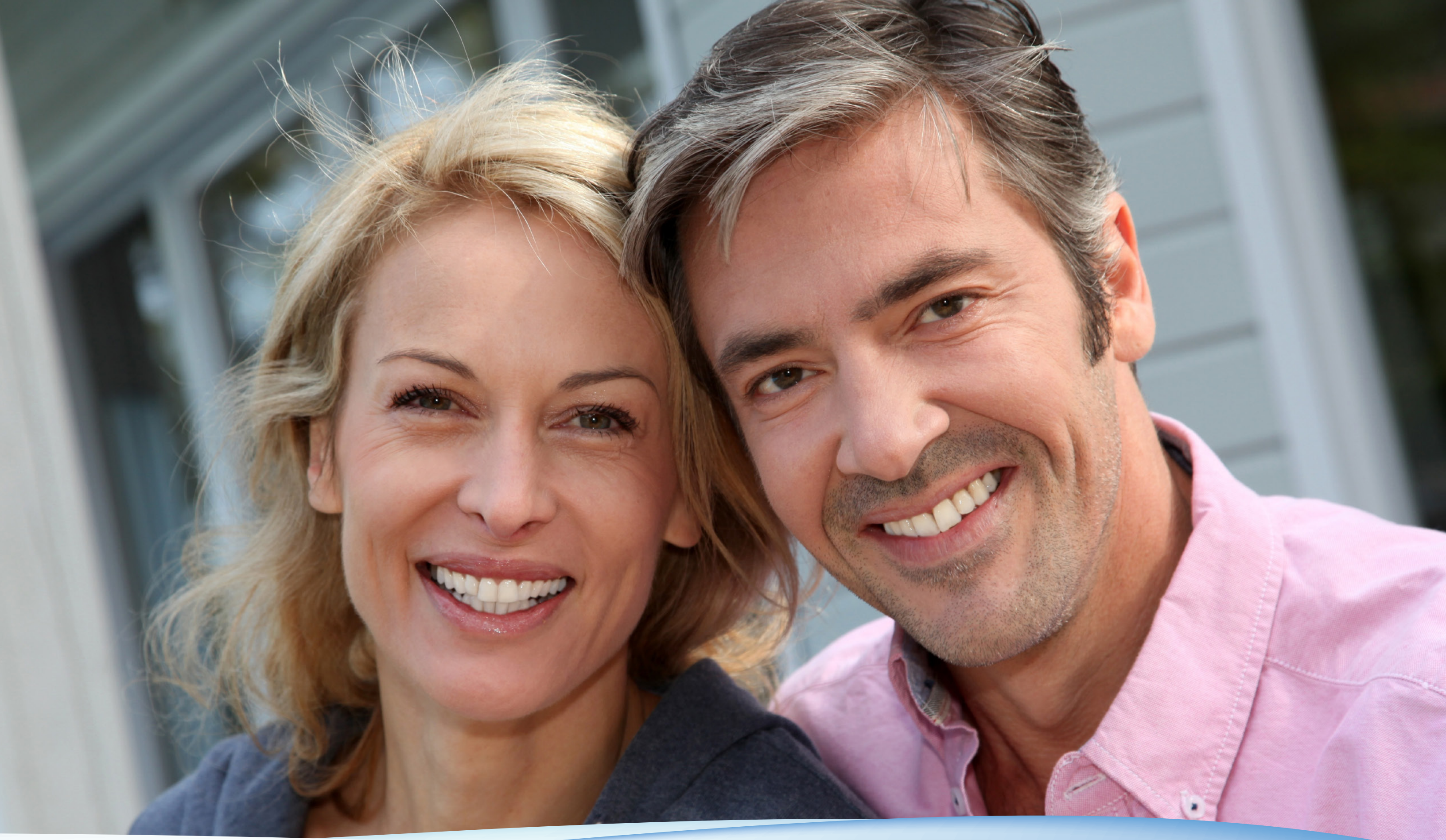

Long Term Care Insurance

Consumer Guide

Welcome

Thanks in large part to advances in medical science, most Americans enjoy a long life span. Although a long term care need can occur at any age, the longer we live, the more likely we will need extended care before we die. The majority of Americans require long term care in their later years. This care can be very expensive, and is a great threat to financial security in retirement.

Long term care (LTC) is extended care that consists of help with activities of daily living (such as dressing and bathing), and/or care needed due to severe cognitive impairment (such as caused by Alzheimer's disease). This care can be received in a home, assisted living facility, or other type of facility, such as a nursing home.

