Lotus Blossom Consulting LLC

Financing Your Infertility Treatment

Options and Explanations

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Financing Infertility Treatment

The purpose of this special report is to outline available financial options for patients who are just starting or considering fertility treatments. I shall briefly review each option and present questions you should ask yourself before choosing one. Obviously not every issue or question will be relevant to every situation; however, it is my hope that after reading this special report you will be well positioned for a frank and detailed discussion with your healthcare plan provider, your physician, and your financial and/or tax advisor.

Paying for any type of medical treatment can be separated into three basic categories: (1) healthcare plans usually offered by your employer; (2) what is referred to as "out of pocket", meaning from your own savings or other private arrangement such as a bank loan; (3) grants and other programs offered by some patient advocacy groups, clinics and or private companies. These programs are limited to those who qualify.

Option One: Healthcare Plan Arrangements

Before beginning any discussion about insurance coverage, it's important to explain the status of fertility benefits in the United States. Not every employer is required to cover fertility treatments; this benefit is delineated per state. States that do require some benefit level for infertility treatments are called "mandated to cover" states, although specific rules may vary from state to state: Arkansas, Hawaii, Illinois, Maryland, Massachusetts, Montana, New Jersey, New York, Ohio, Rhode Island and West Virginia are "mandated to cover" states. Others, called "mandated to offer" states, require infertility benefits to be offered for additional purchase: California, Connecticut and Texas are "mandated to offer" states (*This list may have changed as of the printing of this special report*). To make this even more complicated, large, national corporations oftentimes offer the same benefits company-wide, resulting in exceptions to the states'

> Not every employer is required to cover infertility treatment.

directive. For example, you may live in a state that mandates coverage, but work for a company that is not required by the federal government to meet the state's benefit mandate. On the other hand, if you live in a state that does *not* require fertility coverage; you may still be covered through your employer. In addition to these complications, many times your healthcare plan may cover some parts of your treatment even if you work in a state that does not mandate coverage. It is extremely important, therefore, that you contact your Human Resources department and your healthcare plan provider to discuss in detail your benefits.

Company Insurance Plan

> You need to know what treatments and medications are covered.

You may have one of many types of plans: HMO, PPO, POS, Blue Cross/Blue Shield, etc. The bottom line is the same: you need to know what treatments and medications are covered, and to what extent. If you are close to an open enrollment period, you should consider reviewing benefits under each type of plan and switch if you find something that is better suited for your needs. Ask your employer for a copy of the health plan contract which will list everything that is covered or denied under the plan. You can also ask for a formulary list, which should include all the medications that are covered.

> Make sure to find out if there are any differences in coverage between available policies.

A second step for identifying benefits is to call the toll-free number listed on your benefits card and talk with a customer service representative. Be sure to write down their name, the time you called and the reference number of your conversation. I recommend calling a second time simply to confirm your answers. If you are married or have partner benefits with your employer, call both companies and arrange to use benefits from whichever gives you the best coverage. It is important to inquire about how they would arrange coordination of benefits between you and your spouse or partner. Make sure you find out if there are any differences in coverage between the primary holder and any dependents, as this may alter your decision to retain your own coverage instead. In addition, if you don't get coverage for all aspects of treatment, consider saving the most expensive treatment cycle for your insurance benefit.

Here are some questions you should start with:

- Is the benefit cycle based on a calendar year or fiscal year?
- What is the pre designated treatment plan for those diagnosed as infertile?
- Are there any waiting limits and/or preexisting conditions?
- Are there any other exclusions to coverage that might affect you?
- Can you use a discount pharmacy?
- How does insurance cover expenses for third party help, such as a donor or surrogate? For example, does it cover medication for a donor or surrogate?
- What is the appeals process?

Another step towards clarifying what your benefits are is to send a predetermination of benefits letter from your physician to your insurance provider. Find out who these letters should be addressed to from the customer service line at your insurer and send them to a specific individual as an unaddressed letter might float around for weeks before being answered. If you have been working with a physician who has outlined a treatment plan for you, you can write to your insurer and ask if this plan is covered, including the fee schedule from the physician in your letter. Be specific about what the treatment plan is and why it is needed.

Tax Advantaged Saving Plans

Section 125(c) "Cafeteria Plans" and the like: Health Care Flexible Spending Account (FSA), Health Savings Account (HSA), Voluntary Employee Beneficiary Association (VEBA)

HSA accounts allow pre tax dollars to pay for qualified medical expenditures not covered by health plans.

