Life & Health Insurance Advisor

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Health & Life Insurance Specialists Since 1989

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Ten Ways to Control Your Healthcare Costs

In tough economic times, people often have to make difficult financial choices. But when it comes to your health, you don't want to take chances. Here are some suggestions for controlling healthcare costs without jeopardizing your insurance coverage or health.

1 Don't postpone seeing a doctor if your health changes or if you suspect a problem. Although you might dread the resulting bill, postponing treatment of something suspect — such as a lump or other health change—can let the condition worsen. As a result, you could need more costly and invasive treatment and jeopardize your health.

2 Keep your health insurance policy paid up. A catastrophic illness or accident can cost tens or hundreds of thousands of dollars. Even relatively commonplace health problems, such as a broken bone, can cost thousands to treat. The lack of insurance or the funds to pay for treatment can result in a downward financial spiral. A 2005 study by Harvard University researchers found those who filed for bankruptcy had an average out-of-pocket medical debt of $12,000.

3 Take care of your health. According to the Centers for Disease Control and Prevention (CDC), chronic diseases account for more than 75 percent of the nation's $2 trillion healthcare bill. Although chronic diseases are among the most common and costly health problems, they are also among the most preventable. The CDC says adopting healthy behaviors such as eating nutritious foods, being physically active, and avoiding tobacco use can prevent or control the devastating effects of these diseases.

4 Raise your policy deductible. Consider "self-insuring" for relatively minor and predictable health costs by raising your deductible. Your out-of-pocket expenses will increase, but your premiums will drop considerably. This lets you reserve your health insurance to protect you from the catastrophic health expenses it is intended to cover, while you budget for more routine expenses.

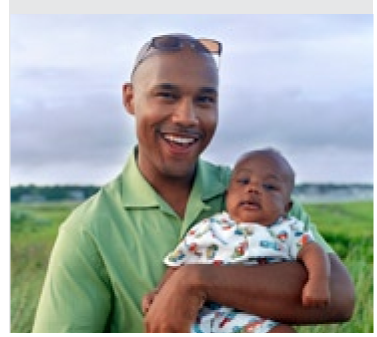
5 Eliminate duplicate coverage. Take a look at your policy before buying a student group policy or individual coverage for any college-age dependents. It might provide coverage while they are enrolled as a full-time student until age 21 or 24, depending on your state of resi-

HEALTHCARE—continued on Page 3

This Just In

Whole life insurance sales jumped during the third quarter of 2008, as compared to the third quarter of 2007 in terms of annualized premiums, face amount and number of policies. This contrasts to sales of universal life and variable life products, which dropped during the same period, while sales of term life insurance remained stable. *Source: LIMRA*

The trend likely indicates longer-term investors are responding to the economic downturn by looking for the security that whole life insurance provides. Whole life policies provide guaranteed returns and death benefits, while with variable life policies, your returns will vary with the performance of the underlying investments. Term life sales likely remained stable because those who buy term life are looking for death benefit protection only, without any build-up of cash value.



Protect Your Earning Power with LTD

What is your most valuable asset? Your home? Its contents? For most working individuals, their ability to earn an income is worth far more than these physical assets. You insure your home; do you also have coverage for your most valuable asset—your ability to earn an income?

According to a U.S. Census report, the average high school graduate stands to earn $1.2 million over a lifetime. Those with a bachelor's degree will earn $2.1 million, while those with a professional degree will earn an average of $4.4 million over a lifetime. And those estimates were based on 1999 dollars — your actual lifetime earnings could be higher.

However, one in seven American adults will be disabled and unable to work for five years or longer. Workers' compensation will pay benefits for work-related disabilities. But what if a non-work injury or illness causes your disability? Disability income insurance can pay a portion of your lost income while you are unable to work, giving you one less thing to worry about during recovery.

Why LTD?

Your employer might provide paid sick leave or short-term disability insurance, which pays income replacement benefits for a maximum of six to 12 months. However, as the name implies, long-term disability (LTD) protects you from longer disabilities. An LTD policy will pay you a monthly benefit until you either return to gainful employment or reach the policy's maximum benefit period, whichever comes first. Most individual policies will pay benefits to age 65, but some will have shorter benefit periods, from five to 10 years.

