

Life & Health Insurance Advisor



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Beware Medical Identity Theft



Identity theft can drain your bank account and ruin your credit. However, when an impostor steals your medical identity, results can be deadly.

Imagine this scenario: You're in the emergency room and need a blood transfusion. Your medical records show you have blood type B+, so the ER staff gives you that type of blood.

Or this one: You're experiencing severe abdominal pain. Your medical records show you had your appendix removed laparoscopically last year, leaving no scar. The medical team immediately eliminates appendicitis as a potential problem.

Now imagine that the medical records your doctors were relying on weren't really yours. The resulting complications could seriously affect your health.

In medical identity theft, an

impostor uses your identity to obtain medical services or uses your insurance information to make false claims for medical treatment. Either way, the impostor's health information goes into your medical records.

Any individual with an opportunity can steal your medical identity, but according to the World Privacy Forum, doctors, nurses, hospital employees and, increasingly, sophisticated crime rings are playing a role. And as healthcare costs continue to escalate, the problem isn't likely to go away.

In an April 2006 report, the World Privacy Forum estimated that approximately a quarter million to a half million individuals

have been victims of this crime.

At present, these victims do not have the same rights and recourse as the victims of financial identity theft. Federal law limits liability for unauthorized credit card charges to \$50, while your liability for unauthorized use of an ATM or debit card depends on how quickly you report the loss. But when your medical identity is stolen, no law limits your financial liability. If you discover fraudulent charges, it is your responsibility to clear your records and prove that the charges are not yours; until you do so, any bills remain your responsibility.

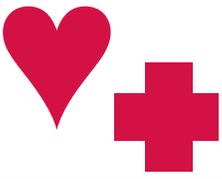
The Federal Trade Commis-

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This Just In

In a recent survey, nearly three-quarters (74 percent) of respondents rated the problem of the number of Americans who lack health insurance as "very serious." Only 6 percent rated it as "not too/not at all" serious. The survey, conducted by NPR, the Kaiser Family Foundation and the Harvard School of Public Health, also found that 59 percent favored a broad approach to guarantee coverage to everyone. Such an approach would share the responsibility by placing requirements on all parties involved—uninsured individuals, employers, insurers and the government. **A larger proportion—65 percent—favored requiring parents to obtain coverage for their children, even if the parents didn't have it.**





What to Expect When Buying Medical Coverage

If you're just entering the world of individual medical coverage for the first time, brace yourself. You'll need to make many more decisions than under an employer-paid plan. But don't panic—an experienced health insurance agent can guide you through the process to help you obtain the coverage you need.

Whatever the reason you lack health insurance—whether because you've recently completed college, lost your job or started your own company—buying individual coverage for the first time can be a daunting experience. Here are some of the most important things you'll need to know.

1 Your health matters. HIPAA, the Health Insurance Portability and Accountability Act of 1996, requires insurers to write even the smallest of employer group plans on a “guaranteed issue” basis. This means that the insurer must accept any small employer

group that applies for coverage, regardless of the group members' health status or claims history. All employees have to do is enroll when they first become eligible, or during the plan's annual open enrollment period.

Individual insurance works differently. Insurers underwrite these plans on an individual basis. If you have a pre-existing health condition, your insurer can exclude coverage for it or even refuse to issue a policy.

2 Your timing matters. If your existing group coverage (whether COBRA or a student health plan) ends soon, you will want to apply for new coverage within 63 days. Why 63 days? HIPAA allows an individual who has group coverage to obtain new coverage with a reduced, or no, exclusion period for pre-existing conditions. This HIPAA protection applies only to insurance applicants who have had continuous “creditable coverage” with no gaps greater than 63 days. HIPAA will allow you to obtain either new group coverage, an individual “conversion” policy from the same insurer that provided your group coverage, or a special “group to individual portability” policy available in every state.

3 Your flexibility matters. Are you willing to switch your healthcare providers if needed? Then you might be able to save some money with a preferred provider organization (PPO plan), which provides higher benefits and usually lower copayments when you use an in-network provider.

