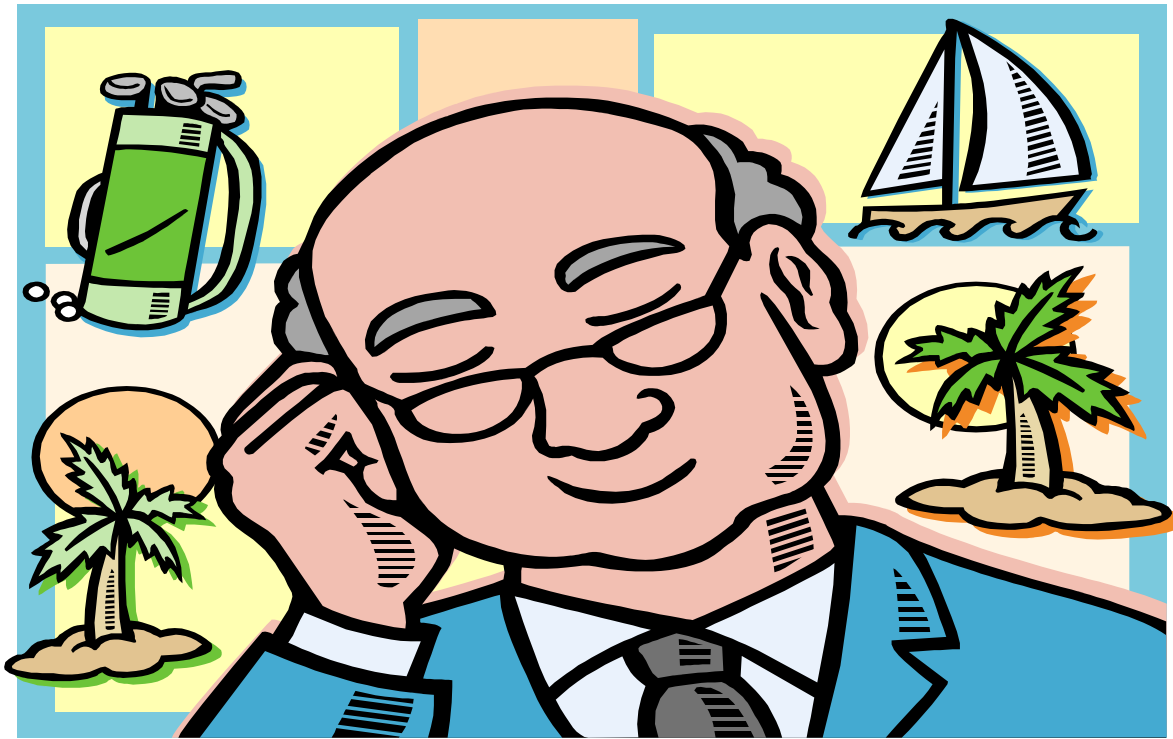


# LONG TERM CARE: THE BIG PICTURE



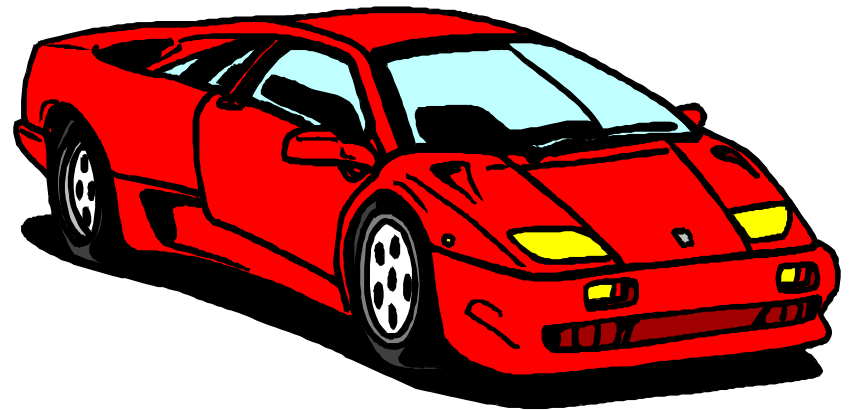
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**You work hard to save money  
for retirement.**

