Life & Health Insurance Advisor

eHummel InsuranceServices

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Health & Life Insurance Specialists Since 1989

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The Benefits of Wellness

An Emory University study released in the fall of 2007 concluded that preventable illnesses cost the U.S. healthcare system $100 billion every year. What does that mean to you? By 2004, healthcare costs had reached $6,037 per capita, or an average of $6,037 for every man, woman and child. And preventable illnesses contributed to those costs.

Large employers that pay for employees' medical insurance have long known that promoting prevention and wellness can help control their health insurance costs. Even among smaller employers, wellness programs are becoming more popular.

If you buy your health insurance on the individual market, you can also take advantage of preventive services and wellness programs. The types of preventive services and wellness programs your insurance plan covers will vary by type of plan and insurer.

Today, most insurers structure their PPO (preferred provider organization) or HMO (health maintenance organization) plans to encourage members to take better care of themselves. To achieve this, many plans cover the following services completely (subject to certain limitations) or with a reduced copayment:

- Annual physical exams
- Well-baby and child exams
- Immunizations (including flu shots)
- Disease management programs, which provide education and assistance in managing a chronic disease, such as diabetes or asthma
- Screening exams or tests, such as mammograms, Pap tests, cholesterol tests

Some plans also provide incentives for members to improve their health by providing at least partial coverage for the cost of participating in smoking cessation programs and certain weight-loss programs. And don't forget that healthy individuals pay lower premiums on the individual market than those who smoke or are overweight—so quitting smoking or losing weight can help you save money.

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This Just in

Life insurers are writing fewer traditional life insurance policies and more annuities, according to the Insurance Information Institute. Traditional life insurance products, including universal life, form a smaller part of life insurers' total business than in the past. The Insurance Information Institute reports that, "Whether measured by premium income or assets, traditional life insurance is no longer the primary business of many companies in the life/health insurance industry. Today, the emphasis has shifted to the underwriting of annuities."

In 2007, U.S. life and health insurers wrote a total of $327 billion in premiums for annuities, which represented nearly one-half (48.1 percent) of total premiums. During the same period, life insurance premiums amounted to $154 billion, representing 27.6 percent of the total, while accident and health premiums reached $154 billion, or 23.2 percent of the total.

Despite this change in focus, sales of universal life are growing. LIMRA, an insurance trade association, recently reported that premiums for universal life increased by 8 percent in the first quarter of 2008.

Will Your Insurer Be There When You Need It?

You might be able to buy less expensive insurance. But when you invest in a life insurance or long-term care policy, which can stay in force for decades, you want to be sure to invest your money only with a financially solid carrier that will be able to pay your claim when the time comes.

As recent bank failures demonstrate, even large, well-known companies can go under. And it's sometimes difficult for a layperson to tell a company is in financial trouble until it's too late. Fortunately for insurance buyers, specialized rating services can help you evaluate insurance companies' fiscal soundness.

When another business or individual owes you money and goes bankrupt, you often receive only pennies on the dollar. When an insurer becomes insolvent, policyholders have a bit more protection — the state's insurance guarantee fund will step in and pay claims, subject to certain limits and conditions. However, obtaining claim payments due from a guarantee fund will almost certainly take more time than obtaining payment directly from a well-run insurance carrier.

You could read the financial reports of any insurer you're considering buying a policy from. But specialized rating services make it easier to help you evaluate insurance companies' financial stability using a numerical or alphabetic scale.

The following list of the major rating services includes a brief description of their rating criteria and rating scales:

A.M. Best Co. – The granddaddy of all rating services, A.M. Best has been rating companies for financial stability since 1899. It offers two types of ratings – *financial strength ratings* and debt ratings. Insurance buyers will want to check an insurer's financial strength rating. To develop its ratings, Best gathers insurers' reports and filings, including GAAP reports, statutory filings and SEC filings. It also gathers information on the quality of its reinsurance, management experience and adequacy of reserves, or the amounts kept by an insurer to cover debts to policyholders.

