



**LTC Evaluation for Jane & John Doe**

## Disclaimer

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LTC Evaluation is a planning concept designed to assist you in exploring long term care insurance options. This presentation is not intended to be a retirement, benefit or estate plan nor is it a specific recommendation for a retirement, benefit or estate plan. This material is for informational purposes only. Although many of the topics presented may also involve legal, tax, accounting or other issues, there is absolutely no intention of offering such advice and this presentation and any other oral or written communication should not be construed as such.

Individuals interested in this topic should consult their own professional advisors to examine tax, legal, accounting, or financial planning aspects of this topic. As you explore your planning needs with your legal and tax advisors, we hope that you find this analysis useful.

Date :

# AGENDA

1. Long term care overview
2. The need to plan for chronic care
3. The Basics of LTC insurance
4. Current Market Options
5. Key Takeaways

# The Basics of Long-Term Care

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## Skilled Care vs Custodial Care

### Skilled Care:

- Medically-necessary care that requires licensed medical personnel.
- May be covered by medical insurance or Medicaid.
- Examples: Physical therapy, wound care, intravenous injections, catheter care.



### Custodial Care:

- Non-medical care that can reasonably and safely be provided by non-licensed caregivers.
- Takes place at home and in senior facilities.
- Assistance with “Activities of Daily Living”
- Not covered by medical insurance and/or Medicaid.

# The Rising Cost of Care...

The Cost of Care in Your Town...

Today & In 20 Years (10)

## Monthly Median Costs: *St. Louis (2023 vs 2043)*

In-Home Care ⓘ	
Home Maker Services <sup>1</sup>	<b>\$6,101</b>
2043* Cost	<b>\$11,019</b>
Home Health Aide <sup>1</sup>	<b>\$6,673</b>
2043* Cost	<b>\$12,052</b>

Community and Assisted Living ⓘ	
Adult Day Health Care <sup>2</sup>	<b>\$2,058</b>
2043* Cost	<b>\$3,717</b>
Assisted Living Facility <sup>3</sup>	<b>\$5,100</b>
2043* Cost	<b>\$9,211</b>

Nursing Home Facility ⓘ	
Semi-Private Room <sup>2</sup>	<b>\$7,194</b>
2043* Cost	<b>\$12,993</b>
Private Room <sup>2</sup>	<b>\$9,095</b>
2043* Cost	<b>\$16,427</b>

Genworth Cost of Care Survey (10)

## How You Collect Benefits

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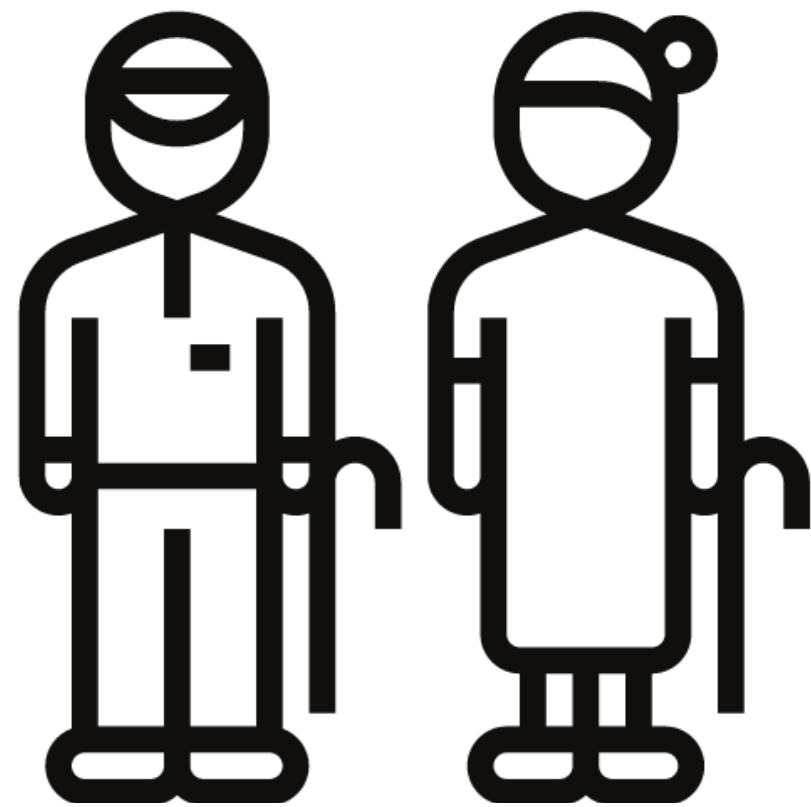
In order to make a claim to collect on LTCi benefits, your physician must attest that you are unable to perform 2 of 6 “Activities of Daily Living,” which include:

- Bathing
- Dressing
- Eating
- Transferring
- Toileting
- Continence

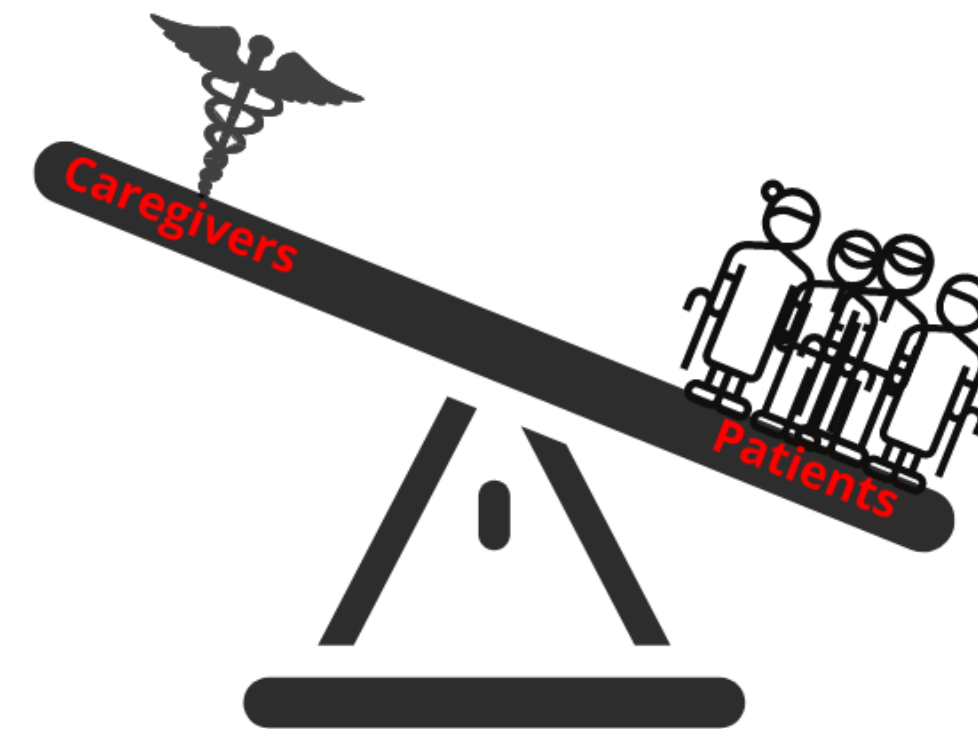
...or have a cognitive impairment such as dementia/Alzheimer’s that prevents you from caring for yourself (confirmed by your physician).

## A Brief Chat About the Need...

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Baby Boomers are currently ages 58 – 76 and have a population of over **70M**. Average age of nursing home admittance is age 79.



In an AHCA poll, 99% of nursing homes and 96% of assisted living communities report staffing shortages.

Published by Statistica Research Department, and Sep 10. "U.S. Population by Generation 2019." *Statistica*, Statistica Research Department, 10 Sept. 2021, <https://www.statista.com/statistics/797321/us-population-by-generation/>

# Who Will Pay?

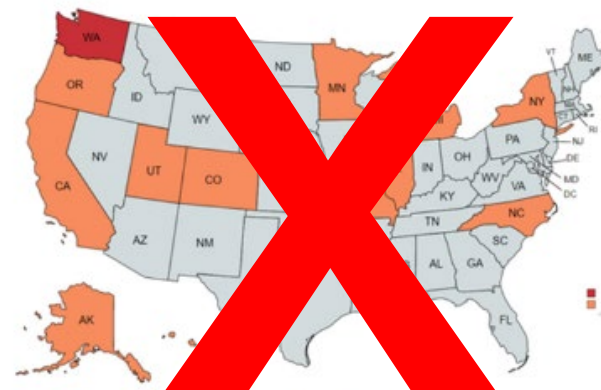
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Medicaid