**Assuming you never need long  
term care, biggest concern for  
retirees is outliving their money**



**Your body is like a fine automobile.**  
**Your car also has a state-of-the-art  
computer on board.**

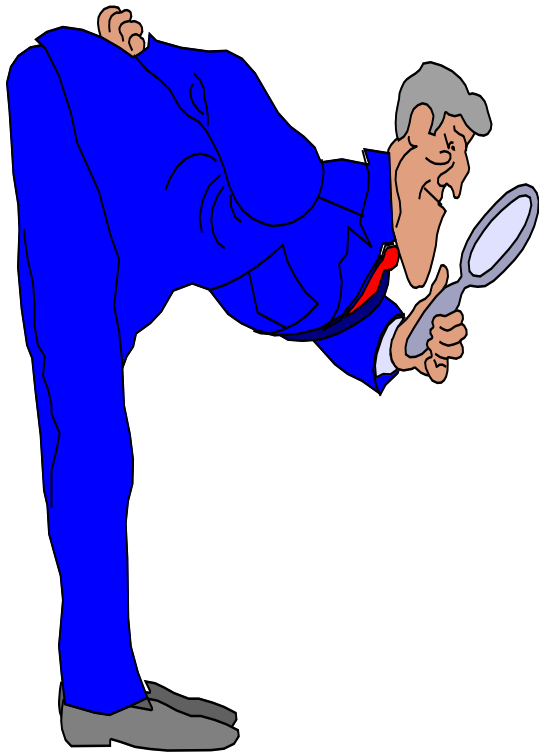


**Even with regular maintenance and replacement of some parts, your fine automobile wears out eventually and assistance may be needed.**

**Prudent people recognize and plan for this risk. Our goal is to help you make an intelligent decision about LTC insurance**



# TO MAKE AN INTELLIGENT DECISION ABOUT LONG TERM CARE INSURANCE, 3 QUESTIONS MUST BE ANSWERED



- **Do you need it?**
- **Can you afford it?**
- **Which combination of benefits is best for your specific needs?**
- **Which company is best for you?**

# WHAT IS LONG TERM CARE?

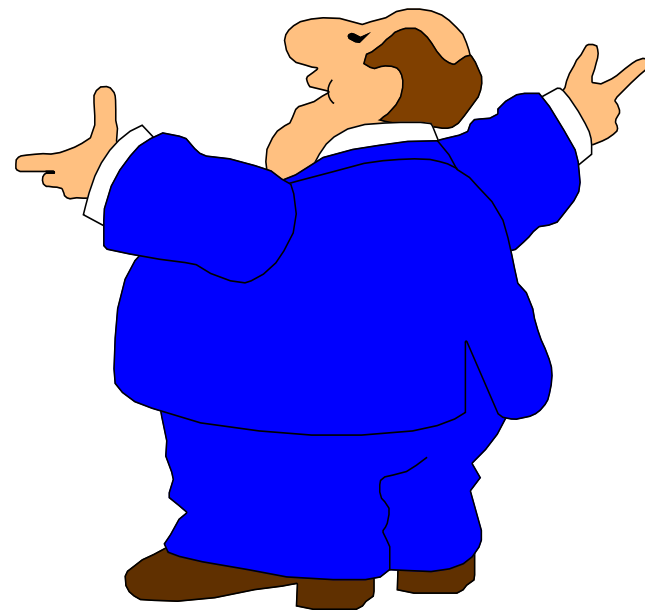
- **It is the day-in, day-out assistance you need when you have a serious illness or disability that lasts for a long time and you are not able to totally care for yourself**
- **The daily care required to help you perform the necessary activities of daily living, otherwise known as “ADL’s.” (Bathing, Dressing, Transferring, Toileting, Contenance, Eating)**
- **Care provided when you are cognitively impaired, due to Alzheimer’s Disease or senility.**



# WHAT IS LONG TERM CARE?

## Continuum of care

- Home health care
- Adult day care
- Respite care
- Assisted living facilities
- Nursing home care

