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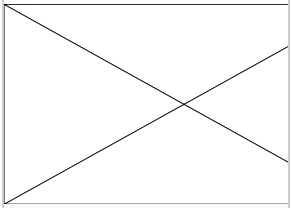

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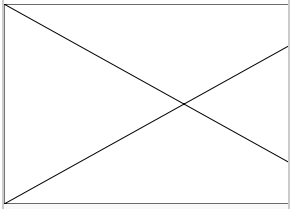

Medicare Suppler

OUR NEWS LETTER

HRSI

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COSTS HIT SMALL EMPLOYERS TOO

February 15, 2010|David Lazarus

Nelson Davis runs a video production company in Hollywood with six employees. He used to pay all of his workers' health insurance premiums.

As rates continued rising -- they've doubled over the last few years -- Davis cut back to paying only half of healthcare costs and required workers to handle the rest.

Now he's thinking about cutting back again and covering only 40% of the insurance premiums. And the way things are going, Davis said, he wouldn't be surprised if his share dropped to 25%.

CHRONIC DISEASE AMONG CHILDREN.

By Liz Szabo, USA TODAY

The rate of chronic disease among children has doubled in the past two decades: More than half of children ages 8 to 14 have had a long-term health problem at some point, such as obesity, asthma, a learning disability or other ailment, a study shows. Researchers studied 5,001 children from 1988 to 2006 and followed each child for six years, according to a paper in today's Journal of the *American Medical Association*.

Though the percentage of children with a current chronic disease rose to 25% in 2000-2006, the percentage of kids who had ever had a chronic illness grew to 52% in the same time.Much of the increase in chronic diseases was a result of obesity, says author Jeanne Van Cleave of the MassGeneral Hospital for Children in Boston.

"You read these numbers, and you get really sad," says American Academy of Pediatrics spokeswoman Sandra Hassink, who wasn't involved in the new study. "It's a different picture of what most people think childhood is like."Yet the study shows that many chronic problems can be prevented and treated, Van Cleave says. More than 70% of obese children later dropped out of the obese category.The study doesn't reveal why chronic diseases are becoming more common. But Van Cleave says her findings may reflect the fact that doctors can now save many children who might once have died very young, such as those born prematurely or those who have cystic fibrosis or sickle-cell anemia. Although such children survive, they often face serious health problems. It's also possible that doctors and psychologists today are better at diagnosing problems.

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MEDICARE DEFINITIONS SIMPLIFIED

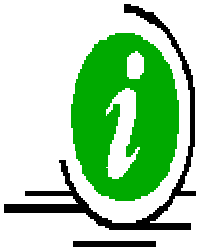
Medicare Definitions

Medicare: Federally sponsored program under the Social Security Act that provides hospital benefits, supplementary medical care, and catastrophic coverage to persons 65 years of age and older and to some younger persons who are covered under Social Security benefits.

Medicare-Approved Amount: Medicare has a fee schedule that list the dollar amount that Medicare considers to be the reasonable charge for the services provided by a doctor that Medicare approves for a covered service provided by a doctor is the lesser of the Medicare fee schedule amount for a particular service or the amount charged by the doctor.

Medicare Part A (Hospital Insurance): Helps pay for medically necessary inpatient care in a hospital, skilled nursing facility or psychiatric hospital, and for hospice and home health care.

Medicare Part B (Medical Insurance): Helps pay for medically necessary physician services and many other medical services and supplies not covered by Part A.



Medicare-Qualified Providers: Providers who have been approved by Medicare.

Medicare Risk Plan: A type of Medicare supplement coverage where the Medicare recipient "assigns" his/her benefits to an HMO. The HMO contracts with the Federal Government to provide medical services to the Medicare recipient at a discounted rate to the government.

Medicare Select: Federal programs designed to introduce Medicare beneficiaries to managed care plans through Preferred Provider Organization supplemental (MedSup) health insurance.

Medigap-Medicare Supplement Insurance: Medigap insurance is specifically designed to supplement Medicare's benefits and is regulated by federal and state law. It must be clearly identified as Medicare supplemental insurance and it must provide specific benefits that help fill the gaps in your Medicare coverage. Other kinds of insurance may help you with out-of- pocket health care costs but they do not qualify as Medigap plans.