Medicare



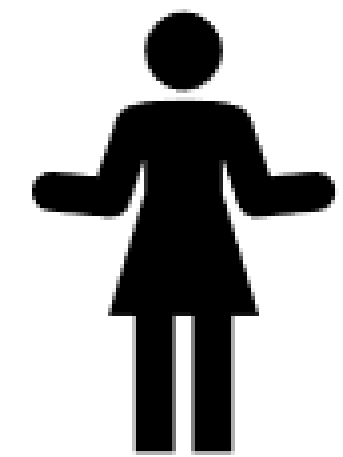
Legislation



Out of Pocket



LTC Insurance



Children



# Family Caregiving is Not the Solution...



Caregiver: Adult Child  
Female, Age 49

CONDITION PREVALENCE	CAREGIVERS	BENCHMARK	DIFFERENCE
Adjustment Disorder <sup>7</sup>	6.1	4.5	+36%
Anxiety	18.0	13.5	+34%
Major Depression	7.4	5.4	+37%
Tobacco Use Disorder	9.9	7.0	+42%
Obesity	26.9	17.9	+50%
Hypertension	39.3	23.9	+64%

Journal of Affective Disorders (9)

## 24+ hours per week of care.

- 94% of the time it goes beyond a year
- 50% of the time it goes beyond 4 years

## The average cost to a daughter caring for her elderly mother:

- **\$144,000 - \$200,000**

## **Traditional & Hybrid (Life/LTCi) Plans – Strengths and Weaknesses**

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# Traditional & Hybrid Plans

## Product Options

Traditional LTCi	Hybrid - Life/LTCi
<p><b>Pros:</b></p> <p>Lower Initial Premium</p> <p>State by State Partnership Approval (Medicaid Spend Down)</p> <p><b>Cons:</b></p> <p>Non-guaranteed premium can lead to frequent, substantial rate increases*</p> <p>Continuous annual premium is the only design option</p> <p>Generally, there is nothing payable at death</p> <p>Generally, there is no return of premium option if surrendered</p>	<p><b>Pros:</b></p> <p>Contractual Guarantees:</p> <ul style="list-style-type: none"> <li>• Premium Amount</li> <li>• Premium Duration</li> <li>• LTC Benefit Pool</li> <li>• Inflation Protection</li> <li>• Return of Premium, if Surrendered</li> <li>• Death Benefit</li> </ul> <p><b>Cons:</b></p> <p>Higher initial premium</p> <p>No state partnership approval</p> <p>Underwritten for Life and LTCi</p>

\*Nearly every major insurance carrier participating in the traditional LTCi market has substantially increased rates on existing plans.