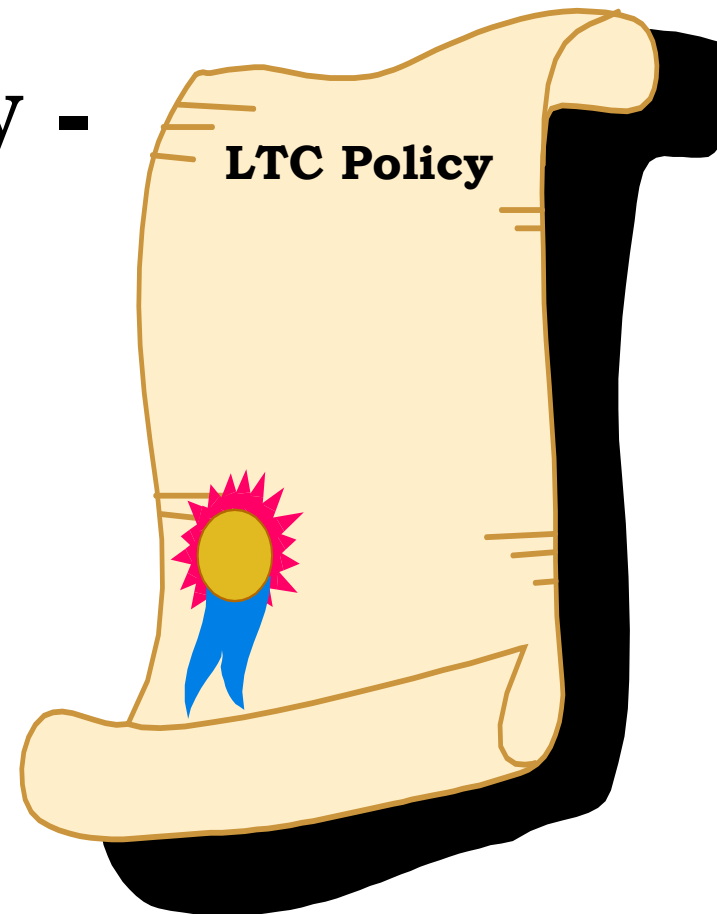


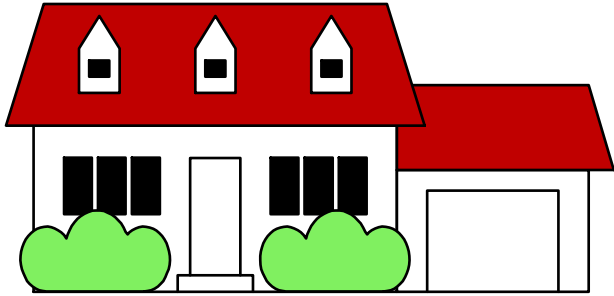
# WHAT IS LONG TERM CARE?

- **Long Term Care is primarily custodial care, which means help with the activities of daily living or supervision caused by a severe cognitive impairment.**
- **Only 2% of long term care is skilled care, which can only be administered by a skilled nursing staff, such as a RN or LPN.**

# 2 ASPECTS OF POLICIES

- **Home & Community - Based Care**
- **Facility Care – Nursing Home & Assisted Living Care**





# DO YOU NEED HOME & COMMUNITY-BASED CARE INSURANCE?

- **If possible, would you want to be cared for in your own home?**
- **Do you have a support system - such as your family - that will be there to help?**
- **The cost of home care may be greater than the cost of care received in a nursing home.**

**Proper planning can provide you with the funds so you have the freedom to choose!**

# DO YOU NEED ASSISTED LIVING & NURSING HOME PROTECTION?

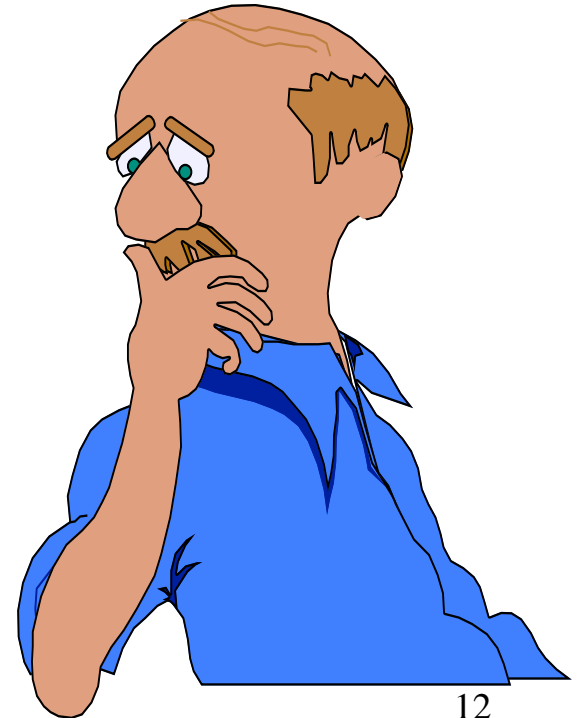
**The question you need to answer is:  
DO YOU HAVE ASSETS TO PROTECT?**



# ASSET GUIDELINES

**People should consider Long Term Care Insurance if they have assets in excess of \$50,000, and annual retirement income of \$30,000 and are able to make the premium payments without having to make lifestyle changes.\***

