

The Death of Long-Term Care Insurance - Now What Do We Do?

Sometimes The Journey into the last Chapter of our lives is not that clear!



What we will learn today!

- The facts we are all facing
- Long-term care risk management
- Tips and tools to communicate with clients.

Where Have We Come as a Society in Caring For Our Elderly?



The Options to consider in paying for Long-Term Care

Category	Private Pay	Medicaid	VA	Other
Private Pay	100%	0%	0%	0%
Medicaid	0%	100%	0%	0%
VA	0%	0%	100%	0%
Other	0%	0%	0%	100%

Don't Forget the Basics!

- Powers of Attorney
- Directive to Physicians
- POLST Form ("Physicians Order for Life Sustaining Treatment")
- Involve Family - Communicate
- Have a Plan - Make sure to have an Emergency Contact document of some kind...
- Love Letters

Understanding Long-Term Care



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This information is not intended to be a substitute for specific individualized tax or legal advice. Clients should discuss their specific situation with a qualified tax or legal advisor.

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**JUST
THE
FACTS**

The Challenge of Paying The Cost

- 10 million American's (7 million of which are over 65) are receiving some level of assisted living today.
- Total cost of care in 2006 = \$207 billion, in 2009 \$240 billion and \$312 billion in 2012.
- Of these numbers, about 50% is paid by Medicaid and only 17% is covered by private insurance like long term care protection.
- The annual cost for skilled nursing care is around \$97,452.

**JUST
THE
FACTS**

The Challenge of Paying The Cost

- Assisted Living Facilities - Average annual cost \$42,000
- Homemaker and Home Health Aides - \$45,188
- Couples turning age 65 face a 50% risk of incurring long-term care costs during their lifetimes of \$260,000
- 71% of all claims were females
- 50% of claims were from dementia and cognitive issues
- 50% of claims lasted longer than one year
- 15% of claims lasted longer than five years
- 71% of claims started with home care

Source: Journal of Financial Services Professionals, July, 2012 - "The Imperfect Match Between Long-Term Care Risk and Long-Term Care Insurance: by Harold Weston; Genworth 2013 Claims study of 38 years of experience



Understanding Long-Term Care



Planning for Long-Term Care

Fact finding - family health history, experience with LTC, risk sensitivity, resources to pay, insurability, veteran, and age...

Documents needed - Power of Attorney, Directive to Physicians, POLST...



Retirement Timeline...

Go-Go Years

Go-Slow Years

No-Go Years



Resources to pay for long-term care



- Family home
- Resources
- Long-term care insurance
- Life Insurance
- Annuities



The Options to consider in paying for Long-Term Care

Jan and Bill Smith Long-term care - funding comparison February, 2018					
All premiums and benefits are combined for both Steve and Linda - based on preferred health					
Funding Type	Self insured option	Traditional Long-term care insurance	Traditional Long-term care insurance	Life Insurance with Long-term care rider	Life Insurance with Long-term care rider
Carrier	Misc. Account earning a non-guaranteed after tax return of 5%	Transamerica	Mutual of Omaha	John Hancock	State Life
Policy Design	No Policy	\$150 benefit per day, 90 day waiting period, 4-year benefit 3% Compound Inflation rider, total initial benefit = \$225,000/ each = \$450,000 combined.		\$225,000 Universal Life on each client, access to LTCI of \$9,000 for 25 months	\$112,500 - Whole Life Coverage on each with \$4,500 per month LTCI benefit, unlimited duration with 3% COLA
Initial Deposit / Premium	\$7,000	\$6,773	\$6,697	\$7,945	\$7,968
Annual cost	\$7,000	\$6,773	\$6,697	\$7,945	\$7,968
20 year cash outlay	\$140,000	\$135,460	\$133,940	\$158,900	\$159,360
Benefit amount in 20 years	\$259,000	\$812,750	\$812,750	\$450,000	\$297,378
30 year cash outlay	\$210,000	\$203,190	\$200,910	\$238,350	\$239,040
Benefit amount in 30 years	\$517,000	\$1,092,268	\$1,092,268	\$450,000	\$362,510
Notes	Minimal early year benefits - long-term access to investments	3% compound inflation rider, risk of higher premiums in future years	3% compound inflation rider, risk of higher premiums in future years	Benefit is paid over two years if disabled or immediately at death. There will be a death benefit on the first spouse to die to help fund the cost of additional care or cost of future premiums. Focus on death benefit, and second benefit is LTCI.	Benefit is unlimited duration and there is always a death benefit at the second death. Guaranteed premiums for life.





