PLANNING FOR LONG-TERM CARE WEBINAR

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QUESTIONS AND ANSWERS

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Q: I've heard that many insurers are getting out of the long term care market. Will this make it difficult to get coverage?

A: Twenty-five years ago there were over 130 companies offering this coverage. Now we are down to about 15 or so. But this is not what makes it difficult to obtain coverage. The companies who are left in the industry have all tightened up their underwriting guidelines, and it has become much more difficult to health-qualify for a policy. But suffice it to say that the companies who remain in the business are committed to it and they want to sell you a policy.

Q: Do your policies cover inpatient care or homecare or both?

A: The policies these days are integrated and comprehensive. This means that once you are qualified to receive your benefits, you will be able to do so in virtually any available setting.

Q: On the benefit period, there's no end of when the person receives benefits—no time box. Is there a $ amount cap?

A: All "traditional" long term care policies these days have two dollar limits that will be included in your policy. You will have a daily or monthly limit which you will not be able to exceed. And you will have a lifetime cap. This lifetime cap is the total amount available to you for care. Once you reach this limit your benefits will stop and your policy will end. You will not be able to renew or extend your coverage.

Q: Can you go back and cover the points regarding "Benefit period". When you go beyond the defined time, do you then pay 100% out of pocket vs. uses long term health insurance?

A: The "benefit period" is a label they use to describe how much total money is available for your care. But it isn't really a time limit. It is more of a benefit multiplier. The insurer will never tell you "time is up, no more benefits." So if you have, for example, a "benefit period" of 4 years and a monthly benefit of $6,000, then your total lifetime benefit or cap will be $288,000. Then when you go to make a claim in your future, you will never be able to spend your benefits faster than four years, but if you spend less than your monthly allowance, you will be able to make them stretch to any time frame longer than four years. So think of the benefit period as the minimum time, not the maximum time you will have to use your benefits.

Q: On average how often do insurers raise premiums?

A: Insurers raise rates sporadically. Until about 2008 it was uncommon to see any company raise rates on existing policies. Since the financial crisis there have been a spate of rate hikes, by nearly every carrier who offered policies before 2000. This has happened because the low interest rate environment that has been prevalent since the financial crisis has made it impossible for them to remain profitable. This is coupled with the fact that they sold the early policies at unsustainable rates to begin with.

Q: Are my kids legally responsible for my LTC?

A: So far, there has been no legislation that forces your kids to pay for your care.

Q: Is the elimination period included or excluded from the Medicare 80 day period?

A: They are separate. If Medicare pays the first part of your elimination period, those days will still count toward it. The insurers don't tell you who should or shouldn't pay for those days, they are simply saying that they won't pay for them.

Q: Do you tend to see more of people buying hybrid products like annuity/LTC or Life Insurance/LTC?

A: The trend toward the hybrid plans is definitely there. If the prices on them could be better than they are, I'm quite sure that sales of these products would easily surpass traditional coverage.

Q: I already have a LTC Policy whose premiums keep increasing. It doubled this year. Can it be converted to yours?

A: Policy conversions are not possible. And even though you may be seeing steep increases in your premiums, you are still not likely to find a lower priced program in today's market. You are older, your policy has accumulated inflation rider increases in your benefits, and these polices now are way more expensive than they used to be.

Q: Is premium waiver (while on claim) for participant (not spouse premium waiver) included in cost, or a rider - if extra, how much?

A: The premium waiver is included with the vast majority of policies. It is not normally an extra cost. There are only two exceptions to this that I have ever run into. If it isn't mentioned in a conversation with the agent, you may assume that it's included. But, as with all important documents you are ever involved with, you will want to read the policy and ask a lot of questions when you buy this insurance.

Q: If one starts to purchase LTC insurance in their 50s, can we expect premiums to increase every year?

A: Premiums are not supposed to increase. The only increases allowed are after the state insurance commissioner ok's them. This is a relatively rare event, and will only occur after the company proves they are losing money on the policies state-wide. But the premiums are labeled "level" which means they will remain steady unless one of these state approved increases occurs. They have been more common in the past few years, but are not annual.

Q: With regards to premium payments, are there cost benefits to starting a plan earlier rather than later?

A: There is a huge advantage to buying coverage younger rather than older. The premiums are so much greater for older individuals that they will pay more dollars in the few years they have left. And that isn't only more money per year, which is obvious, but more money overall. The additional concern is that older people have a much harder time health qualifying for coverage.

