Life & Health Insurance Advisor

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What Republican Changes to the Affordable Care Act Mean to You

In March House Republicans submitted a plan to dismantle the Affordable Care Act (ACA), but the plan is expected to go through numerous changes before it can earn bi-partisan support to become law.

Many Republicans believe that, even though the new plan is more oriented to the free market, it doesn't go far enough to fix the ACA's problems. While Democrats are concerned that millions of Americans will lose access to healthcare coverage.

The ACA was implemented in 2010 to increase access to healthcare coverage for all Americans. Key provisions included:

- Implementing market reforms
- Establishing health insurance marketplaces
- Expanding Medicaid eligibility for low-income adults

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New State Regs Could Lower New Life Insurance Policy Premiums

Insurance premiums for term and universal life policies may drop as insurers switch to a new system to help them determine how much money they should keep in reserve.

The new system is called principle-based reserving (PBR). It's a formula that uses simulation models to estimate how much reserve an insurance company needs to pay claims.

Fifty years ago, most life insurance products were similar. It wasn't difficult to use the standard formula required by state regulators to determine how much money an insurance company should collect and hold in reserve. Now the industry offers many variations, such as whole and universal

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To meet those goals, the federal government mandated that:

- All individuals must purchase insurance or pay a fine
- Insurers offering health coverage must include 10 essential benefits
- Large employers must provide health insurance to full-time workers

According to the Department of Health and Human Services, 20 million people were newly insured as a result of the ACA. The law, however, has many detractors. Opponents are concerned that the law could cost the government $1.34 trillion over the next decade, adding to a national debt that already is more than $19.8 trillion.

Health coverage costs also have risen on the marketplace, because of ACA rules and regulations and rising healthcare and prescription drug costs, making coverage too expensive for many individuals.

In March 2017, the Congressional Budget Office reviewed the Republican's plan and said it would cut $37 billion from the federal budget deficit, but would increase the number of people without health insurance by 24 million by 2026.

While the future of the ACA currently is uncertain, to get a glimpse of the future of U.S. healthcare coverage, let's look at the differences between the current plan and the Republican's initial proposal:

- **Individual mandate –** The Republican plan eliminates the mandate that all Americans must have coverage or pay a tax penalty. However, it lets insurers increase premiums by as much as 30 percent for people who allow their coverage to lapse. A new system of tax credits is being proposed to entice people to buy coverage on the open market.
- **Medicaid –** The Republican plan replaces the open-ended entitlement to healthcare with per-person funding limits.
- **Subsidies –** The ACA provides income-based subsidies for low income individuals who purchase coverage on the marketplace. The Republican plan offers credits that would increase with age because older people generally require more healthcare. The plan reduces tax credits for individuals who have annual incomes more than $75,000 and for married couples with incomes more than $150,000. It also sets aside special funds to help states set up high-risk pools; fix their insurance markets; or help low-income patients.
- **10 essential benefits –** The ACA requires insurers to offer plans that feature, at a minimum, 10 essential benefits the government deems necessary. As a way to keep premiums low, the Republican plan allows insurers to sell less expensive plans that offer only the benefits the individual wants.
- **Pre-existing conditions –** There would be no changes. Insurers would still have to offer coverage to all individuals, even those who had a serious illness before applying for coverage.
- **ACA taxes –** Many taxes would be eliminated, reduced or delayed. For instance, the Cadillac Tax, which penalizes high-end benefit plans, would not take effect until 2025.
- **Age 26 –** There would be no changes. Young people up to age 26 can remain on their parents' healthcare coverage.
- **HSAs –** A Health Savings Account allows individuals who have high deductible health benefit plans to save money for healthcare expenses tax free. The Republican plan increases the contribution limit.
- **Age band ratios –** Insurers are only able to charge older adults three times what they charge a younger person. The Republican plan changes that to a 5-to-1 ratio, which puts less of a financial burden on younger people and would be more proportionate to the risk..

policies, and a less rigid system was needed.

Various insurers approached the National Association of Insurance Commissioners and requested a new formula to allow for variations. After a decade of development a new formula was implemented on Jan. 1, 2017. Insurers have three years to transition to the new system in the 46 states where it was adopted.

Only premiums for new policies are expected to be affected. In particular, insurers could drop premiums for term life if they are able to reduce their reserves from 38 to 64 percent.

We'll always try to keep you informed on the latest healthcare legislation developments.

How Long-Term Care Insurance Can Help You Avoid a Nursing Home Stay

Long-term care insurance is best known as a way to cover nursing home costs, but most claims are for in-home care.

The American Association for Long-Term Care Insurance reports that 54 percent of new claims were for home care, and most claims begin and end with home care. Slightly more than 30 percent of new claims began in a nursing home.

