

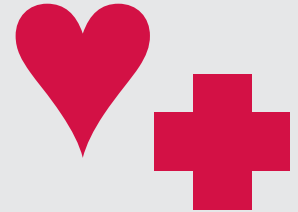
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Medical Insurance

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How to Get the Best Medical Care Possible

The nonprofit National Committee for Quality Assurance (NCQA) says "...all Americans are at risk of receiving poor [medical] care, regardless of where they live, how much money they have, or their race, education or health insurance." [emphasis added]. Are you getting the medical care you need—when you need it? Following are tips to help ensure that you do.

The U.S. Agency for Healthcare Research and Quality (AHRQ) defines "quality of care" as:

- * Getting the services you need
- * When you need them
- * Using the appropriate test or procedure
- * To achieve the best possible results.

The AHRQ also considers quantity of care, recognizing the importance of avoiding underuse of needed services, avoiding overuse—such as performing unneeded tests, and eliminating misuse, such as medications that may have dangerous interactions.

Your Health Plan Matters

Healthcare providers have the most direct affect on your medical care, but your health plan also matters. The NCQA reported that "...a study by Laurence Baker and David Hopkins found that health plans influence quality beyond what physician organizations achieve."

Until the 1980s, most Americans had fee-for-service health plans, which pay benefits on the basis of the fees providers charge. The more providers charged, the more they got paid, regardless of whether the services provided were necessary or effective.

Today, most Americans have a managed care plan, which has features to control unnecessary care

This Just In...

How does what you pay into Social Security and Medicare over your working life compare to how much you can expect to receive in benefits? According to a recent study by the Urban Institute, "It depends on whether you're married, when you retire, and how much you've earned over a lifetime."

The study estimated the lifetime value of Social Security and Medicare benefits and taxes for typical workers in different generations at various earning levels. A one-earner couple earning the average wage (\$43,100 in 2010) will reap the greatest benefit in relation to money paid in. If they retire in 2030, they will have paid \$476,000 in Social Security and Medicare taxes,

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and costs. Many plans also offer incentives such as higher reimbursements or bonuses to healthcare providers that achieve certain quality goals. America's Health Insurance Plans, a trade association, says, "Health insurance plans are recognizing and rewarding physicians for high levels of clinical quality and patient satisfaction; for efficiency measures such as controlling potential hospital overutilization or increasing the use of generic and low-cost, name-brand prescription drugs; for the adoption of health information technology; and for investing in infrastructure and process improvements."

In turn, other organizations rate health insurance plans. The NCQA rates plans that have achieved its accreditation. It evaluates plans' performance on preventing hospital readmissions through discharge management programs; improving patient safety and reducing medical errors by using "best practices," evidence-based medicine and health information technology; and promoting members' wellness and health.



Take Charge for Better Healthcare!

These action steps can help ensure you get the quality of care you need, when you need it:

- 1 Choose your health plan wisely.** Check the NCQA's annual health plan "report card" at <http://reportcard.ncqa.org/plan/external/plansearch.aspx>. Note that NCQA rates only accredited plans; some plans do not apply for NCQA accreditation. We can help you evaluate plans available in your area for suitability for your family's needs.
- 2 Select hospitals that meet high standards of care.** The Center for Medicare/Medicaid Services' Hospital Compare website rates hospitals on 1) how often they provide recommended treatments for certain common conditions, 2) care outcomes, or what happened after patients received hospital care, 3) use of medical imaging, 4) patient surveys, 5) and median Medicare payments for specific procedures. The Leapfrog Group (www.leapfrog.org) also rates hospitals using data voluntarily submitted by hospitals.
- 3 Select effective healthcare professionals.** The Affordable Care Act of 2010 requires CMS to establish a website to provide performance information on physicians and other professionals, based on the Medicare Physician Compare site. Other physician quality rating sites exist; however, many provide little, if any, measurable information or criticism of physicians listed.

but will receive more than twice that in benefits, or \$1,064,000. Compare that to a two-earner couple earning the average wage: they will receive slightly more in benefits, \$1,196,000, but they will have paid in \$951,000.

How do you stand to fare? See <http://www.urban.org/publications/412281.html>.

4 Be an informed consumer.

- ✱ Come prepared for doctor's visits. Bring lists of any allergies and all the medicines, herbs or vitamins you take, along with a description of your symptoms.
- ✱ Ask questions. If you don't understand your treatment plan, ask for more details. If you have doubts whether it's right for your condition, get a second opinion.
- ✱ Don't be embarrassed to discuss finances. Doctors often don't consider the financial implications of a treatment plan; if you have cost concerns, he/she may be able to recommend a less expensive alternative or work with your health plan.
- ✱ Don't be afraid to negotiate. Some physicians will offer a discount for payment at time of service; some offer payment plans for elective procedures. Check Healthcarebluebook.com for comparative price information.
- ✱ Take notes or bring a family member or friend.

For more information on the health plans available in your area, please contact us. ■

Medigap Policies

If you'll qualify for Medicare soon, here are some good reasons to consider buying a Medicare Supplement policy, or "Medigap."

Many Medicare-eligible individuals choose Original Medicare—the traditional, government-run fee-for-service program. Original Medicare includes Part A, hospital coverage, and Part B, medical insurance.

Part A helps cover inpatient care in hospitals or skilled nursing facilities, hospice care services and home health care services. Most people age 65 or older who are citizens or permanent residents of the United States receive free Part A coverage.

Part B helps cover **medically necessary services or supplies**. This includes doctors' services, hospital outpatient care and home health care; it also covers some preventive services. Everyone pays a premium for Part B coverage.

