

# Life & Health Insurance Advisor



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Health/Retirement

Winter 2018

Volume 11 • Number 4

## Keeping Up with Medicare Changes

Here's what you need to know for 2019.

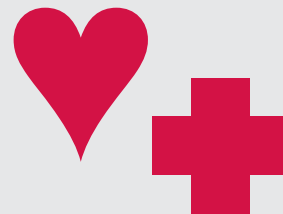
**M**edicare Part A provides basic hospital insurance and is available at no charge to those who are 65 or older — if they paid Medicare taxes while working. For many, though, that amount of coverage is not enough. Some people want a Medicare supplement plan — or Medigap — to provide additional coverage for what the original Medicare doesn't.

If you're nearing age 65, you might wonder which supplement plan is right for you, especially if you don't want to pay additional costs totally out-of-pocket.

Plan B, C, D, F or G; or K, L, M or N? You get the picture — it's complicated and the rules change from time



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## Promising New Screening Tool for Alzheimer's Disease

**A** routine test performed by your ophthalmologist could make it easier to determine if you're at high risk for Alzheimer's disease.

Alzheimer's causes memory loss and other symptoms of decline and is the most common form of dementia.

Researchers from the University of Washington (UW) School of Medicine, Kaiser Permanente Washington Health Research Institute and the UW School of Nursing spent five years studying almost 4,000 adults older than 65. They discovered that patients with age-related macular degeneration, diabetic retinopathy or glaucoma had a 40 to 50 percent greater risk of Alzheimer's dis-

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to time. In addition, some people who have low incomes can qualify for programs that reduce their Medicare-related or prescription drug costs.

Here's what you need to know going into 2019.

### What's Not Covered by Basic Medicare

Medicare generally does not cover some of the important services that many seniors need — such as dental work, routine vision or hearing care. There are exceptions, and this is where it gets complicated.

For instance, dentures are not covered, but if you have dental work that is an emergency or is a complicated procedure, it might be covered. It's the same situation for vision coverage. Eye glasses generally are not covered, but if you have an eye condition such as glaucoma or cataracts, basic Medicare will cover your care.

In addition to not covering dental, vision or hearing costs, here are some additional examples of what original Medicare generally does not cover:

- ✱ Alternative medicine (acupuncture or chiropractic services)
- ✱ Elective cosmetic surgery; although surgeries to fix a malformation breast prostheses are covered if you had a mastectomy.
- ✱ Long-term care (nursing home care). However, it does pay up to 100 days of skilled nursing or rehabilitation care immediately following a three-day inpatient hospital stay.

- ✱ Personal care (help with bathing, toileting and dressing). However, it is covered if you are homebound and are also receiving skilled nursing care. Housekeeping services are covered if you are receiving hospice care.
- ✱ Foot care. However, it will cover costs related to foot injuries or diseases.
- ✱ Non-emergency services (copies of X-rays or most non-emergency transportation, for example).

Fidelity Investments estimates that the average, healthy couple retiring today at age 65 will spend an estimated \$280,000 on health care during their lifetimes, so it's important you have as much coverage as you can afford. Plus, if you go overseas and need care, services such as routine vision, long-term care or health services will not be covered.

### Plan Options You Can Purchase

Basic, or original, Medicare consists of two parts: Part A and Part B. Remember that when Medicare covers a service or item, it usually doesn't pay 100 percent of the cost. However, most preventive services are covered by original Medicare with no copays or deductibles.

Part A is available at no cost to seniors who have at least a 10-year work history and who register for the benefit. Part A provides coverage for hospital stays, skilled nursing, hospice and some home health services. It comes with a \$1,340 deductible per benefit period and has caps on benefits.

The monthly premium for Part B is cur-

ease. The results were published this summer in *Alzheimer's & Dementia: The Journal of the Alzheimer's Association*.

One researcher stressed that having one of these eye diseases doesn't necessarily mean that you will develop Alzheimer's. However, a diagnosis should be taken seriously. The earlier a problem is detected, the sooner a patient can take preventive measures.

According to researchers, more than 46 million older adults are affected by dementia worldwide and 131.5 million cases are expected by 2050.

If you've avoided an eye exam or purchasing eye glasses because you're worried about the cost, talk to your broker today about affordable vision insurance.

rently \$134 for people with incomes up to \$85,000. The monthly premium can be as high as \$183 a month for those with higher incomes. After the deductible is met, you pay 20 percent of the covered services. Part B coverage is for doctor visits, outpatient services and some medical equipment.

Medicare supplement (Medigap) policies, which help cover Medicare's co-payments, deductibles and other out-of-pocket costs, currently come in 10 standardized plans: A through D, F, G, and K through N. Medigap plans generally cover the cost of deductibles or coinsurance associated with basic Medicare and can run from about \$159 to \$236 for a 65-year-old male, according to the American Association for Medicare Supplement Insurance.