History of Long-Term Care Insurance



- Created in the mid 70's by CNA and UNUM who both no longer offer the coverage and were the first to dump the product in the early 2000's.
- Various carriers have entered and left the industry.
- "Qualified LTCI" was introduced in 1996 with HIPPA and is the standard policy design today.
- There were at one time, over 100 carriers selling LTCI and now there are only a handful - **5 insurance carriers now sell 75% of all coverage**



The Government and Long-Term Care The Class Act

- With ObamaCare, there was a provision called "The Class Act" (Community Living Assistance Services) that was the Fed's solution to providing citizens with affordable long-term care insurance.
- It was only in the bill for a little over a year and quietly rescinded on October 14, 2011.
- Even the federal government (surprise) has not found a real solution...

Long-term Care Insurance and its partnership with Medicaid!

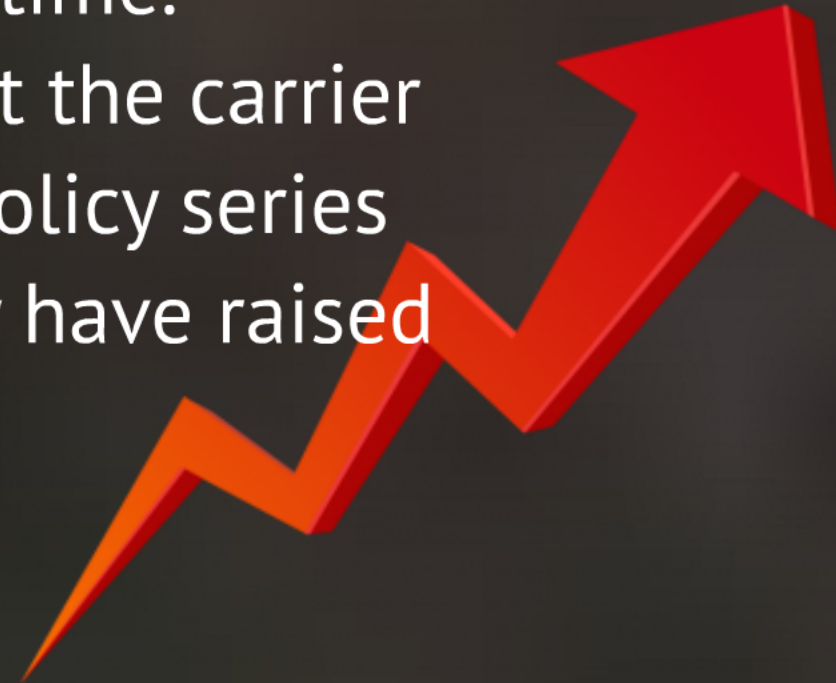
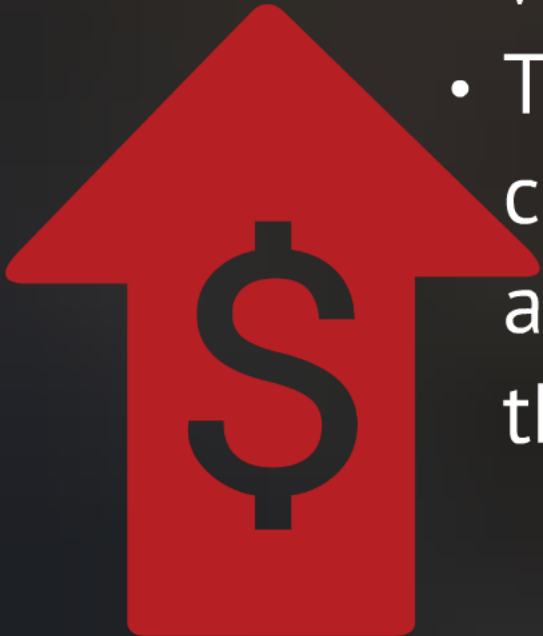
- The vast majority of states currently offer the partnership...
- Protects an equal amount of insured assets from spend down requirements for Medicaid.

