Life & Health Insurance Advisor

Greenberg & Associates Insurance

Greenberg & Associates Insurance
7327 SW Barnes Rd., PMB 622
Portland, OR 97225-6119
503-297-8078

Life Insurance — September 2010 — Volume 3 • Number 9

Be Prepared for Major Estate Tax Changes

Title V of the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") repealed the estate tax for individuals dying after December 31, 2009 and before January 1, 2011. However, unless Congress acts to extend EGTRRA, the estate tax repeal will end on December 31.

The estate tax is a tax on property that transfers to another owner at your death. When a person dies, the executor must make an accounting of everything the decedent owns or has interest in at the date of death. The value of your estate includes the present value of cash and securities, real estate, insurance, trusts, annuities, business interests and other assets; less deductions for certain mortgages and other debts, estate administration expenses, property that passes to surviving spouses and qualified charities.

Just before the estate tax repeal went into effect in 2010, estates valued at less than $3.5 million did not require the filing of an estate tax return. Any estate worth more than that, however, was subject to the estate tax, which could take as much as 45 percent of the value of any assets over certain exempt amounts.

EGTRRA eliminated the need to file an estate tax return for decedents dying after December 31, 2009. EGTRRA also makes the generation-skipping tax inapplicable for any generation-skipping transfers made after December 31, 2009.

What happens after December 31, 2010?

That's the million-dollar question. Unless Congress acts

TAX—continued on Page 3

$mart Money

If you are on a calendar year health plan, now's a good time to review your plan documents and your health care expenditures to see whether your current plan still makes sense for your family. Here are some suggestions:

- ***Review the benefits you have now.*** **Benefits can change annually so review written materials and websites.**
- ***Review your family's past healthcare expenses.*** **It's the best way to identify the insurance plans that will best fit your family's medical needs.**
- ***Review the options available.*** **You may be able to save money and/or improve your coverage with new options or by increasing deductibles.**
- ***Review your life insurance coverage.*** **Over 68 million Americans have no life insurance. Check coverage amounts and beneficiaries you may already have to make sure your family is financially protected in case of death. If you don't have a life insurance policy, open enrollment is a good time to consider it.**
- ***Consider disability insurance or more disability insurance.*** **According to the National Safety Council, every two seconds, a disabling injury occurs that results in an employee's inability to earn a living.**

Dependent Coverage 101

Do you have a child starting college in the fall? Here's a primer on coverage for students.

The dependent coverage provisions included in healthcare reform do not go into effect until September 23. The Patient Protection and Affordable Care Act (PPACA) signed earlier this year will require group and individual health plans to allow adult children to continue coverage as dependents on their parent's health plan until they reach age 26. However, that provision does not apply to plans until they renew on or after September 23, 2010 or January 1, 2011 for calendar-year plans. If you have a child heading off to college this fall, check your policy's dependent definition of eligible dependent carefully—many policies cut off dependent coverage at age 21 or before.

Until the provisions of the PPACA go into effect, state law governs dependent coverage. Many states have enacted laws that require group health plans to extend coverage to young adult dependents. Research by the Robert Wood Johnson Foundation found that "The most consistent qualifier for such policies is student status, with full-time students more likely to qualify as dependents" among 18 to 29-year-olds. Most states also require the child to be unmarried and financially dependent on his/her parents to be eligible for coverage.

Even if your policy covers your child, it might not provide the best coverage. Although most PPO (preferred provider organization) and HMO (health maintenance organization) plans cover emergency treatments from out-of-network providers, many provide lower or no coverage for non-emergency treatment received from out-of-network providers. If your child will be going to school away from home, check whether your plan's provider network includes providers near your child's school.

Look at student group coverage. Many colleges and universities work with insurers to offer students low-cost group coverage—in fact, many automatically cover any student enrolled in a certain number of credit hours in a basic major medical plan, with an option to pay more for more comprehensive supplemental coverage. Because college students are a relatively young and healthy group, this additional coverage might cost less than what you pay to cover your child as a dependent on your plan. In addition, many schools have a student health center that can provide care for common non-critical conditions like colds and sprains at low cost.

However, check any student policy carefully before buying. You might be getting less-generous benefits than under an employer group plan or even an individually purchased family plan. Student plans generally expire as soon as the insured loses his/her eligible student status, which may leave your child uncovered during the summer or if he/she takes a reduced course load.

