

Know Your Benefits

Personal Health Literacy and Health Care Spending

Navigating health care isn't always simple. From figuring out what your plan actually covers to determining which doctors and facilities are in-network, the choices you make can significantly affect what you pay. Personal health literacy can play a key role in helping you make confident, informed decisions that not only support your well-being but also help you manage and reduce your health care spending.

Health literacy has become increasingly important. Rising health care costs remain one of the biggest concerns for consumers and a significant barrier to receiving needed care. In fact, recent survey data show that about two-thirds of Americans say the cost of health care is their top economic concern. Strengthening personal health literacy can empower people to anticipate expenses more effectively, avoid unnecessary costs and access the proper care at the right time.

This article explores what personal health literacy is, why it matters and how building even a small amount of knowledge can translate into real savings.

What Is Personal Health Literacy?

According to the U.S. Department of Health and Human Services' Healthy People 2030 initiative, personal health literacy is "the degree to which individuals have the ability to find, understand and use information and services to inform health-related decisions and actions for themselves and others." This definition reflects a shift from merely understanding health information to actively using it, underscoring the importance of informed decision-making. The National Assessment of Adult Literacy identifies the following four levels of health literacy:

1. **Proficient**—People with proficient health literacy have the least difficulty navigating the health care system because they have the necessary skills to perform complex and challenging literacy tasks. This

group is typically effective at choosing appropriate treatment, following health instructions and adhering to treatment plans.

2. **Intermediate**—Individuals at this level can read and understand moderately complex health care documents, extract relevant information and draw reasonable conclusions. These individuals can generally navigate the health care environment.
3. **Basic**—Those at the basic level can handle simple, everyday literacy tasks like reading, understanding and using information from short health articles, brochures and medical pamphlets. However, these individuals may struggle with navigating more complex health care concepts and some treatment plans.
4. **Below basic**—Individuals at this level have limited literacy skills; they may be nonliterate or able to locate information in basic documents like hospital forms and medical pamphlets. However, this level of literacy is significantly lower than what is necessary to navigate the health care environment.

Personal health literacy is not about having medical training; it's about having the practical knowledge to:

- Understand care instructions.
- Ask effective questions.
- Evaluate treatment choices.
- Navigate provider networks.
- Use insurance benefits wisely.
- Make informed decisions about when and where to seek care.

These skills can empower individuals to make decisions that align with their health needs and financial priorities.

How Can Personal Health Literacy Impact Health Care Spending?

Proficient personal health literacy can also play a significant role in managing health care costs. By understanding key concepts, available resources and how to navigate the health system, individuals can avoid unnecessary expenses, reduce the likelihood of preventable care and make full use of benefits that often go overlooked. The following are examples of how stronger health literacy can directly contribute to lower health care spending:

- **Choosing the right care setting**—The same health concern can lead to very different costs depending on where care is delivered. Emergency rooms are intended for life-threatening issues and carry the highest costs, while urgent care centers, retail clinics and telehealth services can often treat common conditions more affordably and conveniently. Strong health literacy helps individuals identify which setting is appropriate for their symptoms, reducing unnecessary ER visits and avoidable expenses.
- **Understanding in-network versus out-of-network care**—Even when someone chooses the right type of provider, costs can escalate quickly if the facility or clinician is out of network. Visiting an out-of-network clinic, urgent care center or hospital can lead to significantly higher charges or no coverage at all. Individuals with strong health literacy skills are more likely to check network status in advance, compare options and avoid surprise medical bills.
- **Understanding key insurance terminology and how health plans work**—Many people struggle with terms such as deductibles, copayments, coinsurance and out-of-pocket maximums, which can make it challenging to anticipate expenses or plan for care. When individuals understand these concepts and how in-network versus out-of-network care affects pricing, they are more likely to make informed decisions that optimize their coverage. Health literacy can empower individuals to align their care choices with their plan's structure, leading to more predictable and efficient use of benefits.
- **Managing prescription costs**—Individuals with higher health literacy are more likely to understand medication instructions, identify when generic alternatives are available and compare pharmacy pricing. They also tend to ask their providers informed questions, such as whether a medication is necessary for long-term use or a 90-day supply would be more cost-effective. These behaviors reduce the likelihood of medication errors, duplicative prescriptions or unnecessary brand-name spending. Over time, improved medication literacy leads to better adherence, fewer complications and reduced spending on follow-up care that could have been avoided.
- **Using available preventive care**—Most employer-sponsored health plans offer a wide range of preventive services, such as annual checkups, vaccinations and screenings, at no additional cost. However, those with limited health literacy may not be aware of these benefits or may misunderstand their purpose. As a result, they might delay essential screenings or avoid routine checkups, increasing the likelihood of developing more serious and costly health issues later on. Individuals who understand the value of preventive care and know how to access these benefits are better positioned to maintain their health, detect conditions early and avoid more expensive interventions down the line.
- **Maximizing tax-advantaged savings accounts**—Tools like health savings accounts and flexible spending accounts can provide meaningful financial benefits by allowing individuals to set aside pre-tax dollars for eligible medical expenses. However, these accounts are often underutilized simply because people don't fully understand how they work, what qualifies or how to use them effectively. When individuals have the health literacy skills to interpret plan details, compare their options and apply these accounts strategically, they can reduce taxable income and lower out-of-pocket health care costs.
- **Leveraging employer-sponsored wellness programs and support resources**—Benefits such as employee assistance programs, wellness incentives and care navigation services can offer additional financial, emotional and preventive support. Yet many employees overlook these programs due to limited awareness or confusion about access and eligibility. With stronger health literacy skills, patients are better equipped to understand the value of these offerings, navigate available resources and maximize the support built into their overall benefits package.
- **Communicating with health care providers effectively**—Individuals who understand how to ask clear questions, interpret instructions and follow

recommended treatment plans are less likely to experience complications, misunderstandings or repeat visits. They are also better equipped to recognize early signs of illness, seek timely care and avoid unnecessary tests or referrals. By improving the clarity and accuracy of communication between patients and providers, health literacy reduces the risk of errors, enhances the quality of care and helps ensure that individuals receive the appropriate level of treatment the first time, ultimately leading to lower costs and better health.

Learn More

Improving personal health literacy is one of the most effective ways individuals can take control of both their well-being and their health care spending. Even small gains in understanding, whether related to insurance terms, care options, medication decisions or preventive services, can lead to more confident choices and meaningful financial savings.

Contact your employer for resources to improve your personal health literacy.