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JIM: A lot of people have a lot of questions when it comes to Obamacare, otherwise known as The Affordable Care Act. In the past we’ve had guests on that have really focused on group insurance or insurance through your employer, but today we have Carrie Wire joining us, an experienced health insurance agent with over 15 years in the healthcare industry. Right now we’re getting close to the end of open enrollment for individuals, and a lot of people are kind of scrambling not really understanding what’s going on. There certainly have been a lot of changes. I know I for one have had the same health insurance company for over 25 years and they just went out of business. I know others that I have come across, healthcare networks have been changing, they are not able to keep the same doctors, sometimes families are forced to go with separate providers instead of being on one plan just so they can stay with networks for each of the spouses or the kids where they have networks that are covering the respective doctors, so there is a lot of challenges. Let’s start out with what is open enrollment Carrie?

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CARRIE: Well Jim, open enrollment is the timeframe when you’re able to purchase health insurance that is Affordable Care Act compliant; that means the long-term major medical plan.

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JIM: Right now we’re required to get that because if you don’t have healthcare coverage there’s penalties right?

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CARRIE: That’s correct.

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JIM: So when does the open enrollment date close?

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CARRIE: The open enrollment is running until January 31, 2016.

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JIM: So if they don’t have things by January 1, are there any exceptions to that rule?

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CARRIE: They could qualify for a special enrollment period, but if they don’t there is no exception to that rule.

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JIM: How do they become qualified for a special enrollment period?

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CARRIE: They would have to have a loss of coverage through an employer, could be birth of a child, adoption, marriage, divorce, basically changes to their family.

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JIM: Let’s talk about that a little bit. For example, I lost my coverage, it just happen to be during this open enrollment period, but if someone had a plan that stopped or they could no longer be eligible, so for example I believe the healthcare plan if you have adult children covers them until is it age 26?

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CARRIE: Age 26, yes.

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JIM: When they have their birthday, if they have their birthday in July they wouldn’t have to wait until December, they could qualify for one of those special enrollment periods is that correct?

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CARRIE: That is correct.

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JIM: Alright, so what if The Affordable Care Act requiring people to have coverage, if I’m a 26-year-old, I fall off my parents plan in July, what are the rules regarding when I have to have coverage to avoid penalty?

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CARRIE: Your special enrollment period gives you 60 days to find a new health insurance plan.

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JIM: So even though open enrollment period would be well after that 60 days it’s up to them to get going on that is that right?

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CARRIE: Once that 60-day windows closes, if they don’t apply for health insurance and it’s not open enrollment time they would have to wait until the open enrollment in order to purchase health insurance.

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JIM: In your experience I would guess the kids that have been on their parent’s plan is where you get the most confusion and the most questions because they’ve never dealt with health insurance before and it’s always probably just been taken care of for them. I have a feeling that if the parents are involved in a group plan they’ve never been in a position where they have to worry about individual coverage, so most kids that go to their parent for advice, their parents probably aren’t equipped to help them, is that what you’re finding?

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CARRIE: Yeah, that is true. A lot of times when you have your employer coverage you have a choice of one plan or maybe two plans to choose from, and now when you’re looking at health plans you may have 100 plans to look at and they’re all different.

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JIM: Let’s kind of talk about that because I think today we’re trying to gear it to people who have never had to deal with buying insurance for themselves before, and I got to believe it’s got to be kind of a scary proposition even with all the resources that are available. If you’re not dealing with this on a day-to-day basis I know it can be pretty confusing. Let’s just start with some simple, deductible. Explain what a deductible is.

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CARRIE: A deductible is the portion of your healthcare that you pay before the insurance company begins to pay for your covered health expenses.

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JIM: For example, if you have $1000 deductible you could have $800 of bills, nothing will be covered. Even if it’s a covered expense you have to have over $1000. Then I know most plans have a co-insurance, so explain what co-insurance is.

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CARRIE: Co-insurance is the percentage that you pay towards your healthcare after you meet the deductible.

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JIM: For example, you might have an 80% co-insurance and there’s out-of-pocket caps, so there is all these different terms for someone who hasn’t been dealing with this on a daily basis can be pretty confusing, so for example, you might have $1000 deductible and 80% co-insurance for the next $2000, so that means the insurance company would cover that 80%, you would cover 20%, so if you had enough in bills you’d have another $400 out-of-pocket, with that deductible it can start adding up. Then a lot of times you’ll have caps. Now for individuals normally your cap is your full co-insurance amount, as well as the deductible, but families sometimes have caps, so if you have a couple people getting sick or needing health coverage at the same time you wouldn’t have the full co-insurance, full-deductibles for each individual, there might be a family cap, right?

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CARRIE: Correct, a family deductible is typically twice the amount of the individual deductible.

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JIM: Okay, so if we have $1000 individual deductible we have three kids and it’s myself, my spouse, the maximum the deductible might be $3000 if we had $1000 deductible as a family deductible, but each individual could have up to $1000, so we wouldn’t have $5000 if there’s a family of five, the cap would be at $3000. Let’s talk about premiums. Premiums are what you pay for this health insurance. I know typically most people pay monthly premiums. Explain how premiums are affected based on what coverages that you get.