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This Week in Health Reform

Feb. 17, 2010

Federal Legislative Overview
House and Senate

Things were quiet last week in Washington due to the 30-plus inches of snow the area received. On Feb. 9 House leaders announced that due to the heavy snow in the area they would suspend votes in the House for the remainder of the week. Congress will not be in session this week due to the President’s Day recess and will reconvene the week of Feb. 22.

As a result of the congressional schedule, the timeframe for a floor vote on the McCarran-Ferguson antitrust legislation will be pushed back until the week of Feb. 22 at the earliest. Reports have stated that the antitrust bill is part of House Speaker Nancy Pelosi’s (D-CA) strategy of moving smaller pieces of health care legislation quickly to help build momentum for a comprehensive health care reform bill. The Speaker also continues to urge House Democrats to pass the Senate bill, as long as it is accompanied by a separate “reconciliation” bill that would “fix” key provisions in the Senate bill (e.g., raising the threshold for the Cadillac tax and dropping the Nebraska Medicaid provisions) to satisfy some members of her caucus.

The Senate remained in session last week, despite the weather, although Majority Leader Harry Reid (D-NV) stated that the Senate would not conduct any votes. On Feb. 11, Finance Committee Chairman Max Baucus (D-MT) and Ranking Member Charles Grassley (R-IA) released the highly

anticipated "jobs bill" – The Hiring Incentives to Restore Employment (HIRE) Act.

Senators Baucus and Grassley issued a joint statement, emphasizing that this bill was drafted with bipartisan input. They further stated, "We also agree that, once properly reviewed, the package should be considered in a deliberate, but expeditious manner. Any efforts to needlessly delay Senate completion of consideration of this package through partisan means will undermine our goal of timely action in the current economic climate. Action on the expired provisions is long overdue. Timely action on incentives for economic activity and job creation also is needed."

Hours after details of the "HIRE" legislation were released, Majority Leader Reid publicly stated that he was scrapping the bill. Reid told reporters that when the Senate returns from its recess on Feb. 22, "We will move to a smaller package than has been talked about in the press." Reid went on to state that some of the tax provisions included in the legislation – key to garnering Republican support for the deal – "confuse" the bill. Reid continued, "We don't have a jobs bill. We have a jobs agenda."

- The bill extends, by three months, the eligibility period for premium subsidies for state continuation coverage and COBRA continuation coverage to include persons who are unemployed on or before May 31, 2010. The bill also clarifies that these subsidies are available to persons who are involuntarily terminated from their jobs after previously losing their employer-sponsored coverage due to a reduction in hours. The premium subsidies originally were enacted as part of the American Recovery and Reinvestment Act of 2009, also known as the "stimulus bill.
- The bill provides for a seven-month Medicare physician payment fix (sometimes known as the "doc-fix"), maintaining physician payment rates at their current levels through Sept. 30, 2010. Under current law, in the absence of congressional action, physicians are scheduled to face a steep rate reduction on March 1.
- The bill provides for a one-year extension of both Medicare Advantage Special Needs Plans (section 626) and Medicare Cost Plans (section 627).
- The bill includes numerous provisions addressing Medicare fee-for-service reimbursement issues.

View additional information on the draft "HIRE" legislation at:
http://www.finance.senate.gov/sitepages/legislation.htm

White House Health Care Reform Summit.

In a pre-Super Bowl interview on CBS, President Obama said that he would like to host a televised health care summit with Republican and Democratic congressional leaders on Feb. 25. While specific details are not yet available, the summit represents the Obama Administration's latest strategy to jumpstart the health care reform debate and seeks bipartisan cooperation following the loss of the Democrats' supermajority in the Senate. Republican leaders expressed interest in the summit, and House Republican Leader John Boehner (OH) issued a statement saying that, "The best way to start on real, bipartisan reform would be to scrap those bills and focus on the kind of step-by-step improvements that will lower health care costs and expand access." In response, White House officials insisted that the President is not interested in starting from scratch on health reform.

