

PRESCOTT HEALTH & LIFE NEWS



"YOUR LOCAL
INSURANCE
EXPERTS"

OTTO & WILHELM INSURANCE

HEALTH • LIFE • LONG-TERM CARE • GROUP BENEFITS • DENTAL
MEDICARE • DISABILITY • CRITICAL ILLNESS • TRAVEL

IN THIS ISSUE

Summer, 2008 - Vol. 1 / No. 1

- Greetings from Jeff Wilhelm *page 2*
- Health Insurance: Health Insurance Options for a Recession *page 1*
- Disability Income Insurance: Why don't you have it? *page 2*
- Health and Medicare News: The politics of 2008 Promise Change *page 3*

Otto & Wilhelm Insurance

923 E. Gurley St., Ste 204
Prescott, AZ 86301

www.prescotthealthandlife.com

928.445.6466

800.717.4321

prescotthealth@cableone.net

HEALTH INSURANCE

Health Insurance Options for a Recession

I have heard from a number of clients over the past year that have dropped their health insurance in order to cut their tight budgets. The question I usually ask them is whether they can really afford **not** to have health insurance. Frankly, I believe it is "penny wise and pound foolish" to drop health insurance entirely rather than just cutting back on the benefits in order to reduce costs. I will illustrate this by using a family of six as an example. For a family with a \$5,000 family deductible plan with full copay features for doctor visits and prescription drug purchases, the plan would cost about \$709 per month. A less expensive alternative would be to have a slightly higher deductible (\$6,000)

and no copay features. That plan would cost about \$386 per month, cutting \$3,876 per year out of the budget. More importantly, they would keep nearly the same financial protection against a major medical disaster. Consider that a 3 day hospital stay costs about \$75,000 and a bone marrow transplant costs about \$500,000. Either of these situations could easily bankrupt a family without any health insurance. Under the more expensive plan, the maximum out of pocket risk would be \$9,000 and \$10,000 under the less expensive plan. Under either plan, you could rest assured that you would not become bankrupt or lose your house due to a major medical disaster.

DISABILITY INCOME

Why don't you have disability income insurance?

I am often amazed by the fact that most working people I talk to do not have disability income insurance.

Considering that a person's income is one of their most valuable assets and the probability of a long term disability preventing them from working is a frightening 43%, why would they not have the protection of disability income insurance? How would they make their house payment or even pay utility bills if they cannot work for 6 months or longer? The most common answers I hear second only to "I never really thought about it" is 1) I will rely on social security or workers' compensation and 2) disability income insurance is too expensive.

The risk of a disability should not be ignored. More than 51 million Americans are classified as disabled. Disability causes nearly 50% of all mortgage foreclosures while only 2% are caused by death. You cannot rely exclusively on Social Security or workers' comp to see you through a disability. As to workers' comp, over 90% of disabling accidents are not work related and do not qualify for workers' comp. Further, not everyone is covered by their employer's workers' comp policy. As to Social Security, your disability must be so severe that you are unable to do any work-not just your own occupation.

(Continued on page three)

GREETINGS FROM JEFF

Greetings to all of our faithful clients and those hopefully to be. Summer in beautiful Prescott is in full swing. We should be thankful for our great weather and good fortune especially with other parts of the country having disasters such as fires, floods and tornadoes. With the economy struggling and gas



prices going up, we all have a good excuse for staying closer to home this summer. I plan to make the most of it by doing more fishing, camping, hiking and BBQing. My family bought me a new gas grill for Fathers' Day which has given me the opportunity to cook more. So far I have gotten good reviews on ribs, pork tenderloins, steaks and (as my 3 year old Sam says) "hangaburgers". The kids don't seem to like anything green, though, like my special Devil Peppers.

I hope you enjoy our Summer Newsletter. Our goal is to make sure you know that we are here to help you. We also want to keep you informed on issues relating to the type of insurances we provide, including health, life, Medicare, long term care and disability income. We believe that we are the only local health and life insurance experts in the Prescott area. As an independent agency, we have access to a wide variety of companies which permits us to find the best rates for you. We also take great pride in helping our clients with claims or any other issues you might experience with your insurance. If you like what we have done for you, please don't keep it a secret. Remember, most of our clientele come from your referrals. Thanks a bunch and enjoy the summer!