Medicare generally doesn't cover long-term care. According to the American Association for Long-Term Care Insurance, a long-term care policy for a 60-year-old will be about \$3,400 annually.

### Recent Changes to Medigap

Here's what you need to know about recent changes to Medigap policies.

Medigap Plan F and Plan C won't be available to newly eligible Medicare beneficiaries after Jan. 1, 2020, but current beneficiaries will be able to keep their plans. A 2015 law prohibits insurers from selling Medigap plans that cover the Part B deductible from being sold to new Medicare enrollees starting in 2020. Plan F and Plan C cover the Part B deductible. Lawmakers hope people will be more careful when using medical care if they have to pay a deductible.

Those who like the popular Plan F are encouraged to consider Plan G, which provides most of the same coverage but doesn't include the Part B deductible. The average premium for Plan F nationally in 2018 is \$2,204 per year.

Questions? Talk to a broker who specializes in Medicare and Medigap plans or call Medicare at 800-633-4227. ■

# Individual ACA Rates are Going Up, Up, Up – Here's Why

Some areas could see rate increases up to 98 percent

**N**ext year may see health insurance premiums on the Affordable Care Act (ACA) Marketplace exchange increase 15 percent, although some states could see rates up to 98 percent higher. For instance, insurers in Maryland requested premium increases between 24 and 98 percent for individual health plans.

The Marketplace is operated by the federal government as a place where individuals can purchase health insurance online and to receive a tax credit and other savings if they qualify. Some states run their own exchanges. Open enrollment for purchasing 2019 plans runs Nov. 1, 2018, through Dec. 15, 2018. Plans sold during open enrollment are effective Jan. 1, 2019.

This summer insurance carriers started sharing their 2019 rate requests, and the Congressional Budget Office (CBO) released the information to the public. According to the CBO, the second-lowest-cost silver plan listed on ACA exchanges are expected to rise by 15 percent in 2019 and future plans will increase an average of seven percent per year through 2028.

Keep in mind that in October 2017, the Department of Health and Human Services announced that premiums would rise by an average of 37 percent in 2018 and the actual increase was far more conservative. Therefore, the 2019 increase may not be as high as expected.



### How We Got Here

One of President Donald Trump's campaign promises was to repeal and replace the ACA, also known as Obamacare. Republicans, however, were unable to come to an agreement on healthcare reform in 2017. Instead, Trump and the GOP-led Congress began taking measures to dismantle some of the health law's core components. Observers expect that the program eventually will die and be replaced with a new health plan. Meanwhile, these changes, along with other factors are causing premiums to rise rapidly.

## Reasons for High Premium Increases

While there is no single reason for the higher-than-expected increases, here are a few of them:

- 1 Elimination of the individual mandate in 2019:** Beginning next year, individuals will no longer be penalized if they don't purchase health insurance. Some people applaud the change and believe people should not be forced to purchase insurance. Others worry that only sick individuals will seek coverage and that there will be fewer healthy people to offset costs. Healthy people are necessary to help defray the costs of providing coverage for those who use it most.
- 2 No more cost-sharing reductions:** President Trump announced that subsidies would no longer be given to lower-income individuals and families earning between 100 percent and 250 percent of the federal poverty level. The original subsidies should have been approved by Congress, but weren't — therefore the House of Representatives leadership deemed the subsidies illegal. However, the Advanced Premium Tax Credit remains in place and helps lower premiums for individuals and families earning under 400 percent of the federal poverty level. In 2017, before the changes, observers estimated that more than 7 million of the 12.2 million enrollees qualified for cost-sharing reductions.

- 3 Insurers leaving the marketplace:** Many insurers have not found Marketplace plans profitable, which means there are currently fewer insurers offering plans and fewer plans available.
- 4 High medical costs:** Medical costs for 2019 are expected to increase between five to eight percent — the same as 2018. Observers believe the increase in prescription drug costs to be about the same as all medical spending.
- 5 Risk pool composition:** When premiums are based on a group of people, the rates usually are lower because the risk is shared. But sometimes those rates can be high if the risk pool has a disproportionately large number of people with high medical claims.
- 6 Premium Components:** Premiums not only cover the cost of paying claims, but also must cover the cost of developing new products; sales and enrollment expenses; claims processing; customer service; regulatory compliance; taxes; assessments; risk charges; and fees.

In comparison, small group health plan prices through private insurers are expected to remain the same or may even decrease.

If you investigate individual plans on the Marketplace and discover that premium rates are too high for your pocketbook, check with your broker who may be able to find a plan that meets your needs and budget. ■

## Q&A: How to Add an Indexed Universal Life Policy to Your Retirement Portfolio

Life Insurance can be an important part of your retirement plan.

**A** life insurance policy that protects your family's assets after you pass away, but also provides cash while you're still alive might seem too good to be true — especially if it provides assets during your retirement years.