4 Your ability to budget matters. Are you one of those people who spends every cent they make? Or can you budget and set money aside? The individual who doesn't like

to budget will likely feel more comfortable with a “rich” plan that involves little out-of-pocket expense. You'll want to look for a plan that offers low copayments for routine office visits and prescriptions. Of course, there is a tradeoff—you'll pay more for this type of health plan.

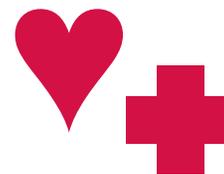
Budget-conscious individuals and families can pay less for their health insurance (and enjoy additional tax benefits) with a high-deductible health plan linked to a health savings account. The high-deductible plan (HDHP) will protect you from catastrophic health care costs, provide some preventive care benefits, and cost a lot less than a “rich” health plan. With the HDHP, you can then put aside money in an HSA (in 2008, up to \$2,900 for self-only coverage; \$5,800 for family coverage) to pay healthcare costs not covered by the HDHP.

The HDHP/HSA option offers the following advantages:

- ✱ You can claim a tax deduction for contributions you (or someone other than your employer) makes to your HSA, even if you do not itemize deductions on Form 1040.
- ✱ Contributions remain in your account until you use them.
- ✱ Interest or other earnings on your account balance accumulates tax-free.
- ✱ Distributions you take from the account to pay qualified medical expenses are tax-free.

For help in navigating the world of individual health insurance, please contact us. ■





sion (www.ftc.gov) recommends the following steps to detect medical identity theft:

- ✳ Closely monitor any “Explanation of Benefits” sent by public or private health insurers. If anything appears wrong, raise questions with the insurer or the provider. Do not assume that there are no problems simply because you may not owe any money.
 - ✳ Once a year (or more often, if you believe there is cause for concern), request a listing of benefits paid in your name by any health insurers that might have made such payments on your behalf.
 - ✳ Monitor your credit reports with the nationwide credit reporting companies – Equifax, Experian, and TransUnion – to identify reports of medical debts.
- If you do discover medical identity theft, federal law gives you certain rights that can help you correct inaccurate medical records. These rights are described in greater detail at www.hhs.gov/ocr/hipaa. They include:
- ✳ The right to request copies of your current medical files from each health care provider.
 - ✳ The right to have your medical records amended to remove inaccurate or incomplete information.
 - ✳ The right to an accounting of disclosures – a record of who has been given access to your medical records – from your health care providers and health insurers. This is very important in tracking down where inaccurate information may have been sent.
 - ✳ The right to file a complaint with the Office of Civil Rights at the federal Department of Health and Human Services if a health care provider does not comply with these rights. In addition, many hospitals have ombudsmen or patient advocates who may be able to help you obtain medical records or provide access to information.

For more information on protecting your identity – medical and financial – please contact us. ■

want a **deferred annuity**. Under a deferred annuity, your payments will begin in the number of years specified in the contract or when you reach a certain age. A deferred annuity will allow your savings to accumulate, tax deferred, until that date.

As the name implies, **immediate annuities** begin payments immediately, or no more than one year from the date of the contract. Almost always, when you buy an immediate annuity, you will make only one premium payment. In exchange, the insurer will make regular payments—monthly, quarterly or yearly—for the term you choose, whether it’s a specified number of years or your lifetime.

Immediate annuities play an important role in retirement financial planning. They make most sense for those who are already retired (or are near retirement) and want guaranteed income. They also help those who have received a lump sum payment, whether as a bonus, rollover from a pension plan or inheritance, manage their money better. (In fact, if you won the Publishers Clearinghouse sweepstakes, Ed McMahon wouldn’t deliver your \$10 million outright—you’d receive it over time, in the form of annuity payments.)

As you no doubt figured out, the **fixed annuity** provides equal payments for the entire term of the annuity contract. So whether your contract term is five years or the remainder of your life, you’ll receive the same dollar amount with each payment.

When you purchase a fixed annuity, your investment earns interest at a guaranteed rate; earnings accumulate tax-free until you withdraw money. Many fixed annuity contracts include a death benefit, which guarantees that if you die before payments begin, your beneficiary will receive at least the amount you invested, minus any withdrawals.

