

2ND EDITION



ESSENTIALS OF LONG-TERM CARE PLANNING



LEARN YOUR CARE OPTIONS & COSTS

Chapters

LTC COSTS / CARE / PREPARATION

The Essentials for Long Term Care Planning

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You don't have to be limited – a broad long term care plan will offer various choices as to where and how care is provided.



1) Consider Who Will Care for You

Many people plan in advance for long term care to protect assets or to maintain independence and dignity, while others just want peace of mind. Increasingly more people are planning for potential long term care needs so that they don't burden family and friends.

Thirty years ago, it was common for an unpaid family member to provide care for a loved one in the home. These days, many households are dual income families or single parents with competing priorities like the promotion at work or raising young children.

A 40-hour work week plus raising a family leaves little time to be a primary caregiver. If you are thinking about planning for long term care, ask yourself these questions

- Who will care for you?
- Will your son or daughter be able to quit their job to care for you?
- Would you want them to do the type of work that caregiving requires? Bathing, Dressing, Toileting?
- How would caregiving affect your daughter's or son's health, physically and emotionally?

– What would that mean for their future and the future of their children?

– If you hire a professional caregiver, how will you pay for it?

These are all important considerations when deciding who will care for you when you need long term care and where that care will be provided. Your options for long term care services include home care, assisted living, adult day care/community care services and nursing home care. Most long term care plans offer home care



built into the base policy. Some plans reduce home care services to 50% or 75% but that reduction doesn't always translate into big savings. Consider 100% home health care to ensure the most flexibility in your plan. Some long term care plans allow for care to be provided by friends – someone who is not duly licensed to provide care services. If this is an important consideration for you, then be sure to ask your specialist if your plan provides that option.

Assisted living is an option when care cannot be provided at home. These facilities are similar to an apartment or condominium with

amenities like laundry, meal services, and social activities. One and two bedroom apartments are available providing different levels of care services. The more care you need, the higher the monthly fees, which you might be able to negotiate.

Adult day care is an option for those who have a family caregiver who is available in the evenings. Day care services are much like that of a child care facility with activities, exercise and meals. These services are often provided at community activity centers and senior centers in most cities.

Nursing homes can provide skilled care services when you need 24-hour care by a doctor, nurse or therapist. Due to advances in technology, many people who need long term care are utilizing assisted living, or staying at home and avoiding the nursing home altogether. Keep in mind, round-the-

clock home care may be more expensive than a nursing home.

Considering who will care for you and where you will receive care is crucial when planning for your future long term care needs. Design a plan that will cover care in all venues so that you can make the right choice when the time comes. ■



2 Chapter



*By not planning today for
your long term care, are
you risking not receiving
the proper care you may
need in the future?*

2) Knowing Your Risks –

Do you need long term care insurance protection?

Maybe you do or maybe you don't – this is, of course, a personal decision. Let's look at the facts.

- How likely are you to need long term care?
- What would you be placing at risk if you did need long term care?
- Can you afford the insurance?

What's the likelihood you will need long term care?

The odds are high long term care will affect you at some point in your life. Rosalyn Carter, former first lady, has a famous quote on the impact of long term care on each family:

"There are four kinds

of people in the world:

- Those who have been caregivers
- Those who currently are caregivers
- Those who will be caregivers
- And those who will need caregivers."

According to the U.S. Department of Health and Human Services, "At least 70 percent of people over age 65 will require some long term care services at some point in their lives."

(U.S. Department of Health and Human Services. www.longtermcare.gov)

The agency also warns, "Contrary to what many

people believe, Medicare and private health insurance programs do not pay for the majority of long term care services that most people need -- help with personal care such as dressing or using the bathroom independently. Planning is essential for you to be able to get the care you might need."

(U.S. Department of Health and Human Services. www.longtermcare.gov/LTC/Main_Site/Paying_LTC/Costs_Of_Care/Costs_Of_Care.aspx#Who)

Once reaching the age of 65, 3 out of 4 Americans will need long term care.

(U.S. Department of Health and Human Services. What is Long Term Care? 2009.)



*Once reaching the
age of 65, 3 out of 4
Americans will need
long term care.*

*For more information
go to our website
3in4needmore.com*

Think that long term care is just for elderly people? Think again. Young men and women also need long term care for a variety of reasons including accidents, multiple sclerosis, strokes or other debilitating conditions. Forty one percent of the people receiving long term care are working age adults between the ages of 18 and 64.

(ARS-AFM Administrative and Financial Services, Retirement & Benefits, LTC Care Basics Q&A article, Section: It Can Happen at Any Age, January 7, 2003.)

What will you pay for nursing home care?

Home is usually the first choice for care, but a nursing home may be required based on medical needs. Right now, the national average rate

for a private room in a nursing home is \$219 a day, or \$79,935 annually. That equals \$183,051 for the average nursing home stay of 2.29 years.

In some parts of the country, it can cost over \$100,000 a year. If we assume that nursing home costs will continue to reflect recent trends, by the year 2021, the average rate will have risen to about \$480 a day, or \$175,200 annually.