This week Democratic and Republican congressional leaders also met with President Obama at the White House to discuss the jobs bill, health reform, energy, trade and other legislative priorities.

Ladies and gentlemen,

Following the meeting, the President spoke with reporters and he made the following comments about health reform, "I'm going to be starting from scratch in the sense that I will be open to any ideas that help promote these goals. What I will not do, what I don't think makes sense and I don't think the American people want to see, would be another year of partisan wrangling around these issues; another six months or eight months or nine months worth of hearings in every single committee in the House and the Senate in which there's a lot of posturing. Let's get the relevant parties together; let's put the best ideas on the table. My hope is that we can find enough overlap that we can say this is the right way to move forward, even if I don't get every single thing that I want."

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WHAT AMERICANS THINK ABOUT HEALTHCARE/CONGRESS

Poll: Most Americans think Congress should start over on healthcare

IBy Jeffrey Young - 02/16/10 12:17 PM ET

In a brutal assessment of the Democratically authored healthcare reform bills pending in Congress and the party's approach to healthcare, more than half of the respondents to a new Zogby International-University of Texas Health Science Center poll said that lawmakers should start from scratch.

Of the more than 2,500 people surveyed from Jan. 29 to Feb. 1, 57 percent agreed with a statement that Congress should start over — which is exactly what Republicans are demanding and what President Barack Obama insists he will not do. Moreover, 56.4 percent of people indicated they would prefer Congress to tackle healthcare reform on a step-by-step basis, not take the comprehensive approach as embodied in the legislation that passed the House and Senate last year but has stalled for the past month.

The polling further underscores the flagging public support for a major overhaul of the healthcare system and reinforces the importance of the bipartisan healthcare reform summit Obama plans for Feb. 25, which could provide Democrats with an opportunity to reassert control over the political debate but could also allow to GOP to keep driving home its message that the Democrats' bills are too big, too costly and too partisan. Presented with a choice of ways forward, 43.9 percent said Congress should start over, 25.1 percent said Congress should pass some kind of bill and fix it later and just 18.1 percent said they backed Democratic leaders' preferred strategy of having the House pass the Senate bill alongside other legislation to modify it.

Overall, opposition to the Democrats' healthcare reform bill outstrips support by a sizable margin: 50.8 percent oppose the bills compared to 40.3 percent who said they favor them.

Moreover, opponents feel much more intensely about the issues, with 43.2 percent saying they "strongly oppose" the legislation compared to 19.8 percent of people who said they "strongly support" it. In addition, 42.9 percent of people said they oppose the healthcare reform bills more than they did a year ago compared to 32.8 percent who said they were more supportive.

If Obama is counting on his personal appeal and presidential leadership to change the public's views at the summit, the survey findings offer a worrisome appraisal: More than 80 percent of respondents said they heard Obama's remarks on healthcare reform during his State of the Union address but 48.1 percent of those people said it did nothing to change their views. Despite their misgivings about the bills overall, the poll showed the public is strongly in favor of some of their key components, such as forbidding insurance companies to deny coverage based on pre-existing conditions, establishing a health insurance exchange marketplace, prohibiting women from being charged higher premiums and requiring most employers to provide health benefits.

These same respondents, however, demonstrated resistance to making tradeoffs in exchange for these benefits by stating their opposition to paying more taxes, instituting cuts in Medicare spending or being required by law to obtain health coverage.Underpinning the findings appears to be anxiety about the economy and concern over the growth of government.

Eighteen percent of people said that Obama and Congress should focus on healthcare reform while 26 percent said the reducing government spending should be priortized and 46 percent identified jobs as the most pressing issue.

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MEDICARE ADVANTAGE PREMIUM INCREASE 2010

Study Finds Medicare Advantage Premiums Increased In 2010.