In some cases, an individual health plan or short-term medical plan might make the most sense for your child. We can help you evaluate your coverage options—please call us for more information.

TAX—*continued from Page 1*

to extend EGTRRA, the estate tax repeal will end on January 1, 2011. This will make the estate of anyone who dies on or after that date subject to estate taxes.

Life Insurance in Estate Planning

Generally speaking, your gross estate includes life insurance proceeds payable to your estate or, if you owned the policy, to your heirs. Although life insurance proceeds pass income tax-free to your beneficiaries, many insurance buyers do not realize their life insurance proceeds could create a taxable estate.

If the estate tax should be reinstated, there are several ways you can keep life insurance proceeds from being included in your taxable estate:

1 Transfer ownership of a policy you already own. You can transfer, or assign, a policy you already own to another individual by signing a document provided by your insurance company. After transferring the policy, the new owner needs to make premium payments, otherwise the IRS might consider you to be the policy owner and include the policy proceeds in your estate. However, you can make annual gifts of the premium amount—currently, you can give up to $13,000 to each recipient per year without paying gift taxes. You will have no control over the policy; however, proceeds will not be included in your estate.

2 Buy a single-premium policy and transfer ownership to your heir(s). Transferring a single-premium policy to your heirs eliminates the need to pay premiums. However, if the value of the policy exceeds the gift tax exemption (currently $13,000) when you make the gift, the excess amount will be subject to gift taxes.

3 Transfer ownership of a policy to an irrevocable life trust. If your heirs are minor children or others who might not continue paying premiums, you can transfer a policy to a life trust. You'll need to appoint a trustee who is not one of your heirs to oversee the trust. The policy proceeds will be distributed according to instructions in your trust documents. As long as you establish the trust at least three years before you die, proceeds would be free of estate taxes. However, if you die before three years, the IRS will consider the policy proceeds part of your estate.

Estate planning requires in-depth analysis of your financial and family situation and how you want to distribute your estate. Any decisions you make could have tax consequences that are beyond the scope of this newsletter. For further information and advice, please contact a qualified life insurance and/or tax professional.

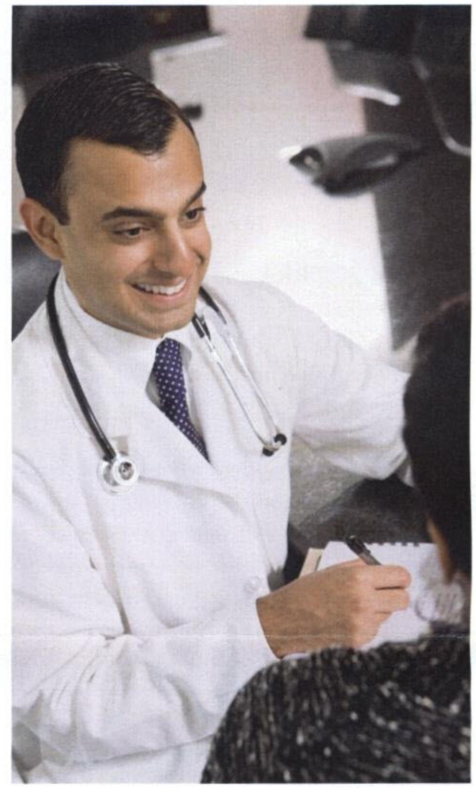
TOURISM — *continued from Page 4*

replacements. Depending on the type of treatment needed, you might be able to obtain specialized treatments at a center of excellence at lower cost than through your local medical facilities.

- Does your policy cover elective procedures obtained while you're abroad? Many individual insurance policies will cover you if you need emergency treatment while traveling overseas, but they might not cover elective procedures.
- Can you negotiate with your insurer? If it covers a particular procedure in the U.S., it might be willing to cover the same procedure overseas if the savings are significant. Be sure to obtain any agreements for coverage in writing.
- Is the facility you're considering accredited? The Joint Commission International (JCI) accredits more than 120 hospitals worldwide for safety and quality. Other international accrediting or oversight organizations include the Society for Quality in Health Care (ISQUA), the National Committee for Quality Assurance (NCQA), the International Organization for Standardization (ISO), and the European Society for Quality in Healthcare (ESQH).
- Is your primary or family physician on board? You will want to involve the physician(s) who will be handling any follow-up care once you return home.
- Do you understand and agree to the financial terms? Before you submit to medical treatment overseas, be sure that all parties agree on payment terms and timing (some overseas medical providers want payment upfront), what type of post-operative care you will receive and whether it is included, and whether payments include your travel and accommodations.
- Will you have a traveling companion? Anyone traveling, particularly overseas, for medical treatment will likely want a companion. What will his/her travel expenses add to the cost of the procedure? This person should be able to help take care of you and make medical decisions on your behalf if complications arise. In the U.S., medical providers recognize power of attorney agreements—will an overseas provider?
- How will the provider handle complications? Who is financially liable? Do you have any rights to file a claim in the event of malpractice? What laws will govern liability and malpractice?
- Do you understand, and are you prepared to deal with, the risks of combining travel and surgery?
- Do you need specialized medical tourism coverage? Some insurers now write policies specifically for medical tourism. Coverage varies greatly by provider. If you consider this type of insurance, you will want to buy a policy from an insurer admitted to do business in your state. We can help you evaluate options—please call us for more information.

