



## Long Term Care: An Emerging Crisis



# Questions?

What is Long Term Care?

What are the odds of needing LTC?

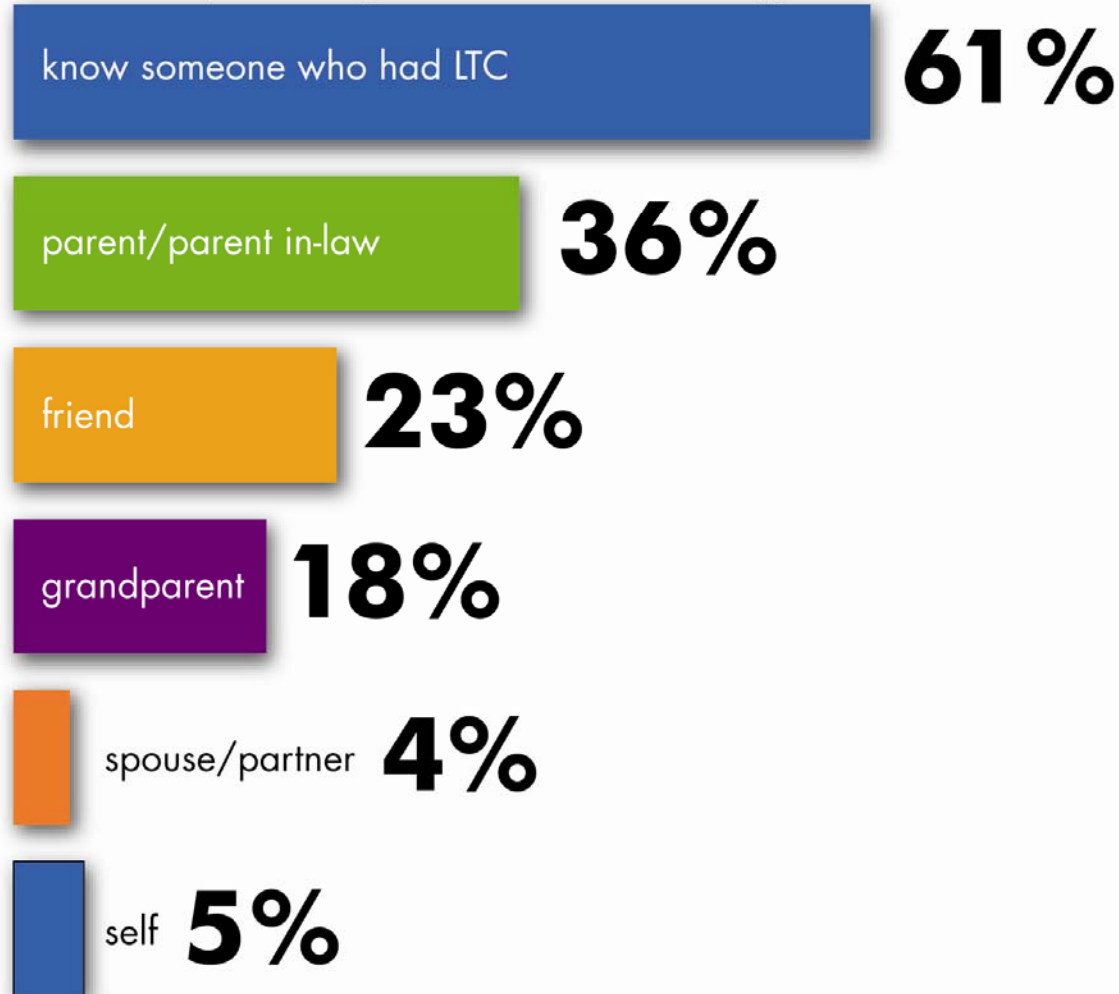
How much LTC coverage with Medicare?

What is the yearly average nursing home cost?

Who does LTC impact?

# Majority of Americans (45+) Know Someone Needing LTC

Base: Total respondents age 45+ to whom each item applies.



# Risk for 65+

- More than 60% of all Americans turning 65 will need LTC at some point in their lives.
- At least half of those reaching 85 are going to require help with two or more activities of daily living.
- The lifetime risk of nursing home admission is 36% at age 45 and 56% at age 85.
- The average length of stay in a nursing home facility is 2.4 years.

