

Long Term Care....Is it for You?

A Presentation on Developing a Long Term Care Strategy

Presented by:

Tim Lounsbury CLTC

Long term care insurance underwritten by
Genworth Life Insurance Company

Speakers

Tim Lounsbury CLTC

- **27 years of insurance / financial experience**
- **Offices serving you in Owego, Endicott and Vestal**
- **Lifetime community resident**

Insurance and annuity products:

- **Are not** deposits.
- **Are not** insured by the FDIC or any other federal government agency.
- **May** decrease in value.
- **Are not** guaranteed by the bank or its affiliates.

Agenda

- Overview of long term care
- Funding options for long term care
- What to look for in a long term care policy
- Next steps

Have you ever known someone

Who needed long term care services, either at home or elsewhere?

Consider these:

- If you or your spouse had a major health concern now or in the future, what strategy do you have?
- If you needed extended care, where would the money and support come from?

We're fortunate that we may live a long life.

Unfortunately, when we live a long life, we may get sick.

Key long term care questions

- What is long term care?
- When might it be needed?
- Where are long term care services provided?
- What is your plan should you need long term care?
- What effect could long term care have on your family and retirement planning?
- What could it cost?
- Is long term care insurance right for you?

What is long term care?

- Long term care can be broadly defined as care provided by another party for the benefit of those who are unable to care for themselves
- It is usually provided for an extended period of time
- Supervision required due to a severe cognitive impairment, such as Alzheimer's disease
- Assistance with Activities of Daily Living

Long term care is personal care assistance.

When is long term care needed?

- **Activities of Daily Living**

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

- **Cognitive Impairment**

- Memory
- Orientation
- Reasoning

What are the levels of care?

- **Custodial Care**

- Help with activities of daily living. Often involves non-medical personnel

- **Intermediate Care**

- Occasional nursing and rehabilitative care under supervision of skilled medical personnel

- **Skilled Care**

- Intensive care, constant supervision, and treatment by a skilled health care professional

Where is long term care provided?

- **Where you need it**
- **Not just in nursing homes or assisted living facilities**
- **Often in your own home**
- **80% of all LTC needs are handled in the home**



What are the chances of needing care?

- As people age they may develop a chronic condition or physical or cognitive disability for which they might need assistance.
- More and more Americans recognize the need to save for retirement. But few are aware of the need to protect their retirement savings against the steadily growing costs of long term care. A lifetime of retirement savings can be significantly depleted by an unexpected need for nursing home, assisted living, or at-home care. This happens more often than anyone expects — one in four Americans between ages 65-74 and 62 percent of those over 85 suffer some limitation of activities. The cost for long-term care services — both nursing home stays and care at home-is expensive.¹
- Is there a chance that you could live a long life and become frail?

¹Long-Term Care Insurance, Protection for Your Future, ACLI, 2007

What is your strategy?

- Living a long life is a possibility
- Planning for it is a necessity



Four types of people:

“ There are only four kinds of people in the world:

those who have been caregivers;

those who are currently caregivers;

those who will be caregivers;

and those who will need caregivers.”

**Former First Lady
Rosalynn Carter**

Excerpt from "Helping Yourself Help Others: A Book for Caregivers" with Susan K. Golant

What is the average cost of long term care?

The national average costs are:

– Home Care Providers

- Certified Home Health Aides: \$38 per hour
- Homemaker services: \$18 per hour

– Adult Day Care

- Community Center: \$59 per day

– Assisted Living Facilities

- Private one-bedroom unit: \$3,008 per month or \$36,096 per year
- Some charge a one-time community or entrance fee
 - Range between \$35 and \$118,180
 - National average of \$2,316

– Nursing Homes

- Private room: \$76,285 (\$209 daily national average rate)
- Semi-private room: \$68,255 (\$187 daily national average rate)
- Urban areas are 17% greater than non-urban areas, on average

Source: 2008 Genworth Financial Cost of Care Survey. Conducted by CareScout, 4/2008.

What is the average cost of long term care in our community?

The average costs are:



- Adult Day Care\$125/ Day ..
- Assisted living \$2,600-\$4,500/month
- Nursing Home (semi private \$312/day \$113,800/ year



- Certified home health aides \$22/hour Staff Kings

Source: 2008 Genworth Financial Cost of Care Survey. Conducted by CareScout, 4/2008.