When you buy an LTD policy, you elect the amount the policy will pay every month while you're disabled. Keep in mind that LTD policies will replace only a portion of your pre-disability pay, usually a maximum of 70 or 80 percent. This gives the disabled individual incentive to return to work. If you have some disability coverage through your employer, your insurer will generally coordinate your individual LTD insurance benefits with your group benefits so you won't receive more than 80 percent of pre-disability pay.

All types of disability insurance have an "elimination period" during which you must be disabled and unable to work (or partially disabled and suffering a loss of income) before benefits begin. For LTD policies, elimination periods range anywhere from three to six months of continuous total or partial disability. Generally, the longer the elimination period, the lower your premiums will be. If you have six months' worth of living expenses saved or short-term disability benefits through your employer, you can elect a longer elimination period to save money. If you tend to live paycheck to paycheck, you will likely want a policy with a shorter elimination period.

It's all in how you define "disability"

How your policy defines disability will determine when — or if — you receive benefits. The most comprehensive policies have an "own occupation" of disability. Such a definition considers an insured totally disabled when "…unable to perform the material and substantial duties of your regular occupation…" Individuals with highly specialized skills, such as surgeons, might want to buy an own-occupation policy. If they suffer a disability that prevents them from performing surgery, but they could still see patients and make diagnoses, their policy would consider them totally disabled and still pay benefits, making up for any lost income.

LTD—continued on Page 3

HEALTHCARE—*continued from Page 1*

dence and the policy. Likewise, if you are paying for dependent coverage under a spouse's plan but have your own group coverage, or if you qualify for Medicare but are still covered under an employer's policy, consider whether you really need coverage under two policies. Most group policies have coordination of benefits provisions, which prevent an insured from receiving more in benefits than the actual medical bill. This provision says that the "primary" plan will pay its full benefit, with the secondary plan paying the remainder of the bill, but no more.

The coordination of benefits provision on group policies does not apply to individual health policies, so an individual policy will pay the contracted amount for a covered claim. However, some individual policies do include provisions on "other insurance" — check your policy for specifics.

6 Eliminate unneeded coverages. In some states, you might pay extra for certain coverages, such as maternity benefits or alcoholism/addiction treatments. If you don't expect to use these coverages, eliminating them can save you money.

7 Go generic. According to the Congressional Budget Office, generic drugs save consumers an estimated $8 to $10 billion a year at retail pharmacies. If you haven't already, ask your pharmacist if there are generic forms of the prescription drugs you take. A generic drug is chemically identical to its branded counterpart and is bioequivalent to the brand name drug in dosage form, safety, strength, route of administration, quality, performance characteristics and intended use.

8 Check out mail order prescription services. If you regularly take medication for a chronic condition, check the prices available through mail order services. (Your health insurer may have a preferred service that offers discounts to members; contact your insurer for information.) These providers often offer drugs at 10 to 20 percent or more off the regular retail price. Considering how costly many medications are, this could add up to real savings over time.

9 Investigate a high-deductible health plan (HDHP) linked to a Health Savings Account (HSA). To be eligible for a tax-advantaged HSA, you must have a high-deductible health plan with a minimum deductible of $1,150 for self-only coverage and $2,300 for family coverage in 2009. Although these plans have high deductibles, many cover preventive and primary care office visits for a low co-payment.

With a qualifying HDHP, you can open a Health Savings Account, a tax-advantaged medical savings account. You can use funds in your HSA to pay for any IRS-qualified medical expense, including copayments, deductibles or even policy premiums. Best of all, your funds accumulate tax-free from year to year, allowing you to save for catastrophic medical expenses or health care expenses during retirement. For 2009, an individual can contribute up to $3,000 for self-only coverage and up to $5,950 for family coverage.

10 Use an experienced insurance broker for your health insurance needs. A broker has the experience to evaluate your family's health insurance needs and budget and find the most appropriate plan. For information, please contact us.

LTD—*continued from Page 2*

However, "own occupation" policies are becoming harder to find. Some insurers will offer own-occupation coverage for a limited period only, say two to five years. After this, the policy would consider you totally disabled only if "unable to perform the duties of an occupation to which you are suited by education and experience." Others are writing policies with this type of definition at the outset. A policy that defines disability as being unable to work in *any* paid occupation provides the most restrictive coverage — avoid these if possible.

