Life & Health Insurance Advisor

PomeroyGroup
INSURANCE BROKERS & CONSULTANTS

3134 N. 7th Street, Phoenix, Arizona 85014 | (602) 265-8900 Main (602) 230-0398 Fax | info@pomeroygroup.com

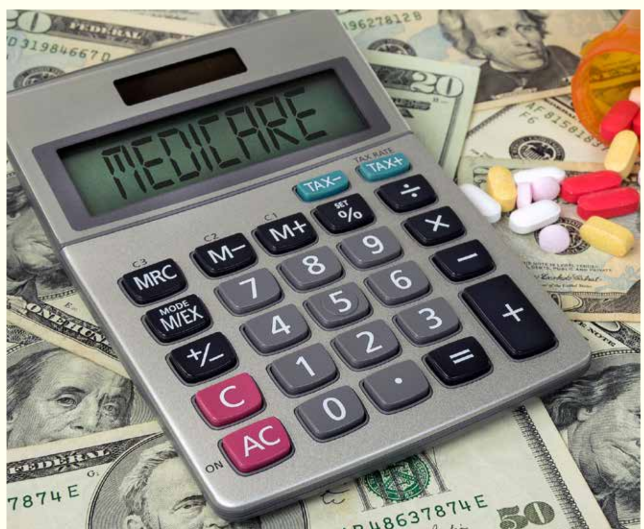
Health Insurance Fall 2019 Volume 12 • Number 3

The Likelihood of Medicare for All

After passing the Affordable Care Act in 2010 and watching Republicans begin to dismantle it in 2017, many Democrats now are proposing Medicare for All.

Whether Medicare for All becomes law depends a great deal on who controls the House and Senate. For now, it has little chance of passing because Republicans control the Senate and President Donald Trump argued that Medicare for All would be disastrous. Democrats control the House, but Speaker Nancy Pelosi and a number of party moderates also are resisting the proposal.

Currently, half of U.S. health care costs are covered by private insurance through employers or individuals who are self-insured. The other half is from federal, state and local governments paying into Medicare and Medicaid.



continued on next page

The Hidden Costs of Health Care

Health care isn't cheap. Every year, you and your employees pay health care premiums, deductibles, drug costs and medical bills not covered by insurance.

But wait, there's more!

The Centers for Medicare and Medicaid Services' annual report on health care spending reveals that Americans also are covering other, hidden costs:

- **Taxpayers pay $1.7 trillion in state and federal taxes to cover Medicaid and Medicare costs.**
- **The $1 trillion in coverage you and other employers provide employees is not "free" to the employees. Employ-**

continued on next page

Medicare is a federal government-run health insurance program for Americans who are 65 or older; for younger people with disabilities; and for people with End Stage Renal Disease. All Americans pay for the program from taxes withheld from their paychecks. Medicare Part A is available for no cost and covers hospital stays only. Individuals on Medicare can pay for additional coverage — Part B — from Medicare-approved private insurers to cover other services such as dental, vision care and prescription drugs.

According to a recent Gallup poll, about 79 percent of those who use Medicare or Medicaid (the government's health program that covers those with limited income), are happy with the quality of their health care and believe that they have good to excellent health coverage.

Many of those who want Medicare to cover all Americans believe that health care is a human right and the Medicare for All proposal will help rein in growing health care costs. Those opposed, such as The Heritage Foundation, stress that "The British and Canadian experiences with single-payer demonstrate that universal government coverage is not the same thing as universal access to quality care," … and that "social inequalities in accessing care, based on wealth or political influence, are often exacerbated." Plus, the cost would drastically increase taxes.

Medicare for All — The Jayapal Plan

In February, Democratic Rep. Pramila Jayapal of Washington and 100 co-sponsors proposed legislation to require all Americans to be covered by Medicare in two years. If approved, Medicare would cover comprehensive health care services and limit private insurance to supplemental benefits not provided by the government-run program.

Participants would not be charged copays, premiums or deductibles. The plan would cover prescription drugs, vision, dental, mental health, substance abuse and maternal care. It also would provide universal long-term care coverage for people with disabilities.

