

Life & Health Insurance Advisor



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

Indemnity Insurance

Spring 2023

Volume 15 • Number 1

Benefits of Hospital Indemnity Insurance

Hospital indemnity insurance is gaining in popularity as a way to deal with increasingly higher out-of-pocket expenses.

It's not health insurance, but it provides a cash benefit you can use to pay for expenses health insurance doesn't cover.

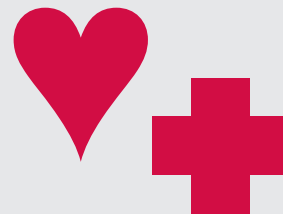
The Centers for Disease Control and Prevention estimated that the average hospital stay in 2017 was five days and cost more than \$30,000. Inflation alone has made that number even higher today. Few families are prepared for such costs. In a February 2021 study conducted by West Health and Gallup, 18 percent of Americans said that they had serious financial challenges when trying to pay their medical bills, even with health insurance.

One reason medical expenses are a challenge for many people is that health insurance companies limit what they will pay for many services. Also, as premiums have increased to keep pace with higher costs, consumers have been opting for higher de-

ductibles (the out-of-pocket amount a policyholder must pay before insurance kicks in) to keep premium costs down. The average deductible for a bronze Obamacare policy in 2019 was \$5,900. Other costs policyholders must pay are coinsurance, the percentage of costs paid after the deductible is met, and the copay, a fee that must be paid for a covered health care service.

Hospital Indemnity Insurance pays you directly when you go to the hospital. Policies differ, but most pay you for any of the following:

- ✱ Hospital confinement
- ✱ Hospital outpatient costs
- ✱ Emergency room or urgent care treatment
- ✱ Rehabilitation at a qualified facility
- ✱ Physician care for covered accidents and illnesses



Should you Buy Life and Disability Insurance Together?

Most people easily grasp the importance of having a life insurance plan. Death is inevitable and life insurance can provide a surviving spouse, children and other dependents the funds to maintain their standard of living.

Though the need for disability insurance, which is also designed to help a family pay the bills if something happens to the breadwinner, is not as inevitable as life insurance, it could be just as important. According to the Social Security Administration approximately one in four 20-year-olds will experience a disability before they retire. Most disabilities are not because of accidents, but are the result of diseases like cancer, or chronic conditions, such as back or muscle pain.

The process for applying for both types of insurance is very similar, and since the process can be rather long and involved, many people find it makes sense to apply for both at the same time.

continued on next page

continued on next page



- ✱ Wellness and preventative services
- ✱ Prescription drugs
- ✱ Labs, x-rays, imaging, diagnostics when these services are connected to a covered illness or accident
- ✱ Ambulance — ground or air
- ✱ Many plans offer additional or optional benefits (for an additional fee) such as ICU confinement, outpatient surgery and other services

To use indemnity hospital insurance, you must inform your insurance company immediately and submit a claim. When your claim is approved, your benefit payments will begin.

Many hospital indemnity insurance plans pay based on a fixed cash benefit. Here's an example: You are admitted to the hospital and your policy pays \$250 for the emergency room; \$1,000 for the hospital admittance; and \$9,000 for being in the hospital for three days.

You can then use the money for paying your

deductibles, copays, coinsurance or any other expenses you might incur, such as your mortgage, transportation and food.

One of the benefits of hospital indemnity insurance is that you can opt for a higher deductible health care insurance policy with lower premiums knowing that you have hospital indemnity coverage for worse case situations. Other benefits include:

- ✱ This coverage provides financial protection, limiting your out-of-pocket costs.
- ✱ You can use the money for whatever you want — paying for either hospital costs or living expenses.
- ✱ The plan is portable, meaning that it's yours even if you change jobs, move to a different state or go on Medicare.
- ✱ Unlike health insurance premiums, hospital indemnity insurance premiums usually stay the same unless your state's insurance commission approves and allows the carrier to

- ✱ If you have a complicated medical history, underwriters probably will request your medical records. Applying for both at the same time means one exam for two applications.
- ✱ If you are denied disability insurance or your rates are higher than you can afford, talk to your agent about applying for a disability insurance rider or endorsement on your life insurance policy. Long-term disability insurance provides better protection, but a disability income rider at least will provide you with a monthly stipend.

Underwriting rules for disability and life insurance vary greatly by company. For instance, if you have high blood pressure, some companies may charge more. When working with a financial planner or insurance broker, make sure they understand your needs and health.

increase the rates on all policies of the same type.

- ✱ Your policy can be renewed, as long as you pay the premiums on time.
- ✱ Your plan might include free telemedicine consultations or a bill negotiator who can help you if you have problems.