\*NBC's Today Show, April 28, 1997



# REASONS TO CONSIDER LONG TERM CARE INSURANCE



# REASON #1 – COSTS OF PAYING FOR LTC ARE HIGH

<b>Location of Care</b>	<b>National Average</b>	<b>New York City – Average</b>	<b>New York City – High</b>
<u>Home Care</u> Home Health Care Aide	\$18 per hour	\$15	\$17
<u>Assisted Living</u>	Monthly - \$2379 Annual -\$28,548	\$3830 (monthly)	\$6200 (monthly)
<u>Nursing Home</u> Private Room	Daily - \$181 Annual - \$66,065	Daily - \$345 Annual – \$125,925	Daily – \$392 Annual – \$143,080
Semi-private Room	Daily - \$158 Annual - \$57,670	Daily – \$333 Annual - \$121,545	Daily – \$387 Annual - \$141,255

Sources – The Metlife Survey of Nursing homes and Home Health Care, Aug., 2003 & MetLife Assisted Living Cost Survey, Oct., 2003

# REASON #1 – COSTS OF PAYING FOR LTC ARE HIGH

<b>Location of Care</b>	<b>National Average</b>	<b>Boston - Average</b>	<b>Boston – High</b>
<u>Home Care</u> Home Health Care Aide	\$18 per hour	\$20	\$25
<u>Assisted Living</u>	Monthly - \$2379 Annual -\$28,548	\$2454 (monthly)	\$4100 (monthly)
<u>Nursing Home</u> Private Room	Daily - \$181 Annual - \$66,065	Daily - \$232 Annual – \$84,650	Daily – \$350 Annual – \$127,750
Semi-private Room	Daily - \$158 Annual - \$57,670	Daily – \$216 Annual - \$78,840	Daily – \$275 Annual - \$100,375

Sources – The Metlife Survey of Nursing homes and Home Health Care, Aug., 2003 & MetLife Assisted Living Cost Survey, Oct., 2003 .

# **REASON #2 - THE COST OF LTC IS INCREASING FASTER THAN THE CONSUMER PRICE INDEX**

**Assuming a 5% inflation rate, the annual cost of a nursing home stay will be . . .**

<b>Years</b>	<b>Semi- Private</b>	<b>Private</b>
<b>10 years</b>	<b>\$89,475</b>	<b>\$102,200</b>
<b>20 years</b>	<b>\$145,635</b>	<b>\$166,805</b>
<b>30 years</b>	<b>\$237,250</b>	<b>\$271,560</b>

**That means in 30 years, a 2.4 year\* stay will total \$569,400 for a semi-private room and \$678,900 for a private room.**

# REASON #3 - THE CHANCES OF NEEDING LTC IN YOUR LIFETIME ARE GREAT

- **Almost 72% of people over the age of 65 may use some form of home health care. <sup>(1)</sup>**
- **According to the Alzheimer's Association, the average length of care provided at home was 4.5 years.**
- **43% of people over the age of 65 will spend some time in a nursing home. <sup>(2)</sup>**
- **The average nursing home stay is 2.4 years <sup>(2)</sup>**

(1) HIAA Long Term Care "Knowing the Risk, Paying the Price" 1997

(2) National Center for Health Statistics, U.S. Department of Health and Human Services, June, 2002

# COMMON MYTHS

**“It will never happen to me.”**

- **Will you or your spouse need nursing home care? Unfortunately, it is likely.**
- **Over 50% of all Americans will need long term care in their lifetime.** (Americans for LTC Security, Sept. 99)
- **For a couple turning 65, there is a 75% chance that one of them will need long term care** (The Wall Street Journal, 6/2000)

# COMMON MYTHS

**“My family or someone else  
can take care of me.”**

**Practically speaking, this isn't possible when care  
is needed for long durations due to:**

- Physical/emotional demands**
- Expectations vs. realities of custodial care/**
- Changing family structure**
- Lack of medical expertise**