(The Metlife Market Survey of Nursing Home & Assisted Living Costs, 2009.)

Given these statistics and the potential risk to your savings, long term care insurance has become commonly referred to as "Estate Planning 101". ■



*Do not ignore the stark
reality of your chances
of needing long term
care in the future.*

Chapter 3



3) Paying for Long Term Care

Knowing your risks and the cost of care are two crucial elements of planning for long term care, but what are your options for paying for services should you need long term care tomorrow?

There are three primary methods of paying for long term care services today:

1. Self Insure
2. Medicaid/Medicare
3. Long Term Care Insurance

Self Insure:

Without insurance you are self insured! If you need long term care tomorrow, how will you pay for it? From savings and invest-

ments? Will you have to liquidate stocks and retirement accounts at the bottom of the market? What about paying taxes on those retirement funds? These questions and more loom large when you haven't planned in advance for long term care expenses. Family becomes the "insurance" plan and loved ones are thrust into caregiving roles they are not qualified for. Family caregivers often provide this care at a significant cost to income, career advancements and physical health.

Medicaid:

Medicaid is a state and

federally funded program designed to pay for health care, long term care and other needs of those who cannot afford to pay themselves. In order to qualify for Medicaid, you must "Spend Down" assets to required levels to qualify for benefits. Medicaid will take a snapshot of your financial situation and determine how much of your income and assets you can keep (usually less than \$10,000). In addition, all financial transactions for 5 years prior to application for Medicaid will be scrutinized. If transfers were made from accounts during that period, you could be declined eligibility. If



you are single, you must spend the equity in your home along with retirement plan assets and any cash value life insurance. If you are married, the community spouse is permitted to keep the home (as long as you live in it) and half of the jointly held assets up to \$110,000 (indexed for inflation). After that, the balance of the assets must be spent on the spouse in the nursing home before Medicaid will pay. Estate recovery is required when the spouse at home passes away. Remember, Medic-

aid is designed to pay for long term care, only after you qualify financially. Most people do not plan to use Medicaid – it is the last resort.

Medicare:

Medicare is health insurance for people 65 and older and was never designed to pay for long term care expenses. Medicare does cover limited long term care services provided by a skilled professional such as a doctor, nurse or therapist. In order to qualify for Medicare's skilled care payments, the following must occur:

- Three consecutive days in the hospital, not counting the day of discharge.
- Admitted to a nursing facility within 30 days of being

discharged from the hospital.

- Showing improvement in order to continue to receive benefits for up to 100 days.

Medicare will pay 100% of your expenses for the first 20 days, provided that you are receiving skilled care. Days 21-100, you are responsible for a deductible or co-pay of \$137.50 or more per day – Medicare picks up the balance of the daily costs. Every few days, Medicare will evaluate your progress to make certain that you are moving towards recovery. If you are not progressing – Medicare stops paying. Regardless, after day 100, you are responsible for all costs. The bottom line? Medicare was never designed to pay





for long term care and at best will cover 20 to 100 days of skilled care only.

Long term care insurance:

Long term care insurance pays for long term care services. Policies vary in terms of what they will cover and insurance companies do require that applicants qualify for the coverage through an underwriting process.

What benefits do you get from long term care coverage? Why do people buy it?

As you would expect,

a good long term care insurance policy delivers broad and flexible benefits to help provide and pay for the long term care services you need. There are six common reasons why people want to buy this insurance coverage:

- Relieve the potential burden on their loved ones
- Help to make certain they have a choice of care.
- Help to make certain they maintain their independence
- Help to protect the assets they've worked to earn (either for the spouse or to pass on to an heir)
- Avoid having to rely on Medicaid
- Proactively make decisions that help protect their family and themselves

Having long term care coverage could save you hundreds of thousands of dollars, should you need care.

Most modern LTCi plans

pay for care provided in a person's home, in the community, or in a residential facility (e.g., nursing home or assisted living facility.)

There are several important considerations to be aware of as you look at long term care insurance.

- How much coverage is right for you? Buying too little coverage may not help to protect your assets, but purchasing too much coverage can be a big mistake. Your premiums need to be affordable not only for today but for the long term.
- An agent specializing in long term care will know which insurance companies have demonstrated a real commitment to the client, are well rated, financially stable and have an efficient claims process.
- Being rejected for coverage doesn't



have to mean you can never get long term care insurance or that there are not other options. If you have certain health conditions, it may be more difficult to get coverage. Yes, the insurance can cost more, but if you have a health condition the protection you get can be extremely valuable to you and your family. Of course, applying for coverage while you enjoy good health can provide more choices.

- Get expert advice - it doesn't cost you any more. Long term care insurance is relatively complex. If you are considering coverage, we recommend you get advice from a dedicated agent specializing in long term care.
- Be aware that long term care is an especially important issue for women. Often, women who are caregivers to their husbands, have a longer life expectancy and may out-live their spouse or partner. Women can find themselves with depleted assets due to a spouse's need for long term care and make up two-thirds of the people in nursing homes. The typical U.S. caregiver is a 46-year-old woman who works outside of the home.