What about Medical or Disability Income Insurance?

- **Medical Insurance was not designed to pay for long-term care services and does not generally pay for care for custodial (personal) needs care**
- **Disability Income Insurance is designed to help replace a portion of the disabled person's income, in order to pay for expenses such as mortgage, utilities and food. Disability Income Insurance was not designed to pay for long term care services**

Long term care is not only about you

It's about you and your family.



Long term care funding options:

Your Family

Out of love and necessity, families help.

The Government

Medicare and Medicaid generally limit your long term care options.

Self-Insure / Your Personal Savings

Jeopardize your goals and may be costly.

Long Term Care Insurance

Transfers some of the risk away from you.
May prevent invasion of principal.

Family as an option

- **Smaller families living farther apart**
- **Women in the workforce**
- **Inadequate experience in providing care**
- **Physical and emotional demands**
- **Personal dignity**



Who provides “Family” care?

The responsibility for family caregiving is assumed disproportionately by women (72 percent) who are themselves elderly (spouses) or have multiple roles (daughters or daughters-in-law).¹



¹AMA (Public Health) Family caregiving issues, www.ama-assn.org/ama/pub/category/5032.html, October 2008

Impact of care giving

- **As many as 17 million people, or 51 percent of the 34 million caring for a loved one 50 years or older, are spending on average more than 10 percent of their annual income on caregiving expenses.** ¹
- **Family members who are called upon to provide health care for a loved one at home may do so at the risk of their own health. And, because they often may not have the proper training, they can put their loved one at risk as well.**

¹"Marketing and Licensing Agreements; Evercare/NAC Study Reveals That Half of Caregivers Are Spending 10 Percent of Their Income to Care for an Older Loved One." *Healthcare, Finance Tax & Law Weekly*. 12/05/07.

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Government: Medicaid

- **Medicaid is a joint Federal-State program that provides health insurance to low income children, seniors and people with disabilities**
- **It covers care in a nursing home for those who qualify**
- **As for home care, Medicaid offers very little except in New York, which provides home care to those who need it and qualify based on financial resources**
- **Medicaid is a means tested program**
 - participant must meet strict income and asset criteria to qualify



Medicaid may put your financial assets at risk.

Government: Medicaid

Resource (Asset) Rules

These are general federal guidelines. The specific rules in your state may differ somewhat.

In order to be eligible for Medicaid benefits a nursing home resident may have no more than \$2,000 in "countable" assets.

The spouse of a nursing home resident—called the "community spouse" -- is limited to one half of the couple's joint assets up to \$109,560 (in 2010) in "countable" assets (see Medicaid, [Protections for the Healthy Spouse](#)).

This figure changes each year to reflect inflation. In addition, the community spouse may keep the first \$21,912 (in 2010), even if that is more than half of the couple's assets. This figure is higher in some states, even up to the full maximum of \$109,560 (in 2010).



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Government: Medicaid

\$Countable Assets\$

Are any personal financial resources owned or controlled by the applicant for Medicaid benefits. They must be spent on his care.

They generally include:

- CASH
- Stocks
- Bonds
- All general Investments
- All tax qualified plans if applicant is retired
- Deferred Annuities if not annuitized

A primary residence, if the net value exceeds a cap, set by the State of either \$500,000 or \$750,000. The rule does not apply if a spouse is living in the house.

A life insurance with cash surrender value, if death benefit exceeds \$1,500
Investment property



Medicaid may put your financial assets at risk.

Government: Medicaid

Non Countable - are not used in determining eligibility

A small sum of money...Varies if Single or married. Range \$4,000-\$109,000

A primary residence..... There are circumstances when a lien can be placed on the primary residence if Medicaid benefits have been paid out on your behalf.

