www.healthcare.gov/find-premium-estimates/>. This tool shows the premiums of the plans in a county depending on age ranges. REMEMBER: These prices are before tax credits are applied. To find out what your premium may cost if you qualify for any subsidies, go to: <http://kff.org/interactive/subsidy-calculator/> and enter your household information. This is a better predictor of your share of the premium.



In addition to what you pay for your monthly premium, you will also have out-of-pocket costs, such as co-pays for doctor's appointments or prescriptions, which you'll want to factor into your budget. Or you may want to start setting aside money for when those expenses happen.

To come up with the monthly cost of your premium and you out-of-pocket costs, just divide the annual costs by 12. You can use the extra columns in the chart below if you are still comparing your health care options.

	<b>My Plan (Or Option 1)</b> Yearly Cost/Monthly Cost	<b>Option 2</b> Yearly Cost/Monthly Cost	<b>Option 3</b> Yearly Cost/Monthly Cost
<b>My insurance premium</b> (what I pay for the plan – be sure to include vision, dental & prescription premiums if they are not part of your health plan)	\$ _____ / \$ _____	\$ _____ / \$ _____	\$ _____ / \$ _____
<b>My total or maximum out-of-pocket costs</b> (consider your deductibles, Coinsurance, & co-payments)	\$ _____ / \$ _____	\$ _____ / \$ _____	\$ _____ / \$ _____

When you have decided on your health insurance plan, you can add the monthly cost of your premium and the monthly cost of your out-of-pocket amount to your spending plan in **Step #2**.

# Step #2: Make a Monthly Spending Plan

When you have a change in your expenses, the first step is to figure out how much your monthly living expenses add up to and compare that to your current income. Use this worksheet to figure out if your income will cover all of your expenses, including health care.

## Basic Living Expenses

Monthly Expense	\$ Amount
Rent/Mortgage	
Electricity	
Heating Oil or Gas	
Water/Sewer	
Cable/Satellite	
Internet	
Cell Phone/Landline	
Gas for Car	
Car Insurance	
Groceries	
Eating Out	
“Stuff” for household & personal care	
Clothing and Laundry	
Health Insurance Premium	
Out-of-Pocket co-pays, deductibles, prescriptions	
Entertainment – movies, hobbies, habits	
Pets	
Gifts/donations	
Life insurance	
Money put into savings	
Other -	
Other -	
<b>MONTHLY EXPENSES \$</b> (total from above)	
<b>+ MONTHLY DEBT PAYMENTS \$</b> (total from debt chart)	
<b>= ADD UP TOTAL MONTHLY SPENDING \$</b>	

## Debts (bills that charge interest)

Name of Creditor	Total Amount Owed Yet	Monthly Payment Requested
Car Payment 1	\$	\$
Car Payment 2		
Medical Bill		
Past Due Utilities		
Credit Cards		
Other -		
Other -		
<b>TOTAL DEBTS</b>	<b>\$</b>	<b>\$</b>

## TAKE HOME INCOME/PAYCHECKS

(after taxes/benefits are taken out)

Income (1) \$ \_\_\_\_\_

Income (2) \$ \_\_\_\_\_

Income (3) \$ \_\_\_\_\_

Income (4) \$ \_\_\_\_\_

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**TOTAL MONTHLY NET (TAKE HOME) INCOME \$** \_\_\_\_\_

**Minus Total Monthly Spending -** \_\_\_\_\_

**Difference +/-** \_\_\_\_\_

# Ask yourself:

- Does your income cover all of your living expenses and savings goals?
- Or are you running out of money by the end of the month?

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## First things first: Where is my money going?!



Sometimes it's hard just to figure out where your money is going, much less where to start if you need to cut back. That's where having a monthly budget or spending plan comes in.

Spending plans don't work if there's *not enough room* for flexibility in your monthly expenses and your savings goals. They also don't work if there's *too much room* - "spare change" spending – like that \$20 bill that just disappears before you know it.

Here are some tips to get you started on creating your own monthly spending plan:

- **Be realistic:** Keep track of what you *actually* spend, not what you *think* you spend. See "*Ways to Track Spending.*" Also, be realistic about the amount you can save for your financial goals without feeling deprived during the month.
- **Be specific:** If you go through the effort of putting your monthly expenses in categories, you'll have a much better idea of where you're spending your money. This will also help you to decide where *you* want to spend your money and where to make changes, like cutting back on vending machine snacks instead of trying to cut back on healthier food.
- **Allow for the unexpected:** Life never fails to throw a few curve balls. Having an emergency fund or savings for those expenses that are likely to come up in the future – like car repairs – will keep you from blowing your budget or having to take on debt.
- **Get (sort of) organized:** Sometimes staying within your spending plan is a matter of paying bills on time to avoid late fees or balancing your checking account regularly to avoid overdrafts. If you set up a regular time for paying bills and a specific place for sorting and filing paperwork, you can actually save yourself some money!
- **Prioritize:** There are a lot of ways to spend a dollar. Most financial experts would agree that top budget priorities are to keep up with housing-related bills, car payments, and basic living expenses. Ideally, your spending reflects what's most important to you and is based on your family's financial priorities and values.
- The bottom line is: ***What expenses do you have control over? Start there.***