Variable annuities let you take advantage of changes in the stock and bond markets. When you buy a variable annuity, your funds go into subaccounts that are invested in stocks

and bonds, as in a mutual fund. You can shift funds from one subaccount to another to take advantage of changing markets—and to respond to your changing financial needs. Unlike investing in mutual funds, however, you can move your funds between a variable annuity’s subaccounts with no tax consequences until you withdraw funds.

With a variable annuity, the payments you receive will depend on the performance of the subaccounts you invest your funds in. There is some risk involved—you can lose money. However, many variable annuities offer optional guarantees that can protect you against market downturns.

Payout options

Annuities provide many payout options, which you can tailor to your specific financial needs. These include:

- ✳ **Life income**, which provides payments for as long as you live, even if total payments exceed the principal you invested in the annuity. Payments end with your death. Under a **life income with refund** option, your beneficiary will receive any of your remaining principal if you die prematurely.
- ✳ **Life income with period certain**, which makes payments to you for a specified number of years. If you die before the end of that time, your beneficiary will receive the annuity payments for the rest of that period.
- ✳ **Joint and survivor life income**, which provides income for the lifetime of you or your joint annuitant.

Source: American Council of Life Insurers, www.acli.org

Any licensed life insurance agent can sell fixed annuities; those who sell variable annuities need additional licensing, as variable annuities are considered investments.

If you’d like to discuss the many uses of annuities, please contact us. ■



Annuities: Another Retirement Savings Option

The 2007 U.S. Census found that about half (56 percent) of all working-age wage and salary employees work for an employer or union that sponsors a retirement plan. Those who don't — and the self-employed — will have to fend for themselves. How are you building your retirement savings?

Nearly everyone without access to an employer retirement plan would benefit from having an IRA, an individual retirement account. With a traditional or Roth IRA, you can deduct contributions you make from

your taxable income and your savings will build tax-free. (You will pay taxes on withdrawals made after retirement, but you're likely to be in a lower tax bracket then.)

However, IRAs have their limits. In 2008, you can contribute a maximum of \$5,000 to a traditional or Roth IRA, or \$6,000 if you turn age 50 or older during the year. If you are covered by a retirement plan at work, your deduction for contributions to a traditional IRA is reduced (phased out) if your modified adjusted gross income (AGI) exceeds certain limits. Higher-income individuals will need to save more than they can with only an IRA—so what options exist?

If you have (or will) contribute the maximum to your IRA this year, you might want to consider buying an annuity. Unlike other individual retirement savings options, an annuity can provide you with a guaranteed income, depending on the type of annuity you select.

Many types of annuities exist, but they are all essentially insurance contracts. When you buy an annuity, the insurance company guarantees to provide periodic payments for the term you select, whether it's your life or a specified number of years.

Types of annuities

Annuities fall into one of these broad categories: deferred or immediate, fixed or variable. The first set of terms refers to when your annuity begins payments; the second to the amount of your payment.

If you're planning for a retirement that's a few years or decades away, you will probably

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How to Use an Annuity

1 To save for retirement when you've contributed the maximum amounts possible to an IRA or 401(k) plan. There are no limits to amounts you can invest in an annuity!

2 To build savings faster. When you buy a deferred annuity, your money grows on a tax-deferred basis. You will not be taxed on earnings or capital gains until you make withdrawals. And because you buy an annuity with after-tax dollars, you will not pay any taxes on the portion of annuity payments that represent the principal.

3 To supplement current income. If you are at or near retirement, you can roll funds from another savings or retirement account over into an immediate annuity.

4 To diversify your retirement portfolio. A fixed annuity provides a retirement income "floor" that can help you make ends meet if a downturn in the market affects the performance of your other investments.

5 To protect assets from creditors. When you buy an annuity, the principal belongs to the insurer. The most creditors can receive is the payments you receive from the annuity. In some states, even these payments are protected.

6 To ensure you won't outlive your income. A fixed annuity that provides life income ensures you regular payments...no matter how long you live. ■