

SAMPLE REPORT

JOHN & JANE SMITH

Hybrid Life/LTC Coverage

Agent's Name  
Address  
Phone Number  
Logo

# The Long Term Care Basics

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## What is Long Term Care

Long-term care is a range of services and supports you may need to meet your personal care needs. Most long-term care is not medical care, but rather assistance with the basic personal tasks of everyday life, sometimes called Activities of Daily Living (ADLs), such as:

- Bathing
- Dressing
- Using the toilet
- Transferring (to or from bed or chair)
- Caring for incontinence
- Eating

Other common long-term care services and supports are assistance with everyday tasks, sometimes called Instrumental Activities of Daily Living (IADLs) including:

- Housework
- Managing money
- Taking medication
- Preparing and cleaning up after meals
- Shopping for groceries or clothes
- Using the telephone or other communication devices
- Caring for pets
- Responding to emergency alerts such as fire alarms

## How Much Care Will I Need?

The duration and level of long-term care will vary from person to person and often change over time. Here are some statistics (all are “on average”) you should consider:

- Someone turning age 65 today has almost a 70% chance of needing some type of long-term care services and supports in their remaining years

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- Women need care longer (3.7 years) than men (2.2 years)
- One-third of today's 65 year-olds may never need long-term care support, but 20 percent will need it for longer than 5 years

## Who Will Provide My Care?

- Long-term care services and support typically come from:
- An unpaid caregiver who may be a family member or friend
- A nurse, home health or home care aide, and/or therapist who comes to the home
- Adult day services in the area
- A variety of long-term care facilities

A caregiver can be your family member, partner, friend or neighbor who helps care for you while you live at home. About 80 percent of care at home is provided by unpaid caregivers and may include an array of emotional, financial, nursing, social, homemaking, and other services. On average, caregivers spend 20 hours a week giving care. More than half (58 percent) have intensive caregiving responsibilities that may include assisting with a personal care activity, such as bathing or feeding.

Information on caregivers show that:

- About 65.7 million people in the US (one in four adults) were unpaid family caregivers to an adult or child in 2009
- About two-thirds are women
- Fourteen percent who care for older adults are themselves age 65 or more
- Most people can live at home for many years with help from unpaid family and friends, and from other paid community support

## Where Can I Receive Care?

Most long-term care is provided at home. Other kinds of long-term care services and supports are provided by community service organizations and in long-term care facilities.

Examples of home care services include:

- An unpaid caregiver who may be a family member or friend
- A nurse, home health or home care aide, and/or therapist who comes to the home

Community support services include:

- Adult day care service centers
- Transportation services
- Home care agencies that provide services on a daily basis or as needed

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Often these services supplement the care you receive at home or provide time off for your family caregivers.

Outside the home, a variety of facility-based programs offer more options:

- Nursing homes provide the most comprehensive range of services, including nursing care and 24-hour supervision
- Other facility-based choices include assisted living, board and care homes, and continuing care retirement communities. With these providers, the level of choice over who delivers your care varies by the type of facility. You may not get to choose who will deliver services, and you may have limited say in when they arrive.

## What is the Average Cost of Long Term Care in My Area?

Based upon information for the Cleveland, Ohio area, the below estimations have been established.

- Homemaker Services - \$46,332<sup>2</sup> (2036 = \$83,681)
- Home Health Aide - \$46,332<sup>2</sup> (2036 = \$83,681)
- Adult Day Care - \$12,936<sup>1</sup> (2036 = \$23,362)
- Assisted Living Facility - \$47,700<sup>4</sup> (2036 = \$86,152)
- Semi-Private Room Nursing Home - \$83,952<sup>5</sup> (2036 = \$151,623)
- Private Room Nursing Home - \$91,248<sup>5</sup> (2036 = \$164,808)

<sup>1</sup>Based on 5 days per week by 52 weeks

<sup>2</sup>Based on 44 hours per week by 52 weeks

<sup>3</sup>Represents the compound annual growth rate based on Genworth Cost of Care Survey

<sup>4</sup>Based on 12 months of care, private, one bedroom

<sup>5</sup>Based on 365 days of care

\*Survey results provided by Genworth 2015 Cost of Care Survey, a copy of which can be provided upon request.

## Who Pays for Long Term Care?

The facts may surprise you.

Consumer surveys reveal common misunderstandings about which public programs pay for long-term care services. It is important to clearly understand what is and isn't covered.

