

Long-Term Care Protection

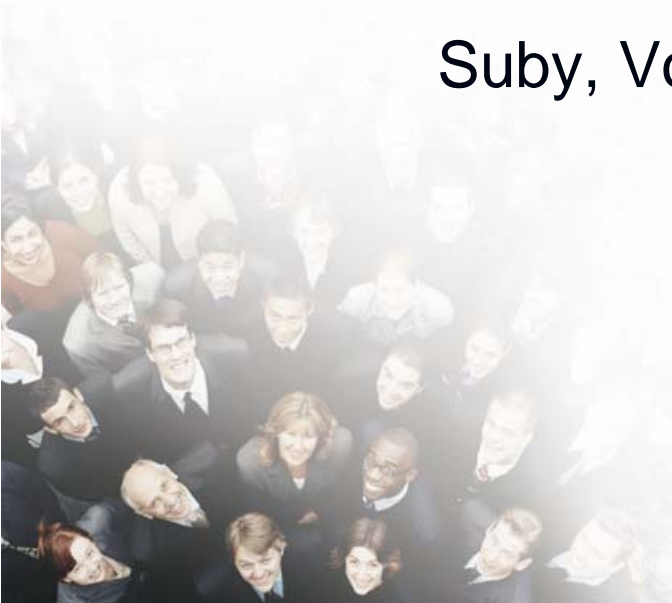
UW Retirement Association - March 20, 2007

Presented by:

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What are we here to talk about?

- What is Long Term Care?
- How likely am I to need care and how much does it cost?
- What are my options for paying for care?
- What is important to consider when looking at LTC Insurance?
- What is available?



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What is “Long-Term Care”?

- Long-Term Care ≠ Nursing Home Care
- Long-Term Care includes
 - Nursing Home Care
 - Assisted Living Facilities
 - Hospice Care
 - Community Based Care
 - Home Health Care
 - Respite Services
 - Professional Care
 - Social Services
 - Preventative
 - Rehabilitative
 - Therapeutic
 - Supportive
 - Maintenance
- Long-Term Care includes “Custodial Care,” which is 90% of all care given.

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The Facts

Traditional Nursing Home Data

Dec. 31, 2005

Age	Residents	%	Admissions (%)
<55	1,222	4	12
55-64	1,677	5	
65-74	3,463	10	15
75-84	10,575	31	38
85-94	14,381	42	31
95+	<u>3,024</u>	<u>8</u>	<u>4</u>
TOTAL	<u>34,342</u>	<u>100</u>	<u>100</u>

