# Life & Health Insurance Advisor

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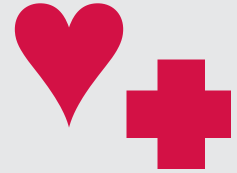


Health Care April 2009 Volume 2 • Number 4

# "Concierge Care"—What It Is, and How It Works with Your Insurance

**Whether you call it concierge care, boutique medicine or direct care, the number of physicians adopting this practice style is growing. Here's what it means and how using a concierge physician could affect your insurance coverage.**

Physicians with a concierge or direct care practice seek to provide a "medical home" for their patients. They limit their practice size to guarantee patients easy access to unlimited primary care. Some also provide preventive or wellness services, longer appointment times and luxurious, private waiting rooms. The concept appeals to high-income individuals who are used to, and can afford, the finest of everything.

## How it works

The Society for Innovative Medical Practice Design (SIMPD), an organization of concierge care providers, says its members promote "a direct financial relationship with their patients in order to restore the integrity of the patient-physician relationship…and to ensure that patients and physicians retain the right to design and implement practices that enhance the effectiveness, efficiency, service and value of healthcare."

In practical terms, using a concierge physician means you'll pay a retainer, which can range from $1,000 to $15,000 per year, depending on the practice, services provided and age and health of the patient. The retainer buys you access to the physician's services. Depending on the practice, the retainer might also cover 24/7 access by phone or email, guaranteed same-day access to appointments (sometimes with extended hours, weekends or house calls available), annual exams, routine lab tests, preventive or wellness services and online access to your health records and consultations. The patient is responsible for the cost of services or treatments other than those specifically included in the retainer fee.

The SIMPD says its member physicians can handle about 85 percent of patients' healthcare needs and can negotiate lower costs with other healthcare providers if the patient needs a specialist's or other services. Some concierge physicians will even


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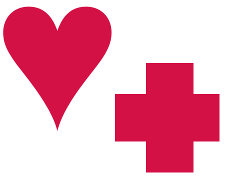
## Consumer Tip

**Did you know your credit rating can affect your insurance application? If you apply for individually written life, disability income, health, long-term care or critical illness insurance, your insurer may check your credit. Although insurers seldom deny life or health coverage due to credit rating, a poor rating can exclude you from the most preferred classes of life insurance.**

**Your health and family health history remain the primary criteria a health insurer will look at to determine your eligibility and rates. When you apply for insurance, an underwriter will compare the information you provide to your file at MIB Group, Inc. (MIB), a membership corporation owned by life insurance companies in the U.S. and Canada.**

**If you have applied for individually underwritten life or health insurance with an MIB member company within the last seven years, MIB will have a consumer file on you. Your file does not contain medical records—just codes that identify medical conditions or tests that may affect underwriting of your application that an MIB member has reported to MIB. Your file might also contain coded information on particularly hazardous activites or results of a motor vehicle report showing a poor driving record.**

**You can obtain a free copy of this report every year by contacting MIB at 866-692-6901.**



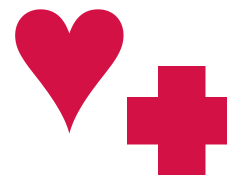


# Divorce and Pension Benefits

**For many couples, retirement funds may be one of their biggest assets. If you are divorcing, here's what you need to know to protect your rights.**

1. **Marital property:** Most states consider retirement benefits earned during the marriage, including defined benefit pensions and 401(k)s, as "marital property" or "community property." Upon divorce, all retirement plans may be divisible. State law determines when marital or community property stops accumulating — either the time of divorce or time of separation.
2. **Finding benefits:** Courts do not automatically split retirement funds in a divorce. To split pension benefits, you must locate and value all pensions before divorcing. If your accounts include traditional "defined benefit" pensions, you might need the services of a pension actuary to determine their value. If you discover after a divorce is finalized that your spouse had retirement funds not split or declared in the divorce settlement, it might be too late to obtain a share.
3. **Dividing benefits:** After you know the value of all retirement benefits, you can agree to divide all plans in half or you can "equalize" benefits. For example, if your spouse has one account with $100,000 and another with $250,000, and you have one account with $300,000, you can opt to keep all of your benefits and get $25,000 of your spouse's benefits. That way, you both end up with $325,000.
4. **QDROs:** To obtain a share of your spouse's retirement benefits, you will need a QDRO, or qualified domestic relations order. This legal document, signed by the judge during the settlement process, orders a plan administrator to pay a share of the plan benefits as agreed in the divorce settlement. Even if your settlement entitles you to a share of pension benefits, do not skip this step! You might get to retirement age and find yourself unable to obtain benefits due to lack of documentation. Submit the QDROs to the administrators of the pension or retirement plans you are obtaining a share of as soon as possible.
5. **QDRO fees:** Attorneys charge for drafting QDROs. Some retirement plans also charge QDRO processing fees that they will deduct from your share or your former spouse's share of the account. According to WISER, the Women's Institute for a Secure Retirement, these fees can range from $300 to $1,200. You can opt to include arrangements for paying QDRO fees in your divorce settlement.