Medicare:

- Only pays for long-term care if you require skilled services or rehabilitative care:
  - In a nursing home for a maximum of 100 days, however, the average Medicare covered stay is much shorter (22 days).
  - At home if you are also receiving skilled home health or other skilled in-home services. Generally, long-term care services are provided only for a short period of time.

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- Does not pay for non-skilled assistance with Activities of Daily Living (ADL), which make up the majority of long-term care services
- You will have to pay for long-term care services that are not covered by a public or private insurance program

#### Medicaid:

- Does pay for the largest share of long-term care services, but to qualify, your income must be below a certain level and you must meet minimum state eligibility requirements
- Such requirements are based on the amount of assistance you need with ADL
- Other federal programs such as the Older Americans Act and the Department of Veterans Affairs pay for long-term care services, but only for specific populations and in certain circumstances

#### Health Insurance:

- Most employer-sponsored or private health insurance, including health insurance plans, cover only the same kinds of limited services as Medicare
- If they do cover long-term care, it is typically only for skilled, short-term, medically necessary care

## Hybrid Life/LTC Coverage

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### Quick Overview of Benefits

Several insurance companies have begun offering life insurance coverage with qualified long term care riders. In most instances, this long term care benefit is a tax free benefit to the policyholder when funds are needed to pay for care and upon qualification. Coverage also provides a death benefit, which is tax free in most instances as well, to the named beneficiary(s) should long term care coverage never be needed or only be used for a short period of time. In addition, coverage purchased by way of single premium offers return of premium through full policy surrender. This allows the policy owner access to principal in time of need. Please note some policy require a 3 to 5 year wait period after policy have been purchases to receive full return of premium.

As this summary is not meant to provide tax advice, please consult a qualified tax advisor to determine if your financial situation would provide for tax free benefit.

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## Premium Schedule

Typically, a single premium is used to purchase this type of coverage. However, many insurance companies have recently introduced limited and life pay schedules. Other than a single pay scenario, some policies can now be purchased through as short as a 3 pay schedule. Full refund of premiums may not be available when coverage is purchased other than single premium payment.

## When Will Long Term Care Benefit be Paid?

Please refer to the outline of coverage for the specific policy you are considering, but generally long term care benefits begin after the wait period and once a health care professional certifies the insured is unable to perform 2 of the 6 activities of daily living (the "ADLs") **OR** has a mental, cognitive condition requiring 24/7 supervision.

These ADLs are:

- Bathing
- Dressing
- Using the toilet
- Transferring (to or from bed or chair)
- Caring for incontinence
- Eating

## What Care Will be Covered?

As with the last section, it is important to refer and carefully review the outline of coverage for the specific policy you are considering. Generally, the following benefits are provided by the policy:

- Qualified care in a long term care facility, assisted living facility, hospice, home health care, or adult day care. The amount of the benefit is the lesser of the monthly benefit limits or actual charge for care.
- Respite care up to specified policy limits
- Bed reservation up to specified policy limits
- Care coordinator services up to specified policy limits
- Caregiver training and supportive equipment up to policy limits

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## Reimbursement vs. Indemnity

Benefits from long term care coverage typically are paid as a reimbursement of charges incurred during the defined period, which is a monthly period for coverage referenced in this presentation. This means the insured or individual acting on behalf of insured will need to pay for coverage from their own funds, and then send receipts to insurance company for reimbursement.

Some coverage referenced in this presentation provides indemnity payment of long term care benefits, which upon qualification would provide for full payment of the monthly benefit regardless if charges incurred for care equaled the month benefit amount. Please note that for indemnity plans the insured needs to requalify for eligibility annually.

## What Type of Funds Can and Should be Used to Purchase Coverage?

For a single premium purchase, the best assets to use would be those assets not earmarked for retirement income and consider the conservative portion of your investments. Funds in CDs, savings accounts, annuities and cash value in life insurance contracts all may be appropriate assets to use for purchasing coverage.

There are also strategies to use qualified funds in excess of retirement income needs, which will stretch tax implications over a manageable time frame. It is important to understand potential taxation for these strategies, therefore a one on one review and conversation should be conducted to insure this strategies would be suitable based upon your financial circumstances.

## How do I Qualify for Coverage?

Each policy referenced in this presentation offers a leverage of premium towards a larger pool of long term care benefits and death benefit. Some riders are even available to provide a lifetime or unlimited pool of long term care protection. Given the significant benefits provided by coverage, medical qualification is necessary to secure this protection. This will always include a 20 to 30 minutes health telephone interview, and in some instances will include securing your medical records. We will review the full underwriting process for the specific coverage you choose, before we submit application to the insurer.