Even though these accounts are limited in scope of treatment and amount, they are still excellent venues to pay for some medical expenses. They have two significant benefits, assuming qualification, despite the restrictions: pre tax dollars set aside and non taxable withdrawals. Even though these are slightly different programs which your employer may offer (and there are more than just these), the idea behind them is basically the same. You can set aside a limited amount of pre tax dollars from your paycheck in a savings account, and then reimburse yourself once you have paid out of pocket for medical care. Each plan has limitations on the amount that you can set aside and what constitutes a qualified medical expense.

With the increased number of high deductible health plans, HSA accounts are popular and attractive because the pre tax money set aside in this account can be used to cover the yearly deductible. HSA accounts give you control because you can decide how to spend the money based upon your particular health care needs and the funds can be used to pay medical expenses that are not covered by your health insurance plan. HSA accounts also give you flexibility in that you can deposit or withdraw money anytime without a penalty as long as you use the money for qualified medical expenditures.

Since infertility coverage and associated costs are a grey area for the IRS, some companies allow for the HSA account to pay these costs and others don't. Be sure you know ahead of time what your company's policy is. In addition, the IRS has defined what is allowed to be reimbursed from these accounts, and some to most fertility treatments do qualify. Exactly what is allowed for reimbursement depends upon the type of account. The rules for these accounts and eligibility are complex and need to be discussed with your Human Resources or Benefits department.

Option Two: Other Financing Arrangements

> The IRS allows a tax deduction on out-of-pocket medical expenses if they exceed 7.5% of your adjusted gross income for the year.

Out of Pocket Arrangements

"Out of pocket" arrangements basically refer to any options outside of healthcare plans; these can range from personal loans to dipping in to savings to borrowing from retirement plans. Each alternative brings its own risks, but can be a valuable option to healthcare plans if carefully arranged beforehand. It is also worth noting at this point that the IRS allows a tax deduction on out-of-pocket medical expenses if they exceed 7.5% of your adjusted gross income in a year. Keep receipts for all out of pocket treatments and medications, and talk with your tax advisor to see if you would be eligible for this deduction. There are, of course, restrictions on this rule but it is worth the effort if you qualify.

Home Equity Line of Credit

> Home Equity loans have been a popular borrowing option in the past, but in today's market may be more difficult to obtain.

Borrowing against the value of your home has become more popular as real estate values increase. Using this option allows you to shop around for the best interest rate, as you do not have to use the same mortgage lender to whom you make your house payments. In addition, the interest you pay may be deductible on your federal tax return. A benefit to this type of account is that the amount you borrow is available on credit and you can write checks against it. Thus, if you get a line of credit, you could use this to pay for additional treatments after other options are used, as you don't have to use all of the borrowed money at once. On the downside, this can negatively affect your credit rating (more outstanding debt) and could negatively affect you if you want to sell the house but still have this outstanding balance due.

Bank or Credit Card Loan

These loans can be secured or unsecured. The amount and the interest rate would depend upon your credit score and whatever other criteria the lending institution uses. This is a relatively easy way to get funds if you have good credit, but the downside is that you might be paying it back long past the point when your treatments are over, thereby impacting your monthly cash flow. Be sure you know how much your monthly payments will be and whether or not you can meet the payment schedule before you sign the dotted line.

Savings

Dipping into your savings to pay for treatment is the first choice move for many. However, it is extremely important that you look at all payment options and have an agreed upon plan for yourself and your partner before moving forward. Know what you both are comfortable with in terms of how much you are willing to spend and how much debt you will be able to sustain. Remember that you will need to have cash ready when you bring the baby home, as well as in the future if you want to try for a sibling. Savings does not replenish as quickly as it is spent, and once you exhaust all of your savings, you are in a more difficult position for unexpected ordeals.

Retirement Plans: 457/401(K)/403(b) and the like

It is possible to borrow from your retirement plan. As with cafeteria plans, there are restrictions and rules no matter what type of plan you have. First, you will have to apply for a loan from the account. A loan from a 401(k) is called a "hardship withdrawal"; or an "unforeseeable emergency" from a 457 plan. A further limitation is that you are not allowed to withdraw any earnings, but rather only your contributions. Finally, if you take loans from a retirement plan before age 59 ½, you will have to pay an early withdrawal penalty of 10%, if you do not make arrangements to begin repayment of the loan within a certain timeframe.

If you are cleared to receive funds, the amount you withdraw essentially becomes a loan which must be repaid to the account, usually within 5 years (many employers which allow loans can take the repayment right out of your paycheck). You will have to discuss the specific parameters with your Human Resource department.

It is crucial to speak with your financial or tax advisor about your specific financial situation and your individual risk adversity.

Even though there are allowances for borrowing from retirement plans, this is not an avenue I recommend. Any cut in retirement savings today can have a potentially devastating effect many years later. Discuss any retirement account loan with your financial or tax advisor.

