



INSURANCE SERVICES, INC.
PROTECTING YOUR HEALTH & WEALTH

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Greetings to Our Clients and Friends

Happy 2013! May the New Year bring you abundance, happiness and peace.

As we wind down the year, lawmakers in Washington, D.C. still haven't resolved the "Fiscal Cliff" negotiations. Despite the uncertainty, on this last of 2012 U.S. equities rallied and closed out the year with their strongest day in more than a month. I must say, this looks like one last chance to take your profits and run! You might not want to take my advice on investing, though, as the financial markets tend to exhibit a strangely negative correlation with my expectations.

IN THIS ISSUE

- Jessica Goodman and I co-author the lead article "What Changes Will 2013 Bring to Health Care and Your Retirement?" Those who are expecting sunshine, lollipops and rainbows might want to skip on to the next article!

- Next, please enjoy Jessica's Guest Article on "Propaganda and Evaluating Sources". This short piece expresses the opinion that many mainstream news sources contain half-truths (or half-lies, depending on your perspective). While I always seek the whole truth - and nothing but the truth - I would agree that nowadays, getting about half of the truth is par for the course.

- On a lighter note, we hope you'll enjoy learning more about Jessica in her self-reflecting piece, "The Life of an Archaeology Student." Kudos to Jessica for following her heart and pursuing the career that interests her the most.

- And finally, for those who missed the last issue I'm re-posting information on Carine Gourjon, our business partner for Property & Casualty insurance. Several clients already have spoken with Carine, and I've received great feedback. Please contact Carine if you'd like a review of your P&C coverages.

Until next year,

Andrew Herman, President
AH Insurance Services, Inc.

Quarterly Quotation

"Things turn out best for the people who make the best of the way things turn out."

- John Wooden, Coach (1910 - 2010)

What Changes Will 2013 Bring to Health Care and Your Retirement?

Co-Authored by Andrew Herman and Jessica Goodman

There are a whole series of changes that will come into effect in 2013 in accordance with the implementation of the Patient Protection and Affordable Care Act (PPACA). Additionally, federal politicians wrestling with the "Fiscal Cliff" that they have created could very well make decisions that impact your finances next year. What changes will 2013 bring?

First, let's talk about changes in 2013 arising from health care reform:

- In accordance with the mandate for increased preventive care, states whose Medicaid programs choose to provide more and less expensive preventive care services to patients will receive extra funding. This will provide incentive for more states to provide more extensive preventive care services to lower-income residents.
- Beginning on January 1, 2013, states are required to pay primary care physicians at least 100% of the Medicare primary care rate for Medicaid patients. According to the federal government's health care website, this is supposed to be in preparation for increasing numbers of Medicaid patients in 2014; yet, it may be merely a tactic in which the government calls for full payment of doctors in order to maintain cooperation.
- By 2013, hospitals are required to coordinate payment "bundling", in which patients pay a flat rate for an episode of care rather than multiple fees for the different types of doctors and treatments involved in a single process. This will enable easier payment for the patients and for their health insurance providers.
 - Starting in 2013, employers must also undergo "administrative simplification", involving the establishment of electronic exchange health information, electronic fund transfers, and federal certification of insurance plans.
- A \$2,500 annual pre-tax limit on health FSAs (Flexible Spending Accounts) will start to be imposed in 2013 (previously, there was no limit).