Q: Can LTC be purchased with tax exempt funds like through an HSA account?

A: You may pay for your long term care insurance with your HSA dollars. The following chart is for 2018 and shows the limits for these payments.

Taxpayer's Age At End of Tax Year - Deductible Limit	
40 or less	$ 420
More than 40 but not more than 50	$ 780
More than 50 but not more than 60	$1,560

More than 60 but not more than 70	$4,160
More than 70	$5,200

Source: IRS Revenue Procedure: 2017-58

Q: Can you get a second policy if you already have one but desire more coverage?

A: Yes, you may own more than one policy. There are some companies who won't sell you a second policy if you already have one, but many will.

Q: If an individual already has LTC Insurance and has had it in effect for a number of years, are you still able to add a Shared Care or Inflation Protection Rider added to the existing contract?

A: No, companies won't allow you to add benefits or riders to existing policies. If they did, everyone would buy minimal coverage and then enhance on their way to the nursing home. But every company will allow you to reduce coverage at any time. If you find your policy to be more than you can continue to afford, you may call them and reduce your benefits and your premium. They don't have to be in the middle of a rate increase for this to occur.

Q: He spoke about mental/neurological deterioration for the most part. Does LTC cover for physical/physiological deterioration - say muscles, osteoporosis etc.

A: Yes, there are two primary categories of benefits triggers. Mental impairment is one of them. These claims typically last the longest and are the most expensive for both the insurers and the families of the patients. The other major category of benefit triggers is functional incapacitation. This may be caused by any number of physical limitations, such as those mentioned in this question. When you are no longer able to perform any two of the six activities of daily living mentioned in the slides, then the policy will begin to pay benefits to cover this expense. These ailments may be caused by osteoporosis or muscle deterioration as mentioned, but also by any other physical ailment as well.

Q: Will certain family medical histories impact my ability to get long term care coverage or how much it will cost me? Both of my parents have different forms of Parkinson's disease.

A: There are two conditions that the companies will consider if your family members have contracted them. These are memory loss and Huntington's chorea. If these are in your family history, the insurers will take this into account. Some will put you into a higher risk category and some will deny you coverage.

Q: Can a niece or nephew be a beneficiary for a single person who has LTC coverage?

A: Traditional long term care policies typically don't require a beneficiary because there is no equity built into them. The exception to this is if there is a Return of Premium rider with the policy. The hybrid life/LTC policies will have equity and they will ask you to name a beneficiary. They will only pay a death benefit if you don't need long term care benefits. If one is asked for, then yes, you may name a niece or nephew as beneficiary.

Q: If you have no assets to protect (or debts to pay off), but you have an income of $90,000.00 per year...should you still consider having a LTC policy?"

A: While having a $90,000 retirement income with few assets to protect may make it appear that the insurance is unnecessary, there are a few additional factors to take into account. First, while a $90,000 annual income is almost enough in 2018 for many care situations, most areas of our nation are already experiencing costs for nursing homes that are higher than $90,000 per year. Second, retirement incomes don't always keep up with inflation. In the future, as the baby boom generation begins to access more and more long term care services, the cost of these services is expected to out-pace general inflation, which may leave even a $90,000 income with cola increases lower than the cost of where the care may go. This is conjecture at this stage, but not an unreasonable assumption. The good news though, is that with this level of income, a policy with reduced benefits (and premium) may suffice, and will certainly be affordable. If your goal is to avoid Medicaid, then this may be your best bet.

Q: Can this policy be used to pay family members for providing the care you need in the home? Money follows the patient so to speak.

A: Every policy in the industry has a list of exclusions and limitations. One of the most prominent items on nearly every exclusion list is that they will not pay for family members to care for you, unless the family member works through an agency, and then the insurer will pay the agency who will then pay the family member. There are a few exceptions to this rule. First, the best traditional policies include a cash benefit of 30% to 40% of the total available benefit. This means that if you are spending less than the defined percent of you benefits on your care, you will receive a check for the minimum percentage without having to show where the money is going.

This "cash alternative" may be used for any purpose without showing receipts, and can therefore be used to pay your family members to care for you. A second exception is that one of the hybrid carriers offers a 100% indemnity for the long term care benefit. This means that you will receive your full monthly benefit as a cash payment and you can use the money for anything you choose, including paying a family member.

Q: Are universal Life Insurance Policies with a Critical Care Rider or Catastrophic plan similar to this?

