Henry C GrosJean
Glendale AZ 85312

2014 – Present

Started Veteran Improved Pensions to assist eligible Veterans and/or their spouses qualify for the VA Aid in Attendance / Improved Pension benefit. Works with Placement Agents, Home Health Agencies, Assisted Living Centers, Group Homes and Hospitals.

1979 – 2013

President – GrosJean & Associates Inc. – independent insurance agency. Employee benefit advisor to all size businesses; involving all phases of employee benefits, life insurance, disability insurance, non-qualified retirement plans and longevity planning.

Trade Positions

2006-2007 President to the Arizona Association of Insurance & Financial Advisors

Past board member, lobbyist for the Arizona Association of Health Underwriters

Past national board member of the Association of Health Insurance Advisors;

Formerly, a registered lobbyist for the National Association of Insurance and Financial Advisors – NAIFA-Arizona.

Additional Experience

Contributing columnist to the *Business Journal* since 1987. Also published articles in the *Arizona* magazine, the *Republic-Gazette*, *Arizona Capitol Times* and the Arizona Republic.

Chaired an Arizona House of Representatives Subcommittee on Health Care Quality in 1987

Managed / administered the association health plan for the Arizona Small Business Association from1993 to 2003.

Current member of the Continuing Education Committee at the Arizona Department of Insurance

Education

Prescott College - Charter Class Member - Prescott Arizona 1966 – 1970 - BA Degree

Special Interests/ Lobbying

Forty-seventh Arizona Legislature First Regular Session:
HB2217 Accountable Health Plans; filing rates
Had a bill sponsored that was aimed at requiring all small group health insurers or accountable health plans to annually submit to the Director of Insurance their base premium rates and index rates. Signed by the Governor 04/12/06

Forty-eighth Arizona Legislature First Regular Session:
HB2341 Uniform Health Questionnaire – Small Business
This bill was sponsored by Rep. Michelle Reagan. **Signed by the Governor 04/16/07**
Form is still in use today!

Partial List of Articles:

"Small business owners need to ask questions"
Business Journal 08/87

"Guarantee issue leaves several key questions unanswered"
Business Journal 11/87

"Employers must be aware of COBRA and ADEA provisions"
Business Journal 01/88

"Points worth considering on 'current interest' life policies"
Business Journal 03/88

"Insurance AIDS Quiz Limited"
Arizona Capitol Times 04/27/88

"Section 106 plan can counteract increases in medical rates"
Business Journal 07/88

"Lack of disability insurance can be crippling to a business"
Business Journal 09/88

"Advisors' do disservice with interpretations of Section 89"
Business Journal 03/89

"Partial self-funded plans offer option for savings"
Business Journal 04/89

"Employers should know rules when switching group plans"
Business Journal 05/89

"1988 law complicates tax situation some types of insurance"
Business Journal 07/89

"Insurance should include coverage against 'unique risks'"
Business Journal 10/89

"Health insurance system may be headed for breaking point"
Business Journal 12/89

"Employers confront tough choices over benefits"
Business Journal 10/90

"National policy is needed, not national health insurance"
Business Journal 05/91

"Life insurance plans provide supplemental ret. benefits"
Business Journal 07/91

"Confusion over medical bills a usual / customary problem"
Business Journal 12/91

"Addressing 'medically uninsurable' instead of costs illogical"
Business Journal 02/92

"Should worker's comp and group medical programs merge?"
Business Journal 04/92

"Try peer pressure instead of mandates"
Business Journal 09/94

"Small-biz survival is issue in health care reform"
Business Journal 07/96

"Health insurance system unduly blamed"
Business Journal 01/97

"Health-care bills to bump premiums"
Business Journal 02/79

"Portability act harms most small employers"
Business Journal 10/97

"Health Care Group doing more than looking to cut losses"
Business Journal 12/97

"Growing health premiums a big threat"
Business Journal 01/98

"HMO mergers costly in jobs, health costs"
Business Journal 06/98

"Health coverage numbers dwindling"
Business Journal 11/98

"Bare-bones health insurance would lower employer costs"
Business Journal 06/91

"Cost of elder care is factor across generations"
Business Journal 08/99

"Numbers growing for the uninsured"
Business Journal 10/99

"Our lives call for long-term care insurance"
Business Journal 11/99

"Mandates and small group health insurance"
Business Journal 02/00
"Healthcare coverage needs attention"
Business Journal 05/00
"Long-term care policy needs clarity"
Business Journal 07/00
"Divorce can mean beneficiary change"
Business Journal 08/00
"US employee health insurance is at a crossroad"
Business Journal 11/00
"More healthcare providers returning to fee-for-service care"
Business Journal 03/01
"Health care providers jump sinking small-business ship"
Business Journal 06/01
"Make informed choice on individual plans"
Business Journal 12/01
"Onus of rising health costs on consumers too"
Business Journal 04/02
"Is your firm ready for privacy rules?"
Business Journal 10/02
"Small business is 'missing link' in health care debate"
Business Journal 05/03
"Health plan alternatives can prove to be challenging"
Business Journal 09/03
"Universal coverage ensures access to care"
Business Journal 12/02
"The little guys are losing out"
The Arizona Republic 05/16/04
"Crushed in a compromise"
The Arizona Republic 07/18/04
"Agent lobbies legislature to make health ins. affordable"
Business Journal 04/06
"Consumer-driven health care could reduce costs"
Business Journal 10/06
"Lawmakers: Stop insurer's rate disparity for small biz"
Business Journal 05/07

