INSURANCE SERVICES, INC.
PROTECTING YOUR HEALTH & WEALTH

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The Pinellas Protector

Our eNewsletter Has a New Name -- The Pinellas Protector!

In the spirit of Thanksgiving, we express our sincere appreciation for you -- our client. We wish you and your loved ones happiness and good blessings. And for this special time of the year we're pleased to share not just one, but three Quotes of the Month:

"At times our own light goes out and is rekindled by a spark from another person. Each of us has cause to think with deep gratitude of those who have lighted the flame within us."
- Albert Schweitzer, Recipient of the 1952 Nobel Peace Prize

"Which person is wealthy? The one who is satisfied with his lot."
- From Perkei Avot 4:1 (Verses of the Fathers)

"One person can make a difference and every person should try."
- President John F. Kennedy

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Happy Thanksgiving to all!

PPACA -- The Good, The Bad and The Unknown

With our apologies to everyone's favorite spaghetti western!

The health care delivery system in the U.S. has many moving parts, and just about all of them have been impacted by the Patient Protection and Affordable Care Act of 2010 (PPACA). While some feel that the entirety of PPACA is an abomination, we'll take a balanced view and summarize both the good and bad aspects from our perspective, as well as the current unknowns of health care reform.

Many of the specific provisions of PPACA are discussed in detail on our Blog. And without further ado, here is our summary analysis:

The Good

There are improved aspects of Medicare benefits:

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The Good, the Bad and the Ugly Theme Strings

○ In 2010, a $250 rebate is provided to Medicare Beneficiaries reaching the Part D "donut hole"; and additionally the ill-conceived prescription drug coverage gap will be phased out entirely by the year 2020

○ First dollar preventive care must be provided by Medicare, regardless of whether or not coverage deductibles have been met

○ There will be more focus on the stars system to rate Medicare Advantage plans (see ratings online at www.medicare.gov) along with bonuses to plans that perform well

There are many improved aspects of non-Medicare health plan benefits:

○ Lifetime limits are prohibited and annual limits are being phased out

○ Preventive care services must be provided without extra cost

○ Companies can't make rescissions except in cases of premeditated fraud

○ Children may stay on a parent's policy until age 26

○ Insurers must publicly report on their MLR (Medical Loss Ratio, or health plan claims to premium ratio) and spend at least 85% of large group premiums and 80% of individual/small group premiums on medical claims

Access to coverage for people with pre-existing conditions has been expanded:

○ Insurance companies cannot deny coverage to individuals under the age of 19 due to pre-existing conditions

○ Beginning on January 1, 2014 nobody can be denied coverage due to their pre-existing conditions

○ An interim high risk pool option has been created for uninsured people who want coverage to bridge the gap until 2014 when guaranteed issue plans will be sold on state health insurance exchanges

New tax credits apply for some small businesses providing health coverage:

○ Businesses with fewer than 25 full-time-equivalent (FTE) employees are eligible, provided that the average pay per employee is under $50,000

○ Companies must pay at least half of their workers' premium costs

The Community Living Assistance Services and Supports (CLASS) Act increases awareness of the Long Term Care (LTC) risk and offers a new way for working people to plan ahead for the potential need for LTC services

○ For employers agreeing to participate in CLASS, workers will be automatically enrolled and pay required premiums unless they opt out

○ Working individuals who cannot sign-up through their employer will be given an opportunity to enroll through a different mechanism

○ All participants must pay monthly premiums for five years, have some kind of employment for three of those five years, and have a qualifying disability before they are eligible to receive any program benefits

The Bad

Thus far, PPACA has fallen short of its goal to increase access to coverage:

o Individual health insurance carriers have discontinued sales of child-only policies in response to not being allowed to deny coverage to people under age 19

o Here in the Sunshine State, "Cover Florida" (an experimental program to provide affordable health insurance) is disintegrating as insurance carriers withdraw from the program, citing an inability to keep premiums low and bring the policy provisions in line with new health reform mandates such as not being allowed to impose dollar limits

o The interim high risk pools won't accept applicants until they have been uninsured for at least six months, regardless of individual circumstances

o The popular "mini-meds" (plans with limited annual benefits) covering more than one million workers, including 30,000 just at McDonald's, need a waiver to continue operating; and since the expense structure on these plans isn't workable within the new MLR minimums, they will need to apply with federal officials for a "methodological adjustment" to their reported claims and quality improvement expenses

o The cost of mandated benefit provisions most certainly is being passed in full to consumers in the form of higher premiums; and some consumers will be subjected to rate hikes *prior to* the expiry of original contractual rate guarantee periods

