What Is Long Term Care?

- Assistance provided to people who have a prolonged condition or illness that limits their ability to perform normal daily activities.
Who Needs Long Term Care?

We Are Living Longer
- Survival from Age 65 to Age 90


The Growing Need For Care
- Total number of persons age 65 or older, by age group, 1900 to 2050, in millions

Note: Data for the years 2000 to 2050 are middle-series projections of the population. Reference population: This data refers to the resident population. Source: U.S. Census Bureau, Detailed Census Data and Population Projections.
Changes in ADL Rates

<table>
<thead>
<tr>
<th>Age</th>
<th>Bathing</th>
<th>Dressing</th>
<th>Toileting</th>
</tr>
</thead>
<tbody>
<tr>
<td>65-74</td>
<td>3.5%</td>
<td>2.9%</td>
<td>1.2%</td>
</tr>
<tr>
<td>75-84</td>
<td>8.1%</td>
<td>5.1%</td>
<td>2.9%</td>
</tr>
<tr>
<td>85+</td>
<td>21.7%</td>
<td>13.2%</td>
<td>8.3%</td>
</tr>
</tbody>
</table>


LTC: Growing Consumer Awareness

- 71% of Americans claim to be aware of the problem*
- 50% of Americans age 45 or older have discussed the possible need for long term care with their adult children*
- American workers rank the importance for LTCI equal to that of group life insurance**

* American Council of Life Insurers, 2003

Who Provides The Care?

- Family
- Friends
- Professionals
Who is most impacted by long term care?

- The family of the person receiving care.

The New Millennium Family

- Geographically dispersed
- Caregivers have careers
- The “sandwich generation”

Caregiving: The Impact on Total Wealth

- In a recent study 2/3 of caregivers reported a direct impact on their earnings.
- Researchers estimated the average loss of wages and retirement benefits to be $659,139*

* Present value of estimated lost earning and retirement benefits.

Source: National Study by the National Alliance for Caregiving and the National Center on Women and Aging, Brandeis University, November 2002.
The Cost of Care

- Average yearly cost of nursing home care

<table>
<thead>
<tr>
<th>Rate of Inflation</th>
<th>2005</th>
<th>2015</th>
<th>2025</th>
<th>2035</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.8%</td>
<td>$74,095</td>
<td>$130,210</td>
<td>$228,824</td>
<td>$402,123</td>
</tr>
</tbody>
</table>

*Metlife Mature Market Institute Market Survey of Nursing Home and Home Care Costs, September 2004

The Options For Funding Long Term Care

- Medicare and Medicare Supplements
- Private Health Insurance
- Medicaid
- Self-funding
- Long Term Care Insurance

Who Pays for Long Term Care?

<table>
<thead>
<tr>
<th>Nursing Home</th>
<th>Home Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>41%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>5%</td>
</tr>
<tr>
<td>Private LTC Insurance</td>
<td>5%</td>
</tr>
<tr>
<td>Out of Pocket</td>
<td>46%</td>
</tr>
</tbody>
</table>

Source: www.ltcfeds.com, 2000
### Who Pays For Long Term Care?

<table>
<thead>
<tr>
<th>Financing Options</th>
<th>Required Funds To Meet</th>
<th>Eligibility Requirements</th>
<th>Eligibility for Medicaid</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Savings</td>
<td>Yes</td>
<td>Variable</td>
<td>No</td>
<td>High - Your responsibility</td>
</tr>
<tr>
<td>Long Term Care Insurance</td>
<td>No</td>
<td>Fixed</td>
<td>Yes</td>
<td>Low - Medicaid coverage available</td>
</tr>
<tr>
<td>Medicare</td>
<td>No</td>
<td>None</td>
<td>Yes</td>
<td>High - Does not cover LTC costs. Amounts received may be recovered from your estate</td>
</tr>
<tr>
<td>Medicaid</td>
<td>No</td>
<td>None</td>
<td>Yes</td>
<td>High - Does not cover LTC costs. Amounts received may be recovered from your estate</td>
</tr>
</tbody>
</table>

### Medicare

- **Eligibility**
- Medicare Part A
- Medicare Part B
- Pays only for “skilled” care

### Health Insurance

- Preventative Care
- Routine Exams
- Short-term Medical Care
**Medicaid**
- Pays primarily for nursing home care
- Welfare: stringent income & asset requirements to qualify
- Limits your client’s choices
- Questionable future of Medicaid

**Medicaid Limitations**
- Generally below $2,500 in assets
- Spousal monthly income allowance $1603
- Look Back Period
  - 5 years
- Unlimited penalty period

*Refer to your state’s Medicaid rules

**Disability Insurance**
- Income Protection
- Benefit Cap
- Does not pay for long term care
The Risk of Self Funding

Goals

Medical Bankruptcy

- Long term illness contributes to 30% of bankruptcy filings

Medical Bankruptcy

- Long term illness contributes to 30% of bankruptcy filings

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Skilled Nursing Care</th>
<th>Custodial Care</th>
<th>Home Health Care</th>
<th>Adult Day Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>Not Covered</td>
<td>Limited benefits</td>
<td>Not Covered</td>
<td>Not Covered</td>
</tr>
<tr>
<td>Long Term Care Insurance</td>
<td>Limited benefits</td>
<td>Limited benefits</td>
<td>Limited benefits</td>
<td>Limited benefits</td>
</tr>
</tbody>
</table>

Long Term Care And The Family

- Emotional Impact
  - Burden of care
  - Depression
  - Family conflicts

- Financial Impact
  - Income
  - Savings/Retirement
  - Estate

Tax Treatment of Qualified LTCI

- Qualified LTCI is treated as accident & health insurance\(^1\)
- Premiums can be deductible\(^2\)
- Benefits received are not generally taxable income\(^3\)
- Un-reimbursed cost of qualified LTC services are deductible as medical expenses

\(^1\) IRC Sec. 7702B(a)(3)
\(^2\) IRC Sec. 213(d)(1)(D), 213(a)
\(^3\) IRC Sec. 105(b), 7702B(a)(2), 7702B(d), 213(d)(1)
The LTCI Policy
- Facility care only
- Home health care only
- Comprehensive care

Provisions of the LTCI Policy
- Benefit amount
- Benefit period
- Elimination period
- How benefits are paid
  - Reimbursement
  - Indemnity

Joint Policies
- Covers two or more people
  - One policy with two insureds
  - Two separate policies
- Separate or shared benefits
Other Policy Provisions
- Restoration of benefits
- Bed reservation
- Alternate plan of care
- Care coordinator
- Caregiver training
- Waiver of premium
- Respite care

Optional Policy Provisions
- Inflation protection
- Survivorship
- Limited-pay
- Non-forfeiture
- Return of Premium

LTCI Companies
- Company ratings
- History of raising premiums
- Longevity in the industry
Designing the Right Plan for the Client

Long Term Care Insurance
A Continuing Education Course for Insurance Professionals