Best uses this information — and compares it to that of other, similar insurers—to develop its ratings. These range from A++ (Superior) to D (Poor), along with E (under regulatory supervision), F (in liquidation) and S (rating suspended). Best rates nearly the entire insurance market. www.ambest.com

Standard & Poor's – Most people know this company through its credit ratings and market indices, such as the S&P 500. It has been rating insurers' financial strength since 1971. According to S&P, its insurer financial strength ratings rank an insurer's ability to fulfill its obligations to policyholders, created by its insurance policy contracts. In other words, an S&P insurer rating refers to its ability to pay claims. These ratings do not refer to an insurer's ability to pay other debts. To develop its ratings, the company uses quantitative "information furnished by rated organizations or obtained by Standard & Poor's from other sources it considers reliable." S&P's ratings consider, among other things, a company's total assets for five years, total liabilities, net income, business history and product mix.

S&P uses an alphabetic rating system. Ratings range from AAA (extremely strong), AA (very strong), A (strong), BBB (good), BB (marginal), B (weak), CCC (very weak) to CC (extremely weak – likely unable to meet some of its financial obligations). An insurer with an S&P rating of "R" is undergoing a regulatory action regarding its solvency. www.standardandpoors.com

Moody's Investors Service – Moody's began as a bond-rating company; it has been

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So-called consumer-directed health plans, such as Health Savings Accounts linked to high-deductible health plans (HDHPs), also include health promotion features. Although HDHPs have a higher deductible than typical plans (a minimum annual deductible of $1,100 for individual coverage or $2,200 for family coverage in 2007), the legislation that created HDHPs policies allows them to provide preventive care benefits without a deductible or with a deductible below the minimum annual deductible. Eligible preventive care includes, but is not limited to, the following:

1. Periodic health evaluations, including tests and diagnostic procedures ordered in connection with routine examinations, such as annual physicals
2. Routine prenatal and well-child care
3. Child and adult immunizations
4. Tobacco cessation programs
5. Obesity weight-loss programs
6. Screening services. This includes screening services for the following:

a. Cancer
b. Heart and vascular diseases
c. Infectious diseases
d. Mental health conditions
e. Substance abuse
f. Metabolic, nutritional, and endocrine conditions
g. Musculoskeletal disorders
h. Obstetric and gynecological conditions
i. Pediatric conditions
j. Vision and hearing disorders

Please keep in mind that policies vary from insurer to insurer—your policy might not waive or lower deductibles for these preventive care treatments.

You can also use money in your health savings account, or HSA, to pay for preventive health treatments and wellness programs considered "eligible medical expenses" by the IRS. These include:

- Acupuncture and chiropractic treatments
- Inpatient treatment for alcoholism or transportation to and from Alcoholics Anonymous meetings, if recommended by a physician
- Inpatient treatment for drug addiction
- Smoking cessation programs
- Weight-loss programs, if weight loss is a treatment for a specific disease diagnosed by a physician (such as obesity, hypertension or heart disease). This includes membership fees and attendance at periodic meetings. You cannot include membership dues for a gym, health club or spa as medical expenses, or the cost of diet food.

Taking care of your physical health is good for your financial health. If you'd like help in evaluating the health promotion features of individual medical plans available in your area, please contact us.

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offering Financial Strength Ratings for insurers since 1986. A Moody's rating indicates Moody's opinion of an insurer's ability to punctually pay claims and obligations. Moody's ratings consider the insurer's profitability, capital adequacy, reserve adequacy, liquidity, diversification and position in the market.

Moody's uses an alphabetic rating system similar to S&P's; an insurer rated AAA is "exceptional"; one rated C is "extremely poor." www.moodys.com

Fitch – In 2000, Fitch merged with the Duff & Phelps credit rating company and developed a new rating system. The Fitch International Insurer Financial Strength Rating (IFS Rating) assesses an insurer's financial strength based on its ability to meet senior obligations to policyholders and contract holders on a timely basis. The ratings reflect the insurer's regulatory solvency, liquidity, operating performance, balance sheet strength, financial flexibility, management quality and long-term business viability. A Fitch IFS rating also factors in the economic and political risks inherent to the insurer's country of domicile.

Fitch ratings range from AAA (exceptionally strong), AA (very strong), A (strong), BBB (good), BB (moderately weak) to B (weak). A CCC, CC or C rating indicates "very weak"; a DDD, DD or D rating indicates "distressed." www.fitchratings.com

Caveats

By buying your coverage from insurers that fall into one of the top three rating categories of each rating service, you are most likely to have coverage available when you need it. However, the rating services caution that their ratings are "opinions" of an insurer's solvency, not guarantees. Further, ratings are not comprehensive. Best offers ratings on the largest number of U.S. insurers; however, it does not assign ratings to small or new companies.