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CARRIE: The premiums are the set amount that you pay for the policy. Typically if you have a higher deductible you can have lower premiums. I like to describe it kind of like a scale, as your deductible is going up you may have the lower premiums, and you may have lower premiums but then you’re having a higher deductible.

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JIM: So more out-of-pocket expense. For young folks out there we’re really trying to gear this toward people that are just buying coverage for the first time there’s all these moving parts. Now, let’s say I’m a young person, I come to you Carrie and I said okay I’m going off my parents plan, man this scares me, and all of a sudden I look at the premium and it’s $300 a month or $400 a month or whatever it is and you’re showing me these different options, and I’m thinking I can’t even afford $50 a month and yet I’m being told I have to buy it or I might have to pay some penalties, but then there’s credits if my income is at a certain level, and for most young people today they’re struggling finding jobs, so if they have a job that doesn’t provide healthcare or maybe they don’t even have a job, trying to come up with several hundred dollars for a premium can be pretty daunting. Explain some of those options, so if you got someone who comes in, maybe they’re just starting their first job and they’re not making a lot of money and all of a sudden they find out they’ve got to go off their parent’s healthcare plan, what are you talking about to them to set them at ease?

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CARRIE: What I do is I have a questionnaire and I address a conversation with the individual regarding their needs and their wants for health insurance. I explain the options as far as there are catastrophic health plans, and then there are health plans that are on the medal levels which are bronze, silver, gold, and platinum, and based on their comfort level we have a conversation to make sure that their needs are met as far as how much they’re able to pay for health insurance, if they’re eligible for a tax credit, and the catastrophic plan can also seriously reduce their premiums.

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JIM: First of all depending what state they’re in there might be state exchanges, there might be the federal exchange, and those exchanges basically are set up so that you have certain doctors that you go to, right?

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CARRIE: They do have doctor networks that they are bound by within each plan.

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JIM: One thing you want to first of all check is, now most 26-year-olds I don’t think even go to the doctor, but if there is a doctor that you prefer sticking with that might be the first consideration is making sure your doctor is in network for the plans that you’re looking at. Then, when we talk about tax credits, I know most people don’t understand what a credit is, but a credit is a dollar for dollar offset on what you owe for taxes. For example, if I’m a 26-year-old and a lot of people say well I don’t pay taxes, well the taxes come right out of your paycheck through withholding, so let’s say they withheld $3000 in taxes for you throughout the year and you had a $1700 tax credit, that means you would get the $1700 back, so it’s really a dollar for dollar offset on what you’re paying in taxes. On the contrary if you don’t pay for health insurance and you don’t have a qualified plan then you’re going to pay some additional taxes with the penalty. How does that work, Carrie?

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CARRIE: If you don’t have Affordable Care Act compliant health plans, for example a short-term plan that does not meet the minimum essential coverage of The Affordable Care Act compatible plans, there is a fee that you would have to pay, sometimes they call it a penalty, sometimes they call it an individual responsibility payment. If you don’t have health insurance for three months out of the year you could be assessed that fee.

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JIM: The thing is the government is tracking whether or not you have a health plan or not, so it is easy for them to track. You might skate under the ice a little bit the first year, but once they catch up with you now they can go and garnish wages and all the tools that the IRS uses to get money that’s owed, you don’t want to think just because you’ve gotten away with it for a year that you might continue to get away with it. When you’re doing this assessment, if you want to take a chance you’re going to be paying to not have coverage. That probably doesn’t make a lot of sense because now you’re assuming all the risk of health care and you’re paying. With these tax credits you may find that it’s not that much more expensive to be covered with your net out-of-pocket cost, and if that doesn’t work for you there’s also these catastrophic plans where you can at least qualify for not getting penalized, and if something serious happens you’re not going it alone, you at least got an insurance company to step in and not allow you to be just totally wiped out if something big happens, so talk about those catastrophic plans and how they work.

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CARRIE: Catastrophic plans work the same as the medal level plans do. You pay your premiums, typically they are lower cost because they are eligible to those under age 30 or with a financial hardship. There are deductibles. Typically they are a higher deductible; however, 26-year-olds are fairly healthy and don’t go to the doctor. Also, some of the plans can offer a certain number of doctor visits for illness or injury. Usually it’s about three visits at a copay or at an included charge. Also, the maximum out-of-pocket cost is a set amount as well, therefore capping your out-of-pocket expenses; if you go without insurance there is no cap to that out-of-pocket expense and it could be a very, very large amount of money.

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JIM: Again, you want to know your options, so let’s say now we’re busy with the holidays and the deadline is coming up and I just kind of forgot about it, and all of a sudden I wake up and it’s February 15 and I decide you know what I need to get some coverage, what are my options?

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CARRIE: At that point the options are very slim. Unless you qualify for a special enrollment period you would have to wait to get insurance until the open enrollment period. There are short-term plans available that can help with some of the expenses but they are not Affordable Care Act compliant, which means they don’t necessarily offer the ten essential health benefit and it would not prevent you from being assessed that fee.