The AP (2/19, Alonso-Zaldivar) reported a study released Friday by consulting firm Avalere Health found that "seniors who signed up for popular private health plans through Medicare are facing sharp premium increases this year -- another sign that spiraling costs are a problem even for those with solid insurance." The study "found that premiums for Medicare Advantage plans offering medical and prescription drug coverage jumped 14.2 percent on average in 2010, after an increase of only 5.2 percent the previous year." The AP added that the findings "are bad news for President Barack Obama and his healthcare overhaul" in that the increase in premiums "followed a cut in government payments to the private plans last year," with more cuts called for in Democratic reform legislation. CongressDaily (2/19, subscription required) also covered the story.

Sebelius Points To Medicare Advantage Premium Increases. CQ HealthBeat (2/20, Reichard, subscription required) reported that, on a post on the White House blog, HHS Secretary Sebelius "seized on a study showing double-digit premium increases charged by Medicare Advantage plans as a new example of punitive pricing by insurers." She referenced a study conducted by the "consulting firm Avalere Health. It found that the private health plans in Medicare that offer prescription drug coverage charge monthly premiums this year that are 14 percent higher than in 2009." CMS spokesman Peter Ashkenaz "said in a statement that while Medicare Advantage enrollment is rising, 'these plans continue to be paid, on average, 13 percent higher' than providers in traditional Medicare. He added that 'plans need to explain their premium increases to their enrollees.'"

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New credit card law, many old problems.

An array of loans and cards with crushing terms still beckons

Associated Press

updated 7:54 a.m. CT, Mon., Feb. 22, 2010

NEW YORK - You can still get credit if your finances are a mess. It will just cost dearly.

A sweeping credit card law that takes effect Monday was supposed to prevent banks from employing tactics that yanked borrowers deeper into debt. Yet an array of loans and cards with crushing terms still beckons from every corner.

Consider a subprime credit card that now comes with a 59.9 percent interest rate. There are also payday loans and prepaid cards, both of which can come at steep costs.

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ANNUITY SETTLEMENT OPTIONS AT A GLANCE

The Right Choice For The Right Reason

Douglas E. Price

One of the most confusing terms we use in the business of annuities revolves around the annuitization of deferred annuities and/or immediate annuities. That term is settlement option.

A client might think of a settlement as a new place where people move to and an option as a choice. That means that the Pilgrims' "settlement options" were probably Jamestown or Plymouth Rock. It's not exactly what we mean when discussing annuities, but possibly what the client might hear.

Since by definition an annuity is a series of payments, all deferred and immediate annuities have language that specifically spells out what can be expected by the client when they "settle" or annuitize the contract and begin taking a series of payments.

Following are a few of the more common "income choices" prepared for a male born January 1, 1945, for an amount of $100,000, from a highly rated insurance company.

• **Period Certain (Only) Income**. Using five years as our period certain in this example, monthly payments of $1,715.81 will be paid beginning March 1, 2010. Guaranteed income will be paid for five years; income will cease after the end of the guaranteed period. Should death occur before the end of the guaranteed period chosen, the guaranteed income will be paid to the beneficiary of choice for the number of years remaining in the guaranteed period.

• **Life Only Income.** Monthly payments of $648.72 will be paid beginning March 1, 2010. Guaranteed income will be paid during lifetime and payments will cease upon death.

• **Period Certain and Lifetime Income**. Monthly payments of $619.46 will be paid beginning March 1, 2010. Guaranteed income will be paid during lifetime for a period of 10 years. Should death occur before the end of the guaranteed period chosen, the guaranteed income will be paid to the beneficiary of choice for the number of years remaining in the guaranteed period. After the guaranteed period, the annuity payment is paid only if the annuitant is living on the date payment is scheduled to be paid.

• **Installment Refund and Lifetime Income**. Monthly payments of $596.83 will be paid beginning March 1, 2010. Guaranteed income will be paid during lifetime, but if death occurs before the income paid equals the initial premium paid, regular payments will continue to the designated beneficiary until the total payments equal the initial premium.

• **Cash Refund and Lifetime Income**. Monthly payments of $586.58 will be paid beginning March 1, 2010. The annuity payment is paid only if the annuitant is living on the date payment is scheduled to be paid. Upon the death of the annuitant, if the total income paid is less than the initial premium the difference will be paid to the beneficiary in a lump sum.