# COMMON MYTHS

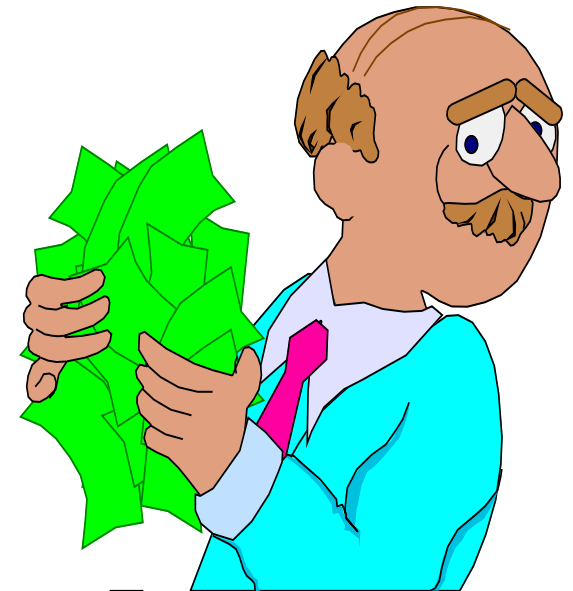
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- Changing family structure**
- Lack of medical expertise**

# THERE ARE FOUR SOURCES OF FUNDS TO PAY FOR LONG TERM CARE

- **Medicare and Medicare Supplements**
- **Medicaid**
- **Your Savings & Retirement Income**
- **Long-Term Care Insurance**



# **REASON #4 - MEDICARE WILL ONLY PROVIDE MONTHS OF SERVICE AT PARTIAL COSTS**

- **If Medicare pays anything, consider it a gift.**
- **Medicare is a federal entitlement program under the Social Security Administration.**
- **Medicare only pays for skilled nursing care for 20 days at full cost and a maximum of 80 more days with a \$109.50 co-payment for 2004.**
- **Medicare may pay for some skilled home health care but only up to 4 days a week and under very limited conditions.**

# ***MEDICARE FACTS***

**Medicare is health insurance.**

**How does it pay for custodial care?**

- Home Care No
- Adult Day Care No
- Assisted Living No
- Skilled Nursing Home only Pays up to 100 days of care and for skilled or rehab services

**Medicare pays nothing for custodial care.**

# ***MEDICARE FACTS***

**For Medicare Part A to pay for nursing home care, you must be ...**

- Hospitalized for 3 days prior to receiving benefits. (*70% of all nursing home residents have not been hospitalized*)**
- Admitted to a nursing home within 30 days of discharge for the same condition.**
- Admitted to a Medicare-approved facility. (*50% of nursing homes do not participate in Medicare*)**
- Admitted for a “skilled care condition. (*Only 7% of all nursing home patients are admitted to nursing homes for “skilled care conditions”*)**
- Care must be restorative in nature - must be designed to make patient well. Any type of intermediate or custodial care (*99.5% of care provided in a nursing home*) is not covered.**

\*2000 Guide to Health Insurance for People with Medicare

\*Social Security Administration

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# ***MEDICARE FACTS***

- **Care must be provided continuously, 24 hours per day. If patient needs skilled care only once or twice a week, Medicare will not pay.**
- **Examples where Medicare will pay:**
  - **Needs tube feeding.**
  - **When learning how to self administer injectable medications.**
  - **Is making observable progress in rehabilitating (ex., Physical therapy for hip replacements).**
- **Medicare Supplements pay only approved Medicare expenses. This means that supplements pay less than 1% of NH costs.**
- **So, Medicare really does not serve as a source of funds**

\*2003 Guide to Health Insurance for People with Medicare

2003 Co-payment (subject to change)

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# **REASON #5 – MEDICAID ONLY PROVIDES BENEFITS TO PEOPLE WITH VERY LITTLE ASSETS AND/OR INCOME**

- **If you have assets or an income stream, it is getting harder to qualify for Medicaid.**
- **Another name for Medicaid is welfare.**
- **Medicaid is a joint federal and state means-tested program that provides medical assistance for certain individuals with low incomes and limited assets.**
- **Medicaid has a reputation for a lack of access, low quality care, reimbursement problems, discrimination and institutional bias.**

# ***MEDICAID FACTS***

## **Will Medicaid Pay for Custodial Care?**

- **Home Care**                      **Negligible\***
- **Adult Day Care**              **Negligible\***
- **Assisted Living**              **Negligible\***
- **Skilled Nursing**              **Yes**

### **Home Care**

\* Most states have a Home and Community based Waiver Program which makes limited funds available to keep people in the community who would otherwise qualify for nursing homes. These programs are very limited in the number of people they can serve and have long waiting lists.