"Plan renewal letters take confusion to a new level"
Business Journal 10/07
"Small businesses tired of insurance rate-hike rhetoric"
Business Journal 01/08
"Divorce can mean a beneficiary change"
Business Journal 12/00
"Legislative mandates need a U-turn"
Business Journal 12/00
"More providers are returning to fee-for-service care"
Business Journal 03/01
"Compromise threatens health coverage for thousands"
Arizona Capitol Times 06/07
"Insurance agent is small business voice at the legislature"
Business Journal 03/09
"Employers facing imminent health care mandates"
Business Journal 11/11
"Legislators' 'perfect scores' a matter of opinion"
Business Journal 05/11
"Tax credit intended to make care affordable for all"
Business Journal 08/11
"Insurance department should have rate oversight"
Business Journal 03/12
"Medical loss ratio sounds good thing, but it isn't necessarily"
Business Journal 05/12
"Real numbers bring insurance exchange requirement focus"
Business Journal 10/12
"Obama's affordable care act creates perplexing array of possibilities"
Arizona Capitol Times 02/13
"Here's why it's important to comply with the 95% coverage rule"
Arizona Capitol Times 06/13
"Feds auditing small business health plans"
Arizona Capitol Times 08/13
Orientation period could benefit employers dealing with health coverage"
Arizona Capitol Times 06/14

"More providers are returning to fee-for-service care"
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Business Journal

PHOENIX BUSINESS JOURNAL
phoenix.bizjournals.com
March 6, 2009

Insurance agent is small-business voice at Legislature

BY ANGELA GONZALES
agonzales@bizjournals.com

Henry GrosJean isn't afraid to speak his mind, even to state lawmakers.

"I'm not crazy about talking to politicians, but I want to have a voice. I get in their face," he said.

The founder of GrosJean & Associates Inc., a Glendale insurance agency, also is a Republican precinct committeeman for Legislative District 10 and a registered lobbyist representing the Arizona Association of Insurance and Financial Advisors. In that role, he tells lawmakers how small businesses are affected by insurance carriers.

This year, he convinced Arizona Rep. Doug Quelland, R-Phoenix, to sponsor two bills. One is HB 2346, which would require insurance companies to disclose a loss ratio on every policy renewal, which GrosJean said would provide more transparency regarding rate increases.

JIM POULIN | PHOENIX BUSINESS JOURNAL

Insurance agent and lobbyist Henry GrosJean spends a lot of time at the Arizona Capitol talking to legislators. "I get in their face," he says.

The other bill, HB 2436, would require continuing education for all insurance agents.

"We're the only state that doesn't have CE," GrosJean said.

He added that some states are threatening to rescind reciprocity between their insurance departments and Arizona's because there is no CE requirement here. Reciprocity is an agreement between states whereby an agent holding a license in one state can apply for a license in the other.

Last year, GrosJean had SB 1023 introduced. It would have required insurers to disclose loss or claim history as part of their renewal notices to small businesses, but the bill died in committee.

"The insurers used the issue of privacy to defeat it," he said. "But ironically, this information is sometimes available by request from the employer or their broker."

He was successful getting HB 2134 passed in 2007, requiring all insurers to use a uniform health questionnaire for underwriting small businesses.

> 'When you're on a mission to change an inequity that has affected small businesses since 1993, there's no room for disappointment.'
>
> **Henry GrosJean**
> GrosJean & Associates Inc.

"I reached a consensus with the major insurers, and the bill was passed and signed by the governor," he said.

Lobbyist Ed Wren of Wren & Associates, who represents several health providers, said GrosJean is a positive voice in Arizona's health care community.

"He's pretty good at it, too," Wren said.

Even if a bill doesn't make it to the governor's desk, GrosJean doesn't give up.

"I don't believe in disappointments," he said. "When you're on a mission to change an inequity that has affected small businesses since 1993, there's no room for disappointment."

GET CONNECTED

GrosJean & Associates Inc.: 623-435-8400

Crushed in a compromise

Commercial insurers step all over small businesses seeking break on health rates

By Henry C. GrosJean
Special for The Republic

Although most people know Arizona Health Care Cost Containment System (AHCCCS) as the state program that delivers health care to the poor, it has an arm that offers health-insurance plans for small businesses of 1 to 50 employees.

Senate Bill 1116, recently signed by Gov. Janet Napolitano, contains an amendment that is to the detriment of small employers.

The amendment was promoted by commercial health care insurers.

The bill was an attempt to provide affordable health insurance to small employers and to reduce the number of uninsured in Arizona.

There are a couple of parts of the bill that will help the AHCCCS Healthcare Group to expand coverage. AHCCCS will have the ability to enter rural areas where coverage is lacking, and to price itself to be more self-sufficient, thus avoiding state (taxpayer) assistance.

But there was one amendment that compromised the ability of small employers to have open access to the Healthcare Group plan and experience the possibility of lower premiums.

Starting in September, the small employer covered by a commercial group-health plan, and would like to participate in the Healthcare Group, will have to drop coverage for 180 days.