- A prepaid funeral
- Term life insurance
- Business assets, if applicant derives livelihood from them
- A car for personal use
- Personal items



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Government: Medicaid

Inaccessible Assets

These resources would have had to be spent on the applicant's care (countable assets) or, in the case of a primary home, been subject to a lien for recovery of benefits. However, they have been protected by being transferred to family or friends. There are only two ways to protect assets:

Give them away

- Gifting can cause serious tax consequences
- Transfers from a retirement plan creates an immediate income tax liability
- If own stock or other assets with a low cost basis, gifting them will create a future tax when the children decide to sell. If however, they remain in the client's name and are part of the estate at death, they receive a free step-up to current market value. This initials little or no capital gains tax liability.

Placing them in Trust

- Irrevocable - Once established, may not be revoked or changed in any manner by the donor. The donor has no control of, or interest in the assets.
- A trust cannot hold qualified funds. Funding it with such creates an immediate tax liability.

Medicaid may put your financial assets at risk.

Government: Medicaid

Look-back and ineligibility periods

The Transfer Penalty Congress does not want you to move into a nursing home on Monday, give all your money to your children (or whomever) on Tuesday, and qualify for Medicaid on Wednesday. So it has imposed a penalty on people who transfer assets without receiving fair value in return. These restrictions, already severe, have been made even harsher by enactment of the DRA.

This penalty is a period of time during which the person transferring the assets will be ineligible for Medicaid. The penalty period is determined by dividing the amount transferred by what Medicaid determines to be the average private pay cost of a nursing home in your state.

Medicaid may put your financial assets at risk.

Government: Medicaid

Example 1: If you live in a state where the average monthly cost of care has been determined to be \$5,000, and you give away countable assets worth \$100,000, you will be ineligible for benefits for 20 months ($\$100,000 \div \$5,000 = 20$). Another way to look at the above example is that for every \$5,000 transferred, an applicant would be ineligible for Medicaid nursing home benefits for one month. In theory, there is no limit on the number of months a person can be ineligible.

Example 2: The period of ineligibility for the transfer of \$400,000 would be 80 months ($\$400,000 \div \$5,000 = 80$). **However, for transfers made prior to enactment of the DRA on February 8, 2006, state Medicaid officials will look only at transfers made within the 36 months prior to the Medicaid application (or 60 months if the transfer was made to or from certain kinds of trusts). But for transfers made after passage of the DRA the so-called look back period for all transfers is 60 months.**

Medicaid may put your financial assets at risk.

Government: Medicaid

Example 3: To use the above example of the \$400,000 transfer, if the individual made the transfer on January 1, 2003, and waited until February 1, 2006, to apply for Medicaid -- 37 months later -- the transfer would not affect his or her Medicaid eligibility. However, if the individual applied for benefits in December 2005, only 35 months after transferring the property, he or she would have to wait the full 80 months before becoming eligible for benefits. On the other hand, if the individual made the transfer on February 10, 2006, he or she would have to wait 60 months before applying for Medicaid in order to avoid an ineligibility period. A significant major change in the treatment of transfers made by the DRA has to do with when the penalty period created by the transfer begins. Under the prior law, the 20-month penalty period created by a transfer of \$100,000 in the example described above would begin either on the first day of the month during which the transfer occurred, or on the first day of the following month, depending on the state. Under the DRA, the 20-month period will not begin until (1) the transferor has moved to a nursing home, (2) he has spent down to the asset limit for Medicaid eligibility, (3) has applied for Medicaid coverage, and (4) has been approved for coverage but for the transfer. For instance, if an individual transfers \$100,000 on April 1, 2007, moves to a nursing home on April 1, 2008, and spends down to Medicaid eligibility on April 1, 2009, that is when the 20-month penalty period will begin, and it will not end until December 1, 2010. How this change will be implemented from state-to-state will be worked out over the next few years.

Medicaid may put your financial assets at risk.

Government: Medicaid

Income

Individual income regardless of how earned or when received, is considered available to be spent on the Medicaid beneficiary's care, with three exceptions:

- A personal monthly needs allowance---usually \$30-\$60/month
- The beneficiary's Medicare Part B and Medicare supplement insurance premiums

Married couples The community spouse's monthly income is never used in determining eligibility for her institutionalized spouse.

MMMNA- Minimum monthly maintenance needs allowance

Spousal impoverishment provision- The Federal government allows the community spouse to maintain a livable allowance. In NY the community spouse is allowed to keep a MMMNA of \$2,739 in 2009. These rules only apply if the community spouse's monthly income is less than the limit.

