

# PRESCOTT HEALTH & LIFE NEWS



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### HEALTH AND LIFE INSURANCE

## Something to Laugh About?

With so much bad news in the world, a couple of jokes are in order.

Labor Pains. A married couple went to the hospital to have their baby. Upon arrival, the doctor said he had invented a new machine that transfers the mother's labor pain to the father. The couple was anxious to try it out. The doctor set the pain transfer dial to 10%, explaining that even 10% was probably more pain than the father had ever experienced. But as the labor progressed, the husband felt fine and asked the doctor to increase the pain transfer. The doctor then adjusted the machine to 50% yet the father still felt fine. Since it was helping his wife, they then agreed to transfer all of the pain to the father.

Eventually, the wife delivered a healthy baby with no pain. She and her husband were ecstatic. When they got home, the mailman was lying dead on their porch.

Medical Advancement. A British doctor says "Medicine in my country is so advanced we can take a kidney out of one man, put it in another man, and have him looking for work in six weeks. A German doctor says "That's nothing. We can do the same thing but have them both looking for work in four weeks. The American doctor, not to be outdone, says "That's nothing. We can reform an entire health care system and have half the country instantly looking for work."

## SENIOR NEWS

### How Health Reform Affects You

As mentioned elsewhere in this newsletter, health reform was passed into law in March. The good news is that the government did not take away your Medicare. In fact, health reform bolstered your Medicare by providing extra benefits. For example, you will get a \$250 rebate this year toward the cost of drugs in the coverage gap (doughnut hole) under your Medicare Part D plan! More jokes are on page one of this newsletter. Seriously though, the new law will begin to close the doughnut hole in 2011 by requiring brand drug manufacturers to provide a 50% discount for drugs in the doughnut hole, and the discounts will increase each year until your share of costs are no more than 25%. This benefit will be paid for, in part, by raises in drug plan premiums for individuals earning over \$85,000 and couples earning over \$170,000. Although this might sound like a tax, it is not. It is a mandated rate increase passed on to consumers with a little more money who enjoy the benefits of Medicare. The federal government calls this cost sharing, not taxes. The federal government has already done the same thing with your Medicare Part B premium. For you higher income seniors (\$85,000 single/\$170,000 couple) you pay 40% more.

Before you rich seniors get all ticked off about this, understand that your less affluent friends are about to get their cost share handed to them as well. Beginning in 2012 (Continued on page three)

### GREETINGS FROM JEFF

Greetings to all of our faithful clients and those hopefully to be. Spring is here and summer is on the way to beautiful Prescott. We are blessed to be here. Our local United State Marine (Michael) will make one last visit home this summer for an Otto family reunion before he deploys to Afghanistan. Please keep Michael and his fellow solders in your prayers. They are so young and life is so real.



I am sad to report that Lora will be leaving us this month. It is hard to believe that she has been with us for over five years. Her family is off to their old home in California. Please wish them the best.

Like most of you, the poor economy continues to be a worry. Unemployment is the highest I have ever seen. The scary part is that the baby boomers will start turning 65 this coming January. Studies suggest that as a group baby boomers don't save money and are free spirited. I guess if health reform does not put me out of business, the boomers will!

I hope you enjoy our Spring Newsletter. This newsletter is our way of helping you get to know us better. Our goal is to make sure that you know about the risks that can seriously affect you financially and what insurance we provide to reduce that risk. We also take pride in our ability to help you with claims problems and billing issues. Be sure to give us a call if we can help you. If you like what we have done for you, please don't keep us a secret! Most of our clientele comes from your referrals. Thank you.

**Senior News***(Continued from page 2)*

the Medicare Advantage plan subsidy will be eliminated. This means that those inexpensive Medicare Advantage plans that now cost between \$0 and \$58 per month will soon be gone. This trend began this year when the available number of plans in our area was cut in half. In 2011, you will most likely not find a \$0 plan. And if the

government does not find a way to avoid cuts in Medicare reimbursement rates to doctors, you won't be able to find a doctor either.

There is at least some good news from the private Medicare supplement market. Beginning June of 2010 there will be a new Plan N which will cost about 35% less than

the standard Plan F that most people have. Further, Plan N will be guaranteed issue so that anyone can switch regardless of health.

Although Plan N does not cover Medicare Part B gaps, it will be a great way to get a much better rate without medical underwriting. Please call me if you want to discuss this option.

**HEALTH INSURANCE****Where Are We Now?**

Last year at this time I wrote about my disappointment in having not seen any health reform benefits come our way despite all of the presidential campaign rhetoric of 2008. Specifically, I complained that we should have at least gotten a tax break for being responsible citizens who had continued to pay health insurance premiums despite a major recession. As the old saying goes though "be careful what you wish for."

A year has now passed, the recession is technically over despite 9.9% unemployment and health reform is no longer just a dream. On March 23, 2010, the President signed into law the Patient Protection and Affordable Care Act. Most of the significant changes under the new law do not take effect until year 2014. The delay in implementation is to make sure enough taxes are collected to get this trillion dollar program going. The few notable benefits of the reform that take place this year are very limited and will not help most of us. They include such things as high risk pools, a prohibition on preexisting condition limitations on children age 19 or younger and tax credits for some small employers who offer group coverage to their employees. The high risk pools are intended for

those people who do not medically qualify for an individual health insurance plan and are supposed to be available by July 1, 2010. To qualify, however, you must not have had any other health insurance for the preceding six months. This restriction on prior coverage includes very expensive plans of last resort such as HIPAA Portability. In other words, if you are uninsurable and, consequently, have been paying \$1,000 or more per month for a guaranteed issue HIPAA Portability plan, you are still stuck until year 2014. As to the tax credit for small employers, it can be as high as 50% of the premiums paid by the employer. However, to get the full credit, the employer must have no more than ten employees and must have an average annual wage of no more than \$25,000. If an employer is lucky enough to fall within these narrow parameters, the credit excludes the owners of the business and the owners' families. As a consequence, very few Prescott businesses will benefit from the health insurance reform.

Now that our dreaming is over, what does health reform mean in reality? First, the individual/family health insurance plans that we already voluntarily

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purchase will be mandated upon us in 2014 and there will be no tax break or credit to help us in the meantime. Instead, we can expect rising insurance premiums to continue for the next four years. Under the new law, the insurance companies essentially have four years to get ready to offer guaranteed issue health insurance with no preexisting condition limitations but with restrictions on what they can charge consumers for plans. Further, the health insurance companies will be immediately taxed billions of dollars if they want the privilege of continuing in business. From a business perspective, the insurance companies are likely viewing the situation as a four year window to get as much money as they can before they get out of the business in 2014 and make way for a public single payer system. The only consumer protection in the new law to prevent the

inevitable premium increases over the next few years is federal review of premiums to prevent “unreasonable” increases. Your guess is as good as mine as to what “unreasonable” means to our federal government, but I would not be surprised to see rate increases upwards of 10% each year for the next four years. I also anticipate seeing health insurance companies dropping out of the market, leaving us with only the biggest companies. The reality of health insurance reform for the next four years will be fewer choices and higher premiums.

As your health insurance broker and advisor, I really have my work cut out for me now. You can be sure that I will continue to work hard over the next few years to find the best health insurance options and strategies for you. After that, I guess I will brush up my resume’.

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