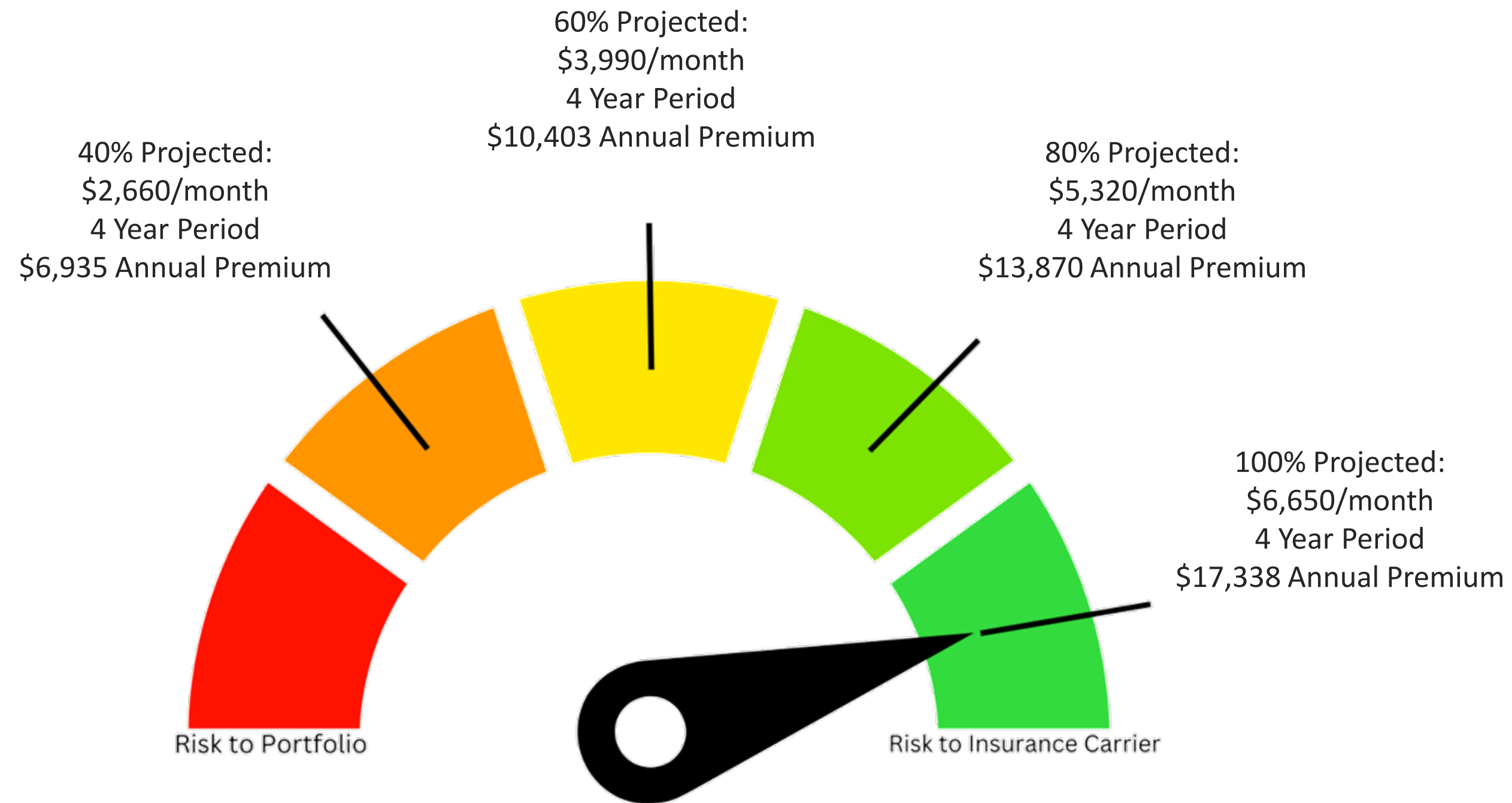
## Potential Solutions to Longevity Concerns

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# Current Market Options

	Traditional Mutual of Omaha	"Hybrid" Securian	"Hybrid" Nationwide
A.M. Best Rating	A+	A+	A+
Monthly Benefit - Year 1	\$6,650	\$6,650	\$6,650
Initial Pool of Money	\$319,200	\$333,853	\$333,854
Benefit Period (Years) <sup>i</sup>	4	4	4
Inflation Protection <sup>i</sup>	3% Compound	3% Compound	3% Compound
Inflation on Claim	Yes	Yes	Yes
Monthly Benefit - Age 80	\$18,713	\$18,712	\$18,712
Pool of Money- Age 80	\$898,224	\$939,418	\$939,419
Death Benefit	Zero	No Claims = \$159,600 Minimum = \$10,000	No Claims = \$159,600 Minimum = \$31,920
Shared Benefit	Shared Care	None	None
Return of Premium	N/A	Guaranteed Cash Value	Guaranteed Cash Value
Claims Payment Method <sup>i</sup>	Reimbursement	Indemnity	Indemnity
Elimination Period (Facility) <sup>i</sup>	90	90	90
Elimination Period (Home)	0	90	90
Annual Premium - John	\$3,356	\$8,894	\$9,232
Annual Premium - Jane	\$5,776	\$9,942	\$10,248
Total Premium	\$9,132	\$18,836	\$19,480
Cumulative Premium to Year 35	\$319,613	\$188,360	\$194,800
Premium Duration	Lifetime	10 Years (Guaranteed)	10 Years (Guaranteed)
Subject to Rate Increases?	Yes	No	No

# There's a Long Way Between All or Nothing



## Transferring of LTC Risk\*

This graph is intended to be a visual representation of projected costs based upon an average cost of a semi-private room and homemaker services from Genworth's annual cost of care survey. This is not an assurance or guarantee that the policy benefits will pay for 100% of the cost of care, recognizing that future inflation costs for care are unknown.