Medicaid may put your financial assets at risk.

Government: Medicaid

Example: Sarah's husband Edward has recently been admitted to a nursing home. In 2009, they have \$500,000 in assets. Her income from Social Security is \$1,000 per month. Edward receives a pension of \$4,500/month.

Sarah is allowed to keep the first \$109,560 plus her husband's cash allowance which in NY is \$4150. Edwards spend down is \$386,290. Once that amount is spent on nursing home care, he will be qualified to start receiving Medicaid benefits. At that time, Sarah will be permitted to keep \$1,739 of her husband's monthly income to bring her up to the \$2,739

Medicaid may put your financial assets at risk.

Government: Medicaid

The Result?

The couple started with \$500,000 and Sarah is now left with \$113,710

The couple started with an income of \$66,000 per year and Sarah is left with \$32,868

Medicaid may put your financial assets at risk.

Government: Medicare

Medicare- Entitlement at age 65

Health insurance - pays for skilled care and rehab

- Part A- Hospital
- Part B- Physician -out patient

Skilled Nursing Facility

Must first spend 3 days in hospital

Typically transfer from hospital to skilled nursing

Days 1-20.....100% paid by Medicare

21-100 \$135 daily deductible

100 + no coverage

Medicare will not pay for personal care aide who would assist with ADL's ... "In other words" Does not cover CUSTODIAL CARE



Government: Medicare

Veterans

• *Veterans homes- priority is for services related to the service connected disability...groups 1-8*

• *2009 Income Threshold: \$18,244 with no dependants
\$21,615 with one dependant*



Funding options:

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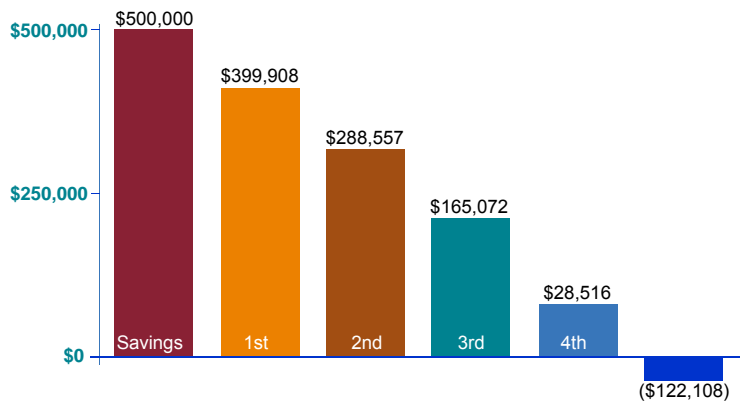
Jeopardize your goals and may be costly.

Long Term Care Insurance

Transfers some of the risk away from you.
May prevent invasion of principal.

Potential impact of long term care expenses:

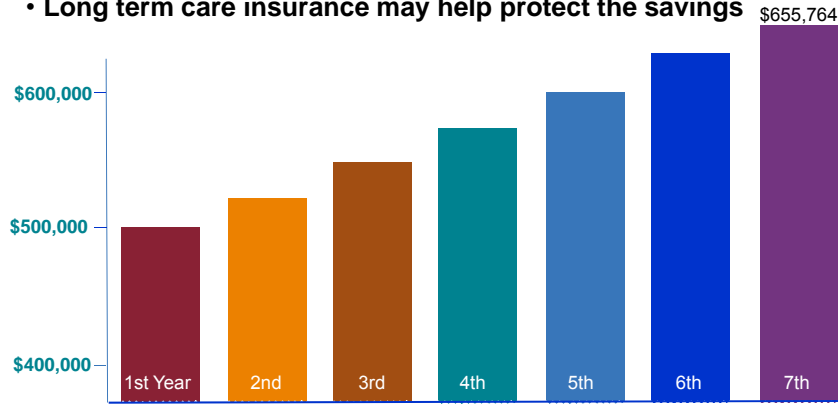
\$500,000 could be depleted in 5 to 6 years.



