

# **Creative Options for Successful Long Term Care Insurance Planning**

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Adapted from the Advanced Consulting Group and Nationwide Retirement Institute

# Agenda

1. State of the LTCi Market
2. LTC planning post pandemic
3. Demographics and the changing face of informal caregivers
4. More government involvement
5. Opportunities to help your clients plan better

# The State of the LTCi Market

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# Types of Policies Available

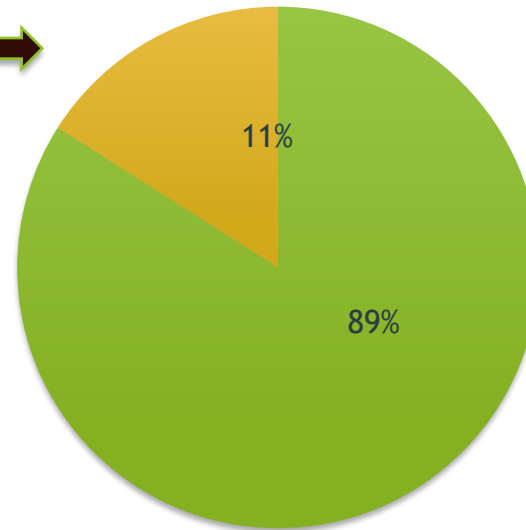
- ▶ Traditional LTC
- ▶ Linked Life/LTC
- ▶ Linked Annuity/LTC
  
- ▶ Universal Life with a LTC or Chronic Illness Rider

# How The Market Has Changed

## Sales of LTC Policies

### Traditional LTC policy sales

- 2000 - 750,000 LTCi policies sold<sup>2</sup>
- 2017 - 70,000 LTCi policies sold<sup>1</sup>
- 2018 - 56,288<sup>2</sup>
- 2020 - 49,000<sup>3</sup>



### Linked LTC policy sales

- 2017 - 260,000 sold<sup>1</sup>
- 2018 - 461,000 sold<sup>2</sup>
- 2020 - 421,000 sold<sup>4</sup>

■ Linked Benefit LTC ■ Traditional LTC

<sup>1</sup>American Association for Long-Term Care Insurance, March 2019

<sup>2</sup>Morningstar - Must-Know Statistics About Long-Term Care: 2019 Edition; Christine Benz, Nov. 25, 2019

<sup>3</sup>LIMRA Newsroom - August 5, 2021

<sup>4</sup>Jesse Slome - American Association of Long-Term Care Insurance, AALTCI - June 24, 2021

# Is There A Need For LTCi?

## Probability of Needing Care (Female 65)

Attained Age	LTC Need Probability
▶ Age 70	5.60%
▶ Age 75	13.90%
▶ Age 80	27.20%
▶ Age 85	43.90%
▶ Age 90	58.30%

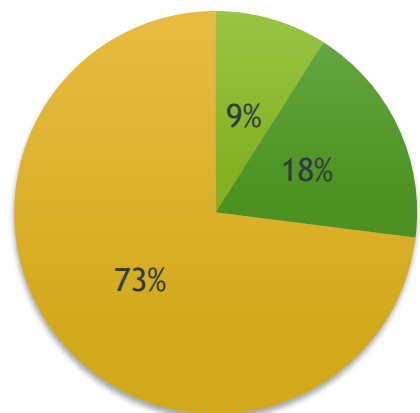
## Probability of Needing Care (Male 65)

Attained Age	LTC Need Probability
▶ Age 70	5.30%
▶ Age 75	12.70%
▶ Age 80	24.30%
▶ Age 85	38.70%
▶ Age 90	51.10%

Source: American Association For Long Term Care Insurance [www.AALTCI.org](http://www.AALTCI.org)  
Report, December 1, 2021 HealthView Services LTC and Financial Planning

# Settings where LTCi claims begin

## Where Claims Begin



■ Nursing Home ■ Assisted Living ■ Home Care

**73%** of LTCi claims begin with care at home<sup>1</sup>

**52%** of people aged 65 plus will need LTCi. That's still a lot of people.<sup>2</sup>

Less than **8%** of people aged 55 and older have LTCi coverage<sup>3</sup>.

<sup>1</sup>American Association for Long-Term Care Insurance, 2022, [www.aaltci.org](http://www.aaltci.org)

<sup>2</sup>"70%" - It's Baaack! Kind of..." - Bill Comfort - CSA, CLTC, LTCCP - Published on December 13, 2020

<sup>3</sup>Kaiser Family Foundation - Population Distribution by Age Report for 2018 & American Association of LongTerm Care Insurance - AALCTCI, 2020 Report

# The Pandemics Impact On LTCi Planning

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# Impact On The Family

- ▶ In a recent study<sup>1</sup> of family caregivers, 2/3 of respondents said:
  - COVID-19 has completely changed their opinions about the best way to care for older adults.
  - They don't agree that quality care can be provided in assisted living or other congregate care settings.
  - Post pandemic, they plan to use in-home care rather than facility-based care.
  - **Over 3/4 of respondents** are concerned their loved one will contract COVID-19 in a facility.

