
Executive Summary: New Health Insurance Solutions for Individuals, Families, Self-Employed, and Businesses

Two basic solutions apply to most readers of this book.

New Solution #1

Individual/family health insurance policies (that you purchase yourself, just like auto insurance) are better for most people, especially if they are healthy and less than 60 years old. This is because they are:

Safer—Individual/family health insurance isn't dependent on an employer, so you don't lose your health insurance if you lose your job. (Losing job-related health insurance is how up to 1 million Americans each year end up in medical bankruptcy.)

Less expensive—The cost is about one-half (or less) the price of an employer-sponsored group plan for similar coverage (low deductible/doctor co-pay). Many families will pay less for high-quality individual/family health insurance than they are currently paying in monthly contributions to their employer plan.

New Solution #2

For most people who are healthy, high-deductible health insurance, which is required to open a Health Savings Account (HSA), is better than a low-deductible plan. (High-deductible, HSA-qualified health insurance is available from either an employer-sponsored group plan or as an individual/family policy.) It is better for most people because it:

Lets you save whatever you don't spend—Whatever you don't spend each year is saved and invested tax-free in your Health Savings Account for future medical expenses or retirement.

Is far less expensive—The average cost of high-deductible, HSA-qualified health insurance is only \$92 per month for a single person, nationwide—about half the price of similar low-deductible/co-pay plans. This mean millions of uninsured Americans can now afford health insurance. In addition, you get to make tax-deductible contributions to your Health Savings Account.

Following are summary solutions for many typical situations. Please refer to the appropriate chapter(s) for more complete information.

Summary Solutions for Individuals, Families, and Self-Employed

Problem: I work for a company that pays 100 percent for my health insurance but charges me \$450 a month to include my spouse and children in the company plan.

Solution: You should get your spouse and children their own individual/family policy as described in Chapter 5—a policy for a female, age 35, with two children, costs about \$264 per month in California, for example. You would save \$2,232 per year, and your family members would not lose health insurance coverage should you lose your job. Nationally, employer-sponsored plans cost about twice the price of individual/family policies with similar low-deductible/doctor co-pay coverage.

Problem: I am self-employed and do not have health insurance.

Solution: You should get an HSA-qualified high deductible individual/family policy before you or a family member develops a health problem—no one should ever go without health insurance, especially since it has now become affordable for most working people. See Appendix A for examples of affordable policies and rates in your state, which nationally average \$92 per month for a single person and \$272 per month for a family. Health insurance premiums recently became tax deductible for self-employed people, so your after-tax cost will be even less. Also, you should open an HSA and make the maximum tax-deductible \$5,250 (family) annual contribution.

Problem: I just lost my job and lost my health insurance.

Solution: You should apply and get accepted for your own individual/family health insurance policy as soon as possible. If you already have a Health Savings Account, you are allowed to withdraw money tax-free from your HSA to pay health insurance premiums while receiving unemployment benefits. When you purchase your individual/family policy, if you are healthy you can get up to three and a half months of free coverage from your former employer, typically worth \$1,400 or more, if you follow the “COBRA loophole” described in Chapter 3.

Problem: I cannot afford health insurance.

Solution: If your annual income is below the federal poverty line (FPL)—about \$20,000 for a family and \$10,000 for a single individual—you probably qualify for Medicaid. If your family income is above the FPL but below \$48,000 a year and you live in certain states (e.g., California or New York), you may qualify for other income-based programs—see Chapter 8 for more on Medicaid and other ways to get health insurance if you cannot afford it. You should also check out the new high-deductible HSA-qualified plans, which cost less than \$90 per month for a single individual in most states—see Appendix A for examples in your state and who to contact to get one.

Problem: What’s the best way to shop for my own individual/family health insurance policy?

Solution: There are three basic methods to shop for a policy: (1) Call insurance companies yourself. (2) Find a local agent in your state. (3) Shop online. See Chapter 4 for specific instructions on each method, including recommended phone numbers and web sites. The cost is the same regardless of which method you choose, since all states prohibit carriers and agents from discounting the stated prices of their policies or rebating commissions to consumers. Most people prefer to shop online and then work with a licensed agent—Chapter 4 explains how to locate a qualified agent in your state.

