

# Life & Health Insurance Advisor

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WEVODAU INSURANCE & BENEFIT STRATEGIES, INC.

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## How Can You Tell if It's Too Good To Be True?

Buying a fraudulent health plan can cost you more than any promised premium savings—a U.S. government report found that fraudulent health plans left at least \$252 million in claims unpaid between 2000 and 2002. That left defrauded "policyholders" responsible for the bills.

**A**s health insurance costs skyrocket, the number of fraudulent plans increases. A U.S. General Accounting Office (GAO) report released in 2004 revealed some scary statistics:

- \* At least 144 unauthorized entities sold health insurance between 2000 and 2002.
- \* At least five such unauthorized sellers operated in every state, although most oper-

- ated in the South.
- \* At least 15,000 employers fell victim to unauthorized or bogus health insurance plans.
- \* Unauthorized or bogus health insurance policies affected at least 200,000 policyholders during this time.
- \* Unpaid claims totaled at least \$252 million.

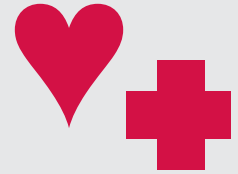
These health insurance scams can leave innocent people with

unpaid medical bills when they're sick and most vulnerable.

### Spotting a fraudulent plan

The old saying, "If it sounds too good to be true, it probably is" holds true for any kind of medical coverage. Some warning signs a health plan might be fraudulent include:

- \* Premiums that are 25 percent or more lower than any other competitor's for similar coverage. All insurers face the same expenses (medical provider costs, prescription costs, overhead and more). If you're supposedly getting the same benefits, the company whose plans cost significantly less is likely skimping in some area.
- \* A company that promises to cover anyone, regardless of preexisting conditions (for



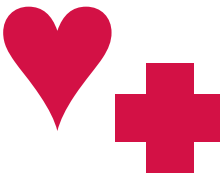
## This Just In

**O**ne in four Baby Boomers falsely believes he/she has coverage for long-term care expenses. A survey released in November by America's Health Insurance Plans (AHIP), an insurance trade organization, showed that 54 percent of Baby Boomers believe Medicare will pay for long-term care, while 44 percent believe "other health insurance" will pay. AHIP says, "Medicare does not, in fact, cover long-term care indefinitely. Medicaid will cover these services, but only after requiring individuals to spend down nearly all of their assets to qualify for assistance."

As the oldest Boomers reach retirement age, now is the time for them to plan for their long-term care needs. About 20 percent of Americans older than 65 need assistance with everyday activities, while almost half of those over age 85 do. A year in a private nursing home currently costs an average of \$25,000.



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# Ten Uses for Life Insurance

Life insurance stems from the benevolent societies of ancient Greece and the trade guilds of the Middle Ages. These groups pooled funds to pay funeral benefits for members, to support widows and orphans of members and to help members who became elderly or infirm. Today, life insurance can do all of this...and a lot more.

## Ten things life insurance can do for you:

**1 Pay funeral expenses.** According to the National Funeral Directors Association, funerals cost an average of \$6,500 as of July 2004—and that doesn't include cremation or cemetery costs.

**2 Pay final medical bills.** Statistically, most Americans incur their highest medical bills during their final year of life. The deceased's estate must pay any of his/her uninsured medical bills.

**3 Ensure your spouse or children can maintain their lifestyle** if you die prematurely. You can structure a life insurance policy to provide enough funds to pay off your mortgage or pay for your children's college education.

**4 Provide funds outside of probate.** Complex estates can take years to settle. Life insurance proceeds do not fall into probate, so your beneficiaries will have funds for living expenses while your estate settles.

**5 Provide a tax-free inheritance.** Generally, death benefits of a life insurance policy are not taxable. Your policy can provide a tax-free inheritance to a beneficiary.

**6 Support your favorite charities.** Name your favorite charity as a beneficiary of a life insurance policy, and you can ensure a substantial gift will be made on your behalf.

**7 Give you hassle-free loans** when you need them. Permanent life policies have two parts: the face amount, or the death benefit beneficiaries will receive, and the cash value. The face amount remains unchanged over the life of the policy, as long as premiums are paid. However, the policy's cash value builds up over time, reflecting the accumulation of your premiums minus allowances for company expenses and claims. These funds grow tax-deferred.