**QUESTIONS?**

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## Self Insuring Against Risk of Longevity...

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## The Risk of Self-Insurance

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### Financially

- Market Timing
- Protecting Inheritance
- Leverage
- Catastrophic Risk

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### Family

- Ease Burden on Loved Ones
- Care Coordination
- Reduces Animosity Among Children
- Protects Privacy

## The Pool of Money...

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## LTCi Policy Structure

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### REIMBURSEMENT POOL OF MONEY - EXAMPLE

**\$5,000 Monthly Max Benefit                    x                    36 Month Benefit Period =**

**\$180,000 Pool of Money**

# LTCi Policy Structure

<u>Year 1</u>		<u>Year 2</u>		<u>Year 3</u>		
\$3,000		\$4,000		\$5,000		
\$3,000		\$4,000		\$5,000		
\$3,000		\$4,000		\$5,000		
\$3,000		\$4,000		\$5,000		
\$3,000		\$4,000		\$5,000		
\$3,000		\$4,000		\$5,000		
\$3,500		\$5,000		\$5,000		
\$3,500		\$5,000		\$5,000		
\$3,500		\$5,000		\$5,000		
\$3,500		\$5,000		\$5,000		
\$3,500		\$5,000		\$5,000		
\$3,500		\$5,000		\$5,000		
<b>\$39,000</b>	<b>+</b>	<b>\$54,000</b>	<b>+</b>	<b>\$60,000</b>	<b>=</b>	<b><u>\$153,000</u></b>

**\$27,000 left in the Pool of Money or 5+ more months of coverage**

# Citations

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- (1) "How Much Care Will You Need?" *How Much Care Will You Need?* | ACL Administration for Community Living, <https://acl.gov/ltc/basic-needs/how-much-care-will-you-need>.
- (2) "2020 Census Will Help Policymakers Prepare for the Incoming Wave of Aging Boomers" (census.gov), site accessed 11/04/20.
- (3) Grunebaum, Dan. "How Much Long-Term Care Will YOU Need?" *MedicareGuide.com*, 14 June 2021, [medicareguide.com/how-much-long-term-care-will-you-need-337811?eType=EmailBlastContent&eld=44444444-4444-4444-4444-444444444444](https://www.medicareguide.com/how-much-long-term-care-will-you-need-337811?eType=EmailBlastContent&eld=44444444-4444-4444-4444-444444444444). Site accessed 7/2/21.
- (4) Published by Statistica Research Department, and Sep 10. "U.S. Population by Generation 2019." *Statistica*, Stastica Research Department, 10 Sept. 2021, <https://www.statista.com/statistics/797321/us-population-by-generation/>
- (5) Muoio, Dave. "Staffing Shortages Face Long-Term Care Facilities to Limit Admissions, Hire Agency Workers." *FierceHealthcare*, 22 Sept. 2021, <https://www.fiercehealthcare.com/hospitals/staffing-shortages-force-long-term-care-facilities-to-limit-admissions-hire-agency>
- (6) May, Steven. "Caregiving in the US 2020." 2020 Report. The National Alliance for Caregiving, 11 May 2020, <https://www.caregiving.org/caregiving-in-the-us-2020/>
- (7) Wolf JL, et al. A National Profile of Family and Unpaid Caregivers Who Assist Older Adults with Health Care Activities. *JAMA Internal Medicine*. March 2016. Table 2, p.375.
- (8) Fronstin, P, et al. Amount of Savings Needed for Health Expenses for People Eligible for Medicare. EBRI. October 2015. p.3
- (9) Czeisler, Mark, et al. "Caregiver Survey Insights." *ARCHANGELS*, Journal of Affective Disorders, Volume 295, 2021, Pages 1259-1268, <https://www.archangels.me/insights>.
- (10) Genworth Cost of Care Survey, conducted by CareScout®, January 2023
  1. Based on annual rate divided by 12 months (assumes 44 hours per week)
  2. Based on annual rate divided by 12 months
  3. As reported, monthly rate, private, one bedroom
- (11) "Medicare Coverage of Skilled Nursing Facility Care." *Medicare Coverage of Skilled Nursing Facility Care*, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES , 2019, <https://www.medicare.gov/Pubs/pdf/10153-Medicare-Skilled-Nursing-Facility-Care.pdf>.