A Biopsy in Bangkok? Medical Tourism on the Rise

Let's say you need a hip replacement. If you get it done in the U.S, expect to pay around $45,000 if you live in a high-cost area. The same surgery in a lower-cost area of the country could cost about $35,000. But the same procedure in Thailand costs only about $9,000. In India, it's even less, at $6,000, according to the International Medical Travel Association.



The appreciable savings has led to a new wrinkle in healthcare. Medical tourism is where people travel outside their community, or even their country, to receive medical, dental and surgical treatments because of greater affordability or access to care.

A 2007 study by Deloitte LLP estimated 3 percent of Americans, or 750,000, traveled abroad for medical treatments that year, while another 12 percent traveled outside their own community within the United States. Deloitte projected the number of Americans traveling abroad for medical treatment could reach six million by 2010. The consulting firm estimated foreign medical tourism's growth would continue after 2010, but at a slower rate, due to capacity limits in foreign countries.

As of 2007, an estimated $60 billion changed hands worldwide due to medical tourism. Ten medical tourism hotspots accounted for most of that business; Brazil, Costa Rica, Gulf States, Hungary, India, , Malaysia, Mexico, Singapore, South Africa and Thailand.

Some employer-sponsored group insurance plans are now covering or providing incentives for members obtaining medical treatments overseas. For individuals who have little or no health coverage, medical tourism might mean the difference between being able to afford a procedure that can make a major difference in their life or going without. About 45 percent of the underinsured or uninsured said they would get on the plane if they could save $1,000. When the savings incentive exceeds $5,000, the percentage of takers climbs to 61 percent among the uninsured or underinsured and 40 percent among those with insurance, according to the Deloitte survey.

If you are considering traveling for medical treatments, here are some things to check before scheduling a medical vacation:

- Does your insurer cover this type of procedure? Most health insurance policies exclude coverage for cosmetic procedures, treatments not needed to treat a medical condition or illness, weight-loss surgery and experimental treatments, regardless of where you get them.
- Does your insurer provide coverage for procedures obtained at "centers of excellence" in the U.S.? These medical facilities specialize in procedures such as heart surgery, cancer treatments or joint

TOURISM—continued on Page 3

AMA Guidelines on Medical Tourism

The American Medical Association urges employers, insurance companies and other entities that facilitate or offer incentives for medical care outside the U.S. to adhere to the following principles:

1. **Medical care outside of the U.S. must be voluntary.**
2. **Financial incentives to travel outside the U.S. for medical care should not inappropriately limit the diagnostic and therapeutic alternatives that are offered to patients or restrict treatment or referral options.**
3. **Patients should only be referred for medical care to institutions that have been accredited by recognized international accrediting bodies (e.g., the Joint Commission International or the International Society for Quality in Health Care).**
4. **Prior to travel, local follow-up care should be coordinated and financing should be arranged to ensure continuity of care when patients return from medical care outside the U.S.**
5. **Coverage for travel outside the U.S. for medical care must include the costs of necessary follow-up care upon return to the U.S.**
6. **Patients should be informed of their rights and legal recourse prior to agreeing to travel outside the U.S. for medical care.**
7. **Access to physician licensing and outcome data, as well as facility accreditation and outcomes data, should be arranged for patients seeking medical care outside the U.S.**
8. **The transfer of patient medical records to and from facilities outside the U.S. should be consistent with HIPAA guidelines.**
9. **Patients choosing to travel outside the U.S. for medical care should be provided with information about the potential risks of combining surgical procedures with long flights and vacation activities.**