Although it is possible to rely solely on this type of insurance for medical costs, experts do not recommend it. Hospital indemnity insurance doesn't cover normal doctor visits, prescription drugs and various other regular health care costs. Hospital indemnity insurance is actually designed to supplement your health insurance.

Another option is to save enough money to pay your deductible and out-of-pocket maximum on your plan. However, if you don't think you can save enough money for a substantial emergency fund, talk to your broker about a hospital indemnity insurance policy that might be just right for you. ■

Retirement Savings Ideas for Those Who Haven't Saved Enough

If you aren't on course to save \$1 million by the time you retire, you'll have to get creative.



That's the amount of money a couple will need to live comfortably after they retire, say many experts. Unfortunately, few people are on track to have adequate savings for retirement. According to a CareerBuilder report, 78 percent of full-time workers said they live paycheck to paycheck.

Of course, starting to save early in your career is the easiest way to save enough money. If you were to save \$4,830 annually at 7 percent

interest beginning when you are in your 20s, you would reach \$1 million by age 65.

If you're among the many who need to boost the amount of money in your retirement fund, your options range from cutting unnecessary spending to investing wisely. Here are a few ways you can work toward a comfortable retirement:

Cut Expenses

Take a good look at how you spend your money. Some of the top ways we fritter away money are through dining out at restaurants, drinking alcoholic beverages, paying credit card interest, buying clothes, wasting electricity by not turning off lights, smoking tobacco, keeping the house too warm, gambling, playing the lottery or choosing convenience packaging.

Put spare change toward reducing or eliminating credit card debt, student or auto loans, or your mortgage. The money you save not paying interest is money you can deposit to your retirement fund.

Make Good Investment Decisions.

If you have access to a 401(k) through your employer, take advantage of it. It's an easy way to save and your employer might match some of your contributions — which is the same as free money. Plus, money contributed to a 401(k) is taken out before you get a paycheck, making it easier for you to forget it's being taken out.

If you don't have that option, or if you want an extra retirement savings vehicle, talk to a broker about starting an individual retirement account (IRA). An IRA is an investment account you set up through a brokerage firm or financial institution. You contribute money to the account, which is used to purchase investments including stocks, mutual funds and bonds. By opening an IRA in 2023, you can contribute up to \$6,500 a year

continued on next page

if you're under the age of 50 or \$7,500 a year if you're 50 or older.

Don't take a break from saving. When you change jobs, get laid off or just stop working, it will be tempting to stop contributing to your retirement fund. If you're used to saving to a 401(k) fund, you could start an IRA until you're able to contribute again to a 401(k) with employer matching funds.

You also want to try to resist withdrawing money from your retirement account when life becomes financially difficult. The penalties you'll have to pay for withdrawing money from your retirement account before age 59 ½ can be daunting. For instance, if you are in the 25-percent tax bracket and you withdraw \$10,000 before you're eligible, you'll have to pay \$3,500 in taxes and penalties.

Plan for Health Emergencies

While no one wants to think about getting ill, it happens. Fidelity Investments, a financial services corporation, estimates that the average couple will incur \$275,000 in health care costs during retirement, not including long-term care expenses.

If you have a high-deductible health plan where you work and your company offers a health savings account (HSA), any money you save in the account while you're employed is yours to use for health expenses — even after you've retired.

Earn More

If you have the time, creativity, knowledge or energy, investigate ways to make more money. You can always get a part-time job or work as a consultant in your field of expertise. If you have an extra room, you could rent it out on the weekend to travelers through Airbnb or another rental site. If you're artistically talented, you could sell your crafts on an online site, such as Etsy.

For information about setting up an IRA account, please contact us. ■

Is Original Medicare Enough for You?

Which of the several types of Medicare arrangements is best for you?

If you are retired or thinking about retirement, this is something you need to carefully consider.

Original Medicare (Parts A & B)

Medicare is a government-funded health insurance program that provides basic coverage to those aged 65 and over and certain individuals with disabilities. Original (or Traditional) Medicare allows a covered individual to go to any doctor, health care provider, hospital, or facility that is enrolled in Medicare and accepting new Medicare patients. With Medicare coverage you generally pay a deductible before Medicare pays its share. When it pays its share, you will also pay your share (coinsurance) for covered services and supplies. There's no yearly limit for what you pay out-of-pocket and Original Medicare only pays about 80% of approved costs for hospitals, doctors and medical procedures.

Medicare Part A (Hospital Insurance) covers services considered medically necessary such as inpatient hospital care, critical access care, short-term care in skilled nursing facilities, hospice, and home health care. There is no premium for most people for Part A.

Medicare Part B (Medical Insurance) covers medically necessary services such as doctor and outpatient care. There is a monthly premium for Part B coverage.