A: These benefits are different. Critical care is not long term care, it is intensive medical care that requires constant monitoring by skilled individuals, and is usually performed in a hospital setting. Critical care usually lasts for days, weeks or occasionally a few months. Long term care is typically provided by unskilled caregivers in non-life threatening situations. So a critical care rider on a life policy will accelerate the death benefit and pay you during intensive care hospital situations, while a long term care rider will pay for custodial care in any setting that's appropriate, and will typically do so for years.

Q: Can benefits be utilized in continuing care retirement communities in all states?

A: Yes, the benefits under these plans will pay for your care in Continuing Care Retirement Communities anywhere in the country. You should check with your CCRC, because some will give discounts to LTC insured individuals.

Q: What is the average length of stay in various long term care facilities (Nursing Home; Memory Care; Assisted living) for men and women?

A: There have been many studies done regarding nursing home stays, but not the other settings. The memory care units have been included in some of the studies. And the results seem to be incongruous. This is because of the way the studies have been conducted. If you survey all people who enter a nursing home, the average stay will be just under a year. If you survey only folks who are there for at least 90 days, the average stay will then extend to between 2 ½ and 3 years, depending on the study. And if you survey only patients who are in care for a year or more, the average stay increases to 5 years. The reason for this disparity is that many people will be there to either recover from an illness, operation or accident, and will get better and leave, or they will pass away during the first few months in the facility. But if you don't recover or pass away, you will stabilize and continue to require care for the rest of your life.

Q: How many years typically is a good length to plan for care? E.g. If average stay is 2 years should you plan for 3 or 4 to get to 90% confidence level?

A: It is recommended that you plan for at least four years of benefits, and more if you can afford the premiums. The previous answer only deals with nursing home stays. What hasn't been mentioned is that over 75% of long term care insurance claims begin with home care or assisted living. The significance is that if you are home receiving benefits, then move to assisted living, and then deteriorate further and need a nursing home, you can see that a three year benefit period may not be enough. And if you compound this with the fact that an "average" of 2 ½ to 3 years means that many will fall on the wrong side of the bell curve after they are admitted to the nursing home, you become aware of how long you may end up in care. But even if your policy is exhausted, and you have to start spending your own money for care, there is a hidden benefit to this coverage. Your family has had four or more years to figure out what to do if your benefits run out. This is a much better situation than having to sell off all your assets in a "fire sale" because you aren't insured and the facility isn't going to wait for better market conditions before they bill you. Another pertinent statistic is that 95% of us will need fewer than five years of care.

Q: What was your estimate of $300/month premium for LTC for 60-year-olds based on (level care; inflation, etc.)?

A: A typical long term care policy consists of a monthly benefit of $5,000 to $7,000, a $250,000 to $500,000 cap, a 90 day elimination period and 3% compound inflation protection. You should be aware that this is a thumbnail estimate. Women pay more for coverage than men. Couples get significant discounts that singles don't get. Some states have higher premium levels than others. Your current health status is a determining factor of your premiums. And a 61 year old is going to be significantly less expensive to insure than a 69 year old. So the $300 per month that was mentioned is an extremely vague estimate of premiums for those in their 60s.

Q: Would someone who has had successful cancer treatment be eliminated from obtaining coverage?

A: Almost every cancer survivor is or will be eligible for coverage, provided that the same cancer did not recur. If you have survived multiple cancers but none have been recurrent, you will still be eligible in most situations. Cancer staging is also taken into account. Stage I and II are generally no trouble. Stage III usually has a 3 to 5 year waiting period and stage IV can require a five year wait or will be uninsurable, depending on the site of the cancer.

Q: How does LTC insurance affect taxes?

A: The programs we offer through your Alumni Association are all tax qualified. This means two things. First, you may lump the premiums in with your medical expenses, and if you itemize your deductions, you may deduct all medical expenses beyond the first 10% of your AGI. This means that most of us won't get there and won't get a tax break. The second part however states that your benefits will be tax free when you make a claim.

Q: How much do back surgery, heart attack, etc. have on premiums?

A: LTC insurers have either three or four health categories that you will fall into. The top category is labeled Preferred of Preferred Best, and has become unobtainable in nearly all situations. At least one major carrier sent out a memo stating they will no longer be giving a discount for preferred health. The second category is usually where everyone who can qualify will end up, and this may include back issues or heart attack survivors. They will call this level "select" or "standard." Below that they will "rate" you based on questionable health situations. So depending upon the severity of your situation, you may end up in the select category, you may be rated, or if it's bad enough you may be declined altogether.