For many Americans, a fixed indexed universal life (IUL) policy is the answer.

First, before examining the details of an IUL, it helps to understand universal life insurance. Universal life insurance is permanent coverage that offers flexible premiums; a level or increasing death benefit; and a tax-deferred investment opportunity. The insured pays the premium as well as additional money to "overfund the policy" to build cash value. The cash value gains interest over time and may be borrowed from or used to subsidize the future cost of the life insurance policy.

A drawback of a universal life insurance policy is if you take out a loan and pass away before the amount is repaid, your death benefit will be reduced. Also, if you don't withdraw the savings portion of the policy before you die, the insurance company keeps the cash.

**Q. How is an indexed universal life insurance policy different from a regular universal life insurance policy?**

**A.** With an indexed universal life insurance policy, the holder ties the cash value to either a fixed account or to an equity index account, such as the S&P 500 or Nasdaq 100. Policyholders can choose to put funds into both types of accounts.

The benefits of tying cash value to an index are:

- ✱ Possible double-digit annual growth without risk of market losses.
- ✱ Tax-sheltered growth and tax-exempt distributions.
- ✱ Access to equity without age restrictions.

The policy's cash value has the potential to earn indexed interest based on the annual return of an external index, but the cash value is not actually invested in the index. The value is locked in on the policy anniversary, and can never be lost due to market volatility. However, fees and charges may reduce the policy value.

Remember that an IUL policy is not designed as a guaranteed income source during retirement. Instead, it's a fund that's available to supplement other investments or savings vehicles.

**Q Who's a good candidate for an IUL?**

**A.** The short answer is anyone looking for life insurance and an accessible source of cash safe from market volatility. Here are some criteria to see if you are a good fit:

- ✱ Planning for retirement and wondering about the volatility of the market or massive tax hikes?
- ✱ Want funds to use for long periods?
- ✱ Concerned about leaving beneficiaries or a family business without funds if you can no longer work because of injury, illness or death?
- ✱ Interested in adding tax-sheltered growth to their portfolio?
- ✱ Want a flexible premium structure. Whole life insurance and term insurance have rigid premium schedules; if you miss a payment, the policy will lapse. With an IUL policy, as long as you have positive cash surrender value, no mandatory premiums will be due?

**Q. How much does an IUL cost?**

**A.** Talk to your brokers, since policy costs vary between carriers and rely on fees and charges. However, because these policies are not heavily managed, they are usually not very expensive.

And, once the policy is properly funded, an IUL policy provides the flexibility to pay premiums when you want and in the amount you choose for the life insurance coverage you need.

**Q. Are there tax benefits to having an IUL?**



**A.** An IUL policy provides you the opportunity for tax-deferred cash-value accumulation. This way you don't pay taxes on the interest the policy earns while it's accumulating, which adds up to more money in your account.

Plus, an IUL provides income-tax-free loans and withdrawals. Policies are not subject to age and income restrictions.

**Q. I already have a 401(k) and stocks. How would an IUL policy help me during my retirement?**

**A.** It's possible for stocks and mutual funds to lose up to half their value — which happened twice between 2000 and 2010. An IUL can be a safe place to park some of those funds. Also, building a sizable cash value in an IUL policy by your retirement could mean you take less money from an individual retirement account or 401(k) account. ■



# The Surprising Penalties of Genetic Testing

Health insurers can't discriminate based on genetic testing.  
It's a different story for some other types of insurance.

Personal DNA testing kits are all the rage. The kits are relatively affordable; it's easy to collect a saliva sample; and the results are available in two months or less. Mental Floss reports that more than 12 million people had their DNA tested and that number is expected to grow substantially.

It's fun to discover your ancestry and it's helpful to learn about your hereditary traits or genetic health risks. You might even find relatives you didn't know you had. However, would you be as excited about genetic testing if you knew the results might affect your ability to be approved for certain types of insurance coverage or could increase your premiums?

Long-term, life and disability insurers have the right to evaluate whether an individual would be a good insurance risk. The process is called underwriting, and an underwriter has the right to review your medical records, ask you questions about you and your family's health history and use genetic test results to decide whether to offer you coverage.

However, the Genetic Information Nondiscrimination Act (GINA) of 2008 does not allow health insurers to use genetic information to determine whether to give you coverage or to set rates. On the other hand, long-term-care policies, life insurance and disability insurance are exempt from GINA.



The GINA regulations require that you reveal genetic test results to these insurers, even if the testing was performed through a direct-to-consumer site.

Though most states follow federal rules, some states have genetic testing laws that protect consumers seeking long-term care policies.

Also, if you get a test done after you purchase a policy, the insurer cannot cancel your coverage or change your rates. Therefore, you might want to put off finding out about your ancestry until after you purchase the long-term coverage you need. ■

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