Sometimes a disability will make it impossible to return to a full-time schedule, although you can work. Look for a policy that provides partial disability benefits — it will make pro-rated payments based on the portion of income you lose due to disability.

Renewal provisions

The other most important thing to look at is your policy's renewal provisions. A noncancellable policy provides the best protection. Your benefits and premiums remain the same as long as you keep the policy in force — the insurer cannot change or cancel your policy for any reason except for nonpayment of premiums. Even if you develop a serious health condition after buying the policy, the insurer cannot cancel your policy or raise your premiums. A guaranteed renewable policy gives you the right to renew your policy with the same benefits. However, the insurer can raise your premiums, if it raises premiums for all policyholders in your rating class.

For more information on LTD, please call us.

DENTAL—*continued from Page 4*

to use out-of-network providers. However, POS plans usually offer lower benefits or reimbursement percentages and participants may have to do their own paperwork, including submitting bills to the insurer for payment.

4 Dental referral plans: Also known as a dental discount plan, a DRP consists of a panel of dentists who have agreed to provide services for members according to a fee schedule. The fee schedule usually reflects a discount off the usual charges for the service. Members pay a membership fee (usually monthly) and handle all payments to the provider directly. This is not insurance, but rather a membership program.

For more information on dental coverage, please call us.

Dental Plans: Something to Smile About

Preventive dental care saves an estimated $4 for every $1 spent, by eliminating the need for expensive and invasive procedures. Having dental insurance encourages people to go for regular check-ups and get needed preventive care. That's important, because researchers have proven a link between poor dental health and heart disease, low birth weight and other illnesses.

If you do not have employer-provided dental coverage, many types of plans exist on the individual market. As with medical insurance, traditional "fee for service" plans are becoming less common. In addition to a fee for service or "indemnity" plan, you can find a wide variety of managed care dental plans, through which insurers manage the cost and quality of care using different delivery systems. These include:

1 Dental preferred provider organizations (PPOs): Under a PPO plan, a network of providers agrees to treat plan members for an agreed-upon payment — usually a percentage of the "reasonable and customary" charges of dentists in your geographic area. As with medical PPOs, dental PPO plans give members financial incentives to use these "preferred providers." For example, your plan might pay 100 percent of your visit to a preferred provider for preventive services, but only 60 percent when you use a non-preferred provider. You would have to pay the uncovered portion — and possibly a higher deductible — out of pocket.

2 Dental health maintenance organizations (HMOs): HMOs operate on a capitation basis — that is, they contract with dentists who agree to provide covered services to members in return for a payment based on the number of members in the plan. Payments do not depend on the number or type of services rendered, and the HMO accepts the financial risk for providing covered dental services to members.

Most plans require members to use a dentist who is a member of the HMO in order to have their services covered. Some plans provide reduced benefits when a participant uses an out-of-network provider. Dental HMOs can be less expensive than indemnity or PPO plans. If you buy an HMO plan, make sure there is a member dentist in your area.

3 Dental point-of-service (POS) plans: The POS plan combines features of a traditional fee-for-service plan and managed care plans. HMO or PPO plans may offer a point-of-service option to allow participants

DENTAL—continued on Page 3

Referral or Discount Plans vs. Dental Insurance

Dental referral plans or discount plans have one important difference from dental insurance — they are not insurance! They have no obligation to provide coverage or benefits — they simply entitle members to a discount on services, which members must pay for themselves. Furthermore, they lack the oversight of state insurance departments, which regulate insurance plans.

Before buying a discount plan, ask the company for a list of participating providers in your area. Find out whether providers have to charge members the discounted rate — unless the plan has a written agreement with providers, the discounts may be purely voluntary on the dentist's part.

You will also want to calculate your costs for the discount plan, including monthly membership fees and any initiation fees or service charges that might apply. This will help you determine if the discounts available will offset the costs of the card. Sometimes, a dentist will offer discounts to patients who lack dental insurance as a courtesy — and all you have to do is ask.