[Medicaid.gov](https://www.Medicaid.gov)



Carrier and Agent Pledge Regarding Premium Increases

- At the time of policy sale, the agent and carrier convey their pledge that the premium will stay level for the clients lifetime.
- The disclosure states clearly that the carrier can increase premiums on the policy series and pool of insured's - and many have raised their rates.



Premium Increases Have Been Horrible For Clients Reason for the Increases -

- Interest rate assumptions
- Claims experience
- Lapse Ratios



Examples of "Notice of Increase in Premium."



- Client A - Premium Increase - Accepted

- Client B - Premium Increase - Dropped Coverage



- **What to watch out for: non-forfeiture option can be the default or signature page.**

Stories

- Client A - Successful LTC Story



- Client B - Insurer raised rates 60%

- Client C - Used all her CNA Benefit this year - premiums paid \$16,500, benefits collected - \$350,000



- Client D - Used all their assets

For Clients Who Have Long-Term Care Insurance What to Watch Out For...

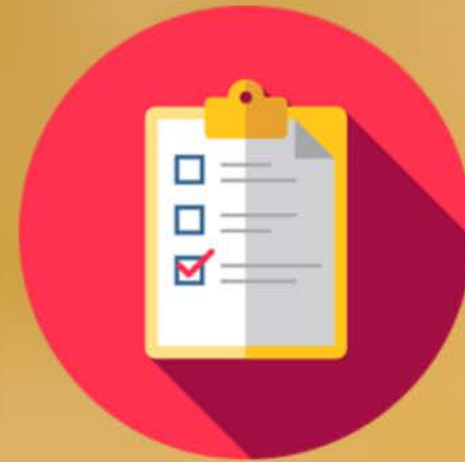


- Review the benefits of the long-term care policy annually.
- Prepare the client for premium increases.
- Watch out for increase premium notices that offer non-forfeiture benefits - the insurers best friend.
- Lapse protection notifications - make sure the carrier has up to date information.
- Claim time - who and where you call for claims - involve the children.

Conduct Policy Review



- Carrier Health
- Agent or servicing office - who to call at the time of service or claim
- Benefits available -
 - Waiting period
 - Daily benefit
 - Maximum benefit period/amount
 - Cost of living increase
 - Level of care - home health, assisted living, nursing home
 - Shared benefits with spouse
 - Miscellaneous benefits - Respire care, restoration of benefits, etc.
- Share information with the family, advisers, and care givers



Claims process - A challenge for Clients and Families!

Apply for the claim early on in the healthcare event!

Involve the insurance carrier / agent - they can and will help!

Keep copies of everything and who you spoke with!



Long-Term Care Insurance Alternatives

- Buy LTC now before there are no longer any carriers left
- Consider the following:
 - Self Pay - Consider the costs and using personal residence as your funding source
 - Continuing Care Retirement Community (CCRC)
 - Call the kids and move in with them
 - Hybrid products - annuities and life insurance with LTCI benefits
 - Longevity Insurance

Long-Term Care Alternatives

Annuity with Long-term care rider

- Annuity with long-term care benefit rider
 - No underwriting (typically)
 - Limited pool of dollars and increasing gap for providing coverage
 - Easy access to the dollars
 - Tax consequences on withdrawals (qualified vs. non-qualified dollars)
 - Triggering the benefit - Be careful to review the triggers

Long-Term Care Alternatives - Life Insurance with LTC Rider

- Life insurance with long-term care rider
 - Must qualify for the coverage
 - No need for the life insurance if the LTCI is used
 - Limited benefits and risk of shortfall in benefits to cover risk
 - Can be an alternative if all the right signs are there
 - Most existing policies have an "Accelerated Death Benefit" option that if you are terminally ill you can access some (usually 50%) of the death benefit before you actually die

Long-Term Care Alternatives

Longevity Insurance

- Longevity Insurance - Deferred Annuity
- Great idea if you live to the targeted age
- Will there be enough benefit to cover the long-term care need?
- Good alternative for clients who have longevity in their family

The need to plan!

- There are many options - all have their place.



- Please bring up the topic and have the conversation!

Be Careful When Hiring Caregivers!

- Household employer compliance requirements
- Tax obligations
- Un-employment and workers compensation
- Utilize Flexible Spending Accounts or Dependent Care Tax Credit (Form 2441)
- Outsource these services - Care.com

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Questions?