<sup>1</sup> Broker World - "COVID-19 And Long Term Care Planning"; By Margie Barrie and Leni Webber- March 1, 2021

# Impact On The Cost Of Care

## ► Over a single year:

- Assisted living facility rates increased by **4.40%**
- Homemaker services increased by **5.39%**
- Home health aide services increased by **5.92%**
- Private room nursing home rates increased by **3.25%**
- Semi-private nursing home rates escalating by **2.93%**
- Adult day care decreased by **2.78%**



## ► Research suggests that the following factors are contributing to rate increases:

- Employee recruitment and retention challenges
- Personal Protective Equipment (PPE) costs
- Wage pressures
- Regulatory changes (including updated CDC guidelines)
- Supply and demand

# The Changing Face Of Informal Caregivers

## Change in Percentage of Caregivers from Each Generation

	2015	2020	Trending
Generation Z (born 1997 or after)	---	6%	Up
Millennial (born 1981 to 1996)	23%	23%	No change
Generation X (born 1965 to 1980)	25%	29%	Up
Baby Boomers (born 1946 to 1964)	39%	34%	Down
Silent/Greatest (born 1945 or earlier)	13%	7%	Down

**Baby boomers are still the predominant generation of caregivers but are transitioning to becoming the cared-for.**

# Challenges Of Informal Caregiving



Nearly 1 in 5 (19%) adults are providing unpaid care to an adult with health or functional needs.\*

45% report having had at least one financial impact.

\*Data is based on the 19% or 48 million caregivers caring for an adult.



Millennial caregivers are 30.2 years old on average, are more often single (never married) and have lower household incomes than older generation caregivers. They often report high levels of financial strain and financial impacts as a result of caregiving, such as taking on more debt, leaving bills unpaid or paying late, borrowing from friends or family, and being unable to afford basic expenses like food.



Caregivers who feel they have **no choice** are typically 50.4 years old, and work an average of 36.6 hours per week. They report being highly financially strained and have a greater number of financial impacts (taking on more debt, stopping saving).

# Government Involvement

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# What Is The Washington Cares Fund? And Why Is It Important?

- ← **WA Cares Fund** (Long-Term Services and Supports Trust Program)
  - First state mandated social insurance program for LTC in the U.S.
  - Voters rejected it twice in the ballot box - so legislators passed a bill to make it happen.<sup>1</sup>
- ← **How does it work?**
  - Program and payroll deductions begin January 1, 2022
  - Payroll tax of .58% for W-2 employees (58 cents per \$100 earned)
  - Must be financially sustainable
    - ← Tax can go up
    - ← While benefits are supposed to be adjusted upward, they can go down.
  - Provides a total of \$36,500 in benefits after qualifications are met
  - One-time offer to opt-out. LTC policy must have been purchased prior to Nov. 1, 2021.
    - ← Apply for exemption at ESD between Oct. 1, 2021, and Dec. 31, 2022

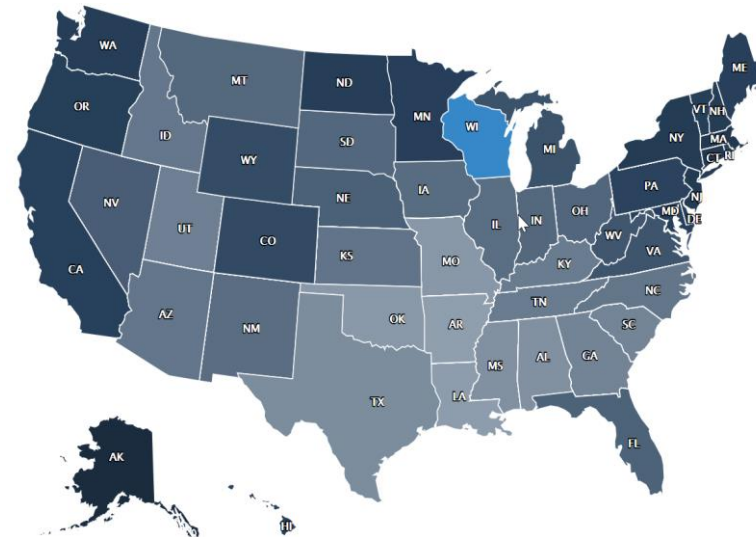
Why does this matter outside of WA?