- There is an increase starting in 2013 on the AGI (adjusted gross income) floor for health care expenses. Whereas the previous AGI floor for health care expenses was 7.5%, it will soon be 10% (with exceptions for those turning 65 by 2016). This means that fewer medical-based tax exemptions will be made, and individuals will have to pay taxes for a greater percentage of health care expenses.
- Reimbursements to employers for Medicare Part D plans will be eliminated at the beginning of 2013.
- Increased Medicare payroll taxes will be implemented starting January 1, 2013:
 - The tax will be increased .9% (to 2.35% total) for high-income individuals and couples. This increase will be taken into effect for self-employed individuals earning over \$200,000 annually, married individuals filing separately earning over \$125,000 annually, and couples filing jointly with a combined income of at least \$250,000 annually.
 - An additional Medicare tax of 3.8% will be implemented on unearned income for high-income earners.
- Starting March 1, 2013, employers must inform their employees of the upcoming (2014) existence of state insurance exchanges, in case employees choose to opt into these exchanges.
- Effective August 1, 2013, religious organizations previously given an extra year to implement the contraceptive mandate inherent in providing preventive care services will no longer be exempt. They will start to be held accountable for providing the full array of preventive care services.
- As of October 1, 2013, states will be given two extra years of funding for CHIP (Children's Health Insurance Program). With this extra funding, states will continue to be able to provide health care to children who are above the threshold of qualifying for Medicaid.

[Click here to view a timeline of health care reform changes.](#)

Increased Medicare taxes may have come about from the PPACA; but these taxes may be just the tip of the iceberg now that we are on the verge of descending the infamous Fiscal Cliff. Some economists think this is a misnomer, instead preferring the term "Fiscal Slope" to refer to the \$500 billion in combined income tax rate increases and spending cuts scheduled for... tomorrow!

Now, let's review some "Fiscal Slope" concerns that may impact you:

1. Tax rates. Tax rules known as the "Bush tax cuts" expire today. All income tax brackets shift upward -- the 10 percent bracket disappears and the new lowest tax rate will be 15 percent. The 25 percent bracket becomes 28 percent; 28 percent becomes 31 percent; 33 percent moves to 36 percent, and 35 percent moves to 39.6 percent. The capital gains tax rate will rise to 20 percent from 15 percent, and dividend taxes will move from being taxed as capital gains to being treated as ordinary income.

2. The Alternative Minimum Tax. The AMT was aimed at preventing wealthier taxpayers from using deductions and other tax benefits to escape their fair share of taxes. Since the qualifying income levels were not indexed for inflation, Congress has enacted an AMT "patch" each year to help millions of taxpayers avoid extra taxes. There is now no patch in place for 2012 income taxes; and even if Congress acts soon, tax-filing season likely will be delayed. If Congress doesn't approve a patch, many taxpayers will be hit by AMT payments.

3. Social Security COLA. Recent negotiations reportedly included the Obama administration's acceptance of a new formula for setting the annual cost of living adjustment (COLA) for Social Security beneficiaries, called the chained CPI. This might represent a more accurate cost of living measure than the index now used to set each year's COLA; but it also would cut effective Social Security benefits by more than \$20 billion yearly after several years. Also it would raise income-tax bills by reducing the size of automatic inflation adjustments the tax brackets use to determine different income tax rates.

4. Estate taxes. Estate and gift tax rules are now relatively generous. Individual estates up to \$5.12 million (double that for a couple) avoid all estate taxes, and amounts above these levels are taxed at 35 percent. This is also the rate for gift taxes. Without action by Congress, the estate-tax exclusion will plunge to only \$1 million in 2012, and the tax on larger estate values will be 55 percent.

5. The "Doc Fix". Back in 1997, Congress tied Medicare's payments to physicians to the growth of the economy. Medicare cost increases, including physician expenses, regularly exceed overall economic growth. Under the law, Medicare payments to physicians would have to be cut each year were it not for periodic Congressional action to override the cuts. Without another fix, doctors will see about a 27 percent cut in their Medicare payments next year, and many doctors might stop taking Medicare patients. In thinking about the Doc Fix, one might say "why bother, they are paid too much anyway". But consider that in many locations, there are five support staffers for each doctor. These are good middle-class jobs, and with a fragile U.S. economy who wants to see the likely higher unemployment that will result by not making this year's Doc Fix?

Happy 2013, Dear Readers!

Propaganda and Evaluating Sources

Guest Article - By Jessica Goodman

Dear Readers,

We at AH Insurance Services suggest caution in conducting your own research about health care, especially regarding the recent changes due to the passage of the Patient Protection and Affordable Care Act (PPACA). When writing blogs and newsletter articles for Andrew, I do a significant amount of research with many different sources; and it has recently struck me as funny what various sources do and do not mention.