Top Two Disabling Diagnoses

Mental Disorders	34%
Cardiovascular Diseases	<u>14%</u>
TOTAL	<u>48%</u>

SOURCE: Wis. Dept. of Health and Family Services, Nov 2006

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The Facts

Traditional Nursing Home Data

Length of Stay

<1 yr	39% *
1-2 yrs	18%
2-3 yrs	13% **
3-4 yrs	9%
4+ yrs	22%

* Up 2% from 2004

** Past maximum was often 36 months

SOURCE: Wis. Dept. of Health and Family Services, Nov 2006

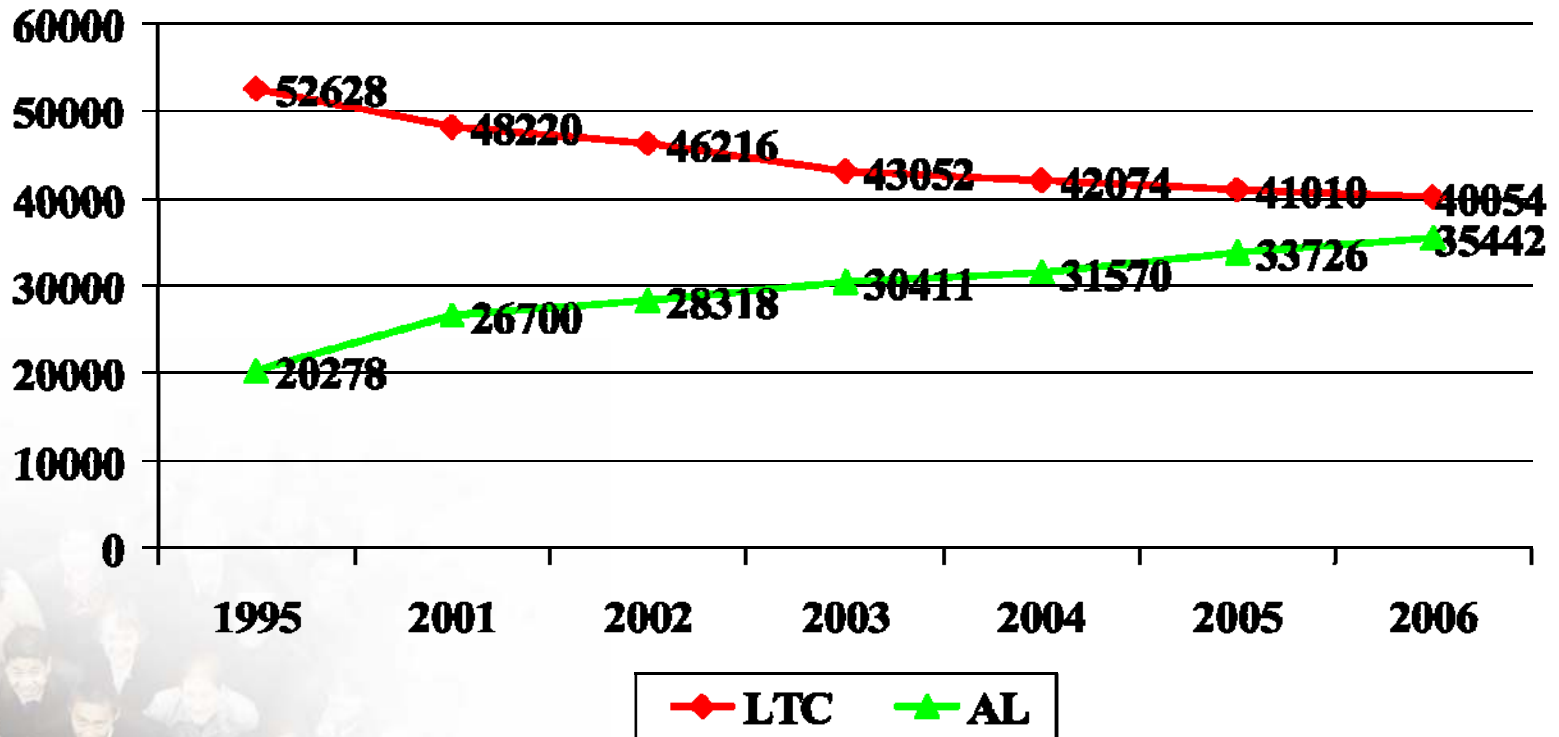
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New Paradigm: Assisted Living Facilities

AL vs LTC – Trend in capacity for residents



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Assisted Living Options

- **Adult Day Care**
 - WI Capacity: 2,617
 - Key Focus: Advanced age
- **Adult Family Homes**
 - WI Capacity: 4,059
 - Key Focus: Developmentally disabled
- **Community Based Residential Facilities (CBRF's)**
 - WI Capacity: 22,379
 - Key Focus: Advanced age
- **Residential Care Apartment Complexes (RCAC's)**
 - WI Capacity: 9,020
 - Key Focus: Retired, fairly independent
 - None in 1995, 203 now

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How likely am I to need this care?

- There is a greater than 50% chance of needing long-term care during your lifetime.¹
- 40% of those over age 65 will enter a nursing home in the future, and the average length of stay is 2.8 years.²

SOURCES: 1) Health Insurance Association of America, 1995.
2) National Center for Health Statistics

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Where can I receive this care and how much does it cost?

■ Nursing Home Care

- \$72k/year

■ Assisted Living

- \$37,600/year basic
- \$55k/year with assistance

■ Community Based

- \$91/hour skilled care
- \$40/hour custodial care

■ Home Health Care

- \$85k/year for 24 hours/day
- \$30/hour

SOURCES: Genworth Financial 2006 survey & Metlife Market survey, October 2005

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How can I pay for this care?

- Rely on government programs
- Utilize your own assets (HSA's an option)
- Transfer the risk to an insurance company



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What about Medicare?

“Very few nursing home stays are covered by Medicare. This is both because many nursing homes do not participate in the Medicare program and because Medicare defines, skilled care, in a very restrictive way.”

- State of Wisconsin “Guide to Long-Term Care,” page 4

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What about Medicare?