Many Americans believe that they have a slim chance of needing long term care because of their family history, their health and their lifestyle. Or they feel that if they do need it, a spouse, family member or friend will be able to take care of them. You cannot predict if or when you might need long term care, but most of us will need it at some point. The longer you live, the greater your risk. So, a healthy 55-year-old may have as high a risk of needing long term care as an unhealthy 55-year-old, because the healthy person has the longer life expectancy.

Long term care insurance is designed to pay the cost of extended professional caregiving.   Most long term care is non-medical (custodial) care. Some have described LTC as "high-touch," as opposed to modern medical care, which they describe as "high-tech." High-touch LTC includes assistance with activities such as taking a bath or moving from the bed to a chair. Caring for someone with severe cognitive impairment may be different. Her LTC may involve supervision to avoid injury or accident, verbal reminders of activities such as eating or dressing, as well as hands-on assistance.

Disclaimer

The information within this booklet is provided for informational purposes only and should not be construed as insurance advice. Please consult your licensed insurance professional for advice regarding your specific circumstances.

Basic Policy Design Terms

Daily Benefit – the maximum daily (or monthly) amount the insurer will pay once you have qualified for benefits.

Elimination Period – like a deductible, the number of days that must pass between benefit eligibility and the start of benefits. Can be defined by service day (a day in which you pay for covered services), or calendar day (no requirement of paid services).

Inflation Provisions – Built-in inflation coverage is an optional benefit (rider) either selected or not when purchasing coverage. It increases your policy's benefit automatically on the policy's anniversary date, with no action on your part and no health questions. Other inflation provisions, such as options that can be exercised in the future, are available.

Benefit Period – the number of years that the policy will pay for covered services, if the full daily benefit is used each day. Policyholders who use less than their full daily benefit may find that their policy's benefit period is effectively extended.

What Does Long Term Care Cost?

True cost is more than dollars and cents

Long term care is expensive, even in some cases when no payments are involved. How can this be so? Much LTC is unpaid (called "informal") care given by relatives and friends. However, this care has a cost. Although loved ones may be willing and happy to help, the burden of being a caregiver can be great. The care can be demanding physically, especially for an untrained caregiver. Emotional costs can be tremendous. Time with one's own family may be severely restricted, which in effect extends the burden to the caregiver's spouse and child(ren). There may also be a heavy toll in economic terms, since many caregivers choose to scale back their own careers, compromising their own current and future financial security.

The question is not <u>whether</u> your loved ones will take care of you if you need LTC; the question is instead, would you want them <u>to have to do it</u>?

Professional Care Costs

According to a comprehensive report published in 2015, the national median cost for either a home health aide or for homemaker services is $20/hour. The national median for assisted living facilities is $43,200/year, with a private nursing home room costing $91,250. The cost for home care increased approximately 2% from the prior year, while the cost for a private nursing home room rose 4.2%, and 2.9% for an assisted living facility.[1] It is important to keep in mind that costs can vary dramatically depending on location. The person who gave you this booklet can show you exact up-to-date costs in your area.

How Do People Pay for Professional LTC?

Most LTC is paid by one of the following: personal funds, government programs, or LTC insurance. Personal funds may involve drawing down retirement savings or other assets, using retirement income, or even funds provided by adult children. Health insurance does not cover LTC.

Medicare Won't Pay

Medicare health coverage is designed primarily to cover medically-necessary care, skilled care, and some preventative screenings. The Medicare website itself states: *Generally, Medicare doesn't pay for long-term care. Medicare pays only for medically necessary skilled nursing facility or home health care. However, you must meet certain conditions for Medicare to pay for these types of care. Most long-term care is to assist people with support services such as activities of daily living like dressing, bathing, and using the bathroom.* ***Medicare doesn't pay for this type of care called "custodial care."***[2]

[1] "Genworth 2015 Cost of Care," Genworth Financial. https://www.genworth.com/dam/Americas/US/PDFs/Consumer/corporate/130568_040115_gnw.pdf

[2] http://www.medicare.gov/what-medicare-covers/not-covered/item-and-services-not-covered-by-part-a-and-b.html

Medicaid Is a Payer of Last Resort

Medicaid is a means-tested program. It is designed to provide health care and long term care for the poor. Medicaid has an institutional bias, meaning that, while nursing homes are filled with people whose bills are paid by Medicaid, the same can't be said of assisted living facilities and home care.