The emphasis on home care led an executive with the association to suggest that long-term care insurance was actually "nursing home avoidance insurance."

Falls are the leading cause of injury for the elderly, according to the National Center for Injury Prevention and Control. Using long-term care insurance to pay for in-home care can delay the need to go to a nursing home by preventing further injury and providing proper nursing care.

What Home Care Involves

The primary goal of home care is to let an individual, regardless of age or infirmity, live on their own as long as possible. Staying at home allows patients to be near the people and things they love while maintaining their daily routine as long as possible.

Home care services often include:

- **Homemaking –** Cleaning, companionship, meal preparation, medication reminders.
- **Daily living assistance –** Bathing, dressing, grooming.
- **Nursing care –** Checking vital signs or performing comprehensive health evaluations without having to go to a healthcare facility.

Long-term care insurance reimburses policy holders for either agency or private home care assistance. However, there may be a waiting period before benefits are paid. A policy with a 90-day elimination period could cost the policy holder $22,500 out-of-pocket for nursing home care. The longer the waiting period, the lower the premium. A typical coverage period lasts three to five years.

In 2016, it cost $7,698 per month for a private room in a nursing home; while the cost of a home health aide was only $3,861 per month.

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What to Consider When Choosing a Home Health Caregiver

Many people turn to home health agencies for care because they usually provide a high level of care. Plus, home health caregivers are trained, bonded and insured. This ensures families that they are bringing someone into their home who is skilled and can be trusted. The agency also will handle any legal issues which may arise from the caregiver or client being injured.

Private contractors usually cost less, but might not have been background-checked. Clients are liable for payroll taxes and must cover the cost of work-related injuries.

Home care services through an agency usually cost $14 to $28 per hour. Most individuals need 20 hours of home care each week for about six months. The cost of long-term care is expected to increase more than 330 percent in the next 30 years to more than $300,000 a year for a home care aide and even more for a nursing home.

What to Consider When Buying Coverage

Before purchasing coverage, you should determine whether the cost of paying premiums for a number of years will be worth the expense. Many people overbuy long-term care insurance, so you need to decide how much coverage you'll need based on your health and your family's health history.

Most people only need enough to pay for a short stay or for a few hours of home care each week. The Center for Retirement Research at Boston College found that men who need nursing home care stay 11 months or less, while women stay about 17 months. Patients who are suffering with dementia are the exception and can spend years in a nursing home.

The National Long-Term Care Insurance Price Index categorizes long-term care planning as "good, better and best:" Good coverage provides benefits for as many as 360 days with a benefit pool that increases annually. This usually is sufficient for most people. Another group, the American Association for Long-Term Care, reports that 41 percent of long-term care insurance claims end within a year. Therefore, a married couple who are 60 years old and pay $2,050 per year would get "good" coverage; $2,170 for "better" services; and $3,790 for the "best."

If you're looking for ways to save money on a long-term care policy, consider:

- Purchasing a policy sooner rather than later, because insurance premiums cost less when the buyer is younger.
- Choosing a shorter benefit period.
- Choosing a longer waiting period.
- Choosing a higher level of inflation protection (experts advise that anything less than three percent won't keep up with rising long-term costs).
- Purchasing coverage while you're still in good health to avoid being denied coverage (one-fourth of applicants age 60 to 69 are denied coverage; 40 percent of those age 70-79 are denied)
- Choosing a shared care rider if you're married so that spouses can dip into the other person's benefits if needed.

We can help you find a long term care policy that best fits your needs and budget.

How Likely Is Prescription Drug Price Reform?

Healthcare costs have skyrocketed and experts say the cost of prescription drugs is one of the culprits. Particularly troubling is the fact that some drug companies have increased prices of some medications for no obvious reason.

After Turing Pharmaceuticals acquired Daraprim, a drug used by AIDS and transplant patients, the company immediately increased the cost 5,456 percent from $13.50 to $750 a pill. There was no evidence that there had been any changes to the formulation or delivery of the drug, which had been on the market 62 years by the time of the increase in 2015.

Presidential candidates Donald Trump and Hillary Clinton made prescription drug price reform an important issue in their campaigns. Since then, other leaders and organizations have also put forth various ideas for reform.

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Controlling Drug Inflation

Rep. Elijah Cummings (D-MD) and Rep. Peter Welch (D-VT) presented a legislative proposal to President Donald Trump that would allow the government to use the leverage of Medicare to try to negotiate lower prices with drug manufacturers. Trump has since tweeted that he is "…working on a new system where there will be competition in the Drug Industry."