The Women's Institute for a Secure Retirement offers advice on retirement, divorce and other financial issues specifically for women at www.wiserwomen.org. For additional information on protecting your pension rights in a divorce, contact an experienced divorce attorney or pension actuary.



**CONCIERGE**—*continued from Page 1*

accompany their patients on office visits to specialists. The American Medical Association says, "As patients' advocates, [concierge] physicians coordinate care with specialists and may be more likely to obtain consultative assistance than to refer patients away." Some concierge care practices claim their members are healthier and less likely to need hospitalization than other people. However, objective studies would need to confirm this, as the type of person who would elect a concierge care practice would likely be better off financially and more health-conscious than the general population.

## Insurance implications

Although many concierge practices have emerged out of physicians' frustration with third-party billing (receiving payment from their patients' insurers or Medicare), most patients, except for the very wealthy, will still need insurance to cover emergency care or treatment by specialists. The U.S. Government Accountability Office (GAO) found that about three-fourths of the concierge practices it surveyed in 2005 billed patient health insurance for covered services and, among those, almost all billed Medicare for covered services. About one-fourth of the concierge physicians surveyed did not submit any claims to patient health insurance, including Medicare.

Insurers are keeping a wary eye on concierge practices. They look for questionable billing practices such as "double-dipping," or billing insurers for services included in their retainer, such as annual exams — and "balance billing," or charging patients additional fees for services they have agreed with the insurer to provide at a negotiated rate.

The U.S. Department of Health and Human Services, which oversees Medicare, has determined that concierge care arrangements are allowed as long as they do not violate any Medicare requirements. For example, the retainer fee must not result in additional charges for items or services that Medicare already reimburses.

If you're considering using a concierge or direct care physician, here are some questions to ask.

1. Does your contract with the practice outline exactly what services are included in the retainer fee?
2. Will the practice accept your health insurance?
3. If the practice accepts your health insurance, does the contract specify which services are reimbursable by insurance, and which are not? You will be responsible for any non-reimbursable services.
4. How does the practice handle insurance reimbursements? The American Medical Association's code of ethics requires physicians to be honest in billing for reimbursement. Some practices will bill insurers for services (such as exams and lab fees) included in the retainer and pass reimbursements on to patients. However, watch out for practices that double-dip or balance bill.
5. How will you pay the retainer? Most medical insurance plans do not cover retainer fees; whether you can pay them with funds from a flexible spending account, health care reimbursement account or Health Savings Account depends on what the fee includes. The IRS requires funds from these accounts to go toward "medical expenses," which it defines as the cost of diagnosis, cure, mitigation, treatment or prevention of disease. Any portion of the retainer that goes toward guaranteeing access to the physician or other "amenities" cannot be paid out of these accounts.
6. If a physician practice is unable to provide you with contracted services, how will he or she handle those obligations? Remember that any retainer fee you pay a concierge practice is not insurance.

For more information on your health insurance and what it covers, please contact us.

**ANNUITIES**—*continued from Page 4*

cally mutual funds. The rate of return on your purchase payments, and the amount of the periodic payments you will eventually receive, will vary depending on the performance of the investment options you have selected.

An **equity-indexed annuity** is a special type of annuity. During the accumulation period — when you make either a lump sum payment or a series of payments — the insurance company credits you with a return that is based on changes in an equity index, such as the S&P 500 Composite Stock Price Index. The insurance company typically guarantees a minimum return. Guaranteed minimum return rates vary. After the accumulation period, you will receive periodic payments from the insurance company, according to the terms of your contract, unless you choose to receive your contract value in a lump sum.

