Questions Asked by Webinar Attendees

Health/ Eligibility Scenarios

1. **What types of pre-existing conditions might limit or prevent LTC coverage?**
   The list is long and arduous. In general, any disease or disorder that seems that it could cause a claim on a long-term care insurance policy will be rated or declined. A few examples are: Alzheimer's, Parkinson's, ALS, Multiple Sclerosis, Muscular Dystrophy, Down's Syndrome, or Dementia. Besides these named disorders there are several general conditions or situations that could cause an outright decline such as the use of any of the following: walkers, wheelchairs, oxygen, opioid drugs, or disability insurance (except for V.A. disability). For every example named here, there are hundreds of more obscure reasons for declines.

2. **If I have current life insurance with you (through SAA), can I combine this with that? I'm not sure when it expires, as it is term insurance.**
   Term life insurance does not lend itself to conversion into long term care insurance because when the term is up the long-term care policy will end. All hybrid plans are built on Whole Life policies for this reason.

3. **What is the definition of poor health? What makes someone uninsurable? For example, if someone has cancer, does that make them ineligible?**
   Expanding on the first question, current cancer will be uninsurable by all carriers. Once the cancer has been cured there will be a waiting period of one to five years depending upon the type and severity of the cancer.

4. **If someone is aging and is in much better health than their peers, should they get a new policy with a medical exam to lower their premiums?**
   Based upon how the question is being asked, I am to presume you already have coverage? If this is the case, you will not be able to lower your rates on your current coverage by replacing it. Rates are based primarily on your age at application time, making it impossible to replace coverage, usually even after one or two years of owning a policy, better health notwithstanding.

5. **Is getting help to use the bathroom while on hospice basic or instrumental needs?**
   Requiring help with bathroom duties is a basic activity of daily living and is defined as toileting. The other five basic activities are: Bathing, Dressing, Continence (different than toileting, it's your ability to hold it until you get to the bathroom), Transferring (your ability to move from one piece of furniture to the other without help) and eating (your ability to masticate and swallow, cooking is NOT included with this).

6. **Can premiums drop if you are in excellent health and submit to a medical exam?**
   There are usually four health classifications with each insurer (with some exceptions depending upon the carrier). The top health category is considered "discounted." It is generally difficult to get this preferred rating, and usually fewer than ten percent of individuals will qualify for it. The carriers won't ask you to submit to a medical exam, but they will require that you have had a physical within the past two years, and in almost every case they will get those records from your doctor to review them.

7. **Would a parent with Alzheimer's disease affect the ability to get coverage?**
   Currently, only one carrier will consider family history of memory loss as a factor when underwriting an application. One spouse or parent will limit your policy. Two or more relatives with memory issues will cause a decline. If additional carriers follow suit it will be prudent for everyone who has this family history to secure coverage sooner rather than later.

8. **Would a well-controlled chronic condition like glaucoma affect the ability to get coverage?**
   Glaucoma usually won't affect eligibility unless it is severe or untreated.

9. **Could you please list some common disqualifiers?**
   (Please see question one)

10. **What if an individual can no longer self-administer medication, they get confused and take the wrong medicine. Would that trigger coverage?**
    Perhaps this would trigger a claim. Not because they need help with medication management, this is an instrumental activity of daily living. The trigger would be cognitive impairment. The qualifier is that the individual is now dangerous to themselves.

11. **I have a standard LTC policy (about 10 years old), but I am still not sure if I really need it. Is there a rough calculation or rule of thumb to tell people given their financial situation, if they can self-insure?**
    There is no rule for this. This is a personal decision just like your life insurance. I've spoken with millionaires and paupers alike who would never be without this coverage. I asked a fellow who owned a string of nursing homes why he was buying this insurance and his answer was, "I didn't get all this money by being foolish with it."
    To me if you don't think you need this insurance then you don't need any insurance, because this is the risk that causes the largest claims, and more often than any other kind of personal insurance. There are people who have made LTC claims of over $2 million and counting. And the replacement cost of the older policies is very high. You can expect to pay more than twice your current premium if you try to replace that policy. If you can afford to pay for care without the insurance, my question would be: Why would you ever want to? The insurance is way less expensive than the cost of care.

I would give up my homeowners' insurance before I give up my long-term care policy, simply based upon the risk and probable payback for each policy.