Although the numbers provide a useful guideline, you will want to take a closer look at the following factors, particularly for an insurer that doesn't have the highest ratings:

- **Product mix** – A company with a diverse line of insurance products can better weather downturns in a specific market.
- **Quality of investments** – Insurers invest policyholder reserves in equities, bonds and other vehicles.

Poor-quality investments have caused the downfall of several large insurers.

Insurance company ratings play an important role in determining whether a particular policy is right for your needs; however, they don't provide the whole picture. An experienced broker can help you select the coverage that best meets your needs; please contact us for more information.

10 Ways to Cut Your Health Care Costs

Health insurance premiums continue to rise. For 2009, experts are predicting a double-digit increase in premiums. What can you do to control your health care costs?

1 Choose a health insurance plan with a higher deductible. When you buy a low-deductible plan, your health insurer ends up paying for a lot of routine medical expenses, such as annual physicals and routine doctor visits. Paying these small frequent claims adds administrative costs and increases your premiums.

Instead, buy a policy with the highest deductible amount you can afford to pay out of pocket, keeping in mind that you have a full year to fulfill the deductible amount. Your insurance coverage won't kick in to pay for those routine doctor visits as early in the year, but the premiums you save could more than make up the difference.

2 Choose a plan with higher co-payments for routine office visits. Sure, it's nice not to have to pay much when you go to the doctor's office. But you're paying for the visit anyway, whether through your insurance premiums or copayments.

3 Whenever your doctor prescribes a drug, ask if a generic form is available. The majority of generic drugs are chemically and therapeutically equivalent to their more expensive brand-name counterparts.

4 If a generic drug is not available for your condition, ask your doctor whether a drug listed on your health plan's formulary would work. Health insurers maintain formularies, or lists of prescription drugs approved for plan members' use, along with their formulas and their uses. Many health plans have lower copayments for drugs listed on their formularies, while some will provide coverage only for formulary drugs.

5 Take advantage of any prescription drug programs your insurer offers. Many plans offer mail-order prescription drug programs for those members with chronic conditions. If you take a drug on an ongoing basis, buying a supply for one month or more through your plan's mail order prescription drug program can bring your per-unit costs way down.

6 Take advantage of any health-related discounts your insurer offers. Insurers charge lower premiums for nonsmokers and those who maintain a healthy weight than for less-healthy individuals. If you've quit smoking or lost a significant amount of weight in the last several years, you might qualify for a discount.

7 Take advantage of any disease management programs your insurer offers. Unlike wellness programs, which focus on prevention, disease management programs focus on ensuring plan participants with chronic diseases receive the best treatment possible from a health and cost perspective. Under a disease management program, trained personnel coordinate with the plan member and physicians to develop a treatment plan, then provide continuing support.

8 When a doctor recommends elective surgery or another complex or costly procedure, get a second opinion. If the first two opinions disagree, you can even get a third.

9 Shop around. Different physicians and hospitals in the same area might charge very differently for the same procedure.

10 Negotiate. Some providers may discount their services if you pay at the time of service or if you're willing to bargain.

Is Your Health Going Up in Smoke?

- One in ten smokers alive today is living with a serious smoke-related illness.
- Smoking claims more than 440,000 lives each year – more people than die each year from AIDS, drugs and alcohol, homicide, suicide and motor vehicle accidents combined.
- Secondhand smoke is responsible for between 150,000 and 300,000 lower respiratory tract infections in infants and children under 18 months of age, resulting in between 7,500 and 15,000 hospitalizations each year, and causes 430 sudden infant death syndrome (SIDS) deaths in the United States annually. (Source: American Lung Association)
- Secondhand smoke causes approximately 3,400 lung cancer deaths and 22,700-69,600 heart disease deaths in adult nonsmokers in the United States each year. (Source: American Lung Association)

The good news is that smoking rates continue to fall across the country – an estimated 23 percent of adults smoke today, down from 37 percent in 1970.

Evaluating smoking cessation programs

If you're ready to quit, not just any cessation program will do. To ensure success, the Centers for Disease Control suggests looking for a tobacco cessation program that includes:

- Four to six face-to-face counseling sessions of at least 30 minutes each;
- Both prescription and over-the-counter medications;
- At least two quit attempts each year;
- The availability of a support program.

Many insurance plans will cover the cost of a smoking cessation program; please call us if you need help in reviewing your plan.