Disability Income Insurance*(Continued from page 2)*

Further, your disability must be expected to last at least 12 months to qualify. The fact is, less than half of all Social Security disability applicants are approved. Even if you are approved, benefits do not start for 5 months and the benefit amount, on average, is a

meager \$894 per month. With a disability income insurance plan, on the other hand, your disability need only prevent you from doing your own job and the benefits can begin as soon as the disability begins. The benefit amount can typically be as much as 75% of your normal income.

Disability income insurance

is not that expensive. For example, a 35 year old female realtor can have a \$1,500 monthly benefit for less than \$50 per month. That amount would be enough to pay her mortgage so she does not lose her house if disabled. So I will ask you: Why don't you have disability income insurance?

HEALTH AND MEDICARE NEWS

The Politics of 2008 Promise Change

The outcome of the 2008 presidential election will most likely affect what you pay for **health insurance** in years to come. The presidential race has narrowed to Barack Obama and John McCain with each having a distinct plan for health insurance reform. Prior to actually reviewing the respective plans that are posted on each candidate's website, I assumed that the McCain (Republican) plan would be more insurance industry friendly, emphasizing things such as tax breaks or subsidies to insurance companies while the Obama (Democratic) plan would be more consumer friendly, if not, outright promising to give away free health insurance. In listening to the campaign rhetoric and the talking heads on the "news" channels, my assumption seemed well founded. Frankly, I was surprised at what I read on each candidate's website.

First, both plans propose to make health insurance available to everyone. No longer will anyone be denied health insurance coverage because of preexisting health conditions. Both plans also propose a number of reforms to reduce health care costs such as technology improvements and emphasis on preventive care. The plans differ, however, in what they actually

promise to give to you as the consumer. As it turns out, the Obama plan which he projects will cost \$60 billion per year does not include free health insurance at all but, instead, vaguely promises to reduce the cost of health insurance to the consumer. The McCain plan for which McCain projects will cost \$10 billion per year outright guarantees to give the consumer twice as much as the Obama plan, indeed resulting in free health insurance for most families. More specifically, the Obama plan reads that a "typical" family will save "up to" \$2,500 per year by virtue of certain steps that will be taken such as improving technology, improving prevention and reducing insurance company overhead. The Obama plan does not describe what a "typical" family is or how much **less** than \$2,500 you might get if you are not typical. His plan also is unclear whether you as the consumer will get anything at all if the proposed steps to reduce costs do not actually work. The McCain plan, on the other hand, is very straight forward in promising each family a \$5,000 tax credit toward the purchase of health insurance. There is no ambiguity as to the amount or the entitlement. If your annual health *(Continued on page 4)*

The Politics of 2008

(continued from page 3)

insurance bill is \$5,000 or less like mine is, your health insurance will be free under the McCain plan. If it is more than \$5,000, you can simply subtract \$5,000 from your current bill to know exactly what you will be paying under McCain's plan. In a nutshell, our choices are a \$60 billion per year plan that might save you up to \$2,500 or a \$10 billion per year plan that guarantees you \$5,000.

On a related note, the politicians in Washington are currently looking at more changes for those of you on **Medicare**. The reimbursement rate that doctors get from Medicare is scheduled to be cut by 10.6% in July of this year. In order to avoid that, both sides of the political field have

proposed a Medicare bill which prevents the scheduled cut to doctors but propose to pay for it by cutting the amount of money that the government currently subsidizes to private insurance companies who provide Medicare Advantage plans and Medicare Part D drug plans. "Yippy" you say? The consequence of this will very likely mean that the price of those cheap Medicare Advantage plans and inexpensive Part D drug plans that were available in 2008 will be much higher in 2009. In other words, people 65 and over will be paying for all of this. I also suspect that there will be fewer plans to choose from in 2009.

No matter what happens in politics this year, you can be sure that I will be here to keep you informed and to point you in the right direction regarding health and Medicare options. I hope...

Otto & Wilhelm Insurance
923 E. Gurley St., Ste 204
Prescott, AZ 86301