You may have noticed that the nuance in verbiage for the various income choices have a significant impact on the potential beneficiary and a rather small difference in income to the client.

Period certain is a specific measure of time, not of life expectancy, so there is no particular risk on the part of the client or the insurance company. Of course, since in the above example the period of time is very short (five years), the overall return is also very small. The other four quotes all measure life expectancy and some level of guarantee or risk transfer.

For some reason that is unknown to me, the most commonly requested quote is for lifetime income with a 10-year guaranteed period certain. As defined above, that means the client is guaranteed a lifetime income and either the client or the client's beneficiary is guaranteed to receive a total of 10 years worth of income, or 120 monthly payments.

The lifetime with 10 years certain guaranteed monthly payment is $619.46. When multiplied by the 120 payments guaranteed, the actual risk that the client is transferring is $74,335.20 and the risk the client is assuming is $25,664.80. More importantly, the client is transferring the first 120 payments when he is the youngest and healthiest and assuming the

risk for every month after the first 120 when presumably he becomes less healthy with age.

Would your client be willing to forgo $22.63 per month to insure that all of the money was either returned to him or his loved ones by using a lifetime with installment refund income choice instead of a lifetime with a 10-year certain guarantee? Would he give up $32.88 per month (about 5 percent) to leave any remaining funds as a lump sum of cash to his beneficiary? I would!

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ILLINOIS NURSING HOME SAFETY

Illinois steps up nursing home safety push

Surprise visits, safety checks come as Gov. Pat Quinn's office works on reform bills.

By Gary Marx and David Jackson, Tribune reporters 7:23 p.m. CST, February 24, 2010

Illinois Attorney General Lisa Madigan said Wednesday that her office and local police are intensifying their efforts to protect nursing home residents by making unannounced visits and conducting broad safety checks at troubled facilities.

Criminal investigators and medical experts from the attorney general's office have joined Chicago police to examine nursing home records to uncover unregistered felons and sex offenders living there, said Madigan's deputy chief of staff Cara Smith. They are also interviewing residents and staff at facilities with histories of serious safety breaches, she said.

"The days of protection being provided in a reactive way and in the wake of tragedy needs to end," Smith said. "The regulatory system has proven itself incapable of having any rapid response to violations. ... The idea is to be out there in a very visible way.

"At the same time, Gov. Pat Quinn's office is working to introduce a comprehensive package of nursing home safety-reform bills as early as next week.

The stepped-up efforts come a week after Quinn's Nursing Home Safety Task Force completed a 52-page plan to overhaul the state's troubled long-term care system and end Illinois' current reliance on nursing homes to house younger psychiatric patients, including more than 3,000 with felony records.

On Monday, Madigan's senior staff met with Michael Gelder, chairman of Quinn's task force, to coordinate their combined initiatives.

Gelder said he and his task force staff worked through the weekend with the Department of Public Health and other state agencies to craft the legislation. He also met recently with representatives of the state's largest nursing-home association as well as advocates for the mentally ill and the elderly, including the AARP.

State Sen. Heather Steans, a Democrat who has addressed safety issues at several large nursing homes in her Uptown-Edgewater district, on Tuesday was appointed chairwoman of a new five-member subcommittee on nursing home care.

More than a dozen preliminary nursing home safety bills have already been introduced by advocates and the industry.

Quinn's task force was formed in response to a Tribune investigation documenting rapes, attacks and murders at nursing homes that serve some of the state's poorest residents.

It has recommended improved screening of people admitted to nursing homes to identify those with violent criminal backgrounds or other red flags; higher standards for facilities that accept psychiatric patients, including improved training for staff and stiffer sanctions for safety breaches; and an ambitious plan to move thousands of mentally ill nursing home residents into smaller settings where they can get better treatment.

A representative of the nursing home industry expressed some reservations about the task force's proposed increase in fees and penalties on homes.

"The entire focus of the (task force's) report is definitely going in the right direction," said Terry Sullivan, regulatory director of the Health Care Council of Illinois, the state's largest nursing home trade association. But, Sullivan added, "I have yet to find any study that shows more penalties improve quality of care."