FOR ILLUSTRATIVE PURPOSES ONLY. Assumptions: \$500,000 savings earning 5% net of expenses, current Long Term Care costs \$76,285 per year in Private Room in a nursing home according to a Genworth Financial 2008 Cost of Care Survey conducted by CareScout, 04/2008, with 5% simple inflation increase annually, spouse requires \$42,850 annual withdrawal w/a 5% simple inflation increase each year. All earnings and withdrawals occur at the beginning of each year. Does not take into account any other additions or subtractions that may occur with this account.

Potential impact of premium on savings:

- Pay long term care insurance premium out of savings
- Long term care insurance may help protect the savings



FOR ILLUSTRATIVE PURPOSES ONLY. Assumptions: \$500,000 savings earning 5%, current Long Term Care insurance premium of \$2,000 deducted annually. Assumes no claims paid and level premiums over the period illustrated, which is not guaranteed. All earnings and withdrawals occur at the beginning of each year. Does not take into account any other additions or deductions that may occur from this account.

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Long Term Care Insurance:

- Pays for covered custodial and community care.
- Benefits are paid for covered care you receive.
- Helps to protect your financial strategies.

Long term care insurance doesn't replace the need for care – it builds on it, allowing the caregiver to take care of you better and for longer.

Managing life's major risks

- **Most families are insured for life's other major risks**
 - Health Insurance
 - Home Insurance
 - Auto Insurance
 - Life Insurance



Why do people purchase long term care insurance?

- To help avoid depending on family or friends
- To help maintain options as to how and where to receive care
- To help preserve their future independence
- To help avoid using retirement savings or personal assets to pay for long-term care services

Questions to ask yourself

- How would this impact your retirement strategy ?
- How long could you afford these costs?
- How would this additional expense affect the estate you wish to leave your children?

Questions to ask yourself

- **How concerned are you about assuring that you maintain your financial security and independence?**
- **What if both spouses needed care?**
- **How would this affect your family, both emotionally and financially?**

Transfer some of the risk

- **Have choices of quality care**
- **Help protect assets**
- **Help protect your spouse's and your family's quality of life**

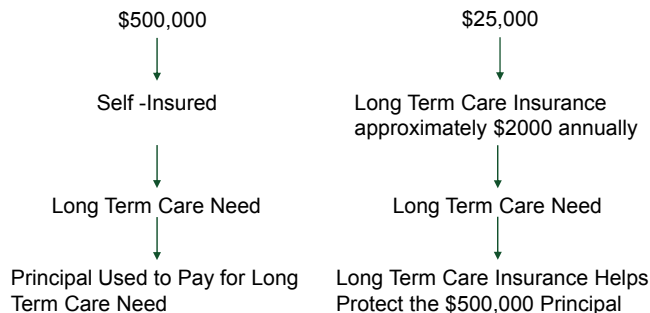
Can you afford to pay for long term care services using your retirement savings?

- If so, for how long?
 - Paying for long term care services with retirement savings or personal assets can deplete your resources and jeopardize your enjoyment of your retirement
 - Long term care insurance can help you prepare for future possibilities, and can help protect your retirement savings

Portion of interest on savings

- May help to pay long term care insurance premium
- Long term care insurance helps protect the savings

Liquid Asset Value = \$500,000 X 5% Annual Interest = \$25,000 Annual Earnings on Liquid Asset



FOR ILLUSTRATIVE PURPOSES ONLY. Assumptions: \$500,000 savings earning 5% net of expenses, current Long Term Care Insurance premium of \$2,000. Does not take into account any other additions or any other additions or deductions that may occur from this account. This is an assumption that an individual is using his or her savings to earn interest. Five percent was selected as it is a round number and reflects an earning that might be achieved through a diversified, managed portfolio. It is not intended to indicate that there is any offer being made as part of this presentation that provides a return. All investments come with risks. This example is not intended to imply any guarantee of earnings potential from any one investment or any portfolio. Annual premiums assumes level premiums over the period illustrated, which is not guaranteed.

Is it appropriate for you?

- Do you have assets to protect?
- Do you have plans for your assets?
- Might you someday need care?
- If so, how would you pay for care?
- What if both of you need care?

Why consider long term care insurance now?


New York Tax Credit
Not just a deduction!


20% of premium paid- reduces NY tax liability

Why consider long term care insurance now?