Hybrid Plan Questions

1. **What is Hybrid rough costs versus those you showed for standard LTC policies, 50's, 60's, or 70's?**
   Hybrids are in a different category. You should think of a hybrid plan as an "asset shift" instead of a purchase. Most folks won't be able to handle the high premiums of the hybrid plans with their incomes. Instead you will be shifting a portion of your savings, wherever you have them, into the hybrid plan, effectively allowing your money to protect itself. With that in mind the answer to this question is that you may choose your payment plan. It could be paid all at once (typically about $100,000 per person), or over the course of from 5 to 20 years. Your benefit is determined by the amount of premium you are willing to pay.

2. **If one is reasonably healthy and in their 50's ...What are we talking about for the hybrid plan - either as a monthly premium or lump sum? Mark said typical was $200/month, but I think that was for traditional LTC.**
   (see previous question)

3. **What is cost delta between traditional and hybrid LTC policies?**
   In raw annual premium outlay, it will be something like two to three times as much with the hybrid plan. But the hybrid payments will end, while the traditional policy premiums are lifetime. And there will be a guaranteed return from the hybrid plan while the traditional plan won't have this.

4. **What is difference between a hybrid plan and a LTC plan with a return of premium rider?**
   The concept is similar but not identical. With (most) return of premium riders, your estate will receive a check for all unused premiums that were paid into the policy and not used for a claim. If you have an early demise, there won't be much of a refund. The hybrid concept will give you a much larger defined death benefit in the event of a death, and your estate will receive this amount whenever you pass away. If you need long term care, this death benefit is used for the care until it is spent. Some policies will then give a guaranteed residual death benefit, even if the policy was used up in care. And some companies will continue to pay long-term care benefits (with the use of a rider) even beyond the depletion of the death benefit.

5. **What is difference in death benefit (return of full premium paid if no care benefits used) versus hybrid death benefit?**
   (see previous question)

6. **Are you able to give a very rough estimate of cost of hybrid plans for someone in their 60's?**

(see previous question)

7. How common is it that your insurance is not accepted by a facility you want? What if you move to a different state? Can you transfer hybrid policies?
First, the facility or caregiver will not have a problem accepting the insurance. The facility will bill the patient or the family, and the insurers will reimburse actual expenses up to the limits of the policy. The insurers only want to know that the services being paid for are appropriate for the situation, but they don't limit which facilities you may use. And second, the policies are portable from state to state. You won't have to modify any policy if you move.

8. As well as LTC Insurance, can you discuss Hybrid LTC Life and Hybrid LTC Annuity?
Hybrid Life is what we are commonly referring to throughout these questions. A Hybrid Annuity is a bit different. These are available for people who are in poor health and cannot qualify for traditional or hybrid life plans. These annuities do require medical underwriting but are much easier to qualify for. They behave like any other annuity except there are provisions to pay for long term care as well.

9. Can a traditional LTC Insurance policy be 1035 exchanged for a Hybrid LTC product?
No, this won't work. A 1035 exchange is used to take money from one policy or annuity to another without a tax event. The issue here is that there is no cash value to a traditional policy, so a 1035 exchange can't happen. The only options you have with traditional coverage is to either pay it to keep it in force or drop it. I suggest keeping it is the best option.

10. Are the payments for LTC care made through a LTC product (insurance or hybrid) taxable income to the policy owner or income tax free?
When you buy a traditional LTC plan it will most likely be "tax qualified." This is all we offer, but there is at least one company still offering non-qualified plans. Tax qualification has two implications. There is a consideration for your premiums each year that you pay them. All or a portion will be lumped in with your medical expenses, and any amount over 10% of your adjusted gross income that is medical, will be deductible. The other aspect is that the benefits will be received tax-free in the event of a claim.

<u>State Related Questions</u>

1. What are the assumptions of health care costs (in-home care and/or nursing home) in different parts of the country (e.g., Florida versus NYC)?
I have a Cost-of-Care guide that I will be happy to email anyone who requests it. It will show exactly what you are asking about, for all major metropolitan areas in the nation.

2. **What about prices in California? We pay $16K/month for my father. These medians seem unrealistic.**
   The cost of care is certainly higher in California than in most areas of the country. But the current median cost of care in a nursing home nation-wide is right around $100,000 per year. In Alaska, the cost of a nursing home is even higher than California.

Assets/ Responsibilities

1. **Is there a rule of thumb where someone has sufficient assets to consider self-insurance?**
   (see previous question)

2. **Could a sibling who is not a Stanford alum apply under my SAA membership?**
   Yes. Parents, spouses, and siblings are also allowed to apply along with the member.

3. **What happens if you have a policy which includes a spouse and you get a divorce?**
   If you have two individual policies as you will with most companies, each spouse would take their own policy with them. If you have a joint policy, which is possible with one of our carriers, the owner of the policy would be responsible for it and the divorce decree would then determine how it would be handled.

