

# Be Your Own Insurance Company

Let's say you and your fellow "Airparkers" could buy insurance to go out for dinner. For a fixed dollar amount per month you can dine out all you want. In this scenario the incentive is for everyone to go out frequently to expensive restaurants. This is how health insurance has worked for us. The incentive is to see the doctor, take medications, get that extra x-ray or lab test, and otherwise utilize health insurance. When the rates rise some of you might say, "But we never went out to dinner" or, as I frequently hear, "We never went to the doctor." However, in this scenario the group activities rule and the fictional dinner group would consume a lot of dinners. The real medical insurance group consumed a significant amount of increased medical treatments.

## Another Round of Medical Rate Increases

To pay for the increased use of medical care, your rates must go up. You are about to receive the news. For Arizona individuals and families, your rate increase will be effective October 1 for BlueCross, November 1 for Health Net, April 1 for CIGNA, or your policy anniversary date for other health insurance companies. You have the extra bonus of getting older and you may get an additional annual increase or a significant five year increase adjustment for higher utilization due to age.

Businesses and employer groups will get their annual approximate 15% average increases. January 1 is the biggest renewal effective date of the year with July 1 as the

second. Smaller groups have their renewals effective throughout the year. Five years of compounding at 15% more than doubles rates from the year 2000. For example, a \$140 employee rate from the year 2000 would be \$282 today and is about to become \$324 in 2006.

Year	%15 Increase
2000	\$140
2001	\$161
2002	\$185
2003	\$213
2004	\$245
2005	\$282
2006	\$324

There is much variation due to age and sex. Additional loads are added for medical conditions. To offset the increases, employers are having employees contribute more premium and reducing benefits thru higher co-pays and deductibles.

## Be Your Own Insurance Company

Businesses and individuals can now start to turn the specter of rising health insurance premium increases to your favor. You can be your own insurance company for first dollar benefits by establishing a Health Savings Account (HSA). Here are the advantages:

1. Lower insurance premiums for catastrophe insurance
2. Tax deductible deposits to your Health Savings Account (HSA)
3. Tax free interest and capital gain in HSA account
4. A wider array of eligible medical, dental and vision expenses

5. Save on network provider discounts for doctors, hospitals, etc.

6. Roll HSA money from year to year

7. Extra HSA money will become retirement funds

8. Be in control, you are your own claim department

You just need to set up a federally qualified HSA insurance plan with high deductibles and a voluntary Health Savings Account at a qualified bank.

## Automation Helps

The complications of access to information, applying for insurance, managing an HSA account, and filing claims are being greatly reduced by automation. For example, you now receive a check book and a credit card with your HSA account. Also, insurance applications are going online, which improves accuracy and reduces underwriting time.

## The Upsides Outweigh the Downsides

Please stop to analyze how using Health Savings Account will impact you. Please consult with your Insurance Agent, CPA or Financial Planner and you will find that you should be starting your Health Savings Accounts now or in the near future. Good luck!☺

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