# ***MEDICAID FACTS***

- **Recipients only keep very little assets in their name (generally \$5,000 or less)**
- **The residence is not a countable assets but may be subject to a lien**
- **The “community spouse” is only allowed to keep about 50% of their assets with a low maximum (generally less than \$100,000)**
- **Spouse’s assets are counted together no matter how they are titled.**
- **The overwhelming care for Medicaid patients is received in nursing homes**

# ***MEDICAID FACTS***

- **Some people have used Medicaid strategy by divesting themselves of assets, either through outright gifts or creation of irrevocable trusts so they could qualify. This is no longer the prudent strategy for financial planning.**
- **Climate and atmosphere are changing the way government is viewing Medicaid. It was never designed as a middle class entitlement. Government does not want to use funds to pay for people who have artificially impoverished themselves.**

# ***MEDICAID FACTS***

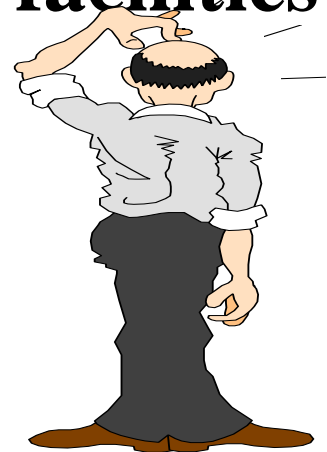
- **OBRA 93 (Omnibus Budget Reconciliation Act)**
  - **Extended look-back period to 36 months**
  - **For assets placed in a trust, the look back period is now 60 months**
  - **Penalty period for Medicaid spend down changed from 30 months to 36 months**
  - **Tightens state recovery laws**
- **Medicaid reduces your choices if you require long-term care. Since nursing homes prefer private pay residents, Medicaid can limit your choices. And most assisted living facilities won't accept Medicaid.**
- **For every person receiving care in a nursing home, there are 4 people receiving care outside a facility. In most cases, Medicaid will not pay for home care.**
- **With Medicaid, you lose control and choices!**

# **REASON #6 – FEDERAL AND STATE GOVERNMENTS ARE ENCOURAGING INDIVIDUALS TO PURCHASE THIS INSURANCE BY PROVIDING TAX INCENTIVES**

- **All or part of your long term care insurance premiums counts as a medical expense deduction for those who itemize**
- **Self employed individuals and other business owners can deduct some or all of the premium**
- **Benefits are received tax-free (for Tax Qualified policies)**

# 7 MORE REASONS WHY PEOPLE BUY LTC INSURANCE

- **Provides \$\$ for paying care-giving costs**
- **Helps protect your retirement savings and family assets**
- **Helps protect your family**
- **Provides you with a choice of facilities**
- **Provides choices and control**
- **Peace of mind**
- **Favorable tax treatment**



# **SINCE MEDICARE AND MEDICAID ARE NOT VIABLE SOURCES FOR FUNDING LTC, THAT LEAVES ONLY 2 CHOICES**

- **Your savings**

- Can you afford to gamble that you **WON'T** need home health care or long-term nursing home care?

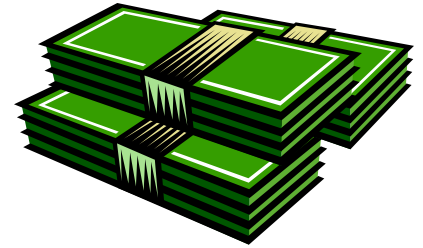
**OR**

- **Long Term Care Insurance**

- **Guideline - The annual cost of this kind of protection is less than one month in a nursing home.**

# FINANCIAL RISKS YOU FACE

**Each of these risks could result in a loss of \$100,000 or more:**



- 1 chance in 1200 that your home will be destroyed by fire
- 1 chance in 240 that you will have a liability suit because of an auto accident.
- 1 chance in 15 that you will have a major medical expense
- 1 chance in 4 that you will have a major LTC expense