Jayapal gave no details on the cost to cover all Americans. Her staff said that ideas for financing the plan include a wealth tax; higher marginal tax rates; and repealing portions of the 2017 Republican tax cuts. Proponents believe health care costs will be lower because the government would reduce administrative costs and Medicare would set doctors' fees and hospital budgets and negotiate drug prices.

Medicare for All — The Sanders Plan

Independent Sen. Bernie Sanders of Vermont, a Democratic contender for the 2020 presidential nomination, introduced a bill in 2017. Four others declared 2020 presidential candidates — Sen. Cory Booker of New Jersey, Sen. Kirsten Gillibrand of New York, Sen. Kamala Harris of California and Sen. Elizabeth Warren of Massachusetts — co-sponsored it along with 11 other Democrats.

Sanders' plan would take four years to roll out and would cover basic health services, as Medicare does now, plus dental and vision coverage with no copays. However, Americans might have to pay for some prescription drugs and some elective procedures — although probably not cosmetic procedures. States could provide additional benefits for their residents, but without federal assistance.

Americans would be required to move to the government system, including those who currently get insurance from employers.

It's unknown whether Sanders' Medicare for All system would be a tiered system with supplemental insurance, similar to what we have now, and whether private insurance would go away.

ees might think of it that way, but the health insurance benefits you provide are a tradeoff to larger salaries, so employees foot the bill for the entire $1 trillion.

- **Out-of-pocket spending on dental services is more than 40 percent of total health care spending.**
- **Consumers pay almost all the costs for items not covered by insurance, such as over-the-counter medications and health aids.**

One service consumers usually don't pay much for is hospital care. Hospital costs generally are covered by insurance. For example, consumers spent almost nothing out of pocket for hospital care in 2017, which cost $1.15 trillion. Instead, they paid for about 10 percent of their nearly $700 billion just in doctors' bills.

continued on next page

The Case Against Medicare for All

Although a January 2019 poll by the nonpartisan Kaiser Family Foundation found that Americans favor the idea of Medicare-for-All by a margin of 56 percent, only 37 percent supported it when they learned it would eliminate private insurers, and require most Americans to pay more taxes.

Many observers are concerned that Medicare for All could cost $30 trillion to $41 trillion over a 10-year period. The Urban Institute estimates that under the Sanders plan, national health care spending would be closer to $51 trillion, instead of Sanders' projection of $41 trillion. Ultimately, that would mean an additional $32 trillion in new federal spending, according to the Urban Institute.

Kenneth Thorpe, chair of health policy and management at Emory University's Rollins School of Public Health, believes that if states provide additional benefits, sales taxes, which are regressive and affect the poor more than the rich, would also have to increase. Plus, he said there is a good chance that the taxes Americans have to pay would be more than the premiums they currently pay.

How to be a Caregiver Without Taking a Major Financial Hit

Caregivers can be life savers by taking care of people who cannot care for themselves. However, caregivers must also take care of themselves — particularly their finances.

Caregiving is someone providing care and support to people who are elderly, ill or disabled. Caregivers usually are family members who care for their parents or close relatives. The National Alliance for Caregiving and AARP found that family caregivers spend on average 24 hours per week giving care, while nearly one in four caregivers spends 41 hours or more per week. Caregivers' lost wages, pensions and Social Security benefits total nearly $3 trillion, according to the MetLife Mature Market Institute's Study of Caregiving Costs to Working Caregivers.

Caregivers also often have the additional burden of paying for caregiving expenses themselves. A 2016 AARP study estimates that caregivers spend an average $6,954 on out-of-pocket costs.

Fortunately, there are steps a caregiver can take to insure a better financial future.

Employer Retirement Accounts

If you're a currently employed caregiver and have a pension or 401(k) plan, there are some things you should consider before leaving a job or reducing hours.