This is because commercial insurers worried the plan offered through the Healthcare Group would be a competitor for small group business.

I didn't major in economics, but I've always been under the impression that competition, at least in the insurance industry, tends to foster lower prices.

Forcing an employer to go six months without health insurance coverage goes way beyond the issue of preventing competition.

We need to view this amendment from the small employer perspective, as they clearly were not represented.

I say this because, reportedly, the amendment was unopposed by the Phoenix Chamber of Commerce and the local office of the NFIB, or National Federation of Independent Businesses, took a neutral position.

These organizations are, supposedly, pro-business, but compromising for the employer to go 180 days without coverage is clearly unconscionable, if not anti-consumer.

First of all, when an employer who has a group health plan changes to another insurer, all pre-existing conditions are covered by the new plan, provided they had prior group coverage for at least 12 consecutive months.

Now, if an employer is paying an exorbitant premium through a commercial insurer and would like to have access to the Healthcare Group plan for possible rate relief, they will suffer a double-edged sword by dropping their coverage.

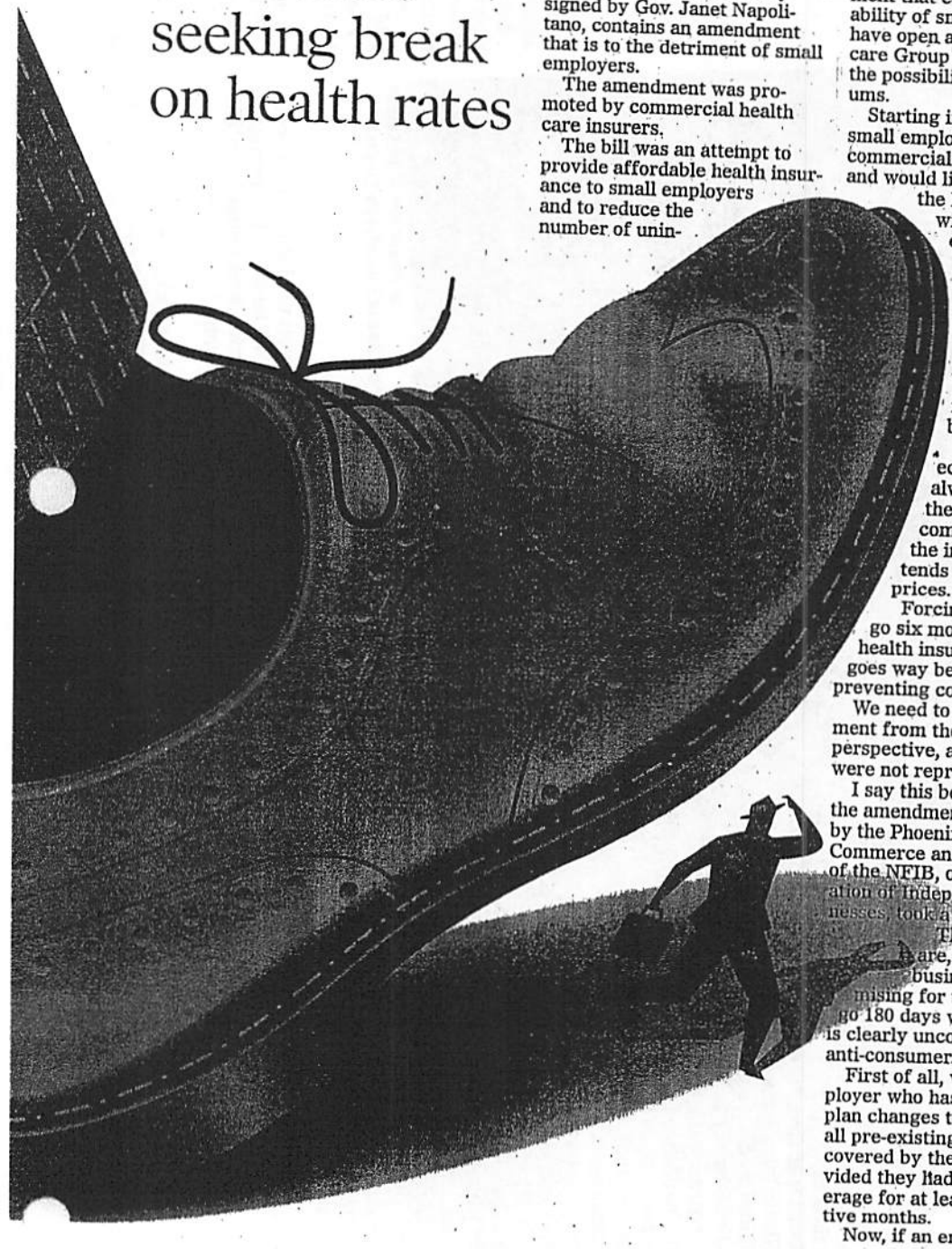
First, if the owner, or any employees, are being treated for a pre-existing condition and drop current coverage, they run the risk of failing health as well as the possibility of economic risk to the business.

Second, the 180 days would include the 63-day time frame under the Federal Health Insurance Portability and Accountability Act, or HIPAA, that allows someone with a pre-existing condition to obtain a health plan that would cover their health conditions, as long as the insurance was secured within the 63 days of no coverage.