- What Medicare covers –
 - Care in a skilled nursing facility
 - Facility must be Medicare approved
 - Requires minimum 3-day hospitalization first
 - Must enter a skilled nursing facility within 30 days of discharge from a hospital
 - Pays for skilled and rehabilitative care only
 - Evaluated rigorously – “Restorative” care

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What about Medicare?

	Medicare	You
First 20 Days	100% of approved amount	Nothing
Next 80 Days	Only above \$124.00/day	Up to \$124.00 per day
After 100 Days	Nothing	All costs

Let's assume that an individual needs care for 180 days at \$200/day. That's a total of \$36,000. *Best case*, Medicare would pay \$10,080. You pay \$25,920 for the first six months! And that's only if "skilled care" is required throughout your stay. (In 20 years, with just 5% inflation, a 3-year stay in a nursing home could cost \$495,076)

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How about Medicaid?

- Medicaid is our Nation's welfare program.
 - Requires strict financial qualifications.
 - Government programs are subject to government budgets, political pressure, trend to privatization.



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How about Medicaid?

- Medicaid financial qualifications¹:
 - Single may keep \$2,000 in assets, \$1,500 of life insurance, prepaid funeral, personal residence and \$45/month income.
 - Couple may keep one home, one car maximum, 50% of assets to \$99,540 and \$2,738/month income.
 - Selection of an approved Medicaid facility is not entirely your own.
- Medicaid divestiture advising illegal
- Substandard care

Source: 1) Wis. Dept. of HFS – “Medicaid Eligibility Handbook”

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What other solutions are available?

- Care provided by family and friends
- Gifting strategies (5-year look-back for Medicaid)
- Accelerated death benefit on life insurance or a viatical settlement
- Reverse mortgage
- Cash & assets (self-insure)
- Life Insurance (younger segments)
- Continuing care retirement communities (CCRC's; upfront fees of \$25-450k)
- Long-Term Care Insurance

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What about Long-Term Care Insurance?

- Long-term care insurance benefits are triggered by an inability to perform 2 of 6 “activities of daily living”, or by severe cognitive impairment.
 - ADL's
 - Dressing
 - Bathing
 - Feeding
 - Toileting
 - Transferring
 - Continence
 - States set minimum coverage standards for LTC policies.
 - LTC policies pay benefits for all of the forms of care previously discussed.

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What LTC policy features are important?

- Company strength and experience
 - Premiums are not guaranteed
 - A company's "promise to pay" is EVERYTHING
- Benefit amount
- Elimination period
- Benefit period
- Inflation adjustments
- Waiver of premium

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What else can LTC insurance provide?

- Professional Care Coordinator
- Indemnity benefits (vs. reimbursement)
- Alternative Plan of Care
- Shortened premium periods
- Non-forfeiture options



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What Tax Savings are available to purchase LTC insurance?

- LTC Premiums are tax deductible in the State of Wisconsin.
- Individuals can deduct eligible premiums in excess of 7.5% of their AGI.

■ Federal	Maximum
■ Age 51-60	\$1,110
■ Age 61-70	2,950
■ Age 70+	3,680

- Benefits are received income tax free as a reimbursement, and up to \$260 per day as an indemnity benefit

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Long-Term Care Premium Analysis

Couple Age 55

Combined Annual LTC Premium: \$3,461

<u>Year</u>	<u>Annual Premium Outlay</u>	<u>Cumulative Outlay</u>	<u>Initial \$200/Day Benefit 5% Compound Inflation</u>	<u>EOY After Tax Growth 6% Net Pool</u>	<u>Days Until Exhausted</u>
1	3,461	3,461	200	3,669	18.3
10	3,461	34,610	310	48,356	155.9
15	3,461	51,915	396	85,392	215.6
20	3,461	69,220	505	134,954	267.0
25	3,461	86,525	645	201,279	312.1

*Policy shown is for a couple, age 55, preferred non-smokers, with an endorsed group discount. The policy pays a \$200 daily benefit for 5 years, with a 90-day elimination period. Riders included Calendar Day Elimination Period, Compound Inflation Rider, HHC Monthly Benefit and Spousal Waiver of Premium

** Long Term Care is assumed to cost \$72,000 per year with 5% Compound Inflation.

Long-term care quotations and policy options are not guaranteed

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Self-Insuring vs. Insurance Analysis

Couple Age 55

LTC Costs

\$72,000 today

5% for 25
Years

\$243,818 **

Self-Insuring

\$3,461/year
6 % after
tax for
25 Years

\$201,279 *

LTC Insurance

\$365,000 Benefit Pool Each
5% for 25
Years

\$1,236,020 Each *

*Policy shown is for a couple, age 55, preferred non-smokers, with an endorsed group discount. The policy pays a \$200 daily benefit for 5 years, with a 90-day elimination period. Riders included: Calendar Day Elimination Period, 5% Compound Inflation Rider, HHC Monthly Benefit and Spousal Waiver of Premium

** Long Term Care is assumed to cost \$72,000 per year with 5% Compound Inflation

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How much does LTCI cost?