Burdensome employer penalties and obligations starting in 2014 could end up leading to a dismantling of employment-based health insurance in the U.S.:

o Employers with 50 or more FTE employees that do not offer "minimum essential coverage" will pay $2,000 for each employee over the first 30 employees if one of their employees gets a tax subsidy to buy insurance under an exchange

o Employers with 50 or more FTE employees that do offer "minimum essential coverage" but have at least one employee receiving subsidized coverage under an exchange will pay the lesser of $3,000 for each employee receiving a premium credit or $2,000 for each full-time employee

o While at first glance it seems these requirements would increase the number of employers offering health insurance, it's entirely possible that employers will opt to pay penalties and refer their employees to the exchange marketplace

There will be an individual coverage mandate starting in 2014, which arguably shouldn't be permissible under the U.S. constitution:

o In 2014, an individual without insurance must pay whichever amount is greater: $95 of 1% of income

o For 2016 and beyond, that penalty rises to $695 or 2.5% of income, whichever is greater (the $695 is indexed from 2016 on) o Families will pay half the penalty for children, with a cap of $2,085 per family

o Subsidies to buy insurance in new state exchanges will be available in the form of tax credits and cost-sharing assistance for people above Medicaid eligibility but below 400% of the federal poverty level (Medicaid eligibility will be increased to 133% of the federal poverty level)

o **There are so many unintended or adverse consequences of PPACA:**

o Due to the restrictive framework in which small businesses get tax credits, it would seem that firms are being discouraged from hiring or giving raises

o Since nothing is being done to rein in costs, we can pretty much count on employment-based health insurance becoming less available and more expensive

o The elimination in 2013 of the tax exemption for employers that receive the Retiree Drug Subsidy (RDS) for providing prescription drug coverage to Medicare-eligible retirees is causing an immediate hit to earnings as companies must create a deferred tax liability (for instance, AT&T estimated the change costs the company $1 billion)

o The $5 billion allocated to subsidize new interim high risk pools is not shared with states that already had laws ensuring access to healthcare, effectively penalizing those residents by excluding them from any proportionate share of the premium subsidy

o The narrow list-based approach to the MLR definition (rather than functional) may preclude the development of new innovations or exclude activities that improve care quality and help to contain costs, causing deterioration of quality of care delivery

o Higher MLR requirements without exemption for advisor fees will reduce agent commissions, causing many insurance brokers to be just plain broke

o Health underwriters should begin planning for a new career in 2014

o We estimate that for every one person that "wins" with health care reform by gaining improved access and/or receiving premium subsidies, there will be five people facing higher costs for their healthcare

There are multiple revenue-raising provisions that seem burdensome and in some cases completely unrelated to healthcare expenditures:

o A new 10% tax on tanning services started on July 1, 2010

o Beginning in 2011, businesses are required to file 1099 forms on all transactions exceeding $600

o Beginning in 2011, the pharmaceutical industry will pay annual industry fees phasing into $2.8 billion per year

o Beginning in 2013, manufacturers of medical devices will pay a 2.3% excise tax on sales of medical devices

o Beginning in 2013, the Medicare payroll tax rate will increase by 0.9% for individuals making over $200,000 and couples making over $250,000

○ A new 3.8% tax will be added on income from interest, dividends, annuities, royalties and rents for those at the same income threshold

○ Beginning in 2014, a non-deductible premium tax will be imposed on insurers

While CLASS clearly increases public awareness of the LTC risk, and it's fiscally responsible that CLASS is funded by enrollee premiums rather than taxpayer dollars, the program in its current form has many shortcomings:

○ Cash benefits provided seem insufficient (as low as $50/day, plus annual CPI increases, for as long as the individual remains disabled) to meet the needs of most people needing LTC services, with current average cost of care in the U.S. ranging from around $100/day for home health care to over $200/day for nursing facility care

○ CLASS monthly premium has been estimated to be in the $150/month range, which likely will lead to the overwhelming majority of people opting out of this LTC plan

○ There are no options for an enrollee to take a shorter benefit period in exchange for lower premium; and while the unlimited benefit period provides long-tail protection, the five year wait before any benefits are payable doesn't seem suitable for anyone

○ CLASS seems most likely to appeal to the working disabled (people who are not able to qualify for private Long Term Care Insurance coverage), which certainly helps that group but not the general public for which this program was conceived

The Unknown

Will lawmakers questioning the constitutionality of the individual mandate in the health care law be successful in overturning this aspect of health reform?

