LTCI Indiana, LLC
Long Term Care "Basics"

What is Long Term Care (LTC)?

Care and services for an individual with a chronic health condition resulting from an accident, illness or aging. Care could include assistance in performing activities of daily living (bathing, dressing, eating, toileting, continence, transferring) or supervision for a cognitive impairment. May include:

- Home Health Care
- Adult Day Care
- Assisted Living
- Nursing Facility
- And other supportive services, such as home-delivered meals, homemaker or care coordination services.

What is Long Term Care Insurance (LTCI)?

It is a form of extended health insurance that can provide benefits described in policy language for LTC services mentioned above.

What do Long Term Care services cost?

- Home Health Care (HHC) needs can vary greatly. It is difficult to gauge how many hours a day someone might need for home care. Average in Indiana is about $23 per hour or $47,840/year. 24-hour/day HHC, 7 days a week could cost $3864+/week. ($200,928 annually)
- Assisted Living (AL) in Indiana for a one bedroom will range from $3875 to $4245 per month. (Upscale AL or extensive care need could elevate costs to more than a nursing facility.)
- Adult Day Services Centers range from $46 to $132 per day, average in Indianapolis is $77 per day.
- Nursing Facility averages $220/day; approximately $80,300 per year for a semi-private room and $272 per day for private: approximately $99,280 per year. (Indianapolis and larger IN cities)

Projected inflation for long term care costs: 5% per year

Estimated Future Cost of Care and Policy Benefits with Inflation Increases

What will costs of care look like in the future? If LTCI benefit is less than cost of care, the insured would have to pay the difference out-of-pocket. Twenty-six years ago, nursing facility charges averaged $60/day. (At 5% compounding, today's value would be $224.) Average cost of care for 2015 is approximately $220/day ($6,700/month).

	NO INFLATION	In 20 yrs.	In 30 yrs.	In 40 yrs.
5% compound				
PER DAY	$220	$584	$951	$1,849
PER MONTH	$6700	$17,777	$28,957	$47,168
PER YEAR	$80,300	$213,060	$347,052	$565,311
3 yrs/care	$240,900	$639,179	$1,041,156	$1,695,933
4 yrs/care	$321,200	$852,239	$1,388,208	$2,261,244
4% compound				
PER DAY	$220	$482	$714	$1056
PER MONTH	$6700	$14,681	$21,731	$32,167
PER YEAR	$80,300	$175,947	$260,445	$385,522
3 yrs/care	$240,900	$ 527,842	$781,334	$1,156,566
4 yrs/care	$321,200	$703,789	$1,041,779	$1,542,088
3% compound				
PER DAY	$220	$397	$534	$718
PER MONTH	$6700	$12,101	$16,263	$21,856
PER YEAR	$80,300	$145,031	$194,909	$261,942
3 yrs/care	$240,900	$435,092	$584,728	$785,825
4 yrs/care	$321,200	$580,123	$779,637	$1,047,767
($10,000/month) at 3% compound				
PER DAY	$329	$594	$798	$1,072
PER MONTH	$10,000	$18,061	$24,273	$32,620
PER YEAR	$120,000	$216,732	$291,276	$391,440
3 yrs/care	$360,000	$650,196	$873,828	$1,174,320
4 yrs/care	$480,000	$866,928	$1,165,104	$1,565,760
5% SIMPLE over time				
PER DAY	$220	$440	$550	$660
PER MONTH	$6700	$13,400	$16,750	$20,100
PER YEAR	$80,300	$160,600	$200,750	$240,900
x 3 yrs	$240,900	$481,800	$602,250	$722,700
x 4 yrs	$321,200	$642,400	$803,000	$963,600

The Power of Inflation Protection

These numbers represent both:

(1) the rising cost of services if care increases at a 5% (compounded) rate annually, and

(2) the rising value of long term care insurance benefits with an automatic 5% compounded, or 5% simple, or 3% compounded annual increase.