■ Sample monthly premiums

■ Age 55	Individual	Joint
■ 5 year Benefit Period	\$ 209	\$ 301
■ Lifetime Benefit Period	301	434
■ Lifetime w/10-Pay Premium	886	1,152
■ Age 45	Individual	Joint
■ 5 year Benefit Period	\$ 188	\$ 271
■ Lifetime Benefit Period	255	369
■ Lifetime w/10-Pay Premium	955	1,241

Assumes: \$200 Daily Benefit with 90-Day Elimination Period, 5% Compound Inflation Rider, 100% Home Health Care Coverage, Endorsed Group Discount and Best Underwriting Class.

Long-term care quotations and policy options are not guaranteed

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What is the advantage to buying LTC Insurance at a younger age?

- Current health status
- Coverage during working years, as well as retirement
- Receive permanent endorsed group discount
- Current premium rates



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Age Analysis

The Cost of Waiting

■ Couple, Age 45

\$200 Daily Benefit

\$3,112 annual premium
(assumed paid to age 85)

\$56,069 present value*

■ Couple, Age 65

\$520 Daily Benefit

\$14,733 annual premium
(assumed paid to age 85)

\$72,659 present value*

* Present value calculated at 5%

*****Long-term care quotations and policy options are not guaranteed*****

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What are the most common reasons for purchasing LTC insurance?

- “Dignity, independence and control.”
- “Spouse’s care and security.”
- “I don’t want to outlive my savings.”
- “I don’t want to burden my family.”
- “I want choices in the care I receive.”
- “I want to leave a legacy, not a liability.”



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Why are women especially concerned about LTC?

- Women quit their jobs more frequently than men to become caregivers
- 66% of informal caregivers are women
- Women live an average of 6 years longer than men
- 70% of nursing home residents are women



SOURCE: Wis. Dept. of HFS, Nov 2006

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What is Available?

- Various benefit durations – 3, 5, unlimited
- Single or couples
- 10 pay premiums
- “Share Care” policies
- Life insurance coupled w/LTC (underwriting risk)

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What are my next steps?

- Evaluate your personal situation, determine if you need help to accomplish your goals.
- Schedule an appointment with a trusted advisor.



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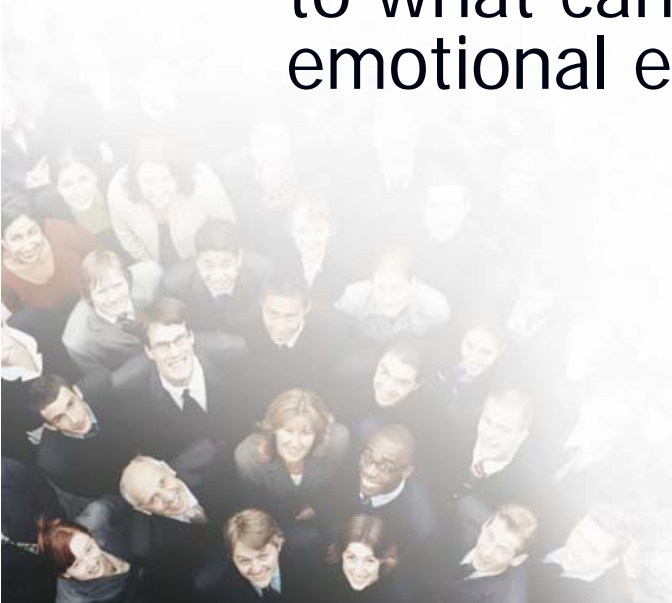
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In Summary



- Long-Term Care is complex.
- Knowledge about options is important.
- We can help you find a reasonable solution to what can be a financially significant and emotional event.



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Thank You!



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This information is current as of March 20, 2007. Laws and regulations change frequently. Please consult your professional adviser.

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