For instance, stay in your job until you are vested. Vesting usually occurs after you've had a job for at least five years. It means you will get all of the matching funds your employer has put into your account. Leave before you are vested and you could lose this "free" money.

continued on next page

If you decide to leave your job and you have a defined contribution plan, such as a 401(k), you may be able to leave your retirement savings in the account or roll it over into an Individual Retirement Account (IRA). You are allowed to contribute up to $6,000 a year to a traditional or Roth IRA, and the limit may be adjusted for inflation in future years. You also can contribute an extra $1,000 if you are age 50 or older.

Whatever you do, don't cash out the account and take the money. You not only will lose retirement money and future investment growth, but will pay high IRS penalties if you take out the money before age 59 and a half.

If you decide to reduce your work hours, determine the minimum working hours you need to continue contributing to a retirement plan with matching funds.

Other Retirement Account Options

If family members pay you as an independent contractor, they also can contribute to a Simplified Employee Pension (SEP) for you. One advantage of a SEP is it has higher contribution limits than IRAs.

Health Insurance

The federal Consolidated Omnibus Budget Reconciliation Act (COBRA) allows you to continue health care benefit coverage under your previous employer's policy for 18 to 36 months. But, you will pay the full premium. If you decide on this option, you have 60 days after you leave your job to decide to continue the coverage.

You also can go to a Health Insurance Marketplace to find coverage that fits your budget. Established by the Affordable Care Act in 2010, the law also provides subsidies in some cases. Visit healthcare.gov or call 1-800-318-2596 to apply and find out more about plan options. You also can determine if you qualify for free or low-cost coverage through Medicaid or the Children's Health Insurance Program.

Additional Insurance

You're providing a valuable service and if you were to die, your family members would have to pay another caregiver to continue the service. Consider buying a life insurance policy to help them with those costs.

Also consider purchasing disability insurance. The Council for Disability Awareness says almost half of American adults say they can't pay an unexpected $400 bill without having to borrow or sell something. And the possibility of becoming disabled is greater than you may realize. The Council says almost six percent of working Americans will experience a short-term disability due to illness, injury or pregnancy every year.

Not sure how to start planning your financial future? A good broker or financial planner can help you sift through options and help you decide what will reduce financial strain so you can focus on your important role as a caregiver. Please give us a call if we can help.

The Importance of Life Insurance at Any Age

Have you ever wondered what the perfect age is for purchasing life insurance? Here's a hint — right now! Here's why:

A life insurance policy pays your beneficiaries for expenses they will incur after you die. For instance, your spouse, children or parents might need additional income for basic living expenses, funeral costs, tuition, retirement income or estate taxes.

Despite the advantage of life insurance, Investopedia, an online source of financial information, reports that only four in 10 individuals purchase a life insurance policy. Many individuals believe that payments for things such as cell phones, cable and the Internet are more important than insurance premiums.

When you purchase a life insurance policy, you pay the insurance company a monthly premium in return for the company promising to pay a death benefit to your beneficiaries. The rate you pay is based on your medical history and takes into account you and your family's health history and whether you are a smoker or have a dangerous job or hazardous hobbies.

The insurance company's rate for your policy won't change during the term of the policy. But

continued on next page

for every year you put off buying life insurance, premiums increase. Someone in their 40s can expect to see annual rate increases of five to eight percent, while someone in their 50s may be paying as much as 12 percent more per year for putting off their decision.

That's why it's a good idea to purchase life insurance while you're still young. Since the premium doesn't change during the life of the policy, you could save hundreds of dollars a year when planning ahead.

While many experts agree it's best to purchase insurance when you are under the age of 35, there are benefits for purchasing insurance at any age.

Birth

While there's disagreement over whether you should purchase life insurance for an infant or child, there are some benefits. The policy's cash value grows tax deferred and can be transferred to the child when they are 18 years old. They then can make the decision to either continue paying the premiums or take a payout if it has equity. If the policy is held long enough, its cash value can be used to supplement retirement income.

Under Age 35

Even though the optimal time to purchase a life insurance policy is in your early 20s and 30s when costs are low, Investopedia estimates that more than half of policyholders are 45 years or older.