In today's dollars	In 10 yrs.	In 20 yrs.	In 30 yrs.	In 40 yrs.
$190 daily cost/benefit				
5% compound	$309.49	$504.13	$821.17	$1,337.60
5% simple	$285.00	$380.00	$475.00	$ 570.00
3% compound	$255.34	$343.16	$461.18	$ 619.79
x 4 yrs = $277,400				
5% compound	$451,855	$736,030	$1,198,908	$1,952,896
5% simple	$416,100	$554,800	$693,500	$ 832,200
3% compound	$372,796	$501,014	$673,323	$ 904,893
$200 daily cost/benefit				
5% compound	$325.78	$530.66	$864.39	$1,408.00
5% simple	$300.00	$400.00	$500.00	$ 600.00
3% compound	$268.78	$361.22	$485.45	$ 652.41
x 4 yrs = $292,000				
5% compound	$475,638	$774,763	$1,262,009	$2,055,680
5% simple	$438,000	$584,000	$ 730,000	$ 876,000
3% compound	$392,418	$527,381	$ 708,757	$ 952,518
$210 daily cost/benefit				
5% compound	$342.07	$557.19	$907.61	$1478.40
5% simple	$315.00	$420.00	$525.00	$630.00
3% compound	$282.22	$379.28	$509.73	$685.03
x 4 yrs = $306,600				
5% compound	$499,422	$813,497	$1,325,111	$2,158,464
5% simple	$459,900	$613,200	$766,500	$919,800
3% compound	$412,041	$553,749	$774,206	$1,000,144
$220 daily cost/benefit				
5% compound	$358.36	$583.73	$950.83	$1548.80
5% simple	$330.00	$440.00	$550.00	$660.00
3% compound	$295.66	$397.34	$534.00	$717.65

Who will need Long Term Care?

- ***Most*** of us will need some type of long term care at some point in our lives according to government estimates. It could be home health care or assisted living or nursing facility care – but eventually most of us will need some form of long term care.

- Americans age 65 and over have more than a 75% chance of needing some form of long term care. (www.longtermcare.gov)

- Over 40% of Americans currently receiving long term care are between the ages of 18 and 64. (Government Accounting Office)

What doesn't pay for Long Term Care?

- Medical/Health Insurance or Disability Insurance
- Medicare or Medicare Supplement

Generally, two payment choices for Long Term Care

1. Individuals/families (private pay) – possible spend down to Medicaid qualification
2. Long Term Care Insurance

(In 2013, more than $7.5 billion in LTCI benefits were paid; more than half for home care – *2014 LTCi Sourcebook*)

Current preparation to pay for LTC?

Income, assets, retirement funds, long term care insurance? Liquidation of investments? Preference?

Definition of Benefit Selections

Daily Benefit: The maximum amount per day in benefits that the policy will pay – including the inflation benefit. Initial choices from $120 to $500 per day.

Monthly Benefit: Particularly meaningful for home health care when services and costs vary from day to day. Allows for more flexibility and access to benefits.

- Method #1: Daily Benefit (DB) selected is multiplied by exact number of days in any specific month resulting in a monthly pool of money/benefits available.
- Method #2: A specific monthly benefit amount is selected outright.

Benefit Limit: The maximum *total* amount the policy will pay out including the increasing amount for the inflation protection benefit. Benefit limits are in a *pool of money.* Pool of money benefits often use year multipliers, e.g., one year, two years, three years, four years, etc., as a factor to multiply by the chosen daily (or monthly) benefit.

Examples:

$260/day x 1460 (4yrs) = $379,600	$7800/mo. x 48 = $374,400
$210/day x 1825 (5yrs) = $383,250	$6300/mo. x 60 = $378,000
$200/day x 1095 (3yrs) = $219,000	$6000/mo. x 36 = $216,000
$180/day x 1095 (3yrs) = $197,100	$5500/mo. x 36 = $198,000

The pool of money would be used however needed for covered services (payable ***up to*** the maximum inflated benefit level of daily/monthly benefits). Benefits are truly in dollars not time. The benefit pool could last longer than the days/years factor if used at a lesser rate than the available monthly benefit.

Claims Info:

- Claims studies for the past three years indicate that only 8% of LTCI claimants exhaust/outlive a 3-year benefit limit multiplier.

Automatic Inflation Benefit: Increases all dollar benefit amounts automatically each year. May be 5% compounded, CPI-based (urban consumer price index used) or 5% simple (option for ages 75+). An automatic inflation benefit is included in the premium and will not cause the premium to increase.

Elimination Period: A deductible in days.

- Premium savings between shorter and longer EPs over time will not be great enough to pay the difference in cost of care dollars out-of-pocket.
- Waiver of Premium usually doesn't "kick in" until EP is met.
- EPs are generally counted as actual days of insured-paid care service. If only 2 days of home care per week, it would take 50 weeks (almost a year) to meet a 100-day EP!
- A 30-day EP is usually the most cost effective. Another option could be a home health care EP waiver rider. A few carriers have a standard 0-day EP already built-into the policy for home care – so there would be no EP requirement for home care.

Additional Definitions

Waiver of Premium: Premium is waived after stated policy requirement is met. EP satisfaction is always the first (and usually the only) requirement to premium waiver.

General Benefit Qualifiers:

- Assistance (either hands on or standby) with 2 of 6 activities of daily living (bathing, dressing, eating, toileting, continence, transferring) OR
- Supervision for a cognitive impairment.
- Insured's health care practitioner validates long term care need and a plan of care is established.