As a result, the Healthcare Group on the 181st day will not have to cover any pre-existing conditions, which would have been covered had the employer been able to change the health plan without this 180-day waiting period.

Keeping this in mind one could almost come to the conclusion that those who were either neutral or unopposed to this amendment, especially small-business "advocates," apparently underestimated the potential value of a competitive environment but also were forgetting whom they represent.

It's also clearly another issue of special interests supplanting those of Arizona employers, who are not only dealing with higher renewal premiums but with escalating new-business rates.



About the author

Henry C. GrosJean has been an independent agent since 1979, a member of the National Association of Insurance & Financial Advisors and the National Association of Health Underwriters, and is a member of the Continuing Education Committee at the Arizona Department of Insurance. He can be reached at (623) 435-8400 or henry@grosjean.com.

THE ARIZONA REPUBLIC

Sunday, July 18, 2004 SECTION D

PHOENIX Business Journal
MAY 27, 2011

LETTER TO THE EDITOR

Legislators' 'perfect scores' a matter of opinion

Dear Editor,

In reference to the May 20 story "Ariz. Legislators growing more business-friendly," it clearly is a relative statement. Regardless of which legislators received "perfect scores" from the NFIB, none of them was or is business-friendly when it comes to making small-group health insurance more affordable.

Legislators, regardless of party affiliation, have no interest in making an earnest attempt at this issue, as it would "bite the hand that feeds them" at fundraisers.

The governor is the only one who is cognizant of some of the misguided pieces of legislation that were passed in the most recent session.

The Health Care Freedom Compact (Senate Bill 1593) had a warm and friendly-sounding name, along with an all-too-common lack of substance. All of the cherished mandates would have been eliminated, affecting thousands of consumers. Health care mandates do affect our premiums, but any realized savings would have dissipated with the following year's renewals.

In addition to SB 1593, the governor vetoed the Health Care Compact, which would have allowed Arizona to set up health care programs with other states. Arizona has such a diverse set of rural and city demographics that finding commonality with surrounding states would have been very difficult.

So, I would consider "perfect score" an oxymoron, as I see small-business owners who either cannot afford premiums that are "inflated" by statute or have sustained a double-digit rate increase, also allowed by statute. When health insurance premiums are in excess of 20 percent of payroll, no legislator gets a "perfect score."

Henry GrosJean
GrosJean & Associates Inc., Glendale

The Business Journal
VOLUME 9, NUMBER 11 — Serving Phoenix & the Valley of the Sun — WEEK OF JANUARY 23, 1989

Long-term care policies proliferating, but compare carefully

To the Point

Henry GrosJean
and Norman Kass

The "greying of America" is a certainty that we must all deal with.

Long-term care facilities are replacing the family support system of former generations. The two-wage-earner family often prevents children from providing daytime assistance to aged parents.

Long-term care facilities, too, are playing a different role in the health care delivery system as that of subacute care givers. With the advent of the Medicare DRG system (set payments for treating particular problems), the emphasis is on getting the patient from the hospital to the subacute care facility as soon as possible. This, in turn, reduces Medicare's costs dramatically.

Long-term care is expensive and continues to spiral in cost. In 1986, some $36 billion was spent for nursing-home benefits. Of this, Medicare covered less than 2 percent and Medicaid 42 percent. Private insurance contributed another 2 percent.

The remaining 54 percent, or $19.5 billion, came from personal assets. This resulted in impoverishment and ultimate dependency on Medicaid for countless thousands of senior citizens.

Recent health studies by the Department of Health and Human Services and the Health Association of America have come up with the following information:

- By the year 2000 there will be approximately 40 million Americans over the age of 65. This represents the current combined population of California and Texas.
- For every four Americans who retire at 65, one eventually will require long-term care.
- One out of every two persons that reach age 80 will need nursing home care.
- Eighty-five percent of nursing-home patients are 80 or older.

The increasing demand for long-term care insurance has spurred more and more insurance companies to offer nursing-home coverage. Just two years ago less than 20 companies offered nursing home or LTC insurance, and most of the policies were very restrictive and had limited benefits. Today more than 75 companies offer a wide variety of policies with many options and coverage choices.

Although many major insurance companies are beginning to offer nursing home/long-term care policies, scrutiny still is necessary when purchasing a policy.

As a result of the evolutionary process of the various LTC policy forms, insurers have become more comfortable with the risk, and regulatory authorities have mandated less restrictive coverages. Today's policies are substantially better than those issued a few short months ago.

Before purchasing a policy, understand or get professional advice about the restrictions, deductible periods, pre-existing conditions (when covered), exclusions, guaranteed renewability, benefit periods, etc.

A booklet entitled *Understand Long-Term Care Insurance* recently was published by the National Association of Health Underwriters as part of a consumer-awareness program on long-term care.

Easy to read and understand, the booklet provides an orderly way to become an informed consumer. It also includes a comprehensive analysis worksheet, complete with explanations, to help consumers evaluate existing or proposed insurance for long-term care.

Locally, the average monthly cost for long-term care is between $24,000 and $35,000 a year. This is exclusive of doctors, medications, personal needs, etc.

With the average stay in a nursing home being 42 months, it means that the average "potential" risk to one's estate could be anywhere from $84,000 to $126,000.