A 30-year-old who has no health issues can get a 30-year level term policy with a $100,000 face amount for about $156 per year. A 40-year-old male could pay about $216. Therefore, the overall cost of delaying the purchase for 10 years is $1,800 over the life of the policy.

Another benefit of buying a policy when you're younger is that you're also probably healthier. Insurers check an applicant's medical history, and can require a physical exam to determine if you should be paying a higher premium or whether the application for coverage should be denied.

50 Plus Years Old

Many people nearing retirement age don't need life insurance. Usually they don't have people relying on them financially and have payed off long-term expenses such as a mortgage or car loans.

Still, individuals who haven't purchased a policy and have beneficiaries they want to cover should consider purchasing a policy. One option — if you're in your 50s — is to purchase a traditional 10 to 15 year term life insurance policy, which would have a lower premium.

If you can't qualify for term life insurance, you may want to look at life insurance policies known as "final expense insurance." One option is simplified life insurance. There's no medical exam and you might be able to get coverage as high as $40,000. This type of policy is expensive.

Another option is guaranteed life insurance. As its name implies, this is guaranteed coverage as long as you don't have HIV/AIDS or terminal cancer. Keep in mind that this type of coverage has high premium and low death benefits, usually maxing out at $25,000.

If you're unsure what type of policy is best for your age, don't waste another day. Talk to a broker today.

When Euthanasia and Life Insurance Intersect

If a terminally ill person decides on euthanasia, will their life insurance deny their beneficiaries the life insurance money?

It depends on state laws and the policy.

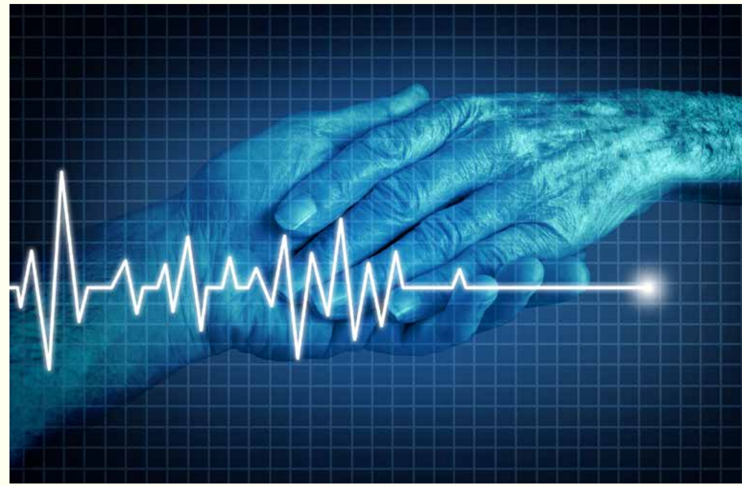
First, it's helpful to know the differences between euthanasia, assisted suicide and suicide. Euthanasia occurs when a physician ends a patient's life because the patient is suffering severe, persistent and untreatable pain. Assisted suicide is when someone provides the person who is suffering with the means to end their life. Suicide is when someone takes their own life.

While life insurance provides a death benefit to beneficiaries, there are some situations where the policy might not pay the benefit. Only Oregon, Washington, Vermont, California and Colorado have laws protecting the right to assisted suicide. In these states, doctor-assisted suicide doesn't equal suicide for insurance purposes.

Many insurance companies require a medical exam to see if the individual is insurable. During the underwriting process, a life insurance company will look at an applicant's health and health history to learn how risky he or she will be to insure. This includes not only physical health but mental health.

Euthanasia or suicide is sometimes covered after the first two years of the policy – although the policy's suicide clause sometimes is effective longer than two years.

If an individual contracts a terminal disease after buying the policy and then legally ended his or her life in a right-to-die state, the policy would payout.



A death benefit either is paid to the beneficiaries as a tax-free, lump-sum or a series of payments. However, if the death results from a self-inflicted injury, the insurer can refuse to pay. This rule is to prevent people from taking out a policy and taking their own life so their beneficiaries can receive the benefit.

Life & Health Insurance Advisor