



Out of Hot Water

Healthcare financing is a difficult issue similar to traffic, pollution, immigration, war and the other “hot water” topics of the day. These problem issues did not appear overnight and solutions are not clear and agreed upon. This article provides a high level overview of healthcare financing issues impacting the Airpark area and concludes with a solution that you can act upon.

Inflation

You might be the picture of health and you might never go to the doctor, be hospitalized, or take a prescription. You are the lucky one. However, on average your healthcare premiums are going up 15% each year, the same as everyone else. As a collective group, we consume more healthcare, more frequently, for longer periods, at higher cost. You will pay more at the cash register, to the tax collector, or to the insurance company for your healthcare. Most of us are also increasing our co-pays from \$20 to \$30 or more, raising our deductibles from \$500 to \$1,000 or more, and increasing our co-insurance and out-of-pocket limits.

Age Impact

The rate of healthcare consumption significantly increases as we age. Age 22 healthcare usage and costs are one

quarter age 62 costs. On average add 10% each year for aging. Often the age changes come in five year age bands and the cost escalations start hitting hard in your late 40s and into the 50s and 60s age bands. This aging impact combines with the 15% from medical inflation impact totaling up to 25% each year.

No One Escapes

Individuals, families, newborns and seniors are impacted, both rich and poor. Employees, company presidents, business owners, government officials and non-profits all face the unsightly trends of healthcare inflation described above. Budgets are being crushed.

One Solution

On average \$1,000 of income becomes \$700 to spend on healthcare after taxes. On average \$1,000 of health insurance premium becomes \$700 of insured benefit. On average \$1,000 of taxes paid to a government entity becomes ?? - I don't even want to guess. If you can take \$1,000 and use all \$1,000 for healthcare you are ahead \$300. Health Savings Accounts do exactly this. This simple formula works whether you have group health insurance or individual/family health insurance. Certain employers should also consider the Health Reimbursement Account variation.

Who is in charge?

The situation is similar to a high flying baseball that falls untouched between

three or four players standing ready to catch it. Your health insurance agent earns significantly less and works significantly harder explaining the high deductible health plan and the health savings account. Your CPA or tax advisor is busy and is not licensed for health insurance although 2006 Form 1040 line 25 was a straight deduction for Health Savings Accounts. Your financial planner may be licensed but does not specialize in insurance and benefits. Your employer is busy and has no time for complication. Your banker has not started offering these accounts.

It is likely that no one is going to make this happen but you. Whether you are an employer or an individual you have to want a high deductible health plan. You then need to open an associated health savings account or, for certain employers, start health reimbursement accounts.

Just Do It!

The rules and advantages are improved each year by the federal government anxious to make these concepts work. Sooner or later it is up to you to take the bull by the horns and “Just Do It!” Perhaps begin investigating when a large health insurance rate increase arrives. If you do the math, there is much upside potential and little downside risk. **IAN**

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