<sup>1</sup>Steve Moses - Centers for Long-Term Care Reform, 9-1-2021

# Which States may follow Washington?

*The states to watch are:*

- California
- Oregon
- Hawaii
- Michigan
- Alaska
- Illinois
- Minnesota
- Missouri
- Colorado
- New York
- North Carolina
- Utah



This list is not necessarily complete. States shown are at various levels of consideration.

## Summary of LTC Focused Federal Proposals -



### **WISH Act** - a.k.a. Well-Being Insurance for Seniors to be at Home Act

- Would charge 0.6% payroll tax (50/50 cost share by employee and employer)
- \$3,600 a month (adjusted for inflation)
- Must work 40 quarters to qualify for full benefits - 6 quarter minimum (provides a pro-rata benefit)
- Elimination period 1 to 5 years - means tested by income
  - With a 5 year wait, the highest income individuals may get \$0



### **The Long-Term Care Affordability Act**

- Would allow use of qualified money to purchase LTC insurance
- Includes riders on life insurance and annuities, and linked benefit LTC policies
- Up to \$2,500 a year could be used to pay premium
- Funds would not be subject to income tax or pre - age 59 ½ penalty
- The bill will help promote the purchase of private pay LTC insurance



## Summary Of New Federal Proposals - Cont'd



### Better Care Better Jobs Act

- Would expand Medicaid to home and community-based services
- Increase wages and benefits for paid caregivers
- Funded by Medicaid's HCBS (home and community-based services) \$400 billion federal budget



### Credit for Caring Act

- Creates a non-refundable tax credit up to \$5,000 (adjusted for inflation)
- Credit would be 30% of expenses paid or incurred by family members providing care in excess of \$2,000
- Caregiver must have earned income of at least \$7,500
- Credit phases out for joint filers at \$150,000 & individual filers at \$75,000



### Social Security Caregivers Credit Act

- Would provide retirement compensation in form of Social Security credits to individuals forced to leave workforce to care for loved ones

<sup>1</sup><https://www.aging.senate.gov/imo/media/doc/Better%20Care%20Better%20Jobs%20Act%20One%20Pager%20SBS%2006223.pdf>

<sup>2</sup><https://www.bennet.senate.gov/public/index.cfm/2021/5/bennet-bipartisan-colleagues-introduce-legislation-to-support-family-caregivers>

<sup>3</sup><https://www.murphy.senate.gov/newsroom/press-releases/murphy-schneider-meng-introduce-legislation-to-help-caregivers-receive-social-security-credit>

Opportunities to help your clients plan better

# Underwriting Updates - Traditional LTCi & Linked Benefit LTC

- ← The **health risk** of waiting to plan
  - Underwriting is more strict than in past
  - Waiting comes with the risk in a change in health

Between 2012<sup>1</sup> and 2019<sup>2</sup> declines for Traditional LTCi

- Below age 50                      nearly 1 in 5 declined
  - Age 50-59                        over 1 in 5 declined
  - Age 60-64                        over 1 in 4 declined
  - Age 65-69                        over 1 in 3 declined
  - Age 70 plus                        about 1 in 2 declined
- **Good news** - Declines for **linked benefit LTC applicants** are **25% to 50% lower** (depending on age) than traditional LTCi<sup>3</sup>

<sup>1</sup>The SCAN Foundation - Long Term Care Insurance Buyers Profiles, Spring 2011 (historical reference) and American Association for Long-Term Care Insurance study of data from leading traditional LTC insurers. December 2019

<sup>2</sup>[www.AALTCI.org/LTCFact-2020/](http://www.AALTCI.org/LTCFact-2020/)Claude Thau