In the vast majority of states, in order to qualify for Medicaid, an individual is only allowed to have $2,000 of (countable) assets to her name. Countable assets generally include all investments and assets, with the exception of business property and most primary residences. Legislative reform has made it virtually impossible for an individual (i.e. unmarried, widow or widower) to do the kind of last-minute Medicaid planning which was once commonplace.

Unlike Medicare and Social Security, Medicaid is not a program that we pay into through payroll taxes. Medicaid is funded jointly by general tax receipts of both the federal government and the state government where the applicant resides.

Most people are concerned about the long-term sustainability of government programs, including Medicaid. Speculation abounds that it will become even tougher to qualify for Medicaid in the future.

Smart Buying Tip: Work With Someone Who Represents Multiple Companies

As Abraham Maslow said, "If your only tool is a hammer, everything looks like a nail." You want to work with an agent who doesn't recommend the same insurer to everyone. Not only do available plans vary among insurance companies, but premiums for the same type of coverage can vary dramatically. An agent who represents multiple companies can choose the plan best suited for your situation.

By reading this booklet and talking with the person who gave it to you, you are taking important steps to secure your future, regardless of what the future holds.

Tax Deductions and Other Incentives

For many years, the federal government and individual state governments have encouraged people to do long term care planning and purchase long term care insurance. There are two primary types of incentives: tax deductions/credits and Partnership Programs. These are explained on a state-by-state basis in the booklet: "Tax Breaks and Incentives for Long Term Care Insurance." Ask the person who gave you this booklet for a copy.

Smart Buying Tip: Linked Benefit Products

- Some policies offer a cash benefit alternative. This means that, instead of having to submit reimbursement for covered charges, claimants are instead sent money to spend however they choose.
- Combination products are available that couple LTC insurance with life insurance products, including annuities.

If you have an annuity or life insurance policy, it may be possible to buy LTC insurance with no out-of-pocket expense. The tax-favored mechanism to make this happen is called a 1035 exchange.

Who Buys Long Term Care Insurance, and Exactly What Do They Buy?

It's difficult to discuss typical buyers and their policies, since policies vary so much. The information below may be helpful as you consider LTC insurance. However, it's wise to keep in mind that your best course of action may bear little resemblance to the purchasing behavior of others.

The average purchaser is age 56, with most (77.6%) purchasers between the ages of 50 and 69. However, many younger people are buying coverage. Eighteen percent of purchasers are under age 50. Only 4.4% of LTC buyers are age 70 or older.

The most popular benefit period is 3 yrs. The majority of purchasers buy policies with a 3, 4, 5 or 6 year benefit period (79.7%). Almost 12% (11.7%) buy a benefit period of 2 years or less.[3]

Smart Buying Tip: Shared Care Can Save Premiums

Spouses or other cohabitants can purchase policies that are "linked," allowing the benefits to be used by either person. These policies can bring flexibility to planning, and can also be more cost-effective than individual policies. On a related note, many insurers offer significant discounts to couples/cohabitants who apply together.

Next Step

What none of us know for sure is whether we will need long term care, and, if we do need care, how long the need for care will last.

What we can agree on is this: it's smart to have a plan that helps pay for long term care.

Taking action now can help ensure that we have the resources to pay for the kind of care we desire. In addition, having a plan in place allows us to substantially lift the burden of caregiving off our loved ones. Contact the person who gave you this booklet to learn more about long term care insurance.

[3] "2015 Long Term Care Insurance Survey," Broker World Magazine, July, 2015. http://www.brokerworldmag.com

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Smart Buying Tip: Set Yourself a Deadline

Time is your enemy when it comes to purchasing LTC insurance. The older the age at which you buy a particular policy with a particular policy design, the higher the premium. But, more importantly, you must be relatively healthy to purchase LTC insurance, and health can change at any time. By completing an application now and putting down a 100% refundable deposit, you lock in today's health and age. Smart buyers know that their deposit is totally refundable if they change their mind, for up to 30 days after a policy is delivered.[4]

It's a great idea to set a deadline to decide whether or not you will take the risk of being uninsured off your shoulders and transfer it to an insurance company. Keep in mind that if your birthday happens before your deadline, any quotes are no longer accurate.

[4] At least 30 day 'free look period' – can vary state-to-state.

Notes

In a survey of Americans ages 30-65, 77% agreed with the statement "I should know more about long term care insurance than I currently do."

By reading this booklet and talking with the person who gave it to you, you are taking important steps to preserve your quality of life and your financial future, regardless of what the future may hold.

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This guide was produced by the National LTC Network.
The professional who gave you this guide is a member of this national organization of Long Term Care insurance professionals.