Both Parts A and B have deductibles and copayments, or costs the member must pay out-of-pocket. Part A has a deductible of \$1,132, which means you must pay the first \$1,132 of covered expenses for each hospitalization. If your hospitalization lasts more than 60 days, you will have an additional coinsurance payment of \$283 per day. After day 90, you will have a \$566 per day "lifetime reserve day" coinsurance payment. Every Medicare recipient receives a total of 60 reserve days during a lifetime. After you exceed your lifetime number of reserve days, you will be responsible for hospital charges.

Part B has only a \$162 annual deductible for covered services or items. But you will also have a copayment of 20 percent of the Medicare-approved amount for most doctor services (including most doctor services while you're a hospital inpatient), outpatient therapy and durable medical equipment, every time you need them.

The Medicare-approved amounts for Part B-covered services are almost always less than what you would pay without Medicare. However, some providers enrolled in Medicare don't accept "assignment." This means the provider has not agreed to accept the Medicare approved amount as full payment for covered services. In that case, you

might have to pay the entire charge at the time of service, then submit your claim to Medicare for reimbursement. The provider can also charge up to 15 percent more than the Medicare-approved amount.

Why You Need a Medigap Policy

A Medigap policy fills the "gaps" left in your Original Medicare plan coverage, including deductibles, copayments and non-covered services.

Generally, when you buy a Medigap policy, you must have Medicare Part A and Part B. Medicare Part B has a monthly premium; in addition, you will have to pay a premium to the Medigap insurance company. Policies cover individuals only (no family coverage), so you and your spouse will need separate policies.

Private insurance companies write Medigap policies, but federal and state laws require them to offer a standardized set of basic and extra benefits. Any Medigap Plan A through L offers the same benefits, no matter which insurance company you buy it from, but costs can vary. Each insurance company decides which Medigap policies it wants to sell, so depending on where you live, you may be able to choose from as many as 12 different Medigap policies.

The best time to buy a Medigap policy is during your Medigap open enrollment period. This period lasts for six months and begins



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.

If you have a high school diploma, your lifetime earnings potential exceeds \$1 million. As education increases, so do earnings. For example, the “average” man with a professional degree will earn \$4.03 million over his working life, while the “average” woman with a professional degree will earn nearly \$3 million.

A disability can jeopardize this valuable asset. 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 it does not cover non-occupational injuries or illnesses. 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?

You might have paid sick leave or short-term disability insurance through your employer. Short-term disability insurance pays income replacement benefits for a maximum of six to 12 months. As the name implies, long-term disability (LTD) protects you

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on the first day of the month in which you are **both** 65 or older **and** enrolled in Medicare Part B. Some states have additional open enrollment periods, including those for people under 65. During this period, an insurance company can't use medical underwriting. This means the insurance company can't refuse to sell you any Medigap policy it sells, make you wait for coverage to start (under most circumstances) or charge you more for a Medigap policy because of your health problems.

Original Medicare members like their Medigap policies. A 2009 survey on behalf of the Blue Cross Blue Shield Association and America's Health Insurance Plans found that 88 percent of Medigap policyholders are satisfied with their coverage and 62 percent are very satisfied. In addition, more than 77 percent of policyholders surveyed say Medigap provides excellent or good value for their money and 87 percent would recommend Medigap to a friend or relative.

For more information on Medicare Supplement policies, please contact us. ■

Medicare Advantage plans (like an HMO or PPO) are health plans run by Medicare-approved private insurance companies. Medicare Advantage plans (also called “Part C”) include Part A, Part B, and usually other coverage such as Medicare prescription drug coverage (Part D), sometimes for an extra cost. If you have a Medicare Advantage plan, you do not need (and cannot use) a Medicare Supplement policy. ■

from longer disabilities. An LTD policy pays 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 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. 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 your pre-disability pay.

All types of disability insurance have an "elimination period" during which the insured 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" definition 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.

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.

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

Take a look at the policy's renewal provisions. A noncancelable 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. 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 same rating class.

We can help you protect your most valuable asset with an LTD policy. For more information, please contact us. ■



Annuities in Brief

An *annuity* is a contract that requires one party to make regular payments for more than one full year to another (the annuitant). In exchange, the annuitant pays a premium, as with life insurance.

In fact, annuities are a form of life insurance. If you want to buy an annuity, you will likely have to undergo some sort of underwriting process.

Annuities fill many different needs in financial planning, so over the years, insurers have developed many different types, including:

Fixed period annuities - pay a fixed amount to an annuitant at regular intervals for a definite length of time.

Variable annuities - make payments to an annuitant varying in amount for a definite length of time or for life. The amounts paid may depend on variables such as profits earned by the pension or annuity funds or cost-of-living indexes.

Single life annuities - pay a fixed amount at regular intervals during an annuitant's life, ending on his or her death.

Joint and survivor annuities - pay a fixed amount to the first annuitant at regular intervals for his or her life. After he or she dies, a second annuitant receives a fixed amount at regular intervals. This amount, paid for the life of the

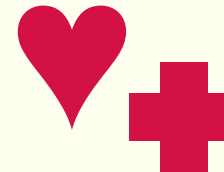
second annuitant, may be the same or different from the amount paid to the first annuitant.

Qualified employee annuities - a retirement annuity purchased by an employer for an employee under a plan that meets certain Internal Revenue Code requirements.

Tax-sheltered annuities - a special annuity plan or contract purchased for an employee of a public school or tax-exempt organization.

For more information on annuities and their uses in retirement planning, please contact us. ■

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