For example, in the article "What Changes Will 2013 Bring to Health Care and Your Retirement?", I list about a dozen changes that will be enacted during 2013 in accordance with the PPACA. Yet, the major government website responsible for explaining health care reform, in its [timeline of changes](#), highlights only four of the changes. Why? These four are the ones that have positive effects for individuals! They are examples of the services being created by the law. The other eight changes involve undermining group interests, increasing taxes, limiting money available for flexible spending, and creating more paperwork and responsibilities for employers. Why would the federal government want to advertise those things on its official health care website? Doing so would only serve to undermine support for the legislation.

You certainly should not disbelieve everything that is produced on health care reform; there seem to be many more half-truths and opinions than outright lies. The problem about only using one source is that you are unable to see the whole picture. I suggest using at least two or three sources when researching health care reform and other connected issues. Government websites are often useful as a base of information, but will often lack unpleasant details. I also suggest looking at websites for health insurance companies; your own provider's website may have the most relevant

information on upcoming changes and how they affect you. It's often also useful to look at well-reputed magazines and newspapers for articles about upcoming reform.

At AH Insurance Services, we maintain a [blog](#) with interesting articles and health care news. By looking at all of these different sources, you will be able to gain a fuller understanding of any important situation in the world of health care.

Another caution is that you look out for persuasive and opinionated pieces. Some articles are actively written to persuade readers to a stance; others may be unwittingly opinionated. I do not suggest calling such articles invalid without exception; you should just be aware of whether a piece has a bias and should approach cautiously.

It is acknowledged, for example, that many of the articles and blog entries at AH Insurance Services have some sort of bias attached; however, we still try to provide all the relevant facts for any situation and show the arguments for any oppositional views.

With these tools, you should be able to responsibly conduct your own research on health care reform. Assess the reliability of your sources carefully, and even if you believe a source to be practically foolproof, always look for at least one or two more. After all, you never know what a foolproof source might just be leaving out.

Sincerely,
Jessica Goodman
Guest Writer

Life as an Archaeology Student

Jessica Goodman, Guest Writer at AH Insurance Services, is a student at the University of South Florida studying to become an archaeologist. Over this past summer, she went to an excavation at Megiddo, Israel. She plans to return to Israel for another excavation this upcoming summer as well. Following is a short summary of her experience in Megiddo this past summer:

"I had a phenomenal time in Israel. It was really exciting to be working at such a well-known ancient site, especially among the foremost researchers in the field of biblical archaeology. I learned much about Megiddo's history as a whole- especially about the Iron IIA period (which I was excavating in the area in which I worked). Without getting too technical, I was able to learn about certain techniques in archaeology in a practical, hands-on manner... this is not the type of stuff I get to do in the classroom.

I really would recommend excavation to anyone- within reason. It is an awesome experience full of learning, work, and a sense of self-fulfillment. I must admit it is not for people who dislike work, critters (we came across a lot of spiders and scorpions at Megiddo, along with many more less dangerous insects), dirt, heat, or throwing away socks after just a couple of weeks. However, it is undeniably an experience one cannot get from anything else. I now have many more friends with similar interests, great contacts moving forward in my academic pursuits, and memories that are unlikely to be forgotten."

If you have any questions for Jessica Goodman about her studies, you may [email her here](#).

AH Insurance Services, Inc. Teams Up With Carine Gourjon

AH Insurance Services takes pride in finding the best solution for your insurance needs, even if it requires referring you to another sales agent. With that thought in mind, we would like to introduce you to Carine Gourjon, our partner for Property & Casualty insurance. Carine offers a full range of insurance coverage for Home, Flood, Automobile, Umbrella and General Liability.

If you feel you could benefit from having an attentive, hard-working and thorough Property & Casualty broker, contact Carine as follows:

Carine Gourjon

Tel: (727) 712-0900

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Email: Carinegourjon@live.com

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If you have questions/comments, call us on 727-397-6932; or visit us online at www.ahinsuranceservices.com.



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