*If you have a credit card and find that your balance continues to grow each month, this could mean trouble. You might be relying on credit to make ends meet. Plus, minimum payments due can quickly become unmanageable.*

# Step #3: Tracking Your Spending

Most of us have a good handle on the cost of our fixed monthly expenses – the bills that stay the same month after month. It's those expenses that change a little, or a lot, each month that can really throw you off. If you have a hard time figuring out where your money goes each month, there are many different ways to track your spending.



- **Notebook:** When you spend money, write it down right away. Keep a pen and paper in your pocket, car, or purse.
- **Receipts:** Put your receipts in a folder or envelope and add them up at the end of the month. Didn't get a receipt? Write the amount on the folder.
- **Calendar:** If you're used to looking at a calendar every day, write down what you spend, what bills were paid, and income received in your calendar.
- **Checkbook:** Look through your checkbook register for check and debit purchases. Or look through your monthly bank statement.
- **Envelope method:** If you usually spend cash, put your spending money for the day or week in an envelope. When you take cash out, put your receipt in or write your purchase on the envelope. You can also divide your expenses into categories like "groceries" or "entertainment" if you're trying to limit your spending. When one envelope's empty, the money has to come out of another envelope – you decide.
- **Computer:** Enter your spending and income into a computer program that totals up your cash flow for you at the end of the month.
  - **Quicken, Money**
  - **Free programs: [mint.com](http://mint.com), [quizzle.com](http://quizzle.com), [thebeehive.org](http://thebeehive.org)**
- **Bank:** Many banks offer online bill paying, tracking, text messages, online piggy banks for saving money, and other features.

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## Why track your spending?

The biggest reason budgets don't work for many of us is that our spending and expenses change weekly or monthly. When you're trying to stick to a spending plan, it's easy to get discouraged the minute you go over.

Tracking your spending lets you stay on top of where your money is really going. It gives you the big picture for all of your spending during the month. After all, what really matters is how far ahead or behind you come out at the end of the month.



If your monthly expenses are consistently higher than your monthly income, you have **3 options: *cut back on spending, increase your income, or do both.***

# Step #4: Explore Ways to Balance your Budget

## Are these new health expenses going to work with your spending plan?

If not, one place to start is by looking at your habits. Sometimes we buy things or go places out of habit without giving it a lot of thought. When money's tight, it's a great idea to look over your spending for small ways to trim costs. Tracking your spending will help you to be more aware of your spending habits – and changing a few habits can result in big savings.

There are 3 ways to save money on (almost) anything. Pick one expense out of your budget: \_\_\_\_\_

Can you figure out a way to:

- Do it **less often**? \_\_\_\_\_
- Buy it **cheaper**? \_\_\_\_\_
- Or even **cut it out** altogether? \_\_\_\_\_

### Who wants pizza?

- ~ Meal out at a pizza place (includes breadsticks and drinks) = \$40
- ~ Order a large take-out from a pizza place = \$15
- ~ Pick up a "take & bake" from the grocery store = \$9
- ~ Buy ingredients and make pizza at home (using frozen dough) = \$6
- ~ Buy a frozen pizza (on sale, of course) to cook at home = \$3



### Do you buy snacks or soda pop when you're away from home?

<u>From home:</u> 30¢	<u>From a machine:</u> 75¢
2 sodas/day: 60¢	2 sodas/day: \$1.50
Weekly total: \$4.20	Weekly total: \$10.50
Monthly total: \$18	Monthly total: \$45
Yearly total: <b>\$219</b>	Yearly total: <b>\$547.50</b>



### Spending adds up...

Cable or Satellite Package = \$60/month = **\$720/year**  
 DVD Rentals 3 @ \$12/week = \$36/month = **\$432/year**  
 Movie Tickets 2 @ \$8/each = \$16/month = **\$192/year**  
 Treats at Movie 2 @ \$5/visit = \$10/month = **\$120/year**

### What are your habits?

### Where is the money?

Consider some of your habits and how they add up over time. The question is, what habits – eating out, music downloads, or ? – would you be willing to cut back on? If you miss whatever you cut out too much, then that's not the expense to cut. Move on and try something else.