# Under 65

- More than 60% of all Americans turning 65 will need long-term care at some point in their lives<sup>3</sup>
- 40% need LTC are ages 18-64
- 23% of U.S. households are providing care for a family member<sup>4</sup>

<sup>3</sup> Kemper Peter; Komisar, Harriet L.; Alecxih, Lisa. Long Term Care Over an Uncertain Future: What can Retirees Expect? Inquiry. Volume 42, Winter 2005/2006

<sup>4</sup> USA Today: Author Janet Komblum 03/16/2003 and Family Caregiver Alliance

# LTC examples

- Sandwich generation
- 25 year-old sporting accident
- 45 year-old stroke
- 65 year-old Alzheimer's

# Alzheimer's

- Care can be from 3-20 years
- Average Nursing Home costs \$75,000
- 10 years cost of care \$750,000 w/o inflation

# The Need for Long-term Care

*For every 1,000 people:*

5 will face a house fire<sup>1</sup>

70 will have an auto accident<sup>2</sup>

400 will require long-term care<sup>3</sup>

<sup>1,2</sup> National Safety Council

<sup>3</sup> Agency for Health Care Planning & Research



## The High Costs of LTC in Michigan

Type of Care	MICHIGAN Average Annual Costs
<b>Home Health Aide Services Non-Medicare Certified, Licensed (based on five 4-hour visits per week)</b>	<b>\$18,720</b>
<b>Assisted Living Facility Private One Bedroom</b>	<b>\$30,400</b>
<b>Nursing Home Private Room</b>	<b>\$73,400</b>

Source: *Based on information from the Genworth Financial 2008 Cost of Care Survey – April 2008.*