4. **Must you be married or can a significant other be included as a "spouse"?**
   In all cases with all carriers, unmarried couples may receive the spousal discount. This includes same-sex couples as well. You must be in a committed relationship and living in the same domicile.

Other Questions

1. **How do you know that the insurance company that offers LTC is viable 20-30 years from now, when you need coverage? Some LTCI insurance companies, like Genworth, are financially struggling, yet years ago when they sold policies, they were financially sound.**
   This is a common concern among many folks I deal with. There is obviously no guarantee that any company will be able to stay in business. If a company does go into receivership, its assets will be absorbed by other carriers in the industry as mandated by current insurance law. Even in the case of Genworth, which is having some financial difficulty, the policy holders are safe, and all claims are being paid. Since the Great Depression there have been no instances of any personal insurance policy (life, health, auto, disability, etc.) that has been defaulted upon due to these insurance laws. A much greater risk is being so concerned about the company going out of business that you never buy coverage and then end up needing care.

2. What is "qualified money?"
   This is a term used to describe money that has been tax sheltered in accounts such as an IRA, 401k or 403b. When the money is removed from these accounts, a 1099 form will be issued and the recipient will have to pay tax on the amount removed.

3. What is the name of the company providing this LTC/insurance?
   Currently we can offer Mutual of Omaha, TransAmerica, and Genworth in the traditional market and OneAmerica, Nationwide, Securian and Lincoln National in the hybrid market. This suite of products changes from time to time as carriers are added or removed. I will only offer the top companies in each category. Currently more than 90% of the traditional polices I sell are from Mutual of Omaha and more than 90% of the hybrids I sell are from OneAmerica.

4. Would love to know about privacy & LTCRplus. Do you share our information with anyone?
   NO! We have contracts with over 650 organizations like the Stanford Alumni Association. Our contracts with these groups forbid sharing the information. We are very guarded when it comes to these relationships and we don't do anything to jeopardize them. We are NOT in the data business, we are an insurance agency, pure and simple. Besides this, we are bound by HIPAA rules which will cost $10,000 for every breach of health information that we commit. So, your information is guarded very closely.

5. What types of cost ranges are we talking about?
   (See previous questions)

6. Who are the major players in these types of policies?
   The biggest player in the industry continues to be Genworth. This company was previously GE Capital, before that it was Amex Life, and before that it was Fireman's Fund. They hold about one in every four long-term care insurance policies in force. They have recently come on hard times and are in the process of being bought out. The polices are safe so far, and they have enough in reserves to pay claims. They are challenged to pay operating costs currently, and the buyout should keep them afloat. There are currently only about 20 or so carriers in the traditional market and perhaps half as many who offer hybrids. Because the market has shrunk so drastically (from nearly 150 carriers twenty-five years ago), the best answer is that all the players these days are major players.

7. Worst case scenario, but how would LTC insurance coordinate with Medicaid if there are no other resources than insurance?
   Medicaid is the payor of last resort. If you were to find yourself with no assets, but you have benefits in your LTC policy, the policy would continue to pay and Medicaid would pay whatever is not covered. This is a rare circumstance.

8. If one has already purchased a LTC insurance plan, can one still get the benefits of LTCRplus without charge?

   Yes. The LTCRplus program is designed for all alumni members and their families. You don't have to buy our insurance to take advantage of it.

9. Does Alumni Insurance sell insurance or does it broker policies of others?

   If you are asking about The Alumni Insurance Program, I cannot speak for all their practices. But for long term care insurance, they have a contract with Long Term Care Resources, which is the company I work for. We are a Master General Agency (MGA) and we have contracts with many such organizations to offer this coverage. It requires a very broad brush to make this niche market profitable for an agency.

10. How do government programs like Medicare interact with long term care insurance?

    The two most common government programs in the health care industry are Medicare and Medicaid. They are similar sounding, but very different programs. Medicare is health insurance for the elderly. Everyone who worked in the private workforce and is not covered by the railroad or military, is entitled to receive it. It will pay for Skilled Care in a nursing home for up to 100 days. Medicaid is health insurance for welfare recipients. It will pay for custodial care in a facility, but as the name implies, you must qualify for welfare and be indigent to qualify. The process of qualifying for Medicaid in order to receive payment for a nursing home is commonly referred to as "spending down" your assets. Once you are at poverty level, Medicaid will pay for your long-term care.

