

The Health Insurance Boondoggle

With bogus health policies on the rise, does your plan keep you well covered?

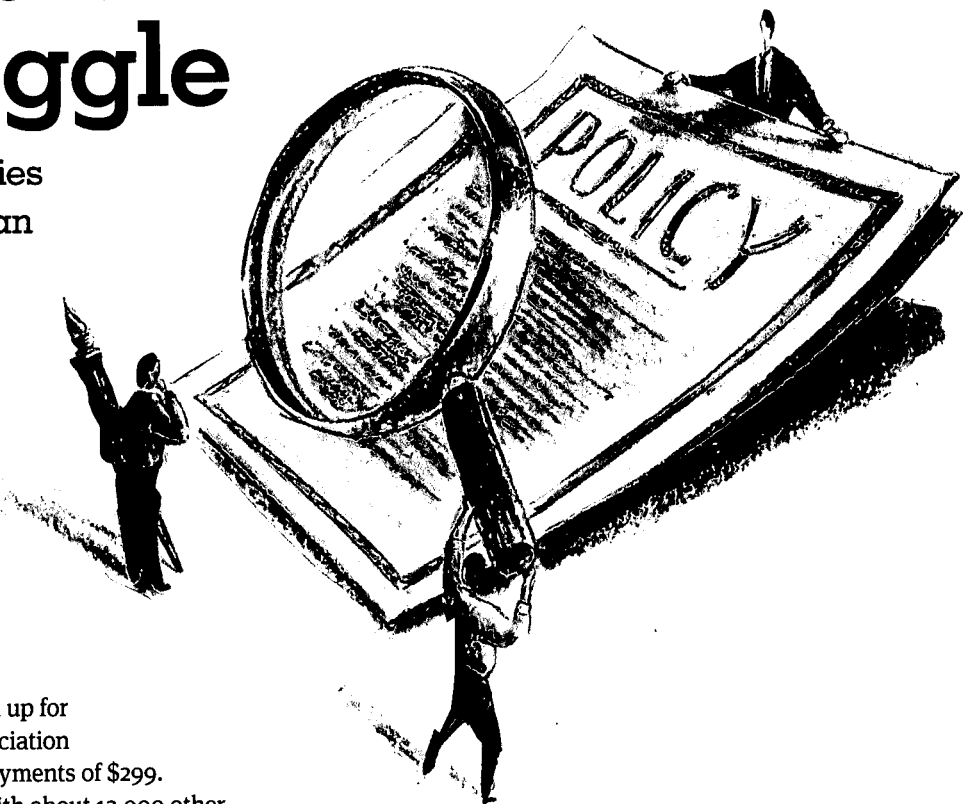
BY Russell Wild, MBA

LIVING OFF SOCIAL

SECURITY and her deceased husband's modest pension, Imogene Kinsey of Oklahoma City found it impossible to afford health insurance. But in January of 2009, with help from her son searching the Internet, she found what seemed a good offer. For an enrollment fee of \$145, Kinsey signed up for a plan with the American Trade Association (ATA) and began making monthly payments of \$299. Little did she know that she, along with about 12,000 other ATA enrollees, purchased a worthless policy.

"The ATA was running a Ponzi scheme, selling fake insurance," says former Oklahoma Insurance Commissioner Kim Holland. Authorities in various states got wind of numerous such cases involving ATA, and shut down the operation. Kinsey received notice of the liquidation by mail, after paying premiums for 11 months. She was one of the fortunate ones. Had Kinsey needed serious medical attention, "ATA would have strung her along with one excuse after another," says Holland. "She would not have been covered. Others, including a gentleman who discovered his coverage was worthless days before having a pacemaker installed, were less fortunate."

But "fortunate" is relative. Kinsey, at age 64, found herself, like roughly one in six other American adults, without any health coverage. Now 65, Kinsey is covered by Medicare. Her experience with ATA has left her poorer but wiser, and unlikely to fall for any more scams. Recent actions by the federal government promise increasing regulation over health care insurance, but such measures are limited, and take time to enact. In the meantime, scams continue. "Millions are without health insurance. Premiums are sky-high. Unemployment (most Americans get health insurance through work) is soaring," says James Quiggle of the Coalition Against Insurance Fraud. "In this



environment, swindlers have emerged from the shadows to prey on people's fear and ignorance."

