

Healthplansny.com Presents...

IN Touch

September 2011

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HEALTH CARE REFORM – THE NEXT 3 YEARS

A look at the changes coming in 2012, 2013 & 2014.

This issue of *In Touch* is being sent to your courtesy of:



Jay Gerlitz and Bill Behr

Ask Yourself These Three Questions...

- 1- Does your health broker keep in contact with you, in some-way, monthly?
- 2- Are you confident that you have explored every money saving technique developed in the last 12 months?
- 3- Has your broker set up and explained your health insurance benefits so that you could easily and simply explain it to someone in a 2 minute time period?

If you answered no to one or more of these questions, you should call us today!

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Companies sponsoring group health plans should be aware of the changes coming to the health insurance industry as part of the “second stage” of health care reform. These major and minor adjustments should be kept on your radar.

What's new for 2012? Insurers that issue group health plans will have to abide by some new requirements.

Should plan benefits materially change, the plan issuer will have to provide notice in writing at least 60 days beforehand to plan sponsors and participants.

Health care plan summaries will have to meet new formatting and content guidelines for clarity, and in the case of fully insured plans, the plan issuer must provide electronic or hard-copy summaries at designated times during the enrollment process.

Group health plan participants could actually get rebates in 2012 under certain conditions. In 2011, insurers had to start notifying the Department of Health and Human Services of their medical loss ratios – that is, the percentage of premiums that they spend on clinical services and efforts to improve health care quality as opposed to administrative overhead. The minimum medical loss ratio is 80% for individual and small group insurers and 85% for large group insurers. If a plan issuer doesn't meet this medical loss ratio test for 2011, it must issue rebates to enrollees beginning on August 1, 2012.

What happens in 2013? There are four important changes scheduled for 2013 that employers must recognize and publicize.

Companies will have to disclose the value of employer-sponsored health insurance coverage to employees on W-2 forms for the 2013 tax year. (Big businesses are already doing this, but the IRS allowed a grace period for companies with less than 250 W-2 employees.)

Companies will also be required to inform their workers about health care insurance exchanges, health care premium subsidies and free choice vouchers.

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There will be a \$2,500 cap placed on annual flexible spending account (FSA) contributions, with COLAs in future years.

Either the plan issuer or the plan sponsor must pay an annual per-member fee to the Patient-Centered Outcomes Research Institute for fiscal year 2013 (which starts October 1, 2012) and subsequent fiscal years. This annual fee equals \$1 x the number of covered lives; in fiscal year 2014, it will double to \$2 per covered life.

What is scheduled to happen in 2014? The second stage of health care reform wraps up with a flourish in this year, with 10 significant changes. By this time, a whole new health insurance market is supposed to be in place and businesses will step into the “new world” of health care insurance.

In 2014, firms with 50 or more employees will be required to offer a minimum level of health care coverage to active employees. So what exactly is minimum coverage? The federal government defines it using two criteria: the health plan chosen has to cover at least 60% of covered health care costs, and the plan can't cost a worker more than 9.5% of his or her household income.

If firms with 50 or more employees can't meet this test, they will pay a penalty of \$2,000-3,000 per employee. (Some companies may elect to do this.)

New reporting requirements start for businesses. Employers will annually have to inform the IRS if they are offering minimum health care coverage or not, the duration of any waiting period, the number of FTEs per month covered and their names, addresses and taxpayer ID #s. They will also have to report the monthly premium for the cheapest coverage option in each enrollment category and the employer's percentage of the total allowed cost of benefits under the plan.

Your company might be eligible for the Small Business Health Care Tax Credit if a) it employs 25 or fewer FTEs (apart from owners or family members) whose annual wages are \$50,000 or less and b) you pay 50% or more of the health care coverage for single workers.

Also, the wellness program incentives cap rises from 20% to 30%, so here's another reason to encourage your workers to participate in



“Employers cannot make employees wait more than 90 days for health insurance coverage in 2014.”

wellness program (and to seek federal grant funding for said programs).

As state health insurance exchanges are supposed to be up and running, you must provide a free choice voucher to qualifying employees in 2014.

Employers cannot make employees wait more than 90 days for health insurance coverage in 2014, and non-grandfathered plans must also provide coverage for clinical trials related to life-threatening illnesses.

The retiree reinsurance program reimbursing firms for up to 80% of qualifying retiree medical expenses will be gone in 2014 (and maybe before then if its funding runs out).

