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Health Insurance Considerations for Empty Nesters

As you age, health insurance considerations become paramount. Here are several issues you may need to address:

- Plan ahead for retirement. Americans are eligible for Medicare at age 65, so take this into consideration if you plan to retire at an earlier age.

- Are your children still in college full-time? You may be able to cover them under your existing health plan if you are still employed. If your children are in college out-of-state, you may need to explore a health plan through the school or from a private insurance company in the geographic area where they are living for most of the year.

- If you decide to retire or have been laid off from your job before you turn 65 – and you are not yet eligible for Medicare, what do you do?

- Check to see if you are eligible to continue to get health insurance at the group rates from your former employer under COBRA (Consolidated Omnibus Budget Reconciliation Act). COBRA is a federal law enacted in 1985 that typically entitles you to continue your employer's coverage for up to 18 months. Note that you will be responsible for paying the premiums for this insurance and that you must let your former employer know within 60 days of leaving your job if want to continue your health benefits.

  - If you are no longer employed and your COBRA benefits have run out – but you are still not yet eligible for Medicare – you might want to consider a catastrophic or high-deductible medical plan, which typically carries lower premiums than other individual policies. The caveat here is that people with serious pre-existing health problems – such as heart disease, diabetes or multiple sclerosis – typically can't get catastrophic health insurance.

  - Be wary of health discount cards. If you are considering the purchase of a health discount card of any sort – for example, to cover pharmaceuticals, dental care or doctor visits – be sure to investigate whether the insurer is legitimate by calling your state insurance department. Also research how many complaints have been filed against that insurer and find out exactly what is covered and whether your physician/dentist accepts the card.

- Consider whether you still need disability insurance. Important considerations include whether you are still employed, your age, how many years until you are eligible for Social Security, your individual financial needs and your ability to pay the premiums, which typically escalate significantly as you age.

- Carefully evaluate whether long-term care insurance make sense for you. Before purchasing long-term care insurance, do a thorough analysis of your financial situation to be sure you can continue to afford the premiums for an extended period of years – through your old age until death – and figure out whether you have significant savings or other financial assets you want to protect. Many people find they cannot afford the premiums as they get older and get closer to the point when they are most likely to need the coverage. In addition, make sure you know what triggers will result in benefit payments, as well as the likelihood and potential size of premium increases.

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Medicare Considerations

As you near the Medicare-eligible age of 65, you will need to decide whether you want traditional Medicare or a Medicare Advantage plan.

Traditional Medicare includes Medicare Part A, hospital insurance, and Part B, doctor bills. Part A is already paid for through contributions made over your working lifetime. Part B requires that you pay monthly premiums – around $90 per month/per individual – that can be automatically deducted from your Social Security check, if you are already collecting.

As you get ready to enroll in Medicare, you may also want to consider purchasing – at incremental cost – a Medicare supplement or Medigap policy to pay for those medical/hospital expenses and deductibles not covered by Medicare. Medicare supplements or Medigap policies are offered by a number of private insurers that have been approved by Medicare.

Another option is a Medicare Advantage plan. Medicare Advantage plans, which replace the current Medicare + Choice plans, are offered by some private companies that have signed a contract with Medicare. Before purchasing a Medicare Advantage plan, find out which hospitals are in-network and which doctors are included.

There's been a great deal of attention to Medicare's newest offering: the prescription drug benefit known as Medicare Part D. If you're currently receiving Medicare, then you are also eligible for Medicare Part D. To decide whether to enroll, consider the following:

- Do some calculations to see whether the plan is likely to save you money. For example, add up what you spent on prescriptions during the past 12 months and see if that amount is greater, or less than, the annualized cost of Medicare Part D – the premiums plus the deductible.

- Different private insurers have been approved by Medicare to administer this drug benefit. If you decide to enroll, you'll need to decide which private insurer's plan best suits your needs. Make sure that the plan you select covers a drugstore convenient to you and the specific prescription drugs you take. Also, make sure the plan is legitimate by calling your state insurance department.