<sup>3</sup>Insurance company data

# Linked benefit policies have become more attainable

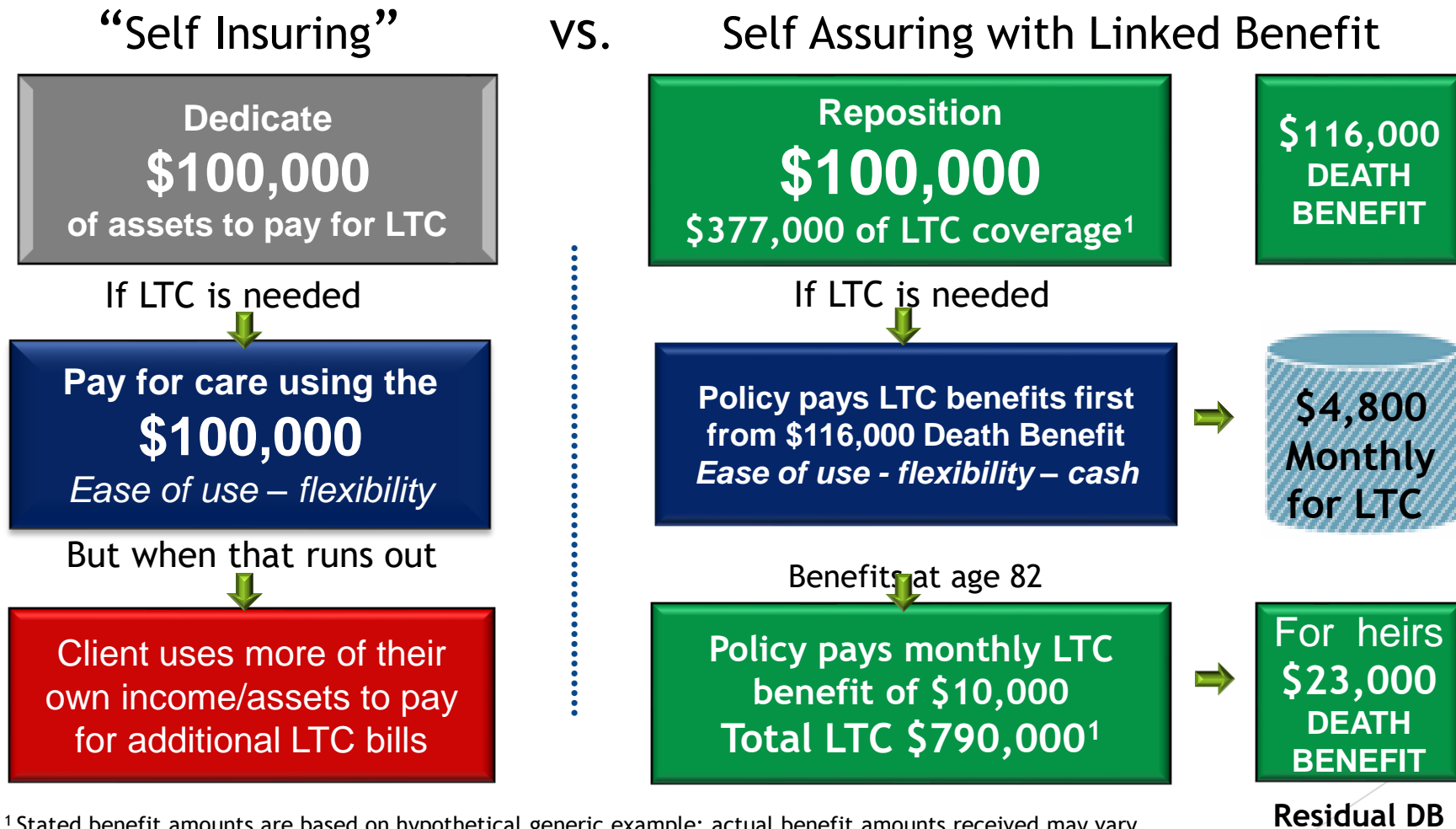
Both medically and financially

- ▶ Underwriting often has less rigorous medical underwriting
  - ▶ Companies have less risk with linked benefit policies
- ▶ Originally issued as single pay contracts
  - ▶ They were considered as LTC coverage for the wealthy
- ▶ Linked benefit LTC is now more affordable because of flexible premium payment options
- ▶ Now more affordable to the masses
  - 1-10 year pay
  - Pay to age 65
  - Recurring premium
  - Lump sum first year, with on-going premium payment options

# Common Objections

- ▶ “I heard that premiums can and do increase.”
- ▶ “I have done well. I can well afford to pay the cost of care.”
- ▶ “Isn’t there an umbrella policy that can cover the costs after 2-3 years?”
- ▶ “Put a pillow over my head if I get that bad.”
- ▶ “If my wife can’t qualify, I don’t want coverage.”

Some things remain the same.  
 Many affluent clients still believe in self-funding LTC.



<sup>1</sup> Stated benefit amounts are based on hypothetical generic example; actual benefit amounts received may vary.

<sup>2</sup> Assumes at least \$100,000 spent on care

# Funding Linked Life/LTC or Annuity/LTC

- ▶ 1035 exchange
- ▶ Low interest-bearing accounts
- ▶ Qualified money
- ▶ Inherited IRA
  - ▶ Single premium funds a qualified 10-pay annuity
  - ▶ Annuity pays for a 10-pay life/LTC policy
- ▶ Multi-Generational LTCi
  - ▶ Single premium funds a qualified 10-pay annuity funded by parent (Owner)
  - ▶ Annuity pays for a 10-pay life/LTC on adult child(ren) (Owner)
  - ▶ Grandchildren are beneficiaries

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# Thank you

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