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Common Contributors to Financial Strain

by Joe Ritter

Three of every four people you encounter are experiencing some degree of financial strain, and one of them cannot escape it. This is the finding of the American Psychological Association's Stress in America study for 2014. Within the church, there is often a direct correlation between financial strain and spirituality, and outside the church, financial strain offers a unique opportunity to minister to hurting individuals. For these reasons, we would be remiss to ignore the role financial matters play in the lives of those we meet.

Three common contributors to financial strain are long-term care, medical bills and credit cards.

Daniel Defoe said the only certainties in life are death and taxes. Certainties affect rich and poor alike, but the poor are often at a disadvantage. In our changing society, long-term care can be added to this list. For the poor, insurance is often unaffordable, however, for those who can afford some insurance, opportunities exist to coordinate benefits with Medicaid.

The universal components to addressing long-term care, with or without insurance, are planning ahead and care management. In a classic scenario, an aging parent with multiple children begins to need care. One child typically takes on the brunt of the care and financial management, while the other siblings play a minor role. This is a breeding ground for resentment and tension. The caregiver often feels overwhelmed and uses his or her own money for the parent's necessities for fear of drawing criticism. Sound advance planning can address this situation and reduce family tension.

While Medicaid is a safety net to help cover long-term care expenses, it does not eliminate the situation just described. Home health care paid by Medicaid often necessitates that a family member or trusted friend help to coordinate care and manage finances.

Medical bills mount when there are gaps in insurance or high deductibles and co-pays. Like it or not, the

Affordable Care Act mandates everyone, rich or poor, to have health insurance or pay a penalty. For 2016 and beyond, penalty amounts rise, and most exemptions can only be obtained by written application. Unique to North Carolina is the lack of Medicaid expansion for the poor. This means that thousands of individuals cannot buy health insurance even if they wanted it and do not qualify for Medicaid. What many individuals may not realize is that they must still apply for an exemption to avoid paying the penalty.

Most hospitals, pharmaceutical companies, and some doctors offer financial assistance for medical care. However, poor individuals are still denied access to care if their inability to pay cannot be demonstrated. This can be challenging for those in rural areas with high unemployment. Documenting an exemption from the health insurance requirement is not just tax related because it can help to demonstrate eligibility for assistance.

Despite government efforts, many uncertainties around medical care still exist because federal funding of low-income community health organizations is currently at risk, and there are new legal challenges to federal subsidies.

Unpaid medical bills can further restrict access to care and often involve debt collectors. Many poor individuals do not know how to handle aggressive debt collectors. Thus, the cycle of poverty continues unabated.

Credit cards are relied upon as a substitute for an emergency fund and are often used to pay medical bills. When needs arise, there is a stigma associated with asking for help, although for many working poor individuals, financial assistance is often not available.

The best opportunities for relief exist before charging an expense to the credit card, however, the reality is little thought is given to future repayment until monthly payments become unmanageable. Once that happens, relief cannot come quickly enough.

Most credit card companies will negotiate interest rates, however, this does nothing to lower the monthly payment. Payments can only be reduced by modifying repayment terms. The most common modification is through a hardship repayment plan. This allows the individual to have the dignity of repaying a discounted amount at a reduced interest rate. To qualify, the individual must demonstrate a financial hardship and present a cash management plan.

Debt management plans, loan consolidations, credit repair and lump sum payoff of settled balances should generally be avoided.

Health, mental health, credit, spirituality, employment, relationships, and other aspects of the life of a poor individual are impacted through financial strain. When a single issue such as this affects everything else in life, compassionate action is in order.

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