Senior citizens who must rely on Medicaid for assistance with this cost have to "spend down" their income to about $345 a month and have assets of no greater than $1,750.

With reference to Medicare, there are two parameters that are needed to "trigger" any benefits, but even these are not the final word: You have to have had skilled nursing care, and you have to have been admitted to a certified (by Medicare) nursing home.

A survey of local nursing homes found that many individuals who met the above criteria were not eligible for any benefits under Medicare because of, in part, conditions or treatments that were excluded under Medicare.

In addition, if one does not qualify under Medicare for benefits it may or may not trigger benefits under some of the long-term care policies that are on the market.

Not surprising is the fact that locally, only about 1 percent of those admitted to a nursing home have a private insurance plan for LTC.

In fact, a federal task force estimated that as of April 1987, less than 1.5 percent of the total population of men and women over the age of 65 owned an LTC policy.

Here are some of the provisions to look for when "shopping" for a long-term care policy.

- Are premiums level or do they increase with age?
- Is there waiver of premium, and when does it start? (The waiver with some companies will start the day benefits commence.)
- For how many days after discharge will re-admission be considered continuance of the same claim?
- Does the nursing home have to be Medicare certified or just state licensed?
- Is prior hospitalization required to qualify for nursing-home benefits?
- Is the amount of daily benefit the same for skilled, intermediate or custodial care?
- Can you enter the nursing home at any level of care and still receive full benefits?
- Is there a provision for home health care?
- Will you receive home-health-care benefits without prior hospitalization or nursing-home stay?
- Is an increasing inflation rider available?

Norman Kass CLU, CUPC, speaks to senior citizens groups about how to decide on appropriate long-term care and Medicare-supplement contracts. Henry GrosJean has been an independent agent for the past 10 years and services clients of several local agencies. He is on the board of directors of the Greater Phoenix Association of Health Underwriters.

Business Journal
Serving Phoenix & the Valley of the Sun
AUGUST 6, 1999

Cost of elder-care is factor across the generations

MY VIEW

Henry GrosJean

The idea of retirement planning is central to many of the baby-boomer generation, but the one issue that could derail the best of plans is longevity.

According to the U.S. Census Bureau, those 65 and older will comprise 13 percent of our population at the start of the new millennium. In 2030, it will swell to 20 percent.

In retrospect, in 1900, only 4 percent of the population reached the age of 65 and life expectancy was less than 50 years.

Some issues are taking center stage, like the solvency of Social Security and Medicare, but an equally important item is care for this same population. The "elder-care crunch" is more real than many would like to admit.

Here is a partial list of why:

- One quarter of U.S. households contain someone who is caring for an older relative or friend.
- Those in the 45 to 54 age group are most likely to have looked after elderly relatives.
- Family and friends provide 80 percent of elder care.
- Six out of 10 families have already experienced a long-term care problem, either in their own family or a close friend's.
- More working people are finding they must provide some regular personal care for an elderly parent.
- The average length of time spent care-giving for each person is 4.5 years.

Seventy-three percent of care-givers are women — according to a study by the American Association for Retired People — and they are in a precarious position.

Women are often caught between raising a family, pursuing a career and caring for their aging parents.

It's also reported that as many as 35 percent of the work force is taking on some responsibility for elder care. Employers, although slow to react, are realizing this issue is going beyond their child-care policies. They are finding that employees exhibit counter-productive work behavior, such as arriving late, leaving early and being distracted.

And the stress of care-giving forces changes in work schedules such as: a leave of absence, dropping back to part time, taking a less demanding job or even giving up work entirely. Employers need to take a more resilient and proactive position.

Care-givers, on average, have out-of-pocket expenditures of $171 per month for various special expenses such as: food, home modifications, clothing, etc.

Here are some other costs:

- The cost to live in an assisted-living facility ranges from $995 to $3,800 per month.
- Ninety-five percent of assisted-living services are paid largely by private-pay industry.
- Lost employee-productivity costs companies about $2,500 per employee.
- The National Alliance for Caregiving says the resulting costs to companies is estimated at $29 billion per year.
- Because there are 25 million care-givers facing 25 million unique challenges at different times in their lives, they are often alone, uncounted and unaided.
- If care-giving was an industry, these 25 million workers would comprise a $200 billion payroll and be the largest single employer in the country, according to the *1998 National Report on the Status of Caregiving in America*.

Employers are starting to implement elder-care policies, but as few as 3 percent of companies help employees pay for it with either vouchers or subsidies, according to the Society of Human Resources Management.

Some of the more common support systems involve "flextime," telecommuting and job sharing.

Employers are starting to realize, sometimes only when the CEO is affected, that the line between work and personal life is starting to evaporate.

We have learned how to prolong our life through advances in medicine and science. All we have to ensure now is learning and dealing with how to prolong our dignity.

Henry C. GrosJean is a consultant to the Arizona Small Business Association and national board member of the Association of Health Insurance Agents.

The Business Journal®
Serving Phoenix & the Valley of the Sun
NOVEMBER 26, 1999

Our lives today call for long-term-care insurance

There comes a point in dealing with longevity, that your "care-giver," who usually is a family member, is unable to deal with one or more of your daily needs.

Perhaps you have become physically or mentally unable to perform normal daily functions like eating, bathing, dressing or just plain getting around.