Medicare Part D

Most people want more than the coverage Original Medicare provides, including drug coverage. That's why there is Medicare Part D. This is stand-alone coverage provided by insurance companies strictly to cover the cost of prescription drugs. During your initial enrollment period or during a Special Enrollment period you may purchase Part D coverage whether or not you purchase a Medigap or Medicare Advantage Plan (though many of the latter include Part D coverage).



Medigap and Medicare Advantage

Even though Original Medicare (Parts A and B) covers a large share of your medical costs, what it doesn't cover can still be expensive. Plus, it doesn't cover a lot of medical necessities people want. To fill this need people may also want to purchase either Medigap or Medicare Advantage coverage. What's the difference?

The essential difference is that Medigap covers the gaps between what you pay for Original Medicare and your total costs. Whereas Medicare Advantage may cover those costs but may also go beyond and provide additional coverages.

Medigap

Medigap, also referred to as Medicare Supplement Insurance, covers certain out-of-pocket expenses, such as deductibles and co-pays ("gaps" in coverage). It is purchased from private insurance companies with

monthly premiums that can vary widely based on age and location.

Medigap plans are standardized for all insurance companies. There are 10 of them, labeled Plan A, B, C, D, F, G, K, L, M and N. Some of the Original Medicare costs that may be covered by a Medigap plan include:

- ✱ A deductible for an inpatient hospital stay of \$1,600.
- ✱ A copayment for each inpatient hospital day, such as \$400 per day for days 61 to 90.
- ✱ A copayment for each day in a skilled nursing facility, up to \$200 per day for days 21 to 100.
- ✱ A 20% coinsurance for medical services covered under Medicare Part B.

Medigap plans may cover all or a percentage of these costs, depending on which plan you choose. Plan K, for example, covers 50% of these kinds of costs, but the premiums are also less than other Medigap plans.

Medicare Advantage

Medicare Advantage, also known as Medicare Part C, fills gaps but also provides a number of other benefits that go beyond Medicare parts A and B. A Medicare Advantage plan may also include drug coverage, which is normally offered separately as Part D.

Most Medicare Advantage plans, according to Investopedia, operate as a health maintenance organization (HMO) or a preferred provider organization (PPO). HMOs require members to use the doctors and hospitals in their networks. PPOs generally let members get care outside the plan's network, but members may have to pay more for such care. Some plans require prior authorization for specialist care or procedures, or a referral from a primary care doctor. Plans might not cover care given outside of the network's geographical area. On the other hand, Medicare Advantage plans often offer additional benefits not covered by Original Medicare, such as eyeglasses, routine dental care, or gym memberships.

Which Medicare Plan design is best for you? It's difficult to say. If you want more than Original Medicare, would a Medicare Advantage plan or a Medigap Plan K and Plan D combination be best for you? If you chose a Medicare Advantage plan, which of the approximately 39 different Medicare Advantage plans available would you choose? With so many choices, you may want some help. Please give us a call. We'd be happy to discuss your unique situation. ■

How Life Insurance Companies Use Credit Based Insurance Scores

A good credit rating can open a lot of doors. Not only can it make it easier for you to borrow money at a reasonable interest rate, but it can positively affect your ability to rent or buy a home, apply for a credit card or even get a job.

What surprises a lot of people is that some of the information associated with a credit report could affect whether you can get life insurance or what rates you pay.

Many life insurance companies use what's called a credit-based insurance score to determine an applicant's perceived risk. Credit bureaus like Experian and TransUnion perform credit checks on individuals and provide insurance companies with this information. The factors that affect credit-based insurance scores include:

- ✱ Payment history for loans and credit cards, including late payments
- ✱ Credit utilization rate
- ✱ Type, number and age of credit accounts

- ✱ Total debt
- ✱ Public records
- ✱ Number of new credit accounts
- ✱ Number of inquiries on the individual's credit report

The higher the score, the higher the risk. A higher score doesn't mean you will be automatically rejected. If you have high score, an insurer might require you to wait 12 to 24 months before getting a policy or offer you modified rates.

Other factors that may affect whether you get life insurance or what your rate will be are your medical, driving or prescription drug history, as well as your criminal record if you have one. However, the most important factors when underwriting life insurance are still age and health.

Remember that underwriting guidelines vary from company to company, so ask your broker to shop around for a company that will offer you the coverage you want at an economical rate.

Life & Health Insurance Advisor



The information presented and conclusions within are based upon our best judgment and analysis. It is not guaranteed information and does not necessarily reflect all available data. Web addresses are current at time of publication but subject to change. Smarts Publishing does not engage in the solicitation, sale or management of securities or investments, nor does it make any recommendations on securities or investments. This material may not be quoted or reproduced in any form without publisher's permission.

All rights reserved. ©2022 Smarts Publishing. Tel. 877-762-7877. <http://smartspublishing.com>.