Equity-indexed annuities combine features of traditional insurance products (guaranteed minimum return) and traditional securities (return linked to equity markets). Depending on the mix of features, an equity-indexed annuity may or may not be a security. The typical equity-indexed annuity is not registered with the SEC.

## Where can I buy annuities?

All licensed life insurance sales professionals can sell fixed annuities, as they are essentially a type of life insurance product with guaranteed returns and no investment risk. However, variable annuities are securities regulated by the SEC. To sell them, insurance brokers must have a state-issued license to sell life insurance; they must also be licensed as registered representatives of a member of the Financial Industry Regulatory Authority (FINRA), the largest non-governmental regulator for all securities firms operating in the United States. Registration requires additional education and passing either the Series 6 limited registration exam or the Series 7 exam.

For more information on annuities and how they can fit into your retirement plans, please call us.

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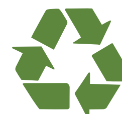

# Using Annuities to Fund Your Retirement

**When the stock market was booming, investing in 401(k)s held great appeal. But with stock returns plummeting, interest in annuities is growing. Annuities can provide retirement security and guaranteed returns that many other investment vehicles can't match. Read on for more tips on using annuities to fund your retirement.**

If you were planning to use investments in a 401(k) or other defined contribution plan to fund an imminent retirement, you may be making other plans. With the drop in investment values, many Americans who had thought they'd saved enough for a secure retirement may outlive their investments unless they make other plans.

Just how much do you need to fund your retirement? Americans who reached age 65 in 2004 could expect to live another 15-17 years (males) or another 19 to 20 years (females), according to the U.S. Centers for Disease Control. By using annuities to fund your retirement, you can ensure a stream of income that you can't outlive. Consider it a do-it-yourself pension plan!

## What are annuities?

An annuity is a contract between you (the "annuitant") and an insurance company, under which you make a lump-sum payment or series of payments. In return, the insurer agrees to make periodic payments to you beginning immediately or at some future date. Annuities typically offer tax-deferred growth of earnings and may include a death benefit that will pay your beneficiary a guaranteed minimum amount, such as your total purchase payments.

There are generally two types of annuities — fixed and variable. In a **fixed annuity**, the insurance company guarantees that you will earn a minimum rate of interest during the "accumulation phase," or time your account is growing. The insurance company also guarantees you periodic payments based on the dollar amount in your account.

You can structure payouts to meet your needs — including a definite period, such as 20 years, or an indefinite period, such as your lifetime or the lifetime of you and your spouse. Generally, if you select a definite period, your payouts will be higher, as the insurance company knows its obligation and risk up front. With indefinite period payments, it's assuming the risk that you could defy the statisticians and live much longer than the average person of your age and health.

In a **variable annuity**, by contrast, you can choose to invest your purchase payments in range of different investment vehicles, typi-

*ANNUITIES—continued on Page 3*

| Annuities vs. 401(k)s | Annuities | 401(k)s |
|---|---|---|
| **Provide guaranteed payments.** | **Yes. Fixed annuities pay guaranteed benefits; however, benefits under variable annuities vary with the underlying investment value.** | **No. Your benefits depend on investment performance.** |
| **Provides your family a benefit upon your death.** | **Maybe. And some annuities have a "return of premiums" feature that will pay your beneficiary at least the total of premiums you've paid if you die before receiving payment.** | **No, although account balances go to your designated beneficiary.** |
| **You cannot outlive your pension.** | **Yes, if you set up a fixed annuity to pay lifetime benefits.** | **No** |
| **Earnings grow tax-free** | **Yes** | **Yes** |
| **You receive distributions tax-free.** | **Yes , on your contributions. You will be taxed on gains, but only when you choose to withdraw them. Most people enter a lower tax bracket after retirement.** | **No, unless you made contributions with after-tax dollars, as in a Roth 401(k).** |
| **You can invest large sums of money, even $1 million or more.** | **Yes** | **No. You can contribute up to $16,500 in 2009, with an additional "catch-up" contribution of $5,000 if you're age 50 or older. Limits are combined for all plans you participate in.** |
| **Are regulated by state insurance departments.** | **Yes** | **No** |