When this happens, most people want to retain some kind of self-sufficiency and independence and do as many things for themselves as they can.

And sometimes it even involves the need to retain some ties with the local community.

At first glance, the option of a nursing home appears rather impersonal and because of a stereotypical media view, they may appear singularly depressing.

An alternative is an assisted-living facility or residential assisted-living facility.

They appeal to the elderly who may be just tired of cutting their grass to those who need help with daily living. They are residences that afford all of the comforts of home, plus meals, housekeeping and limited assistance with daily activities.

In addition they cost 20 percent to 30 percent less than a nursing home and the accommodations mimic small, home-like residences.

It may cost less, however, it now is a $12 billion industry with companies enjoying profit margins of 30 percent or more.

And, in view of our aging population, by next year, revenues for this industry are projected to leap to $33 billion.

MY VIEW

Henry C GrosJean

An estimated 7.3 million seniors currently need some assistance with daily activities and this number is expected to double in the next 20 years.

Even though costs are below that of a nursing home, sometimes there are "entry fees" that range from $15,000 to $18,000 with monthly fees from $1,000 to more than $3,000 depending on additional amenities.

Most seniors who opt for an assisted-living environment pay out of their own pockets. Ultimately, this makes their living situations only as stable as their bank accounts.

Those seniors who have "evolved" past the denial stage of their life have purchased a long-term-care insurance policy.

In essence, the services that are provided in an assisted-living setting include:

- Basic housing — including laundry, meals and transportation.
- Exercise and recreational activities.
- 24-hour emergency monitoring.
- Supervision and dispensing of medications.
- Oftentimes, incontinence care.
- And sometimes an environment for Alzheimer's disease and other memory impairments.

A recent study by Coopers & Lybrand for the Assisted Living Federation of America revealed the percentages of assisted-living residents who need aid with their activities of daily living:

- Eating: 6 percent.
- Bathing: 64 percent.
- Dressing: 34 percent.
- Toiletry: 18 percent.
- Transferring: 8 percent.
- Medication reminders: 63 percent.

Efforts are under way to make assisted-living included in those benefits that now are reserved only for nursing homes.

There is little public funding to help seniors pay for assisted-living and a congressional effort to expand Medicare and Medicaid to include assisted-living would go against current cost-cutting measures.

One other federal policy choice would be to create stronger incentives for people to pay out of pocket, buy long-term-care insurance or a hybrid approach.

A bill in Congress would allow premiums for long-term-care insurance policies that cover assisted-living to be tax deductible. This would seem like a logical approach.

The bottom line is that assisted-living can be an option that allows people who need help to live as normally as possible in a humane, home-like setting.

However, proper planning with a long-term-care insurance policy should override a possible "Superman complex" rather than have false hopes of our government assisting us.

***Henry C GrosJean** is a consultant to the Arizona Small Business Association and national board member of the Association of Health Insurance Agents.*

LETTERS

GrosJean's comments were way off

Dear Editor:

On behalf of the Arizona Association of Managed Care Plans, the state's trade association for managed care, I would like to respond to the May 7 Comment by Henry GrosJean. A major portion of that article is devoted to an ill-informed attack on Senate Bill 1109, the recently enacted health care reform legislation that AAMCP strongly supported.

Mr. GrosJean's criticisms of SB 1109 are essentially threefold: first, that it deals with the availability of health insurance rather than its affordability; second, that it was written solely by the HMO industry, and small-business interests were not consulted; and third, that it mandates that all health insurance be of the HMO or PPO variety, except in rural areas. As to each of these criticisms, Mr. GrosJean has badly missed the mark.

The reality is that in Arizona, as in other states, far too many small employers find that health insurance is available to them only if all of their employees have extremely good health and can pass rigorous underwriting standards. In the insurance industry, this common practice of taking only good health risks is derogatorily referred to as "cherry-picking" or "skimming." For a small employer with only one sick employee, the answer is often "Sorry, we won't cover you."

SB 1109 attempts to deal with this serious problem by phasing in a requirement called "guaranteed issue." This means every small business that has gone without coverage for at least 90 days must be offered a basic health benefit plan, regardless of the health of its employees. Apparently, Mr. GrosJean would have preferred that this reform not be enacted at all, and that insurers be allowed to continue "cherry-picking" into the next century.

Mr. GrosJean's second criticism also is unfounded. In fact, SB 1109 was created by the National Federation of Independent Business, the state's leading small-business advocate. Sen. Ann Day of Tucson, who chairs the Senate Health, Welfare & Aging Committee, introduced it at NFIB's request.

At the same time, another health care reform bill, HB 2339, was introduced at AAMCP's request by Rep. Susan Gerard, who chairs the House Banking & Insurance Committee. Unlike its Senate counterpart, HB 2339 went beyond small-group market reforms: It also dealt with the cost issue through the creation of accountable health plans and by imposing some badly needed administrative simplification requirements to streamline the insurance industry over time for all health care consumers.

SB 1109 and HB 2339 were eventually combined. The resultant bill contains the market reform provisions common to both bills, but also contains the cost-containment and administrative simplification requirements of HB 2339.

Blending two different pieces of comprehensive legislation with conflicting terminology is a difficult task. I felt privileged to be asked by Sen. Day and Rep. Gerard to help their staff in drafting a final version of SB 1109. Providing technical assistance certainly does not mean that I or anyone else in the HMO industry controlled the content of the bill.