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JIM: You get the double whammy. You’re paying for health insurance coverage but you’re also paying the penalty like you don’t have coverage. At least there is an option. You may still be able to get health care but it’s probably going to end up being one of your more expensive options because you’re not only paying premium but you’re paying the penalty as well, is that a safe assumption?

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CARRIE: That is.

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JIM: Now the thing is with this, and as you can tell from today’s conversation, this can be pretty confusing, all this stuff as to whether or not people should be getting coverage, what their costs are going to be. I know the government has some resources, and I know your advisor could be a resource. We’re going to take a short break and let’s just kind of talk about the resources when we come back.

13:16

[BREAK]

14:16

JIM: Welcome back as we continue to talk to health insurance expert Carrie Wire. She is explaining some of the traps and pitfalls and tries to make a very confusing subject maybe just a little bit more understanding for people, as we’re talking about The Affordable Care Act, here we are in the middle of open enrollment. I know I have gotten a lot of feedback from clients about the confusions that are in place, especially with our young people, where they’re losing coverage through their parents and they haven’t found that job that covers them yet, so it’s a real scary thing for them, not really understanding it. Right now we can’t emphasize enough how important it is for those that are going without coverage they need to do something about it. Let’s first talk about what does the government have available? I’ve heard a lot of horror stories with them getting their online systems working and everything else, but my understanding is now they’ve got those problems fixed. You can go to the government website and start assessing your options based on your zip code, what state you’re in. A lot of that information will be available on the government website right?

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CARRIE: That is correct. You can go and you can preview plans before you purchase any plans. It will lay out all of the plans that are available to you on the exchanges. In addition to that there is a search where you can look up some questions and answers and then you can have those questions prepared and ask for clarification when you do work with your insurance agent.

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JIM: But you don’t need to have an insurance agent, you could go direct, right?

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CARRIE: You could, but the website is not explanatory as an agent would be where it’s not interactive, you can’t ask questions and get answers, it just gives you the lay it out information, this is what your premium is, this is what your deductible is, this is what your co-insurance is. If you have any copays this is what those would be, and your maximum out-of-pocket cost. They lay out what the cost of the ten essential health benefits are within the plan and that’s it. Now they’ve added a feature where you can search for your doctor, although there is a disclosure on there that because it’s new it may not be accurate.

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JIM: The moral of the story is don’t go it alone. Even though you can I’ve always told people you can get the answer to anything on the internet but you don’t get the wisdom of a trusted advisor. For those of you that are listening I would go back to your advisor if you have any questions about that. I know for myself personally I do not work with health insurance for my clients, that’s why I have somebody like Carrie that can answer all my client’s questions and be more intuitive because you don’t know what you don’t know, you don’t know what questions to ask if you don’t know the questions, and having an experienced advisor work you through this maze of complexity that is The Affordable Care Act can be very helpful and very helpful in understanding what to expect if you do have a claim versus getting to a claim and not having any idea how it’s all going to work. Carrie I want to thank you for taking this time. Hopefully we’ve clarified things a little bit. Again, when is that deadline?

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CARRIE: The deadline is January 31, 2016, so it’s quickly approaching.

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JIM: If people want to go to the government website, what is that website?

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CARRIE: It is www.healthcare.gov.

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JIM: Alright, well thanks again Carrie, and I look forward to having you back maybe next enrollment period. I’m sure there will be more changes coming down the pike. I’m hearing in different parts of the country a lot of people are facing some pretty steep increases in premiums, and one thing I emphasize, for those of you that are on individual coverages, I know in my situation I just had to get new coverage. My company went out of the healthcare business. I know we had some other employees here where their networks changed even though they’re with the same plan, the doctors that were available changed, so it is something once you’ve got coverage you want to review it on a regular basis and make sure it’s still meeting your needs, and make sure also that you understand what the ramifications are for taking chances or going with higher deductibles. One last question I got to ask you because I forgot to ask, and that is if someone goes with a higher deductible do we still have health savings accounts for individuals that can help them out?

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CARRIE: Yes, absolutely, they are available. In fact many, many of the plans that are available are health savings account qualified plans.

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JIM: The importance of that is rather than just take money and pay out-of-pocket, because we did have a change in the tax law that said to be able to deduct your healthcare cost it’s an itemized deduction, only the expenses that exceed 10% of your adjusted gross income can be used as a deduction. But if you put a health savings account in place every dollar is deductible and the money can come out to pay for non-reimbursed expenses such as deductibles and co-insurance and prescription drugs, those kind of things can be paid from dollar one at no tax, so you get the deduction up front, you can roll it from year to year so you can set aside a little slush fund for non-reimbursed medical expenses it’s a great way to go, make sure you talk to your advisor about that as well. Carrie thanks again.

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CARRIE: You’re welcome. Thanks for having me.

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JIM: Thanks for joining us this week, and tune in again next week as we explore another phase of the Real Wealth process. Remember, if anything you heard in today’s show you’d like to get more information about, contact your Real Wealth advisor. Also, if you feel that any of this information would be helpful to a friend or family member just click the forward to a friend button.