As lawmakers have stated -- and President Obama has hinted -- will the provision requiring businesses to issue 1099 tax forms if they purchase more than $600 annually in goods (not just services) be dropped by Congress?

Is it possible that the whole of PPACA (colloquially known as "Obamacare") could be repealed and replaced?

If Republicans cannot overturn PPACA, will they try to use the appropriations process to choke off implementation (more than 100 provisions of the law require appropriations, with the biggest being Medicaid expansion in 2014)?

What will become of Medicare Part C (Medicare Advantage plans) with substantial funding slated to be diverted away from this popular program?

Will CLASS protect meaningful numbers from the Long Term Care risk?

So, dear reader, how do you feel about PPACA? If you've been denied access to health insurance in the past, you may be in the camp that believes PPACA is healthy medicine. Or if you're like us, you appreciate the good intentions but can't help reflecting on how much longer the "Bad" list is compared to the "Good."

Rather than approach reform with a heavy stick and impose mandates, we feel it would be more productive to focus on improving access, spurring competition and finding ways to contain escalating costs. Just a few ideas that come to mind are:

- Allow employers the option to buy individual health policies for their employees (with untaxed dollars), so that workers could have portability

- Allow insurance carriers to sell across state lines

- Permit limited benefit plans instead of prohibiting them (how are ten-dollar-an-hour employees and their employers supposed to afford insurance that costs upwards of $5,000 for individuals and $12,000 for families?)

- Mandate that insurance carriers offer coverage to people losing their Medicaid eligiblity, including immediate coverage for pre-existing conditions

- Encourage carriers to change their corporate structure and become mutual companies, a system in which the policyholders own the company shares

November is Long Term Care Awareness Month, and it's as good a time as ever to review your Long Term Care plan.

Medicare and private health insurance plans do not pay most Long Term Care expenses; therefore it makes sense to learn about all options available to help you fund a need for Long Term Care. People who have assets to protect and can health-qualify for coverage definitely should consider purchasing private Long Term Care Insurance.

While it may feel painful to pay monthly or annual Long Term Care Insurance premiums, other ways to deal with a Long Term Care situation seem less appealing:

- Pay out-of-pocket for care and exhaust a lifetime of savings
- Rely on family members to care for you instead of spending quality time with them
- Go on Medicaid and hope for the best

Long Term Care protection can be secured on a stand-alone basis from a number of strong insurance carriers, such as Mutual of Omaha and Prudential. Depending on your circumstances the premium payments possibly can be deducted on your tax return.

Protection for the Long Term Care risk also can be purchased through combination policies that include LTC coverage within a life insurance policy or annuity. Due to the Pension Protection Act of 2006, there are now additional incentives such as being able to use a non-qualified annuity to pay Long Term Care Insurance premiums tax-free.

As with stand-alone Long Term Care Insurance coverage, combination policies are subject to underwriting (although in some cases less stringent) and therefore may not be available due to an individual's current health status or medical history.

More information can be found at the American Association for Long-Term Care Insurance.

Featuring our Valued Clients, Bob and Kathy DiRaimo, Business Owners of Comfort Keepers in Tampa, Florida

(813) 935-3600
http://comfortkeepers.com/office-397

Each month, we'll conclude our eNewsletter by featuring a product or service offered by one of our valued clients. With November being Long Term Care Awareness Month, it's only fitting that this issue features our clients Bob and Kathy DiRaimo, who built their Tampa franchise of Comfort Keepers after having their own personal experiences serving as caregivers for elderly family members.

Comfort Keepers in Tampa has a singular purpose, which is to provide seniors the help they require to remain in their homes, safely independent, for as long as they wish. By providing reliable, quality services to individuals needing assistance, Comfort Keepers also gives family members the peace of mind that their loved ones are being cared for.

Click here to visit the home page of Comfort Keepers of Tampa, Florida.

When I spoke with Bob this month, he reiterated his appreciation for the Long Term Care Insurance industry. Bob explains that before becoming a provider of home care services, he and Kathy weren't even aware of insurance policies designed to pay for home health care and facility-based Long Term Care services. After seeing Long Term Care coverage help so many of their clients remain at home independently, Bob and Kathy worked with me to plan ahead for the Long Term Care risk and bought policies for themselves.

Thanks Bob and Kathy -- for the quality care you provide -- and for helping to spread the word about the value of planning ahead for Long Term Care!

Until next month,

Andrew Herman
AH Insurance Services, Inc.