Provided your cash balance is high enough, you can take out a loan from the insurance company, which uses the policy's cash value as collateral. Why should you care about this feature? You can structure your policy so the cash value becomes available

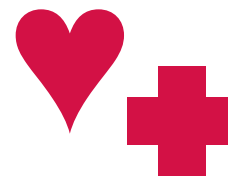
when you anticipate high expenses—such as a child entering college. And policy loans don't require a credit check or affect your credit record.

**8 Build retirement savings.** The cash value feature of permanent policies (which include whole life, variable life and universal life policies) lets you build up a nest egg for retirement. You can structure a policy so that by the time you're ready for retirement, your policy will have a significant cash value that you can withdraw.

**9 Insure your business continuation plan.** Owners or partners of a closely held business or partnership should protect their business and their heirs with a buy/sell agreement. This agreement requires the firm or surviving owners/partners to buy out the interest of another owner/partner if he or she dies. It should also spell out the method used to value an owner's interest. A buy/sell agreement allows the continuation of the business, ensures heirs get a fair value for their interest and helps prevent succession struggles. Using life insurance to fund a buy/sell agreement ensures the funds needed to execute the buy-out are available when necessary.

**10 Protect your company from the loss of a key employee.** Life insurance can protect an employer from the loss of a "key employee" on whose special skills or experience the firm depends. The firm buys a policy on the key employee's life, naming itself as the beneficiary. Policy proceeds can pay for income lost due to the key employee's death and help pay the costs of recruiting and replacement. ■





FRAUD—continued from Page 1

individual policies) or with no waiting period for pre-existing condition coverage (for group policies).

- \* Plans claiming to be exempt from state regulation. All insurers must be licensed or admitted in every state in which they do business. Check the department of insurance in your state of residence to determine whether any insurer that wants your business is licensed.
- \* You must join a business or trade association not affiliated with your industry to obtain coverage. While some trade as-

sociations and professional groups do offer legitimate group insurance programs, some so-called trade groups exist merely to provide benefit programs. Before joining any association, check whether it provides any other services, and whether the insurer that underwrites its coverage is authorized to do business in your state.

- \* Plans that pay small claims at the beginning, then suddenly stop paying claims.
- \* Plans that demand payment for more than a month up front.
- \* Plans offered by companies with sound-

alike names. Many fraudulent plans use names that sound similar to those of legitimate companies. Others use names that sound like a government agency, particularly those that sell to elderly consumers.

If the cost of a traditional fee-for-service individual medical policy seems out of reach, you can obtain medical benefits through other, legitimate insurance options. These include high-deductible health plans linked to health savings accounts, “mini-medical” policies and more. Please contact us for more information. ■

DENTAL—continued from Page 4

As with medical PPOs, dental PPO plans give you financial incentives to use “preferred providers.” For example, a plan might pay 100 percent of your visit to a preferred provider for preventive services, but only 60 percent of a claim submitted by a non-preferred provider (which may also be subject to higher deductibles). You would have to pay the uncovered portion out of pocket.

Don’t rule out a dental PPO if you want to keep your current dental care providers. Most PPOs offer very extensive provider lists; chances are good that your current provider accepts coverage through one or more PPO plans.

### 3 Dental health maintenance organizations (HMOs):

HMOs operate on a capitation basis—that is, they contract with dentists who agree to provide covered dental services to members in return for a periodic per-capita payment—usually monthly. Payments do not depend on the number or type of services rendered, and the HMO accepts the financial risk for providing covered dental services to members.

Most HMO plans require participants to use a dentist who is a member of the HMO in order to have their services covered. Some plans provide reduced benefits when a participant uses an out-of-network provider. A participant may have to pay a deductible, co-payment or any amount exceeding specific plan maximum allowances or coverage levels.

Dental HMOs might be less expensive than indemnity plans or PPO plans, but opponents say they limit choice and the way they pay providers gives them incentive to render only minimal treatment.

### 4 Dental point-of-service (POS) plans:

The POS plan combines features of a traditional fee-for-service plan and managed care plans. DHMO or PPO plans may offer a point-of-service option to allow participants to use out-of-network providers. However, POS plans usually offer lower benefits or reimbursement percentages and participants may have to do their own paperwork, including submitting bills to the insurer for payment.

### Other coverage options

**Health savings accounts:** If you have a health savings account (HSA), you can use its funds to pay for any eligible medical expenses. The IRS includes dental treatments in this category, including X-rays, fillings, braces, extractions, dentures, etc. However, the IRS specifically excludes tooth whitening procedures and any cosmetic procedure “directed at improving the patient’s appearance and [that] does not meaningfully promote the proper function of the body or prevent or treat illness or disease.”