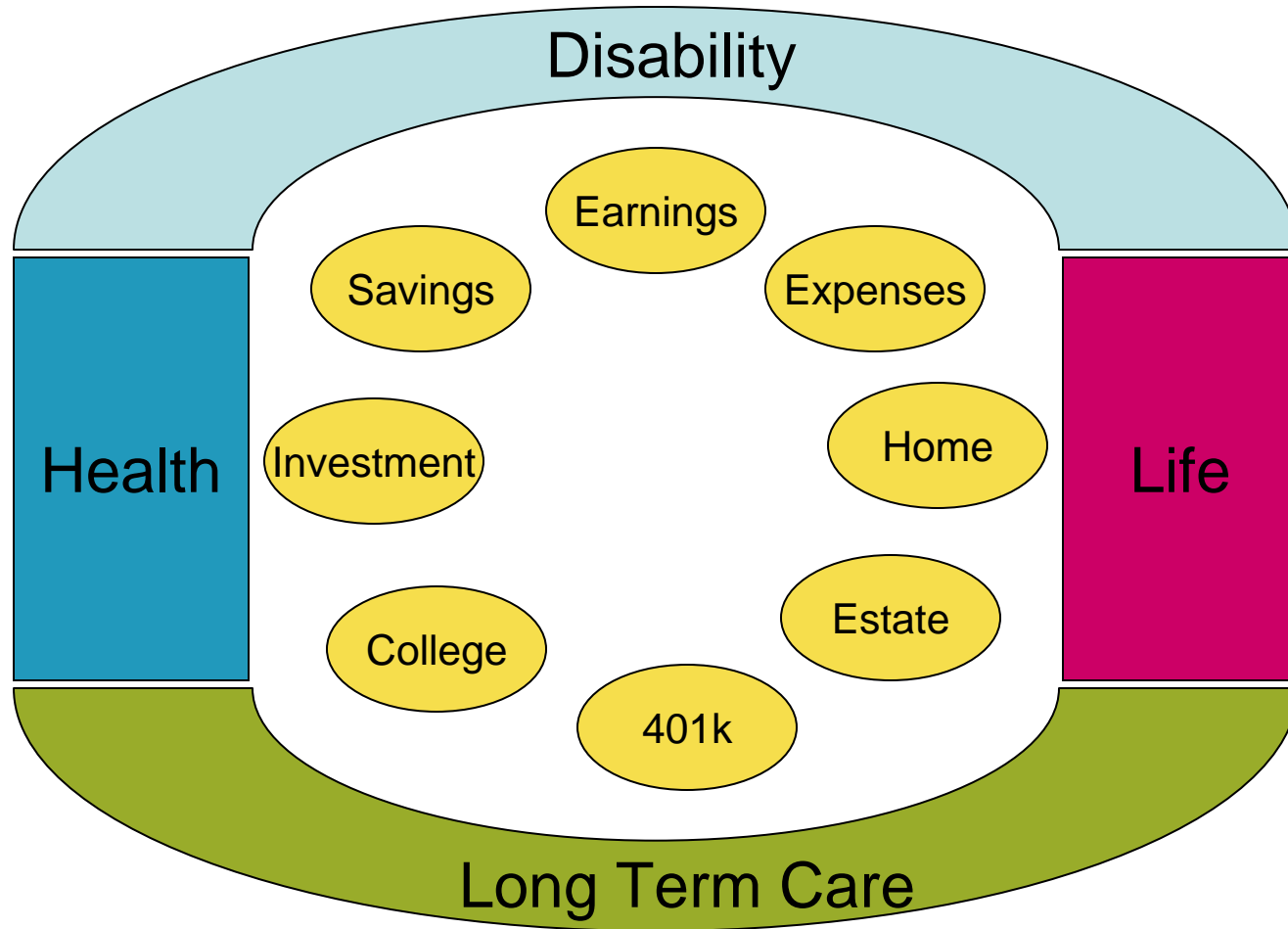
# Summary

- Risk of needing is high
  - 18 to 64 40%
  - 65+ 70%
- Not covered until finances are drained
  - Average LTC period is 2.5 years
  - Cost expected to triple in 20 years
- LTC services are expensive
  - Up to \$100,000 year
  - 2.5 years x \$100,000 x 3 = \$750,000

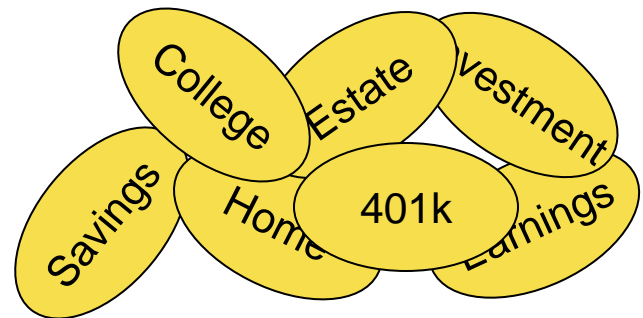
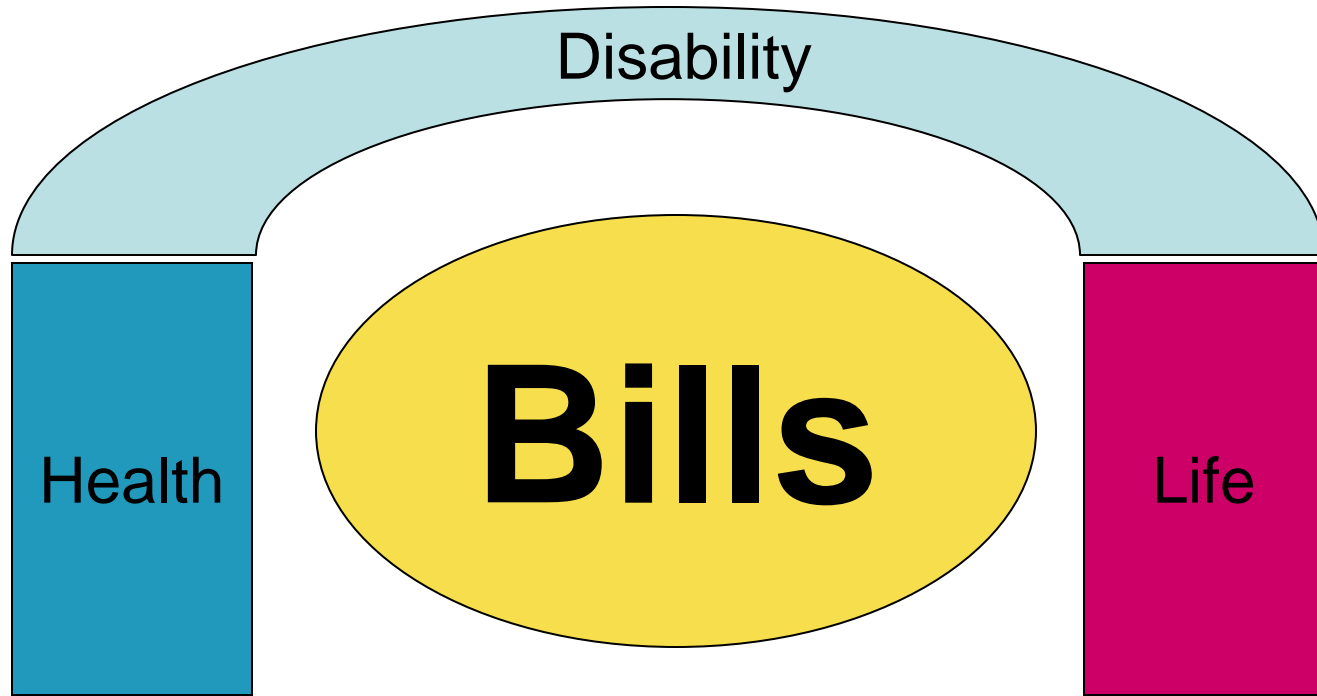
# What is your plan?

- Can you afford \$750,000?
- What impact would LTC event have on your financial/retirement planning?
- What action are you taking to prepare for that risk?
- Do you want your children to take care of you or faced with hard decisions on how to care for you?