Prepare yourself – and your business. You, your employees and whoever handles your payroll will have much to keep up with in the near future. So confer periodically with your group health plan adviser to stay up to speed.

New Medical Chart Notations

Every profession develops its own slang. Here are some funny samples from the nursing profession:

WNL = Will not listen

SYB = Safe your breath

ALP = Acute lead poisoning (gunshot wound)

TMB = Too many birthdays (old)

ART = Assuming room temperature (dead)

Frequent Flyer = Someone who is regularly taken to the hospital in an ambulance.

MGM Syndrome = A patient who is faking an illness and putting on a good show.





Life Insurance Check-Up Time

September is National Life Insurance Awareness Month.

Is your Life Insurance up-to-date? Life insurance is like the Swiss Army knife of estate

planning: there are so many ways you can use it as you plan to pursue your goals. Whether you simply need to insure yourself or need to protect your estate through sophisticated planning, September is the month to think about life insurance – and all the ways it can potentially help you financially.

30% of Americans have no life insurance whatsoever. So says a 2010 study from LIMRA (a worldwide association of insurance and financial services company), which also revealed this troubling fact ... right now, fewer Americans own individual life insurance policies than at any time in the last 50 years.¹ If you're not insured, you're not alone.

Did you cut your coverage due to financial hardship? Are you waiting for sturdier financial times? The non-profit Life and Health Insurance Foundation for Education (LIFE) found, via poll in 2008, that 27% of Americans would be willing to cancel their life insurance coverage to save money in hard times.² But if the unthinkable happens, a lack of insurance could make even the toughest times more difficult for loved ones.

LIFE wants to awaken Americans to the need for life insurance, and its remarkable utility as an estate planning and tax-saving tool.

Did you realize that life insurance could be more than merely an inheritance planning tool? It may also be a vital piece of the financial strategy puzzle for empty-nesters who want to retire to a comfortable lifestyle. Own a business? A buy-sell agreement funded with life insurance allows a surviving business owner to buy the company interest of a deceased owner at a previously established price. Key-person insurance can aid a business if a core employee passes away. (It is possible for a business to fund a buy-sell agreement and key-person insurance with pre-tax dollars, making these moves truly tax-efficient.)

If you do have life insurance, have you reviewed it lately? Some people purchase a life insurance policy and name a son or daughter as a beneficiary. This thoughtful decision has one little downside. If you own the policy, the death benefit is included in your taxable estate.

You have an alternative here. You don't have to own your life insurance policy. Your children (or other beneficiaries) can own it. If they do, they will receive a large payout free from federal estate and income taxes when you pass away.

You can make gifts to your kids to acquire the insurance, and your kids can pool their money and buy policies on Mom and Dad.

The more kids you have, the less the premium burden. Not only that, some policies can build up cash value (tax-free growth within the policy).

Here's another way to remove life insurance proceeds from your taxable estate: an irrevocable life insurance trust. You can have the trust own the policy, and you can periodically fund the policy through gifts made to the trust. The trust will get the proceeds from your policy when you die, and those proceeds can be distributed according to your wishes – they can go to your loved ones or charity, they can be used to pay estate taxes.

As you plan to build wealth, consider ... There are cash-rich life insurance policies with tax-advantaged savings features that offer you the potential to earn interest based on the gains of an equity index. Others permit you to direct a percentage of your premiums to investment sub-accounts which may generate tax-free earnings. These policies can be useful when it comes to business continuation and employee benefits, retirement planning, education planning and estate planning.

Think life insurance isn't affordable? You might be surprised. Let's say you just want term life, just basic life insurance without the capability to accumulate cash value. You'll pay relatively less for it: it isn't that expensive compared to other forms of life insurance coverage. Premiums for standard-risk term life insurance got smaller and smaller from the mid-1990s through the late 2000s, and only recently have they started to increase as a consequence of higher capital and reinsurance costs (which are byproducts of tighter credit markets).

Many insurers have raised premiums on term policies by 1-5% within the last couple of years (sometimes more). Some insurance industry analysts think this may prove to be only a temporary increase. Others think now is the best time to buy term coverage.

It can't hurt to double-check your life insurance, to be certain you are using it wisely and that your coverage is adequate.

If you would like a free life insurance quote, just call: 914-633-1717



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A Good News Newsletter full of Useful Facts for Your Business



Did Wall Street Make You 53% Poorer?

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Sharpest Pencil in Town!*