- If you are currently receiving retiree medical benefits from your former employer, call the company's benefits department to find out how they are handling the new Medicare drug benefit. Recent articles indicate that some companies are considering dropping retiree medical/drug benefits for people who sign up for the new Medicare drug benefit. Calculate which benefits are better for your individual situation.

- Keep your eye on some key dates. May 15, 2006, is the last date you can sign up for Medicare Part D, without incurring a penalty charge. After that date, the next open period starts Nov. 15, 2006, to sign up for the 2007 benefit year.

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Long-Term Care Insurance Considerations

- Investigate long-term care coverage if you don't want to rely on others to support you, and you want flexibility in choosing the type of long-term care services.

- Long-term care insurance isn’t for everyone. If you are currently receiving Social Security or expect to have minimal or no retirement savings, you will likely qualify for state aid and should not purchase long-term care insurance.

- Research individual insurance companies to see whether they have a history of raising rates for long-term care coverage. Check with your state insurance department to learn how your state regulates rate increases.

- Check with your financial advisor or accountant for guidance on whether long-term care insurance is appropriate for your specific financial situation. If long-term care insurance is for you, shop around for the most appropriate coverage at the best price.

- Make sure you understand what a long-term care insurance policy covers and just as importantly, what it doesn’t. Ask questions and make sure the company is reputable and licensed to sell insurance in your state. If you have concerns about a company, contact your state insurance department.

- Pre-existing conditions, conditions that you have before you apply for the insurance coverage, may be excluded from coverage. In addition, for some policies, age 60 is a trigger for a rate increase. Thus, it may be beneficial to purchase your policy before your late 50’s.

- Don’t rely on Medicare or Medicaid to cover your long-term care needs. Medicare will usually pay for a small percentage of nursing home costs. Medicaid pays for long-term care services but only if you meet federal poverty guidelines, and the choice of care facilities can be very limited.

- Keep in mind that tax breaks are available for qualified long-term care insurance policy premiums. The benefit payments received under such policies are tax-free.

- Do not divulge personal financial or medical information over the phone, such as your social security number, your health status, your Medicare status or your private insurance coverage. Don’t be fooled by mailings about long-term care insurance that appear to be from an official government source. If you are concerned that someone is trying to trick you, contact your state insurance department.

- Be wary of advertising that suggests Medicare is associated with a long-term care policy. Medicare does not endorse nor sell long-term care insurance.

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Health Insurance Considerations for All Life Situations

As with other kinds of insurance, there are several types of health insurance.

Major medical plans typically cover a comprehensive array of healthcare needs, including doctors' visits, drugs and hospital care. These benefits can be delivered in several different ways:

- Indemnity plans – These major medical plans typically have a deductible – the amount you pay before the insurance company begins paying benefits. After your covered expenses exceed the deductible amount, benefits usually are paid as a percentage of actual expenses, often 80 percent. These plans usually provide the most flexibility in choosing where to receive care.

- Preferred Provider Organization (PPO) plans – In these major medical plans, the insurance company enters into contracts with selected hospitals and doctors to furnish services at a discounted rate. As a member of a PPO, you may be able to seek care from a doctor or hospital that is not a preferred provider, but you will probably have to pay a higher deductible or co-payment.

- Health Maintenance Organization (HMO) plans – These major medical plans usually make you choose a primary care physician (PCP) from a list of network providers. Your PCP is responsible for managing all of your healthcare. If you need care from any network provider other than your PCP, you may have to get a referral from your PCP to see that provider. You must receive care from a network provider in order to have your claim paid through the HMO. Treatment received outside the network is usually not covered, or covered at a significantly reduced level.