Others are focusing on the drug development process. Currently, protection of a drug company's patent begins as soon as the Food and Drug Administration approves a new investigational drug for human clinical trials. Since it can take five to 10 years to get a drug approved and ready to be sold, many drug companies have just a decade to cover research and production costs and turn a profit. If drugs could be brought to market quicker, but still safely, pharmaceutical companies would not need to price their products as aggressively.

The Center for Medicare Advocacy submitted comments in March 2017 to the Senate Committee on Finance about prescription drug pricing reform. Center officials raised several issues they felt should be addressed before bipartisan legislation can be crafted, including:

1. Should drug companies charge prices based on the value of the drug to the patient or on market exclusivity? If prices are value based, our country would need more cost-effective research.
2. Should market exclusivity be awarded to companies who improve patient treatment, not just meet FDA standards?
3. Should Congress consider a policy that does not allow marketing costs to be factored into the value of prescription drugs?
4. Should Congress restore Medicare drug rebates to beneficiaries, which can lower drug prices and increase government savings?
5. Should Congress grant the Secretary of Health and Human Services the authority to negotiate drug prices with drug companies?
6. Drug companies often receive federal funding for research and development of new prescription drugs. Should Congress require companies to factor in the amount of government grants into recovering the cost of developing the medication?

Why Drug Reform is Difficult

Despite the American public's interest in ensuring that prescription drugs are affordable, attempts to regulate costs have failed and significant hurdles remain. Demand for new medications is high in this country, which drives prices higher.

Insurance companies could take high-cost drugs off their formulary and refuse to cover the costs, but only if there are suitable alternatives for making those drugs available and affordable.

If price caps were implemented, drug manufacturers could simply move operations to other countries.

Drug makers also could just focus on selling their drugs in other countries where the standard of living is high. If that were to happen, the United States could miss out obtaining new life-saving therapies.

There are no easy solutions, but we will continue to keep you updated on the developments for making drugs more affordable.

How to Make Dental Coverage More Accessible to Older Americans

Experts agree that steps must be taken to make dental care coverage more accessible and affordable for older Americans. Fortunately, there are several solutions available.

The Crisis

A 2016 Oral Health America report states that retirees are less likely to seek dental care if they have no dental insurance. At the same time, those who do have coverage are two and a half times more likely to regularly visit a dentist.

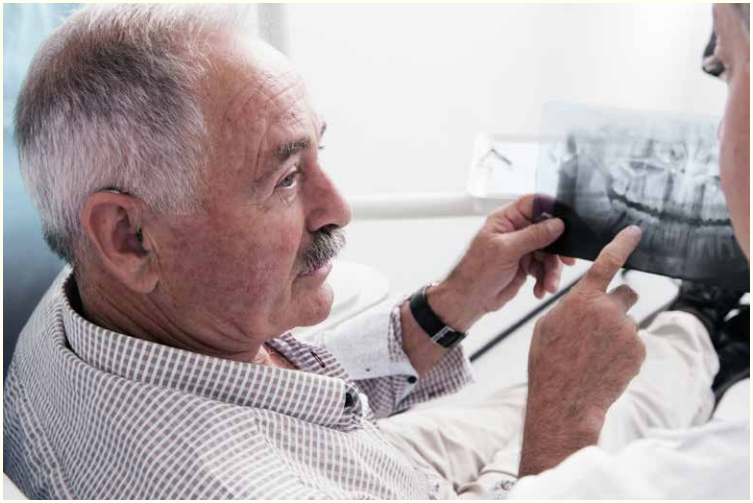
Private insurance only covers a portion of dental care costs. Dental insurance usually provides "100-80-50" coverage, which means it pays 100 percent of the cost of routine preventive and diagnostic care; 80 percent for basic services; and 50 percent for major procedures

Low-income adults have access to Medicaid, but coverage varies from state to state. Forty-two percent of the states that offer Medicaid provide no dental benefits or only emergency coverage. Retirees have access to Medicare coverage, but less than one percent of dental services are covered.

Regular dental care is critical because it reduces the high risk of oral diseases and other problems, including strokes and heart attacks.

Solutions

Solutions usually focus on what states and the federal government can do for older Americans. An example: Congress considered the Comprehensive Dental Reform Act of 2013, which would extend comprehensive dental coverage to all individuals covered by Medicare, Medicaid and the Veterans Administration.



Other recommendations include:

- Labeling adult dental coverage and services as "essential health benefits" under the Affordable Care Act.
- Sustaining or advocating for Community Water Fluoridation. Most water has some fluoride, but usually not enough to prevent cavities.
- Promoting community outreach and education about the need for good oral health.

The good news is that private dental insurance is probably far more affordable than you'd think. Please call us for a quote.