# FINANCIAL RISKS YOU FACE

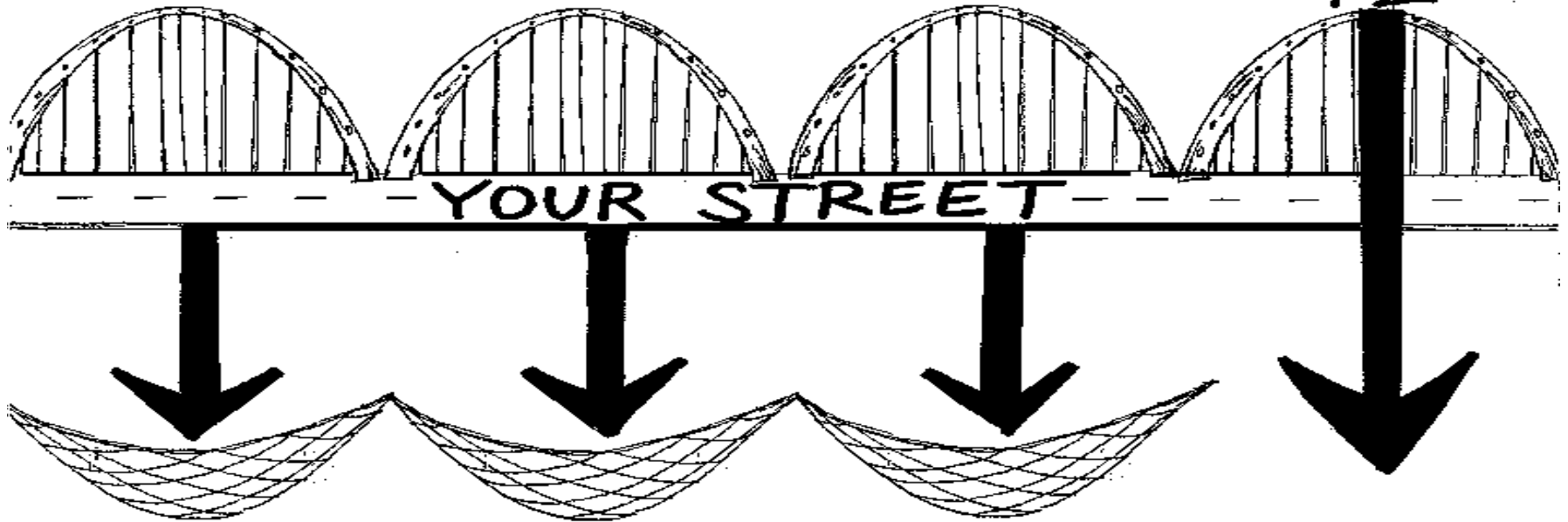
\$100,000

HOUSE  
1-1200

CAR  
1-240

HEALTH  
1-15

LTC  
1-4  
1-2



# FINANCIAL RISKS YOU FACE

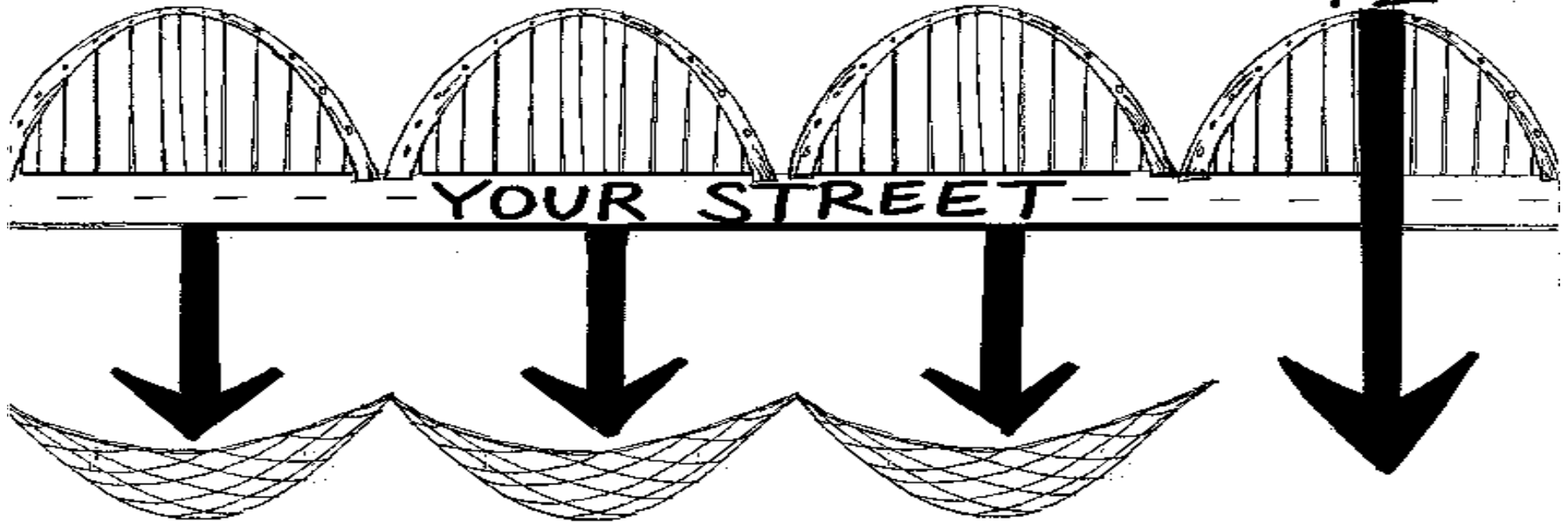
\$100,000

HOUSE  
1-1200

CAR  
1-240

HEALTH  
1-15

LTC  
1-4  
1-2



Can you think of anything other than the cost of long term care that could involuntarily wipe out your savings?