Individual Retirement Account: *Roth and Traditional*

Compare all available payment options.

Individual retirement accounts (IRA) also have provisions for withdrawals, and the same caveat about borrowing from a company funded retirement plan bears repeating here: even though there are allowances for borrowing from retirement plans, this should not be taken lightly, or taken advantage of merely because it is available. Distribution rules are different and somewhat complicated depending upon which type of account you have. Again, any cut in retirement savings today can have long-term harmful consequences, so I recommend talking with a financial or tax advisor before taking any money out of your individual retirement account.

Roth

You can take out contributions you have put into your Roth at any time tax free. In addition, you can withdraw any earnings by paying a 10% early withdrawal penalty. Although you might have to claim the earnings you withdrew on your income tax form, qualified distributions from a Roth IRA are tax free if you have owned it for 5 years or more. You are not required to pay back any amount that you take out.

Traditional

A traditional IRA works similarly to a 401(k). Qualified distributions can be taken without penalty; otherwise the 10% early withdrawal tax applies. You have the option to pay back the amount you take out and avoid the penalty as long as it is returned to the account within 60 days, but you are not required to do so.

A final downside to note about taking funds out of either your company retirement account or your traditional IRA: on top of a 10% penalty, you will have to claim the amount you borrowed on your tax return, and pay at your ordinary income rate.

Third Option: Grants and Private Options

Patient advocacy groups, clinics and private companies often can provide a fourth option for dealing with the increasing financial costs of infertility treatment by working one on one with individuals to find personal solutions. Doing research online or in journals may be beneficial; however, this is a dynamic field with constantly developing programs and changing information. Contacting an infertility consulting company may be a viable solution to explaining options and offering comfort and security throughout the process.

Other Available Borrowing Plans

There are specific loan arrangements offered through financing companies at a number of clinics nationwide. Similar to a bank or credit card loan, these plans are essentially unsecured loans whose amount and rate are determined by your credit score.

Scholarship or Grant Programs

Some interest groups and clinics offer scholarships and grants for those seeking treatment. As with distributed risk programs, there are certain qualifications which must be met in order to be eligible. Scholarships and grants are generally given out yearly and are highly competitive. If you qualify, it is absolutely worth the time to apply; however, you probably should explore other options as well instead of placing all of your hope in such a program.

Private Companies

Jude Andrew Adams Charitable Fund

Lotus Blossom Consulting established the Jude Andrew Adams Charitable Fund in 2007 to bring hope and new life to those in need. Through this grant, financing for a free fertility treatment cycle is available to qualified financially needy individuals.

Applications and criteria for the Jude Andrew Adams Charitable Fund are available online at http://www.lotusblossomconsulting.com/charitable-fund/

Summary

Infertility treatment is costly, and unfortunately for most, it is not completely covered by an insurance provider. If possible, the best course of action is to carefully review all of your benefits and payment options before you begin treatment. Talk it over with your partner and have a financial plan that you both agree on. Meeting with an infertility consultant can help you with this process and expose you to new directions in the field, creating the best plan for your needs. Each plan of action will be unique and personal; however, there are important recommendations that apply to all patients. First, it is important to plan for multiple cycles of treatment in order to overcome a possible failed cycle and to open the option of having more than one child. Second, talk to your physicians and possibly a consultant to know what the odds are for your diagnosis and treatment in order to best prepare yourself for the financial and emotional journey. Finally, have milestones set for yourself so that you know when to change the course of treatment or when to stop.

About Lotus Blossom Consulting

 **Mindy Berkson**

Mindy Berkson has over a decade of experience in the infertility field. She has worked in several different capacities at both physicians' offices and egg donor and surrogacy agencies. Mindy received her B.S. in Economics from the University of Michigan, Ann Arbor. As an IVF Coordinator, Mindy guided hundreds of intended parents globally through the stressful physical and financial demands of the infertility process as well as provided professional and compassionate assistance in dealing with the emotional barriers involved with third party reproduction. Mindy's vast nationwide resources and strategic alliances enable her to be a valuable resource and provide an insider's approach to navigating fertility treatments. With a deep commitment to helping others, and a passion and knowledge of the fertility process, Mindy founded Lotus Blossom Consulting. Mindy can be reached at mindy@lotusblossomconsulting.com or toll free at (877) 881-2685.

Toni Siragusa, MBA

Toni has experience working in managed care and financial planning. Toni brings her understanding of managed care and personal finance together to help couples navigate the complex and sensitive arrangements necessary for successful treatment. Lotus Blossom Consulting, LLC was formed in 2005 to help individuals navigate the emotional, financial and physical aspects of their fertility journey. Toni can be reached at consultant@lotusblossomconsulting.com or toll free at 877-881-2685.