- Point of Service (POS) plans – These major medical plans are a hybrid of the PPO and HMO models. They are more flexible than HMOs, but do require you to select a primary care physician (PCP). Like a PPO, you can go to an out-of-network provider and pay more of the cost. However, if the PCP refers you to an out-of-network doctor, the health plan will pay the cost.

Limited benefit plans provide coverage for a particular healthcare setting, ailment or disease.

Here are some of the options that may be available to you:

- Basic Hospital Expense Coverage – Covers a period of usually not less than 31 days of continuous in-hospital care and certain hospital outpatient services.
- Basic Medical-Surgical Expense Coverage – Covers costs associated with a necessary surgery, including a certain number of days of in-hospital care.
- Hospital Confinement Indemnity Coverage – Covers a fixed amount for each day that you are in a hospital.
- Accident Only Coverage – Covers death, dismemberment, disability or hospital and medical care caused by an accident.
- Specified Disease Coverage – Covers diagnosis and treatment of a specifically named disease or diseases, such as cancer.
- Other Limited Coverage – You may purchase insurance covering only dental or vision or other specified care.

Additional coverage options provide added protection should you become disabled, require long-term care or enroll in Medicare:

- Disability Income – This coverage provides for weekly or monthly benefit payments while you are disabled after a covered injury or sickness.
- Long-Term Care Insurance – This policy usually pays for skilled, intermediate and custodial care in a nursing home, as well as care in other settings, such as the home, adult day care center or assisted living facility. The policy usually pays a fixed amount per day while a person is receiving care.
- Medicare Supplemental Coverage – The federal Medicare program pays most medical expenses for people 65 or older, or for individuals under 65 receiving Social Security disability benefits. However, Medicare does not pay all expenses. As a result, you may want to buy a Medicare supplement policy that helps pay for certain expenses, including deductibles not covered by Medicare.

The following are two types of health-related services that are NOT health insurance plans:

- *Discount Plans* – You may receive advertisements from plans offering discounts on healthcare for a monthly fee. These are not health insurance plans, and participants do not have the same protections as under licensed health insurance. Your insurance commissioner strongly recommends that you thoroughly investigate any plan promising deep discounts for a "low" monthly fee and weigh the benefits against the costs carefully.

- *Non-Licensed Risk-Sharing Plans* – You may receive offers to join a group or association that will take your monthly payments, put them in a savings account or trust with other participants' money, and then help pay some of your health care costs, as needed. Such arrangements are **NOT** insurance and the participants do not have the protections available to purchasers of licensed insurance plans. Your insurance commissioner strongly recommends that you thoroughly investigate such plans before joining.

Health insurance – whether provided by your employer or purchased independently by yourself – can be expensive. Here are some ways you can control your costs:

- If you're married and both spouses work at jobs that provide health insurance, compare these policies and their costs to see which one best fits your needs. Look beyond the monthly amount you must pay and closely evaluate covered services, co-pay requirements, deductibles and reimbursement levels so that you make the best choice for your family and your pocketbook.

- Many plans offer a menu of options. Regularly review your situation, and adjust your options to meet changing needs.

- Stay in-network as much as possible, making sure to obtain referrals as required.

- Many plans require pre-certification for certain tests and procedures. Know your plan, and make sure you comply with these requirements to avoid paying penalties.

- Hold onto all receipts for medical services. Even though your intent may be to always stay in-network, you never know when an accident, out-of-town emergency room visit or unexpected illness might cause you to incur out-of-pocket expenses that exceed even a high deductible.

- Check to see if your employer offers a flexible spending account. These plans, which allow you to set aside pretax dollars for medical expenses and childcare, are a good way to reduce your out-of-pocket medical costs.

- Finally, consider combining a high-deductible catastrophic plan with a health savings account (HSA). An HSA is a tax-sheltered savings account similar to an IRA, but earmarked for medical expenses. Deposits are 100 percent tax-deductible for the self-employed and can be easily withdrawn by check or debit card to pay routine medical bills with tax-free dollars. Larger medical expenses are covered by a low-cost, high-deductible health insurance policy. What is not used from the account each year stays in the account and continues to grow interest on a tax-favored basis to supplement retirement, just like an IRA. Employers are beginning to offer HSAs to their employees as a health insurance option.