11. Why not simply self-insure? Assuming the average male would use LTC benefits for approximately 18-24 months, and the average female 24-30 months, it seems like the total outlay is not that much compared to the cost of LTC insurance.

    The information you are using here is not exactly as accurate as you would like it to be. The simple answer to your opening question is that long-term care causes more personal bankruptcies in our country than anything else.

    The statistics you have used here are commonly used throughout this industry and they are quoting average stays in nursing homes. There are two things wrong with your reliance on these numbers. First, more than 70% of long-term care insurance claims begin with home care or assisted living facilities. Many people will use these settings for years before they even get to a nursing home. Once at the nursing home, they will continue to require more expensive care for the average you've used in your argument. The second thing is that this is an *average.* There are two sides to every bell curve when you talk about averages. If you fall on the wrong side, you will either be very happy you are covered, or you will have a very long time to think about your mistake.

Now let's do some math. Let's assume that a couple buys this insurance in their fifties and they pay the above average expense of $6,000 per year for it. Then they live for 30 years and spend $180,000 total on these policies. Their coverage will pay them (with included inflation riders) about $15,000 per month give or take. It would take one spouse about one year of care to recoup all the premiums paid. This could be home care, assisted living, or in a nursing home. If we assume that only one spouse needed to spend the average that you quote of let's say 24 months in care, they will have gotten back twice what they put in which will make up for the lost investment potential or "time value". A longer stay or a claim by both spouses (more common these days than in the past), and you are getting way more than you put in.

This is not the big risk when it comes to this problem. The big risk is what happens when you don't die in your allotted 18 to 24 months or 24 to 30 months. There are claims in this industry (with unlimited benefit policies) that are over $2,000,000 and counting. I wouldn't wish this on anyone, but it happens.

Some folks will never need to use their insurance. They are the real winners. They will die peacefully without the need for care and they will never know they wasted their money on the insurance. They will have lived their lives without the concern of "what if we need care and run out of money?"

12. Is paying in a few years or all at once subject to a discount compared to monthly premiums?

Yes. If you buy a hybrid and want to pay for it with a single check, it will be less expensive overall than paying over time. Similarly, a ten-year payoff is less expensive overall than a twenty-year payoff. However, there is time value of money to be concerned about as well when you are trying to figure out the best way to pay. Another related concern is that the traditional carriers all charge an additional 8% to pay monthly instead of annually. This is like making thirteen monthly payments each year. I recommend annual payments to avoid this.

13. Can you have LTC insurance from more than one company?

Yes. Sometimes people buy policies that are too small or without inflation protection. They may want to buy more coverage later. Because the rate is age based, it makes good financial sense to keep what they have and buy additional coverage. This may be from the same or any other company.

14. Why not just buy an annuity?

The simple answer is that the annuity will not offer you the leverage of the insurance. With an annuity, you will be spending your own money. With insurance, you will be spending the carrier's money. A simple truth is that you cannot "out-invest" this insurance.

15. Do policies differ in support for home care vs institutional care?

Not the best ones. With a good policy, you will have a pre-set allowance that will grow each year with an inflation rider. The allowance will not differentiate between settings. You will be able to spend your allowance in any setting you choose. Some policies will limit how much may be spent in home care versus assisted living versus nursing homes, but the best ones won't do this.

16. What's the risk to a policy holder if the remaining 20 companies go out of business?

Well let's be clear about what is really happening. The companies that left this industry did not go out of business. They merely stopped offering new long-term care insurance policies. They are responsible to maintain all in-force policies that they've already sold. If the remaining companies all decide to pull out of the industry, my thought is that the folks who already have policies are the lucky ones. The carriers won't be leaving the industry if they can make money at this. If they can't make money, it means you bought your policy truly below cost.

17. If my policy says 5-year max benefit period and $425K max benefit lifetime, which applies? Only the $425K limit?

Correct. There will never be a time limit on your benefits in this industry. Even with indemnity plans, your lifetime benefit and your benefit period will coincide, and you will run out of both simultaneously. But you will be entitled to spend all the money no matter how long it takes.

18. If you submit the documentation for a claim prior to the elimination period, will the claim be paid once the elimination period has been reached or do you have to wait until the elimination period has elapsed to file the claim?

This is a very good question! The answer is that you want to file the paperwork for a claim the instant you have any inkling at all that a long-term care stay may arise. Good companies will allow you to file the paperwork within a reasonable timeframe of when a claim arises, but some of the less scrupulous companies will start your 90-day elimination period only after they have all the paperwork in hand. If you start the paperwork and recover, no harm done, and the claim will be dismissed. But if it does turn into a real claim, you will be ahead of the curve.