# Personal Financial Plan



# Without Long Term Care



# What is LTC?

Long Term Care (LTC) is the assistance, care or services a person requires when unable to perform basic activities of daily living (ADL):

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

# What is Long Term Care?

- Types of Long Term Care (LTC)
  - Custodial care
  - Supervisory care
  - Skilled care

*“Care” versus “Cure”*

# LTC services

- Provided in the home
- Assisted living facility
- Adult day care
- Nursing home
- Hospice



# What Is It *Not*?

- LTC is *not* simply nursing home care for the elderly.
  - Fact 1: 83% of people with LTC needs reside in a community-based setting, usually one's own home.<sup>1</sup>
  - Fact 2: 37% of individuals receiving LTC services today are under the age of 65.<sup>1</sup>

# What Is It *Not*?

- LTC is *not* an issue that only affects the person receiving the care.
  - In 2001, almost one in four baby boomers ages 45 to 54 provided care or financial assistance to parents or other elderly family members.<sup>2</sup>
  - Physical health, depression and mental health problems are common among caregivers.

# Types of Insurance

- Auto No LTC
- Homeowners No LTC
- Health No LTC
- Disability No LTC
- Medicare Limited, 120 days
- Medicaid LTC, welfare, no choice

# Insurance Comparison

Type of Insurance	Cost over 40 yrs	Likelihood of Need	Avg. Claim
Automobile	\$33,880	8 in 100 <sup>3</sup>	\$3,970 <sup>5</sup>
Home	\$34,720	6 in 100 <sup>4</sup>	\$8,074 <sup>6</sup>
Long Term Care	\$18,120	1 in 2 <sup>7</sup>	Avg. claim <sup>8</sup> duration 3 years 2006 \$195,000

1,2,3,4,5,6 The Insurance Information Institute

7, The American Health Care Association

8, Kemper Peter; Komisar, Harriet L.; Alexih, Lisa. *Long Term Care Over an Uncertain Future: What can Retirees Expect?* Inquiry. Volume 42, Winter 2005/2006

\*The LTC rate example is based upon a 40 year old with discounted preferred rate on \$300,000 bank 1%.

# Solutions

- Self Insure
- Medicaid
- Long Term Care Insurance

# Self Insure

Example 1: 40 year old \$300,000 plan

Annual Premium	Total Premium 40 years	Lifetime Benefit
<u>\$478</u>	<u>\$19,120</u>	<u>\$300,000</u>

Savings Plan with 6% interest compounded annually

Annual Deposits	Deposits 40 years	Total Saved With Interest
<u>\$478</u>	<u>\$19,120</u>	<u>\$73,976</u>

Sample Premium: Based upon preferred rates

# Medicad

- Must meet State requirements
- Only nursing home care
- No assisted living, home care
- No control over where they put you

# Why Long Term Care Insurance?

- Help to protect our savings and assets
- Provide access to more care options
- Protect our families and our lifestyles
- Provide peace of mind



# What to look for in LTCi

- Broad. Coverage for service in home, assisted facility, adult day care, or nursing home.
- Flexible. Informal care, grab bars, ramps.
- No Policy limits. Waiting period, benefit limits.

# Tax Incentives

- Pre-tax dollars from HSA
- Self-employed first dollar tax deduction
- C-Corp 100% of ER paid premiums
- Executive carve-outs/key person

# Who is LifeSecure

- Wholly owned subsidiary of BCBSM
- Live Oct. 2006 in Michigan
- Winter 2007 licensed in most States

# One Plan

- Reimbursement Plan
- Pays for variety of qualified care
- 90-day wait

# Pool of LTC money



\$300,000 Bank

-\$1,500 May home care expense

\$298,500 Bank

-\$1,500 June home care expense

\$297,000 Bank

# How much will it cost?

## Premiums based upon preferred rates:

- Age 40 \$300,000/1% Monthly/Future Purchase = \$25.16mo\*
- Age 50 \$300,000/1% Monthly/Future Purchase = \$34.42mo\*
- Age 60 \$300,000/1% Monthly/Future Purchase = \$55.62mo\*

\* These rate examples are based upon preferred rates with 30% spousal and 10% worksite discount.

# Buy Minimum

## Premiums based upon preferred rates:

- Age 40 \$75,000/1% Monthly/Future Purchase = \$6.29mo\*
- Age 50 \$75,000/1% Monthly/Future Purchase = \$8.61mo\*
- Age 60 \$75,000/1% Monthly/Future Purchase = \$13.90mo\*

\* These rate examples are based upon preferred rates with 30% spousal and 10% worksite discount.

Guaranteed Future Purchase of 15% of bank every three years.

# Have a Plan