But small business *was* significantly involved on this bill throughout the legislative process, contrary to Mr. GrosJean's assertion. In fact, SB 1109 would not have advanced in the House if not for NFIB's acceptance of a compromise on the implementation of the accountable health plan provisions for rural Arizona. NFIB and other small-business interests also played a leading role in urging Gov. Fife Symington to sign SB 1109.

Mr. GrosJean's third criticism also is misleading. It is true that SB 1109 does require that health insurers begin operating as "accountable health plans" over the period from 1996 to 1999 and offer products that include cost-containment features. These features consist of such basic managed-care concepts as the use of participating providers, quality-assurance and utilization-review requirements, and programs for health improvement and patient involvement.

Such concepts already are being used by many forward-thinking indemnity insurers. There is absolutely nothing in SB 1109 that prevents indemnity insurers from continuing to compete in the marketplace. And, as Mr. GrosJean points out, the bill does contain an exemption for the rural areas, where it has often taken longer for managed care to take hold.

HMOs are not, as Mr. GrosJean implies, against the notion of patients choosing their own physicians. The simple fact, however, is that one of the best ways to help control costs is through coordinated care and the use of providers who, by contract, agree to reduced prices in exchange for business volume. For competitive reasons, HMOs must offer prospective members a wide choice of participating providers. The reality is that most providers in this state already are participants in a number of HMOs, PPOs and other managed-care delivery networks.

I find it odd that Mr. GrosJean characterizes SB 1109's encouragement of the concept of accountability for health insurers as "quasi-socialistic." Apparently, the thought of holding insurers accountable for the way they spend the millions of premium dollars they collect each month is threatening to him. I, on the other hand, find it a thoroughly refreshing idea. If we as a country are ever to come to grips with the spiraling costs of health care, we must insist that health insurers get out of the game of risk avoidance and get into the game of risk management.

Sadly, while Mr. GrosJean admits that dealing with such fundamental cost-related issues requires a strong conviction, his article only criticizes what other people are trying to accomplish. Like most naysayers, he fails to offer a single suggestion of his own to help solve the health care crisis in our country. The underlying position of his article is that our current health insurance system is working just fine. That position, I submit, is the one that is out of touch with reality.

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Business Journal
Serving Phoenix & the Valley of the Sun

Divorce can mean beneficiary change

Imagine going to probate court following the death of your spouse. To your surprise, the court proceeds to change the beneficiary designation of your deceased spouses' life insurance contract to someone other than you.

During the marriage, your former spouse, in good faith, made a "contractual" arrangement with a life insurance company to provide for you should he or she suffer an untimely death, designating you the beneficiary of the contract.

In 1995 the Legislature passed a provision that has the effect of revoking life insurance beneficiary designations under certain circumstances.

These "circumstances" involve 50 percent of the marriages in Arizona, which are the current odds of divorce.

In actuality, 24 other states have enacted similar legislation that automatically revoke a spousal beneficiary designation in a life insurance contract upon divorce.

Whether you think that this is right or wrong is irrelevant to probate court as this provision (Arizona Revised Statute 14-2804) is now a uniform statute along with these other states.

Let's look at the following example where such a statute was applied.

A couple were married in 1986 in Phoenix. In 1988, he purchased a $500,000 life insurance policy and named his spouse as the beneficiary

The husband retained the contractual right to change the designation of the beneficiary.

In 1996, the marriage ended in divorce.

The Arizona courts issued a simple divorce decree to this former couple, but did not reference the former husband's life insurance policy or that his wife

MY VIEW

Henry C GrosJean

would remain the designated beneficiary.

Then, in 2000, the ex-husband died.

Soon after, the ex-wife made a request from the insurance company for the proceeds of the life insurance contract.

However, the life insurance company wrote back denying her request and indicated a 1995 change in Arizona law, more specifically A.R.S. 14-2804, which "revoked" her status as a beneficiary because she no longer was the spouse.

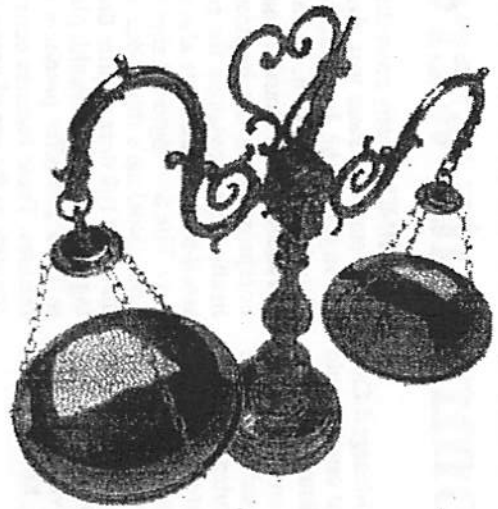
In fact, this law provided that a court order (divorce decree) dividing a marital estate serves to rescind any property rights made by a divorced person to that person's former spouse, including any designation as beneficiary in a life insurance policy.

Furthermore A.R.S. 14-2804 has been ruled constitutional.

In the above scenario, the new beneficiary was the decedent's heir and not the former spouse.

