

IN DEPTH

> // HEALTH INSURANCE

# GOING SHOPPING





## BUYING INDIVIDUAL HEALTH INSURANCE LIKELY WASN'T ON YOUR MIND A FEW YEARS AGO. TODAY, THE PURCHASE COULD EITHER SAVE YOU MONEY OR BECOME A REAL HEADACHE.

By Kevin Fritz

Steve Tishman knows firsthand the process of seeking out individual health insurance coverage. After he decided to downsize his company and change his employees' status to independent contractors, he kept the company health insurance for himself.

Yet, he soon realized that the cost of dependent coverage for his son was far more than he had bargained for in a monthly payment.

"It was a pain," says Tishman, president of Results Marketing in Orlando. "My wife and I made about a dozen calls between us."

### Need for Individual Attention

Tishman is not alone. The process can be daunting. A recent Medical Expenditure Panel Survey by the Agency for Healthcare Research and Quality found that 50 million Americans went at least six months with no coverage in 2006 while they tried to wade through the myriad of programs laced with potentially high deductibles, limited benefits and stiff monthly payments.

And, with the rise in the number of those joining the ranks of the unemployed and companies that have shifted the burden of insurance costs to their employees, more and more people are going out to seek their own insurance.

Scott Bunkers, president of Insurance Consultants of Central Florida, has seen an increase in the number of people inquiring about individual health insurance policies. "Companies are cutting back," says Bunkers. "They are changing to higher deductibles and higher out-of-pocket expenses."

Calling it a "cost shifting in the plans," he says economic conditions and rising costs are forcing employers to seek alternatives to the standard,

historically employer-paid health benefit. "I've probably had three businesses call recently that have said they are not doing group policies anymore," he notes.

### Comparing Prices

According to Bunkers, there is a misconception that individual coverage will cost more than what is offered through a group policy. "Individual is definitely less expensive," he says, adding that people think it costs more because, with an individual policy, the holder has to pay the entire premium. "Insurance companies can cherry pick who they can take. That's why it's cheaper; they can't do that with group."

When selecting policies, however, he advises not to be swayed by price alone, since policies that are less expensive for you today may not pay off in the long run. He says to look for "front-end" policies, which will give you a pretty good idea what will be covered. In fact, they will probably include exclusionary riders, so you know upfront what is not covered. Back-end policies allow companies to let you know your coverage as you file a claim.

"So, a year later you submit for medication for high blood pressure, and [the insurance company says] they will have to get back to you," he explains. "That's kind of a bad time to look at that."

Besides looking at the way the policy is underwritten, Bunkers recommends being sure the insurance company complies with the state of Florida's mandated benefits.

"There are more than 60 mandated benefits in Florida, such as well-child care, mammograms and chiropractic care," he says. "All Florida domiciled companies must have those benefits."

He adds that if the company you are dealing with is based outside the state, the same mandates do not apply.

"I would say 99 percent of people don't know that," he comments.

For those who cannot qualify for individual health coverage, Bunkers says there are still options. He points to guaranteed issue products, which were established by the government under the HIPAA Laws (Health Insurance Portability and Accountability Act). They come with a hefty price tag, though — two or three times the standard rates. Also, the state allows for the purchase of a group policy for a "group" consisting of one person, if the person is self-employed. Similarly, the cost is "very, very expensive."

### Potential Savings

While shopping for health insurance may not be on the top of everyone's list of fun things to do, Tishman says in the end it was worth the trouble, saving him \$200 per month. He found out that obtaining outside coverage will save a family significant money if it has more than three children.

"At three [children], you're about even at four, you are making out; and at five, it's a steal," he says.

Alex Place, benefits specialist for Cooper, Simms, Nelson and Mosley Insurance, which has been in business in Winter Park since 1934, says that sometimes an employee just realizes his or her insurance is getting too expensive, and that's when the individual product comes into play.

"Adding a wife and kids [to a group policy] is probably about \$600 to \$800 more a month," says Place. "With a similar product outside, it may be \$400 a month."

There is a caveat: Since individual insurance is medically underwritten, you have to prove good health to obtain the product.

According to Place, the "big buzzword" in the industry today is the high-deductible health plan, with a health savings account, created in 2004. These plans are becoming quite popular, and with good reason. Premiums can be 30 percent lower than those for standard plans, and policyowners can overfund the account — even if you don't use all the money by year end, you don't lose it. Also, HSAs are tax deductible. "You pay into it with pretax dollars, which can be as little as 60 to 70 percent on the dollar," Place cites.

Additionally, there is no copay; instead, you pay a fee negotiated with the carrier, which Place says is usually 55 percent off retail price. Your payments are applied toward the deductible, which is a minimum of \$1,100 for an individual. After the deductible is satisfied, your healthcare bills are paid by the carrier. Moreover, the HSA covers a wide variety of care, including dental, alcoholism and birth control.

Place also advises that employees leaving or losing a job should not discount COBRA (Consolidated Omnibus Budget Reconciliation Act) insurance. "COBRA is not really expensive," he says. "It's what your company was subsidizing, plus about 2 percent." COBRA generally lasts for about 18 months after you leave or lose the job.

### Seeking Assistance

So, where does one turn to use this knowledge to seek out individual health-care plans?

Leslie Glogau of Glogau Insurance Services and media chair of

the Central Florida Association of Healthcare Underwriters, says the best approach is a referral from someone you know. If that isn't possible, find a member of a reputable association such

as Healthcare Underwriters.

Glogau adds that you need to find someone who is easily accessible when you need help the most. "They don't have to be local," she says. "It doesn't

matter where they are, but they have to be there for you."

Using an insurance broker, she points out, is another option. "Always go with a broker and avoid the Internet," she

advises. "If you go to someone who is with a particular company, they might not have the products that you want. They may be great salespersons, but not great agents."

Place agrees: "Talk to someone who represents several companies. They are all pretty similar, but they all have their idiosyncrasies. And you want to be honest with the agent you are talking to; we need to know about any existing conditions and medications."

Glogau also stresses that the best bet for saving money is to go to a reputable broker, a move that typically saves money in the long term. "The deal may not be as good as another, but you want to pay more up front and less on the back end," she says, noting that you should always be aware of initially discounted plans.

"Saver plans are less expensive, but they may limit payment to \$50,000 a year. If you end up with a million-dollar illness, you'd better hope that you win the lottery."

In the end, it is buyer beware.

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- > To find out if a company is admitted to write policies in Florida, go to [www.fldff.com](http://www.fldff.com)
- > National Association for the Self-Employed has a program called 105 HFR. Through this program, self-employed individuals may deduct 100 percent of their premiums and their noninsured medical expense from state, federal and self-employment taxes.
- > Families USA can help you locate individual insurance programs and offer assistance on a state-by-state basis.
- > The Kaiser Family Foundation has a list of resource papers and issue briefs about child and family healthcare coverage.

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