In a two-page letter to state officials issued Wednesday, Madigan said her agency will continue to conduct warrant sweeps and urged various state agencies to join in her effort to create a proactive, high-profile law-enforcement and regulatory presence in Illinois' 1,129 nursing facilities.

"We welcome the attorney general's participation," said Melaney Arnold, health department spokeswoman. "We are all going to have to work together."

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www.healthcareil.com

Tackle the cost of medical care to keep insurance rates from skyrocketing

BY ARNOLD DUKE LIVERMORE
www.BCBSFL.com

As the healthcare debate becomes more heated and more complex, most consumers still want just one simple thing: affordable, quality healthcare. Many wonder why insurance premiums are so high, and why they continue to become more costly each year.

The answer is simple: The actual cost of medical care has risen dramatically in recent years, and it continues to skyrocket every month. The harsh truth is, unless this basic but politically challenging fact takes center stage in the debate, health reform will amount to very little in the end.

The Center for Medicare and Medicaid Services (CMS) released a report on Feb. 4 that found that the percentage of our country's economy consumed by healthcare rose by the greatest amount since this information was first tracked in 1960. 2009 saw the biggest rise in costs for hospital care, physician visits and prescription drugs in modern history.

• Hospital spending is projected to have reached $760 billion.

• Spending for physician and clinical services reached $527 billion.

• Prescription drug spending hit $243 billion.

According to CMS, the biggest drivers behind the massive increases were medical prices and a growth in utilization of medical services.

Obviously, when medical costs rise, and physicians and hospitals demand higher payment for care, the cost of insurance is going to increase. After all, insurers are paying hospitals, physicians and pharmacies on behalf of the people they insure, so when they are asked to pay dramatically larger amounts the impact is felt all the way down the line.

In fact, it is worth noting that industry data also indicate that insurer administrative costs are very competitive, as compared to other industries, and continue to shrink as an overall percentage of costs.

To make matters worse, the explosive cost of medical care is creating a vicious cycle of increased spending, driven by the rise in the number of uninsured Americans. Since hospitals are required to provide care to the uninsured, they must increase overall prices to cover the cost of treating the uninsured. As hospital and other medical costs rise and insurance premiums increase, more consumers lose their insurance coverage and the cycle repeats itself.

To bring down insurance costs and reduce the number of uninsured, we must tackle the issue of rising medical costs head on. To do this, we must take several approaches:

First, shift our healthcare delivery system from an illness to wellness model -- where doctors are rewarded for keeping patients healthy, as opposed to receiving a payment for every service provided. The Dartmouth Health Atlas states that more than 30 percent of all healthcare delivered in our current system is redundant or unnecessary. This results from, among other things, the lack of evidence-based clinical standards -- identified by President Obama as he spoke about different care standards across the country.

Secondly, our current malpractice system is another significant contributor of unnecessary costs. Additional regulation in this area, including the establishment of Health Courts, could eliminate the waste caused by defensive medicine and result in an up to 9 percent reduction of the nation's total healthcare costs.

Thirdly, we also need to empower patients to take better control of their health. There should be financial incentives for patients who engage in regular screenings and demonstrate healthy behaviors. Primary care physicians who demonstrate that their patients are pursuing prevention and wellness should likewise receive rewards. We need to drive out the fraud and abuse that occurs throughout the healthcare system, increasing the safeguards to bring down

the overall cost of healthcare.

Finally, we need better electronic connectivity. Requiring the universal adoption of electronic medical records and online patient tools could revolutionize the way that care is given, and the effect on costs would be dramatic.

Suggesting that insurance premiums are too high because insurers simply choose to charge high amounts ignores the documented reality that the costs we all pay for medical care are increasing at extreme and unsustainable rates. For lasting health reform to be achieved, we need to roll up our sleeves and attack the problem of cost at its roots by ending wasteful practices, promoting healthy behaviors and increasing efficiency in the medical delivery setting.

Arnold ``Duke'' Livermore is executive vice president and COO, Blue Cross Blue Shield of Florida.

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