The swindles fall into two major groupings. First are the outright frauds—scams encountered by victims of ATA. You buy a policy. It promises to pay if you need care. It doesn't. The second kind of swindle, no less common, is more subtle. These health insurance plans are so bare-boned, they're almost worthless, even though they may be legal. Marketed as full-benefit coverage, these plans include medical discount cards that may offer minimal price breaks in some situations, and include insurance policies with all manner of restriction. "Both sorts of swindles have been spreading virally through the U.S., sometimes leaving people in debt for tens of thousands in unpaid medical bills," says Quiggle. "It's tragic."

Anyone can be a target, adds Quiggle, although the most frequent victims are the self-employed, small-business owners, and seniors. To protect yourself, know the markers that separate a good insurance plan from a bad one.

Ignore the hype

"Low-Cost Health Insurance!" the ads trumpet on your computer, unsolicited faxes, or signs posted along the highway. "The ads are sometimes (but not always) crude,

and if you show interest in buying, you may be pursued by aggressive marketers," warns Quiggle. One hint of a swindle, he says, is when a pushy salesman tries to get you to sign on the dotted line before you've had a full chance to investigate. "Honest insurance agents will encourage you to do your research."

Probe the premium

Not surprisingly, swindlers make offers too good to be true—low premiums, generous benefits, easy sign-up, even with pre-existing conditions. The real world of health insurance is anything but cheap and easy. According to a 2010 study from the Kaiser Family Foundation, annual premiums for individuals buying their own coverage now average \$3,606, and \$7,102 for the family. Deductibles on these plans average \$2,498 for the individual, and \$2,959 for the family plan. Expect to perhaps pay less if younger; more if older. Any deal that falls far less than these averages is suspect.

Check out the company and the agent

When shopping around, ask people you trust for referrals to insurance professionals. "Ask your doctor, your lawyer, your tax advisor, or your financial planner who they would recommend," says Holland. Insurance agents and providers are well regulated. "Call your state insurance department to make sure that whoever you're dealing with is licensed," she advises. Link to your state insurance department by going to the Web site of the National Association of Insurance Commissioners (816-842-3600; naic.org). Click on "States and Jurisdictional Map," then click on your state.

Read the fine print

Medical discount cards offering breaks on certain expenses may or may not be worth the price. "But they are not health insurance policies and will not cover major expenses, even though some are deceived when they make the purchase," says Quiggle. "The contracts can be lengthy and full of small type, so it's easy to be fooled unless you read every line closely." Even fully licensed, legitimate insurance companies today offer policies that may not be what you think a health insurance policy should be. According to the Kaiser study, 6 percent of people buying their own health insurance today face deductibles of \$10,000 or more. Research the deductibles and copays, limits on out-of-pocket costs, and exactly what conditions and procedures are covered.

More than ever, shopping for good insurance requires time and effort. But, as Imogene Kinsey can attest, it's time and effort well spent. ■



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Certain insurance policies, such as disability and long-term care, may be plans worth your consideration.

Do You Need Extra Protection?

Health insurance comes in as many varieties as breakfast cereal, but you likely need only one good, comprehensive policy, says Lewis Altfest, Ph.D., CFP, a financial planner in New York City. Supplemental health insurance policies designed to cover specific diseases, such as cancer insurance, or special medical circumstances, such as intensive care insurance, are available, but are no substitute for a comprehensive plan covering all diseases and accidents. The benefits offered by such narrow policies shouldn't be necessary if you have an all-encompassing plan.

However, two kinds of insurance that many people should consider, says Altfest, are disability insurance and long-term care insurance.

- **DISABILITY INSURANCE**, which replaces your income if you become permanently unable to work due to illness or injury, is one of the most underutilized forms of insurance, says Altfest. A good rule is to carry enough disability insurance so that if you can no longer work, the disability insurance payment plus whatever you receive from Social Security would together add up to 80 percent of your salary. Go to ssa.gov or call 1-800-772-1213 for an estimate of what your Social Security benefit would be should you become disabled. Then call a licensed agent who specializes in disability insurance for quotes.

- **LONG-TERM CARE INSURANCE (LTCI)** will pay your expenses should you require long-term nursing care—in a facility or in your home. It is quite distinct from health insurance, says Altfest. The premiums can be fairly hefty, more so the older you get, but LTCI can save you and your family from the potentially devastating costs of nursing care, which could run as high as \$100,000 a year or more. The best candidates for a LTCI policy are people with at least several hundred thousand dollars in savings (therefore would not qualify for government help), but portfolios of under \$2 million (wealthier folks can afford to self-insure). How much LTCI you should carry will depend on the cost of nursing care in your area, which can vary greatly. The easiest way to find out is to simply call a few local nursing facilities or agencies and ask.

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