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Disability Insurance Considerations for Empty Nesters/Seniors

- Most individual disability insurance policies cut off at retirement age. If you are still employed, you may want to keep your disability insurance in force until you turn 65 or retire.

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Disability Insurance Considerations for All Life Situations

Most people are not prepared to deal with the possibility of becoming disabled and therefore unable to work. However, statistics from the U.S. Census Bureau indicate that in 2000 a substantial portion of the nation's population — nearly 20 percent — had some type of long-lasting condition or disability.

Being knowledgeable about disability insurance options before an accident or serious illness occurs can help ease the financial pain for you and your family.

For insurance purposes, disability is typically defined as the inability to work due to an illness or injury. The exact definition of disability varies markedly among different insurance companies and policy descriptions.

Understand the Basics

There are two main types of disability insurance: short-term and long-term.

Short-Term Disability Insurance

Some states require employers to carry short-term disability insurance for their employees. This type of coverage replaces a portion of the policyholder's salary for a short-period -- typically from three to six months following a disability. The specific time period and percentage of replaced income varies with different policies.

Long-Term Disability Insurance

Long-term disability insurance coverage typically begins after the policyholder is disabled and unable to work for at least six months. It can extend for a specified number of years or until the insured retires or reaches the age of 65, depending on the policy selected. Though policies can be costly, being disabled for a long period of time can be financially devastating.

According to research by the U.S. Department of Education and the National Institute on Disability and Rehabilitation, the most common causes of long-term disability are heart disease, back injuries, and cancer, followed by anxiety and depression.

Consumers should not confuse disability insurance with workers' compensation – a benefit that employers are required to carry in most states for employees who are injured on the job.

The NAIC offers the following tips to consumers considering disability insurance:

- Determine how much money you'll need to cover all your critical expenses. Consider all your main monthly costs - mortgage payments/rent, food, utilities and transportation – and figure you will have additional medical costs tacked on due to your disability. Unless your investments and savings can maintain your current lifestyle for several years, you may want to consider purchasing long-term disability insurance, which typically covers about 60 percent of your previous income (percentages vary per policy/company). Also, you'll need to decide how long you want benefits to last.

- Be aware that having a pre-existing health condition, such as a back problem or heart ailment, coupled with your age, could affect whether you'll qualify for long-term disability insurance and at what cost. You may be subject to a higher premium or be "excluded" completely from purchasing a policy based on your medical history.

- Typically, younger, healthier individuals pay lower disability premiums. If you purchase disability insurance at a young age and can get a "non-cancelable" policy, your coverage can't be cancelled and premiums can't be raised once your medical exam has been approved and your policy issued, assuming your premiums are paid on time.

- While a "guaranteed renewable" policy can't be cancelled, its premiums may be increased on the anniversary of the policy or when stated in the policy.

- Most long-term disability insurance stipulates a waiting period, such as 90 days, 180 days or one year before benefits are paid. The longer waiting period you select, the lower the premium.

- If you have disability insurance and become disabled, you'll need to fill out a claim form. Keep in mind that many insurance companies will require supporting documentation from physicians to verify whether and to what extent you are disabled, before paying out on a claim.

- Find out if your employer offers a group short-term and/or long-term disability plan. Typically, premiums from group plans are less expensive than individual policies. Also explore whether you can convert group disability coverage from your previous employer to an individual policy should you change jobs.

The federal government does offer long-term disability benefits through the Social Security Administration (SSA) under the following circumstances: *"...if you cannot do work that you did before and we decide that you cannot adjust to other work because of your medical condition (s). Your disability must also last or be expected to last for at least one year or to result in death."*

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