Purchase or Habit	How Often Monthly	Monthly Cost x 12 = Yearly Cost
<i>Example: Eating Out = \$20</i>	<i>4 times/month = \$80</i>	<i>\$80.00 x 12 = \$960.00</i>
<b>What's your total?</b>	<b>Monthly \$</b>	<b>Yearly \$</b>

## Increasing household resources

When's there not enough money available to cover monthly bills, there are other ways to balance the family budget. Sometimes more money can come from turning a hobby into a second job, getting a tax refund, reducing the amount of taxes withheld, or selling stuff you don't use anymore. Even small changes can add up. It's just as important to understand how decisions to cut costs to save money can affect your future financial security. For example, a health insurance plan with a lower monthly premium may require you to come up with a large amount of cash to cover your deductible if you or a family member needs a great deal of health care during the year.

The healthcare system defines some life events as "trigger" events, such as having more or less income during the year, divorce, marriage, or another addition or loss of a family member. It is the responsibility of the insured to let the insurance provider know about these "trigger" events to avoid penalties or re-payment of healthcare tax credits at tax time. If your income does drop during the year, you may also be eligible for a number of programs that target individuals and families with lower incomes. Government and non-profit assistance programs can help bring in needed resources, such as housing, heating, or food payment assistance.

Most programs don't use the poverty line as a cutoff point for eligibility, but instead many programs have eligibility criteria that are based on multiples of the poverty line. For instance, school meals are generally provided at no cost to children with family incomes below 130% of the poverty line, and school meals are at reduced cost to children with family income up to 185% of the poverty line.

The state of Wisconsin and the federal government offer many programs to help you find financial security. Check out [access.wisconsin.gov](http://access.wisconsin.gov) or contact your county human services office to see if you qualify.

### **Dial 2-1-1**

If you are having immediate trouble meeting your basic needs, call 211 for a local directory of all the government and non-profit programs, agencies, and organizations that seek to provide services to low-income individuals.

If you've already tightened up your budget and cut out all the extras over the past few years, there may not be any more places left to trim. Really big cuts in your budget usually call for bigger lifestyle changes, such as selling a car or getting a second job. Consider meeting with a budget counselor to review your options.

For more information about prioritizing bills or working with creditors to catch up on payments, check out:

- "Dealing with a Drop in Income" at [www.uwex.edu/ces/flp/economics/resources\\_flp.cfm](http://www.uwex.edu/ces/flp/economics/resources_flp.cfm)
- "Managing Your Personal Finances in Tough Times" at [fyi.uwex.edu/toughtimes/](http://fyi.uwex.edu/toughtimes/)

Adapted by: Carol Bralich, UW-Extension Washington County from Ruth N. Schriefer, Iowa County UW-Extension, and Peggy Olive, Richland County UW-Extension; 2014.

Resources: "Cutting Back and Keeping Up When Money is Tight," Peggy Olive, Richland County UW-Extension, February 2011 and reviewed by J. Michael Collins, Assistant Professor, Family Financial Management Extension Specialist, UW-Madison. *Wisconsin Homeownership Preservation Education Credit Management and Counseling*, UW-Extension, 2010. *Smart Choice Health Insurance Workbook*, University of Maryland Extension & University of Delaware Cooperative Extension, 2013.

# Financial Counseling

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## University of Wisconsin-Extension – Washington County Family Living Program

- Provides information on setting up a spending plan, tracking your spending, understanding your credit report and credit score, and household record-keeping.
- Extension cannot contact your creditors for you. We can help you understand your options and put together a plan for working with your creditors yourself.
- Free individual appointments. Financial Coaching available.

### Contact

Carol Bralich, Family Living Educator

333 E. Washington St., Suite 1200 – West Bend, WI 53095

Phone: 262-335-4479 / E-mail: carol.bralich@ces.uwex.edu

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## Consumer Credit Counseling Service

- Provides credit counseling, family budgeting, and debt management.
- Financial counseling services available.
- Can assist with a debt management program (DMP), working with creditors when settling debts.

### West Bend

139 N. Main Street  
West Bend, WI 53095  
(262) 306-9241

### Fond du Lac

17 Forest Ave., Suite 016  
Fond du Lac, WI 54935  
(920) 907-4344

### Sheboygan

1930 N. 8th Street  
Sheboygan, WI 53081  
(920) 458-3784

You can also contact the National Foundation for Credit Counseling to find a non-profit credit counseling service: 1-800-388-2227 or [debtadvice.org](http://debtadvice.org)

If you need to speak with a lawyer, Legal Action of Wisconsin provides free legal assistance for low-income households: 1-800-873-0927 or [badgerlaw.net](http://badgerlaw.net)