Government Incentives to Encourage Purchase of Long Term Care Insurance

Federal

1. Certain tax incentives as health insurance for individuals and businesses
2. Limitations on Medicaid eligibility and required estate recovery for Medicaid recipients

Indiana (www.longtermcareinsurance.in.gov)

Indiana Long Term Care Insurance Program
"The Partnership"

A Partnership between State government (with Federal approval) and private insurance companies who choose to participate and meet certain

- Consumer protection features and definitions, including meaningful inflation protection

Additionally, Indiana Partnership policies include state-added incentives to encourage the purchase of LTC insurance:

- Indiana State Income Tax Deduction
- Procedural deterrent to discourage premium increases
- Increased oversight and consumer advocacy

- Guaranteed asset protection – as a back-up security to the LTC insurance benefits if care is needed beyond policy limits. Insured could choose to apply to Medicaid and retain some or all assets and still qualify.

The Indiana Long Term Care Program offers the incentive of asset protection to encourage the purchase of long term care insurance. **Ideally, Partnership insureds would have enough coverage and never need to apply to Medicaid.** *Less than 4% of all claimants with Partnership policies have actually become Medicaid recipients.*

Total Asset Protection

Purchase of benefits **greater than** the state-set amount threshold

↑ ↑

------------------------------------ $371,462 -------------------------------------

2018 State Set Amount

↓ ↓

Dollar for Dollar Asset Protection

Purchase of benefits **less than** the state-set amount threshold

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Dollar for Dollar: The amount of the asset protection is equal to the benefits paid from the policy. <u>Benefits paid equals asset protected.</u> Any assets above that amount would be "spent down" if policyholder chooses to apply to Medicaid.

Total Asset Protection: If care is needed beyond benefit limits and the policy is exhausted, policyholder may choose to apply to Medicaid. <u>All (total) assets would be protected from Medicaid spend-down.</u>

Income is not protected for anyone who is on Medicaid *(except for $52/month); however, the insured may do whatever he/she wishes with Partnership protected assets (including income-producing assets). Protected assets may be given away, spent – whatever – and whoever owns the protected assets also owns any income generated by those assets.*

The following page is intended to provide very basic Medicaid information. Medicaid rules and procedures have changed over the past ten years and will almost certainly continue to change in the future.

Medicaid is a federal/state funded medical assistance program that pays for approved and needed health care for persons who meet **specific eligibility requirements**.

A. Medicaid was intended as **"Payer of Last Resort**" – a safety net.
- Not designed to be "Inheritance Insurance"
- Medicaid does not pay for full cost of care – rationed dollars

B. Medicaid **qualification**

Categorical criteria, must fall into one of the categories:

- Low income families with dependent children
- Individuals age 18, 19, 20
- Pregnant women
- Children under 19
- Newborns (up to age 1 if born to Medicaid recipient)
- Age 65 or older
- Blind
- Disabled
- Refugees

1. AND, have **medical need;**
2. AND, meet **financial criteria**;

Worksheet for Spousal Impoverishment

(This is general Medicaid information, and does not take into consideration any asset protection under a Partnership policy which would be in addition to these numbers.)

When one spouse is in a nursing facility (qualifying for Medicaid), and the other spouse is at home:

Income: As of June 1, 2015, any income of the facility spouse that is in excess of $2199 per month will require a Miller Trust to direct the excess income to pay for care to qualify for Medicaid. In addition, income below the $2199 would be spent on care except for $52/month personal needs allowance (plus an amount for health insurance premiums).

Spouse-at-home keeps all income in his/her own name plus half of joint income. If this income is below the established spousal minimums, then the spouse-at-home may retain some of the institutionalized spouse's income in order to meet the minimum monthly amount of $2002 (until 7/2017) or up to a monthly maximum of $3023 (until 1/17), if approved, for excess shelter/living allowance.

Assets: Nursing-facility spouse is allowed to retain $2000 in assets. At-home-spouse retains home (of any value) and one car (of any value). Additionally, at-home spouse retains one-half of the couple's countable assets UP TO a maximum of $120,900. Minimum retention is $24,180.

Total Assets * (not counting home)	$____________________	
Spousal Share (for at-home spouse)	$____________________	whichever is less (1/2 or $120,900)
NH Spouse	$2000______________	
Remaining at risk	$____________________	

*There may be other exempt (not countable) assets at time of qualification. (If nursing home spouse dies, and second spouse also goes to nursing home and becomes Medicaid eligible, house could be counted as an asset and "spousal share" is now converted to "single" and reduced to $2000.)