To qualify for an HSA, you must meet the following requirements:

- \* You have a qualifying high deductible health plan (HDHP),
- \* You have no other health coverage other

than the HDHP, except for insurance or other coverage that provides benefits for only the following items: liabilities incurred under workers’ compensation laws, tort liabilities, or liabilities related to ownership or use of property; a specific disease or illness; a fixed amount per day (or other period) of hospitalization; accidents; disability; dental care; vision care; long-term care. Some high-deductible health plans linked to HSAs offer dental benefits as an option.

**Discount dental plans:** These plans are not insurance; they typically provide participants with negotiated discounts on dental care in exchange for an annual fee. For example, an individual may pay about \$72 annually to save 15 to 50 percent off average costs for a variety of dental services, such as fillings, braces, exams, and routine cleanings. Plans often include discounts on cosmetic procedures that most dental insurance plans exclude. Participants, or “members,” must go to a participating dentist who has agreed to offer services at a discounted price.

Discount plans are often offered through employer groups or associations. These plans could save you money, but before enrolling, check whether the benefits are worth the cost. Some providers will offer discounts to uninsured patients or discounts for payment in full at time of service.

For more information on dental coverage, please call us. ■



# Good Dental Care = Good Health

The American Dental Association says more than 90 percent of medical illnesses, including cancer and HIV, show in the mouth. Regular dental visits can lead to an earlier diagnosis and perhaps a decrease in treatment costs. Dental coverage can make regular dental care more affordable. Read on for more information.

**G**ood dental care improves overall health. A study by Aetna Insurance Co. and Columbia University College of Dental Medicine found that people who received regular periodontal (gum) care had fewer problems with diabetes, strokes and coronary artery disease. Evidence also clearly shows that oral cancer, bulimia and other conditions, such as lung disease and low birth weight, are linked to oral health and are often first detected at the dental office. And the American Dental Association says more than 90 percent of medical illnesses, including cancer and HIV, show in the mouth. That means regular dental visits can lead to an earlier diagnosis of disease and perhaps a decrease in your treatment costs.

## Insurance coverage options

When compared to medical coverage, dental coverage is quite affordable. Add in

the benefits of enhanced health, and dental coverage could be quite a bargain for your family.

Individuals can obtain dental coverage in several ways.

**Dental insurance:** As with medical coverage, you can choose from several types of dental policies:

### 1 Indemnity plans:

These are traditional fee-for-service policies. When you buy this type of policy, you can select your own providers and the insurer reimburses them by paying either a percentage of the fee or according to a fee schedule. Policies have annual deductibles and spending caps. To encourage regular preventive care, most policies cover 100 percent of the cost of preventive services after you meet the annual deductible.

However, as in medical insurance, den-

tal “fee for service” plans are becoming less common. Insurers offer a variety of managed care dental plans, which help manage the cost and quality of care through a variety of delivery systems. These include:

### 2 Dental preferred provider organizations (PPOs):

Under a PPO plan, the insurer assembles a network of providers who have agreed to accept a certain level of payment for their services—plans usually limit payments to a certain percentage of the “reasonable and customary” charges of dentists in that geographic area.

*DENTAL—continued on Page 3*



## What Do Dental Plans Typically Cover?

**D**ental plans usually cover seven areas of care, although they may not all be covered during the early months of the policy and some may be offered in riders, or policy additions that cost extra. They are:

- ✓ Preventive care, including cleaning and routine office visits
- ✓ Restorative care, including fillings and crowns
- ✓ Root canals
- ✓ Oral surgery, including tooth removal
- ✓ Orthodontics, including retainers and braces
- ✓ Periodontics, or care of gums and surrounding tissues, including scaling and care for serious infections
- ✓ Prosthodontics, or dentures and bridges

Some plans only cover orthodontics for children. How-

ever, some will cover orthodontics for adults. Orthodontic treatment does more than just enhance your smile; it can improve bite function to relieve or prevent jaw pain. Proper tooth alignment can also improve health of the gingiva (gums) and other supporting tissues by reducing food and debris buildup and relieving stress caused by improper alignment.

One study found that people with dental insurance that covers preventive care use more diagnostic and preventive services than people who are uninsured for those services. Regular preventive care helps control dental costs. In a study involving millions of Californians, claims for fillings, oral surgery, crown and cast procedures, and partial or full dentures dropped when people took advantage of preventive care coverage. ■