

**Cleaning up Benefits Odds & Ends:
Issues of Note for 2004**
By Jacques Chambers CLU

While cleaning out my desk (at least one of my New Year's resolution got accomplished) I found several notes for ideas for articles. Many, however, don't warrant a full article but they include information that would be helpful to many dealing with disability and benefits issues. This will be the "clean-up" column. Some of the issues of note include:

Social Security Increases for 2004

Each year Social Security updates its benefits and other amounts to reflect the impact of inflation. This year is no exception. In addition to the 2.1% increase in disability and retirement benefits, Social Security made other changes:

Work Related:

Monthly earnings over \$580 while collecting disability will count as one Trial Work Month.

Substantial Gainful Activity (the amount of earnings that may cause cessation of SSD benefits) is now \$810 per month.

SSI:

The federal portion of SSI benefits has increased to \$564 per month for an individual and \$846 per month for a couple. Keep in mind that some states supplement this with their own payment.

Medicare Increases for 2004

Each year, Medicare makes similar changes in its benefit schedule as well.

The biggest change for 2004 is that the monthly premium for Medicare Part B – Medical is jumping from \$58.70 in 2003 to \$66.60 in 2004.

The premium for Medicare Part A – Hospital for people who must pay a premium has increased as well. People age 65 and over who have less than 40 quarters of Medicare-covered-employment can purchase Part A coverage. The premium increases to \$189 per month for persons with between 30 and 39 quarters and \$343 per month for persons with less than 30 quarters.

The Part A Hospital Deductible increases to \$846 for each hospital stay. In addition, the daily amounts that an individual must pay for each day after 60 days of hospital confinement has been increased to: \$219 per day for days 61 through 90 of a hospital stay and \$438 per day for days 91 through 150 of a hospital stay. Medicare beneficiaries remain responsible for all hospital charges after 150 days.

The deductible and co-payments under Medicare Part B – Medical remain the same, \$100 per year and 20% of the Medicare Allowable Amount, although the new law will bring changes to those amounts in future years.

New Law Makes Major Changes in Medicare

As you are probably aware, a new federal law was enacted in late 2003 that will have a major impact on people receiving Medicare, although some changes won't take effect until as late as 2006. When these major changes take effect, future columns will explore them further.

The most immediate change that Medicare recipients will see is the availability of a "Medicare-Approved Drug Discount Card." It will be offered beginning in May, 2004 by private companies who will contract with Medicare. This program will only last until 2006 when a broader Medicare drug plan takes effect. Enrollment in the plans is voluntary.

It is predicted that Medicare recipients using the discount card will receive between 10% and 15% discounts on most prescriptions with some medications reduced by as much as 25%. People with low income may also qualify for a \$600 credit on their cards to assist with the purchase of prescriptions.

The government website at <http://www.medicare.gov> has more information on the new law including the drug discount card and the 2006 drug plan.

"Consumer Directed Health Insurance"

This is the name given to a range of health insurance products brought out in the past couple of years and touted to employers as the answer to high cost health insurance. Unfortunately, upon closer look, most were simply the same health insurance products with the deductibles and co-payments substantially increased. This reduced premiums but substantially increased the amount employees and their dependents would pay out of their pockets. They have not been nearly as popular as predicted and will probably fall by the wayside because of the introduction of Health Savings Accounts (see below).

Health Savings Accounts (HSAs)

This new type of health insurance product was established in the recent Medicare legislation although they are only available to persons not eligible for Medicare. The best way to describe an HSA is that it is a combination tax sheltered savings accounts and a high deductible insurance policy.

They became available beginning January 1, 2004, and many insurance observers believe they will become very popular to both employer purchasing group plans and individuals purchasing insurance.

An HSA consists of two parts, and both are required in order to be an HSA: a tax sheltered savings account, and a high deductible health insurance plan. The first part is the savings plan. It allows an individual to set up a savings account in a bank, mutual fund or other financial institution or directly through an insurance company. Similar to an IRA, the money paid into that account will not be subject to income taxes, but the money can only be used to pay medical costs. However, unlike an IRA, the money will not be taxed when it is withdrawn for that purpose. Otherwise a penalty is assessed.

These untaxed dollars can be used to pay medical expenses until the insurance deductible is reached. They may also be used to pay medical expenses that are not covered by the health insurance plan. A big advantage to this plan is that the dollars are not taxed

when deposited into the plan and are also not taxed when they are used to pay medical costs. By using dollars that are not taxed to pay medical bills, those bills are effectively discounted by the level of an individual's income tax bracket.

There are limits on how much can be deposited into the savings accounts and on the size of the insurance plan deductibles, according to the law; however, the product is too new to know exactly what the insurance companies will be marketing, and how they will be packaged and rated. As these products become more common to the marketplace I will write more about them.

Because there is health insurance involved, it will still be difficult, if not impossible, for individuals with an existing medical condition like HCV to purchase an HSA except through an employer-based group plan. However, it is anticipated that people already covered under a health insurance policy may be able to switch to an HSA once their insurance company starts offering them.

Finally, A FAQ (Frequently Asked Question)

I try to directly answer questions that are sent to me by readers, however, I recently had one question I thought valuable enough to pass on through this column.

The question was, "How do I avoid all the dirty tricks and other games Social Security plays to keep people from getting benefits?"

The easy answer to that question is "They Don't Do That!!" But I know that this belief is very common and certainly has some basis in the mistakes and bad personnel found in every organization the size of the Social Security Administration. I have dealt with Social Security offices and Disability Determination Services offices from California, my home base, to the east coast and many states in between and just don't find it to be true.

I will not deny that there are some really lousy employees with some ugly personality traits, who take it out on applicants, but, in my experience, there are no more at Social Security than there are at Sears, 7-11, or your local gas station.

I will also not deny that they make a lot of mistakes. However, it would be *impossible* not to make some mistakes, even some really big ones, since they process over two and a half MILLION disability applications each year.

I can only speak of my personal experience and that of other benefit counselors I have talked to, but the biggest obstacles at Social Security are the size of its huge bureaucracy and the volume of work each employee is responsible for. I have never seen any indication of a conscious, coordinated attempt to deny people benefits.

The individuals deciding your claims do not have a particular interest in what happens to your application, whether it is approved or denied. Because of the size of the organization and its attempts to "standardize" procedures and decisions, the workers honestly don't care whether you are disabled or not. Their only concern is whether the information they have allows them to check the right boxes and fill out the forms that they must complete to approve your claim for disability.

If they can check the right boxes, then they are happy to approve your claim. If not, they will deny the claim because their rules say they have to. Unfortunately, their workload is such that they can't take a personal interest in your claim and make extra efforts to get the necessary documents to get the claim approved.

That is the job for you, the applicant, and your advocate, if you have one. I have never talked with a worker who wasn't more than happy to let the claimant go out and round up missing records. Many are willing to hold the file open while additional records are sent as long as they know they are coming.

Understand that the workers are under a great deal of pressure to produce results while following volumes of guidelines and requirements. With few exceptions, if you treat the Social Security worker with respect and understanding, you will not have problems getting your claim through the system and, hopefully, approved.

Jacques Chambers, CLU, and his company, Chambers Benefits Consulting, have over 35 years of experience in health, life and disability insurance and Social Security disability benefits. For the past twelve years, he has been assisting people with their rights, problems, and other issues concerning benefits and disability. He can be reached at jacques@helpwithbenefits.com or through his website at: <http://www.helpwithbenefits.com>.

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