Problem: My employer is offering a high-deductible health insurance option for the first time. Should I take it?

Solution: In general, if you are healthy, you should choose high-deductible health insurance. The amount you save is likely to be more than the total of your out-of-pocket medical expenses. See Chapter 5 for

the best options to choose from your employer's health insurance plan, and see Chapters 9 and 10 for how to save money once you have high-deductible health insurance.

Problem: A member of my family has a preexisting condition that has prevented my family in the past from getting an individual/family health insurance policy.

Solution: First, you should get the healthy members of your family their own policy before one of them develops a preexisting condition. Then, for the member of your family with the preexisting condition, carefully read Chapter 4 on how to apply for affordable individual/family health insurance without getting rejected, how to get a free copy of your Medical Information Bureau (MIB) file, and how to locate an agent in your state who knows which carriers may accept the preexisting condition. Also, read Chapter 7, which discusses six options for your unhealthy family member, including how to get state-guaranteed coverage, which, for example, costs about \$194 per month for an adult in Maryland (see Appendix A for the rates in your state). Although state-guaranteed coverage is about twice as expensive, you typically need it for only the one family member with a health issue, so the blended price is not that much more for your entire family.

Problem: I work for a company that supplies me with free health insurance, but I would like to quit before age 65—either to retire or to start my own business.

Solution: You should get yourself an individual/family policy as soon as possible because if you or a family member should develop a health problem, you may not be able to get one after age 55—see Chapter 4 for how to buy an individual/family policy and Chapter 8 for more solutions for early retirees. Because of your age, your employer will save a lot of money when you drop out of its group plan, so you should ask your employer to reimburse you tax-free for the premiums on your individual/family policy. Chapter 8 tells you how to do this.

Problem: If someone in my family has a significant monthly prescription drug expense, what are our options?

Solution: See Chapter 9 for how to save up to 75 percent on prescription drugs by using drug discount cards, choosing the right pharmacy coverage, shopping overseas pharmacies, substituting generics, and using different, less expensive prescriptions. Also see Chapter 10 for how to save

100 percent—by working with a doctor to stop taking prescriptions entirely. If you or your parents are seniors, make sure you know about the new Medicare Part D prescription drug program that begins in 2006 and costs only about \$37 per month. This is explained in Chapter 8, along with how to enroll immediately before you experience a permanent lifetime price increase.

Problem: I am about to change jobs. How can I transfer my family's health insurance coverage between employers?

Solution: When you leave your current employer, you should get a "Certificate of Creditable Coverage," as described in Chapter 3. This will prevent your new employer from excluding from coverage any preexisting conditions you or a family member may have. Under HIPAA, employers cannot exclude from coverage conditions for which you have had "continuous coverage" for the previous 12 months. See Chapter 3 for more details and other advice on what to do when changing or losing your job. You should also consider getting your spouse and children their own coverage, as described in Chapter 5, so you don't have to worry the next time you change jobs.

Problem: My parents are getting older and needing more medical care. What is the best health insurance solution for seniors?

Solution: Medicare is almost always the best solution for Americans over age 65, since the government pays most of the cost. However, the average senior on Medicare still spends about \$4,000 a year for out-of-pocket medical items and supplemental insurance that Medicare does not cover—which is why every senior should have a Health Savings Account. Chapter 8 explains the components of Medicare, how to choose the best options for your parents, supplemental "Medigap" insurance policies, and the new Medicare Part D prescription drug insurance that begins in 2006.

Problem: My parents would like to leave money to their grandchildren but are concerned about home-care or nursing home expenses destroying their nest egg as they age.