Q: How many carriers are you representing and how do you decide which one to go with?

A: We currently offer three traditional LTC carriers and three hybrids. Some of the determinants to a recommendation are your health, the state you live in and your personal preference. Some maladies are easier to insure with one carrier over another. There may be different programs offered by the same carrier in different states, which may make them a better or worse deal than their competition. And some riders are offered by some carriers but not others. So everything is taken into consideration before a recommendation is made. However, usually one carrier will be a better choice than the others in most situations and will get most of the recommendations. And this "favorite" status typically changes every year or two as the carriers modify their offerings.

Q: I was turned down for LTC insurance by Thrivent because I was overweight. I was told if I lost weight and kept it off for 3 years, I could reapply. I have lost the weight, 75 pounds. Do you think I should continue to wait or apply elsewhere?

A: Every carrier will have their own rules about height and weight. The advantage of having many available carriers with your alumni association is that we will probably be able to find you a policy from one of them. Another advantage of using your alumni association for your LTC insurance, is that we specialize in it, and you most likely would not have gone through the application process if your build was going to cause a decline, because our agents would preclude this from happening.

Q: If you start filing claims for long term care and you need an operation or a medical procedure to be performed in a hospital, would LTC benefits cover the costs or would Medicare or private insurance?

A: Your medical insurance would pay for the hospital and doctor visits etc. and this insurance would not. There is a provision in almost all long term care policies, however, that will reserve your room in a nursing home while you are in the hospital. Otherwise the nursing home would make your room available for somebody else.

Q: If you borrow from the policy, is interest charged against the policy?

A: The only LTC policies you could ever borrow against are the hybrids. There is a provision to borrow against the equity within your hybrid LTC plan, and yes they will charge interest for this, but it will be at a reduced level.

Q: Would my spouse be able to get coverage if he is on Social Security Disability?

A: Unfortunately, anyone who is on Social Security Disability cannot qualify for long term care insurance. There may be an LTC annuity available, but this is still a big maybe.

Q: What if I move overseas?

A: You may move anywhere in the world you choose to live your life. But to receive benefits from your LTC policy, you must move back to the States.

Q: How much money in exclusive savings for this purpose does one need in order to self-insure for LTC for someone in their 70's?

Everyone who hasn't bought long term care insurance is effectively self-insuring. Many will spend all of their money on care, not just the amount they have "earmarked" for it. Your current age has little to do with your end cost of care. If you need care this year it averages nearly $100,000 annually for a nursing home. This is expected to double in about fifteen or so years to $200,000 annually. The average policy that we place has benefits of about $300,000 per person and this will typically at least double in value due to the inflation protection rider before a claim is made. These policies are usually designed with the idea that they won't cover the entire cost of care, and you will be co-insuring the risk. The total outlay for your care (if you end up needing it) could be somewhere between $500,000 and $1,500,000 per person, depending on the cost and the length of your necessary care, along with how far into the future you will need it. One thing you should keep in mind is that you cannot "out-invest" this. You will be much further ahead owning a policy and co-insuring the risk, than self-insuring if you end up needing care.

Q: My wife is ten years younger than me. How does that impact our planning?

A: Typically, the scenario in our society is as follows. In a marriage, the wife is usually younger than the husband. Women live longer than men. If and when he starts needing care, she will usually be there to help him. After he passes away, she may live many more years. When it's her turn to need care, she will typically be alone with no helper, other than her children and grandchildren. It is this scenario that is the reason we see women utilizing long term care insurance policies about three times more often than men do. So, even though she is quite a bit younger than you, she is still the higher risk for care and is therefore more vulnerable. Since there are very significant discounts for couples when they apply together for this coverage (typically 30% off both policies), you will not want to put off her application. You will actually pay the insurer far fewer dollars by applying younger rather than older, so there is no good reason to have her wait until later to get covered.

Q: I'm single but living with a partner. Could the 2 of us qualify for the spouse benefit?

A: Yes, all carriers offer couples discounts to those who are married or those who are not married but living together in a committed relationship. This includes same gender couples.

Q: What is the discount offered by being associated with the alumni association?

A: Two of our three carriers that offer traditional coverage offer the affinity discount. It is always 5%. There are no organizations that get more or less than 5%, and the discount won't "stack" if you belong to multiple groups. You will either qualify for the 5%, or you won't. We will help you make sure you are getting the best price you can get.