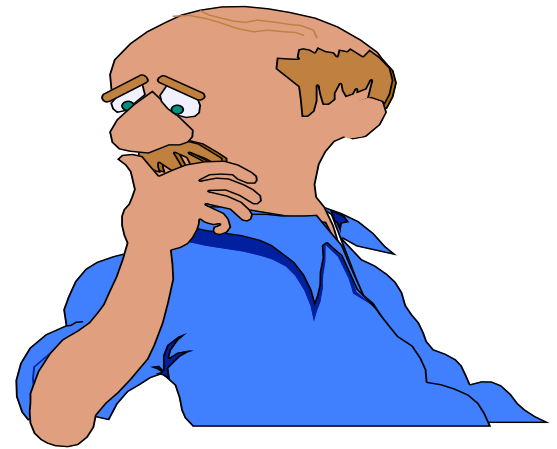
How can you protect yourself against the costs of long term care?

# **Do You Need Long Term Care Insurance?**

CAN YOU

AFFORD

IT?



# CONCEPT OF INTEREST ON SAVINGS

- **EMERGENCY FUND**      \$ \_\_\_\_\_
- **INTEREST RATE**      x \_\_\_\_\_ %
- **ANNUAL INTEREST**      \$ \_\_\_\_\_
- **Does it make sense to use part of the interest to protect the entire principal?**
- **Would using the interest to fund the premium for long-term care protection change your lifestyle?**

**WHAT COMBINATION  
OF BENEFITS IS MOST  
APPROPRIATE  
FOR YOU?**

# FACTORS AFFECTING PREMIUM

- **Benefit Period - 4 years to lifetime**
- **Daily Benefit - 66% to 80% of prevailing nursing home rate**



# FACTORS AFFECTING PREMIUM

- **Home and community-based care**
- **Elimination Period - in line with your ability to pay out-of-pocket costs**
- **Inflation Protection to keep pace with increasing costs**
- **Age & Health**

# HOW TO DETERMINE THE BENEFIT AMOUNT?

**The prevailing cost  
of long term care  
in my area**

**PER DAY      PER YEAR**

\_\_\_\_\_

\_\_\_\_\_

**I can afford to pay  
\$\_\_\_\_\_ per day  
toward this cost.**

\_\_\_\_\_

\_\_\_\_\_

**I need to have long term  
care insurance to cover  
the rest of this expense.**

\_\_\_\_\_

\_\_\_\_\_

# **THE TIME TO GET LONG TERM CARE INSURANCE IS NOW - WHILE YOU ARE IN GOOD HEALTH**

- **You will get older, and your health will change.**
- **If you wait until you begin to get sick, you won't be able to get it.**
- **The younger you are when purchasing the policy, the less it will cost and the less you will pay over the life of the policy.**

# Now Vs. Waiting

NOW VS. WAITING

**Lower Premium**

**Higher Premium**

**Insurable**

**Not Insurable**

**Preferred Rates  
Available**

**Rates Increased  
(Health issues)**

**Assets Protected**

**Assets Wiped Out**

**Choice of Quality  
Care**

**No Choices  
and/or Control**

# OTHER IMPORTANT FEATURES

- **Financially stable company with strong ratings**
- **Conservative in both rates and underwriting**
- **Guaranteed renewable**
- **Waiver of premium**
- **Tax-qualified policy**



# EMPLOYER BENEFITS

- **Employers who pay LTC premiums on behalf of an employee will be entitled to deduct that premium as a business expense, as they do for medical insurance.**
- **LTC premiums paid by an employer on behalf of an employee will not be treated as income to that employee**



# THE “RIGHT” PLAN

- **There is no single plan that is right for everyone.**
- **The “right” plan for you may be completely different from the “right” plan for your spouse or even your best friend.**
- **Providing professional, informed advice to assist in the selection of an appropriate plan for each individual is our purpose.**
- **It is our job to help you find you select the best plan for your specific needs.**

*Planning Ahead*

*Does*

*Make A Difference*