Solution: Your parents are right to be concerned. The average nursing home today costs \$82,500 per year per person, and Medicaid has closed the loopholes for government assistance unless you and your family are very poor. As explained in Chapter 8, there are four basic ways to finance your long-term care and, since it is unknown how long anyone will live and how much care each person will need, the best financial

choice is usually long-term-care insurance. Chapter 8 also explains how to choose a long-term-care policy and how to pay the premiums with tax-free dollars from your HSA.

Problem: My wife and I want to have a baby. What are our insurance options?

Solution: If you or your spouse work for a company with a good employer-sponsored health plan, you are in luck—under HIPAA, employers must cover maternity and offer coverage to newborns regardless of their health. If you don't work for a company with a good health plan, consider switching employers, even if you are pregnant—HIPAA also requires employers to immediately cover pregnancy and newborns, even in cases where an employee marries a pregnant woman (see Chapter 3). If you choose to buy or have an individual/family policy, most carriers offer either a \$5,000 separate deductible for pregnancy or optional pregnancy coverage, but will not cover pregnancy until at least six months after you obtain the policy or elect maternity coverage.

Problem: I work for a company with a good company health plan, but I don't know which options (HSAs, high deductible, FSAs, etc.) I should choose.

Solution: If you have a spouse or family, you can probably buy them their own permanent individual/family policy for less than you currently pay your employer to cover them. If you choose a high-deductible plan, you should get \$1,000 to \$2,000 tax-free contributed by your employer to your HSA for future medical expenses or retirement. If you have any medical or child-care expenses not covered by your employer (and who doesn't!), you can gain 50 to 90 percent additional spending power by paying these expenses with pretax dollars through an FSA or Section 125 salary redirection plan. If your employer doesn't provide it, you can (and should) also purchase long-term-disability insurance funded with pretax salary contributions. See Chapter 5 for specific strategies to follow on these and other options offered by your employer group health plan.

Summary Solutions for Businesses

Problem: I own a small business and would like to see all my employees have health insurance, but we cannot afford a traditional group plan.

Solution: You should (1) create a Health Reimbursement Arrangement (HRA) that reimburses employees tax-free for at least the price of an

individual/family health insurance policy for a typical employee—about \$92 per month for a male, age 35, and (2) establish a Section 125 salary redirection plan that allows your employees to redirect some of their wages to tax-free contributions to their HSA—you save 7.65 percent on FICA on the amount they redirect, and employees save up to 50 percent in FICA plus state and federal income taxes. Chapters 11 to 13 explain in detail how to set up a simple HRA and Section 125 HSA plan and how to help your employees obtain the best individual/family policies.

Problem: I own a small business that has group health insurance, but we no longer can afford the rising annual premium on our group policy.

Solution: You should terminate your existing “defined benefit” group health insurance plan and set up a fixed-cost “defined contribution” health plan as follows: (1) Establish an HRA to reimburse employees, say \$100 to \$200 per month, for their own individual/family policies, which typically cost only 25 to 50 percent of the price of your group plan; and (2) contribute 100 percent of the savings to HRAs and/or HSAs that cover employee medical expenses and allow employees to save unspent funds for future medical expenses or retirement. This will lock in your health benefit expense at today’s level, and your employees will have equal or better coverage than they have now. Chapters 11 and 12 explain how to do this and how to get your employees to enthusiastically embrace your new “defined contribution” health plan.

Problem: My organization has an expensive traditional group health insurance plan. What new solutions can save money without hurting benefits?

Solution: There are many new things you can do to save \$2,000 to \$6,000 each year per employee on your group health insurance without hurting benefits for existing employees. For example, instead of offering new employees coverage from day of hire, you should have a 180-day waiting period and offer employees an HRA for company-paid short-term health insurance during the waiting period. Short-term coverage typically costs about one-eighth the price of an employer group plan because it lasts only six months—but this time limit is acceptable since new employees automatically get group benefits at the end of their waiting period. Chapter 13 explains how you can save \$1,950 per single or \$6,528 per family for each new hire using waiting period coverage and offers other new ways to save thousands per employee on COBRA, older employees, dental, vision, and more, without decreasing benefits.