- Premiums generally higher by age
- Risk of uninsurability
- Most people understand the need for long term care insurance, but wait too long to begin the application process
- The New York Partnership




NEW YORK STATE



Partnership for Long-Term Care


Qualifying for Medicaid under the Partnership

In New York, people may qualify for Medicaid Extended Coverage under the Partnership when their medical and long-term care bills exceed their ability to pay for their care according to Medicaid income and resource rules.

*An insured with a **Total Asset Protection** plan may apply for Medicaid Extended Coverage with protection of any amount of resources (assets) and is therefore exempt from any penalty associated with the transfer of resources (assets).*

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NEW YORK STATE

Partnership for Long-Term Care


An insured with a **Dollar for Dollar Asset Protection** plan may apply for Medicaid Extended Coverage without regard to resources (assets) equal to the amount of insurance benefits paid out under his/her Partnership insurance plan as long as the **policy minimum duration period** is satisfied.


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Next steps

Questions to ask yourself

- Am I eligible for this coverage
- Is this strategy appropriate for my family
- What does this coverage cost

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Financial

A SUGGESTED LONG TERM CARE INSURANCE PLAN OFFERED BY
GENWORTH LIFE INSURANCE COMPANY OF NEW YORK
Administrative Offices: Richmond, Virginia
TOTAL ASSET 50
To be issued in New York
Protecting Tomorrow's Independence Today[®]
Long Term Care Insurance Policy Form Series 51015 Rev

COMBINED SUMMARY

Presented By: John Lounsbury NY For: Mr. Valued Client & Mrs. Valued Client NY

Selected Policy Information

Benefit Plan:	Total Asset 50	Mr. Valued Client	Mrs. Valued Client
Age:	58	58	58
Daily Benefit Maximum:	\$230	\$230	\$230
Benefit Multiplier:	1095 Days	1095 Days	1095 Days
Elimination Period:	90 Days	90 Days	90 Days
Benefit Increase Option:	5% Compound	5% Compound	5% Compound
Full Daily Maximum Benefit:	None	None	None
Enhanced Survivorship 7-year Option:	None	None	None
Independent Informal Care Option:	None	None	None
Waiver of Premium Option:	Included	Included	Included
Nonforfeiture Benefit Option:	None	None	None
Return of Premium Option:	None	None	None
Premium Payment Period:	Lifetime	Lifetime	Lifetime
Modal Payment:	Annual	Annual	Annual

Selected Discounts and Modal Premiums

	Mr. Valued Client	Mrs. Valued Client
Gross Individual Modal Premium	\$2,239.54	\$2,239.54
Preferred Health Discount (15%)	\$344.92	\$344.92
*Couple's Discount (25%)	\$459.91	\$459.91
Total Individual Modal Premium:	\$1,494.71	\$1,494.71
Multi Life Discount (5%)	\$0.00	\$0.00
Net Individual Modal Premium:	\$1,494.71	\$1,494.71
Net Combined Modal Premium:	\$2,989.42	


Modal Premium Payment Options

Mode	Factor	Annual Percentage Rate	Mr. Valued Client		Mrs. Valued Client	
			Yearly Total Payment	Yearly Total Payment	Yearly Total Payment	Yearly Total Payment
Annual:	1.00	0	\$1,494.71	(\$1,494.71 x 1)	\$1,494.71	(\$1,494.71 x 1)
Semi-Annual:	0.51	8.2%	\$1,524.60	(\$762.30 x 2)	\$1,524.60	(\$762.30 x 2)
Quarterly:	0.26	10.8%	\$1,554.52	(\$388.63 x 4)	\$1,554.52	(\$388.63 x 4)
Monthly (EFT only):	0.09	17.2%	\$1,614.24	(\$134.52 x 12)	\$1,614.24	(\$134.52 x 12)

*35% maximum discount per policy. 15% preferred health; 10% couples, 15% couples issued, reduced to 10% if combined with preferred health discount.

Long Term Care Is A Family Affair

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Long term care is not only about you

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Plan today and help secure your future!

- **If you don't do it for yourself, do it for your family.**
- **Help protect your financial assets.**
- **Help protect your family's goals.**