A court decision held that since the deceased husband had the right to change the beneficiary at any time during the life of the insurance policy that the beneficiary's rights remained "contingent" and therefore the court reasoned that the beneficiary had no "contractual rights" on which to challenge the statute.

Even more amazing is that the court further ruled that this statute presents a "rational means of achieving the social goal of implementing an insured spouse's probable intention in the wake of a



divorce."

The bottom line here is that the parties to a life insurance contract should consider the consequences of divorce and its effect on the designated beneficiary.

These considerations should be evidenced in writing, possibly, by way of legal counsel, as part of the life insurance contract.

As one attorney commented "make sure there is a statement attached to your life insurance contract to the effect that a divorce or annulment of a marriage will not revoke the disposition of property made pursuant to this contract" in order to avoid the application of A.R.S. 14-2804 to the life insurance contract.

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Business Journal
Serving Phoenix & the Valley of the Sun
JULY 8, 1991

Life insurance plans provide supplemental retirement benefits

To the Point

Henry C. GrosJean

As we try to envision our retirement, and constantly have to deal with the realities of inflation and taxes, the need arises for creative supplemental retirement programs.

It has been estimated that by the year 2030, the population of those over the age of 65 will more than double.

Reportedly, for each retiree collecting Social Security today there are three people working and paying taxes to support the system; by 2030, that ratio is projected to sink below 2-1. With this exponentially increasing population group, there is a great need to prepare for the time when the paychecks stop coming.

Of the many concerns we have when it comes to the apparent illusion of retirement, one is the constant barrage of trendy media solutions that crop up every month on the newsstands. It would seem that with each monthly issue come more solutions to choose from or to invest in.

Unfortunately, with the country's sluggish economic situation and the ever-present specter of inflation, the tendency is to defer the very idea of retirement. Even the corporate pension plans are becoming a little tenuous.

In addition, any Individual Retirement Accounts that you have may be ravaged by both the Social Security Benefits Tax and the Medicare surtax for catastrophic insurance. Instead of being in a marginal tax rate at age 65, we will be placed in the near 50 percent tax rate with these combined taxes. This will erode the potential retirement income from these IRAs. Also, most are aware by now that Congress has eliminated or substantially reduced our ability to deduct IRA contributions.

Furthermore, ever since the passage of the Employee Retirement Income Security Act, many employers — especially smaller companies — do not want to worry about complying with ERISA's complex discrimination rules and other requirements.

Although qualified plans feature a current income tax deduction for contributions, retirement payments are taxed to the retired employee. Also, depending on the type of plan, an array of penalties and distribution rules may apply. Too, Social Security benefits may be reduced as a result of these retirement benefits.

One alternative is a non-qualified supplemental retirement plan, sometimes referred to as a private pension plan. These new forms of life insurance plans are available to qualified people in all types of employment. They also are available as additions to existing plans, qualified or non-qualified.

It is interesting to compare the tax-deductible plans — such as your qualified pension plans, IRAs or Simplified Employee Pension Plans — to an after-tax, non-deductible, non-qualified private pension plan. It may give you an enlightened perspective.

Here are some of the highlights of the private pension plans:

- They require no IRS approval, meaning no ERISA or administration.
- They have no participation requirements, so you can be selective.
- The cash that accumulates in the plan is tax-deferred.
- Because it is a life insurance policy, it provides a death benefit; your IRA doesn't.
- The plan can be designed to be self-completing through a disability benefit option should you become disabled.
- Monies can be obtained from the plan for emergencies or education with no penalty or tax. (There are some exceptions to this with your pension plans.)
- There are no penalties or taxes for income distributions through policy loans.
- You are able to commence retirement income before the age of 59½ without penalties.
- Death benefits are not subject to income tax.
- You may have a private pension plan in addition to a qualified pension plan.
- Income received from the plan will not be reduced by Social Security.
- They have very flexible survivor benefits, such as a tax-free lump-sum payout to a designated beneficiary even if you are taking income benefits.
- On a periodic basis, at or prior to age 65, tax-free cash flow through policy loans can be taken from the plan for the rest of your life.

Insurance companies are starting to become a little more creative on their loans from life insurance policies in order to accomplish this "tax-free" feature. Historically, a loan on a life insurance policy would be charged a current interest rate, such as 8 percent.

Some insurance companies are starting to reduce the interest rate charged for loans to equal the guaranteed interest rate being credited inside their policies on the amount loaned. The result is that the cost of the loan is equal to the interest being credited inside the policy, creating zero net cost. Also, these policy loans are designed to be repaid from the death proceeds, not during your income years.

By not having to worry about the potential liability of a policy loan, spendable income can be maximized, especially because no distribution rules would be applicable to these types of plans. Furthermore, as life insurance policy loans are not considered taxable income under current law, your Social Security benefits would not be affected.

It's hard to imagine a life insurance policy providing more retirement features than a tax-deductible IRA, or pension plan. One key is that any insurance policy loans represent actual spendable dollars, which are not taxable, as opposed to income from a tax-deductible IRA or pension plan, which is taxable as ordinary income.

These private-pension scenarios may be advantageous regardless of the economic climate or your tax bracket.

Retirement doesn't have to be an illusion.

Henry C. GrosJean is an independent insurance agent in Phoenix. He serves on the legislative committee for the Arizona Association of Health Underwriters and has written a number of insurance-related articles for The Business Journal.