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\$100,000 single premium for individual policy / \$200,000 single premium for joint policy

		<i>Lifetime LTC</i>					
		<i>Joint Policy</i>	<i>Rider</i>	<i>Combined</i>	<i>Individual Policy #1</i>	<i>Individual Policy #2</i>	<i>Combined</i>
<i>End of Policy Year 1</i>	Premium	\$175,000	\$24,482	<b>\$199,482</b>	\$100,000	\$100,000	\$200,000
	Death Benefit	\$366,614	\$0	\$265,017	\$202,619	\$226,825	<b>\$429,444</b>
	Monthly LTC	\$7,332	\$7,332	<b>\$14,662</b>	\$6,051	\$6,413	\$12,464
	LTC Pool	\$366,614	Unlimited	<b>Unlimited</b>	\$435,688	\$461,747	\$897,435
	Benefit Period	50 Months	Lifetime	<b>Lifetime</b>	72 Months	72 Months	72 months
	Surrender Value	\$175,000	\$0	<b>\$175,000</b>	\$85,805	\$85,344	\$171,149
	Elimination Period	HHC – 30 Days Other – 60 Days of Care Rec'd	0		90 Days of Care Rec'd	90 Days of Care Rec'd	
	Residual DB	\$0	\$0	\$0	\$29,045	\$30,783	<b>\$59,828</b>
	LTC Payout Method	Reimbursement	Reimbursement		<b>Indemnity</b>	<b>Indemnity</b>	

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## Policy Benefits during insureds' ages 80 & 79

		<i>Lifetime LTC</i>			<i>Individual</i>	<i>Individual</i>	
		<i>Joint Policy</i>	<i>Rider</i>	<i>Combined</i>	<i>Policy #1</i>	<i>Policy #2</i>	<i>Combined</i>
<i>End of Policy Year 21</i>	Premium	\$0	\$0	<b>\$199,482 (from first year)</b>	\$0	\$0	\$200,000 (from first year)
	Death Benefit	\$366,614	\$0	<b>366,614</b>	\$145,229	\$153,916	\$299,145
	Monthly LTC	\$7,332	\$7,332	<b>\$14,664</b>	\$6,051	\$6,413	\$12,464
	LTC Pool	\$366,614	Unlimited	<b>Unlimited</b>	\$435,688	\$461,747	\$897,435
	Benefit Period	25 months	Lifetime	<b>Lifetime</b>	72 months	72 months	72 months
	Surrender Value	\$249,928	\$0	<b>\$249,928</b>	\$107,269	\$103,425	\$210,694
	Elimination Period	HHC – 30 Days Other – 60 Days of Care Rec'd	0		90 Days of Care Rec'd	90 Days of Care Rec'd	
	Residual DB	\$0	\$0	\$0	\$29,045	\$30,783	<b>\$59,828</b>
	LTC Payout Method	Reimbursement	Reimbursement		<b>Indemnity</b>	<b>Indemnity</b>	

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# Recommendations

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## Joint Policy with Lifetime LTC Rider

Positive: Coverage is built upon a Whole Life chassis, which provides guaranteed growth of policy values above initial premium (CSV \$249,928 in year 21). Purchasing the lifetime LTC rider provides for an unlimited pool of LTC benefits. Individual LTC monthly benefit limits are roughly \$1,300 more for Rinsured #1 and \$900 more for insured #2. Eventually the Death Benefit will be higher than individual policy #1 and #2 due to policy design and decreasing DB.

Negative: The initial death benefit is lower than the combined death benefit of individual policies in year 1. LTC benefit is paid out as a “reimbursement for qualified LTC expenses”, whereas individual policy LTC benefit is paid as an indemnity. If the full benefit pool of the base policy is paid out for LTC benefit, there is no residual death benefit with joint policy.

## Individual Policies

Positive: Long term care benefit is paid out by indemnity, which means once the insured qualifies for coverage the full monthly benefit is paid out regardless of charges incurred. This indirectly allows for an untrained, informal care giver to be compensated for services, and this care could be given by an immediate family member. The initial combined death benefit for individual policies are higher than joint policy and full return of premium is available after the 5<sup>th</sup> policy year.

Negative: Although coverage provides for an easier way to collect long term care benefit through indemnity payout, total benefit pool could be exhausted through a lengthy claim period. Monthly benefit amounts are less than joint policy. Cash surrender, death benefit, and total benefit pool will be less than joint policy at average age individuals go on claim (early 80's).

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