(Houser A., a. G. (November 2008). Valuing the Invaluable: The Economic Value of Family Caregiving, 2008 Update. AARP Public Policy Institute.)

Consider State Partnership Programs

These programs are designed so a policy can be more valuable for middle and lower income individuals. Consumers who purchase these policies are insured for covered long term care expenses for a predetermined level of benefits through a private insurer. If these benefits are exhausted, and the individual still requires services, Medicaid may be available, but without the insured having to spend down assets, as is usually required to meet Medicaid eligibility criteria. The individual is permitted to retain part or all of his or her assets per the state's requirements. Check with your agent specializing in long term care to see if your state offers partnership certified programs.■

4 Chapter



A broad LTC plan will allow you to leave your options open, so that you can use your plan wherever you, your doctor and your family see fit.

4) Do Your Homework –

Researching long term care planning

Whether you are buying a home or searching for the best college for your child, researching your options for a major purchase is extremely important. The same is true for long term care planning. You may own this plan for many years before you need it, so it's important that you do your homework and buy a plan that fits your needs now and in the future. There are three very important considerations when searching for a long term care insurance company:

- 1) **Plan options,**
- 2) **Financial strength & experience in LTC,** and

3) **Premium for the selected benefits.**

Most people who are planning for their future long term care needs want a plan that will pay for home care, assisted living, community care services and nursing home care. While home care is what most people prefer, no one has a crystal ball to tell you what the need will be twenty or thirty years down the road. A comprehensive LTC plan will allow you to leave your options open, so that you can use your plan wherever you, your doctor and your family see fit.

Company financial strength is important when shopping for a long term care plan. Insurance companies are graded by independent rating services such as AM Best, Moody's and Fitch. These rating services grade based on whether the company offers good financial security and has the resources to deal with a variety of adverse economic conditions. For example, AM Best's rating of A++ Superior is assigned to insurance companies that have, based on a variety of measurements, a superior ability to meet their ongoing obligations.



Most people who are planning for their future long term care needs want a plan that will pay for home care, assisted living, community care services and nursing home.

In addition to financial strength, it is also important to consider how long the company has offered long term care insurance to consumers. The size of the baby boomer generation has created a wave of Americans who will live longer and healthier lives and therefore have a greater need for long term care. Beware of companies that have just entered the market, and research their history thoroughly. It is recommended to consider companies that have a longer history offering long term care plans to consumers. This experience allows for a better picture of the company's claims paying ability, customer service and adaptation to the changing long term care market.

Finally, when researching your options for long term care insurance planning, be sure to compare apples to apples. There are four basic components that

make up a long term care plan, but there are dozens of optional riders and features that can add premium yet may not be necessary for you. An unusually low premium usually means one of those four basic components of a long term care insurance plan is missing. A good rule of thumb is if it sounds too good to be true, it probably is. A specialist can help you compare plans offering like benefits so that you can determine which company offers the features that you need for the most affordable premium. Keep in mind, the plan offering the most competitive premium isn't always the best, and a complicated health condition could prevent you from qualifying for the best rate. The younger you are, the more economical long term care insurance will be, but regardless of your age, some coverage is better than none. ■

For your LTC insurance plan, you'll need to decide what your monthly benefit, elimination period, benefit period and inflation protection will be.



5) Designing the Right Plan for You - Putting it all together

Designing a long term care insurance policy that is appropriate for you is really not as complicated as it may seem if you keep a few important points in mind.

Determining the cost of your coverage is based on the following four components.

1. MONTHLY BENEFITS

The first and most important decision is to determine how much of the average monthly cost of care you want your policy to cover. In most cases, you should make sure your benefits

are available for home, assisted living, and nursing home care. Keep in mind that nearly 80% of claims are for home care, which can be less expensive than nursing home care. Therefore, make sure you are not buying more coverage than you may actually need. Consider interest on savings, dividends, Social Security, or pension income to supplement expenses and design a plan that pays for 50-100% of care costs in your area of the country depending on your other financial resources and family health history.

2. ELIMINATION PERIOD

As with other types of insurance, long term care insurance policies offer the choice of several different elimination periods. The elimination period represents the number of days you agree to pay out of pocket before benefits begin. Unlike other types of insurance, most long term care policies require only one elimination period for the life of the policy. Logically, the bigger the elimination period, the lower your premiums. Working with a specialist will allow you to view exact



using a simple calculation to reach lifetime benefit maximum. For example, a policy that pays for 5 years of care (the benefit period) at \$5,000 monthly would have a face amount of \$300,000. ($\$5,000 \times 60 = \$300,000$) plus accrued inflation protection if you purchased it. When you need long term care you can collect benefits until your policy is exhausted.

When you have a future claim, your policy will pay you back a higher dollar amount to keep pace with inflation. Be sure you understand all of the inflation options on the market today and the benefits of each option. ■

cost comparisons with various elimination periods and help you maximize your premium dollars.

3. BENEFIT PERIOD

Long term care insurance policies are designed to create an account with a maximum amount of money it will pay over the life of the policy. This is referred to as a “lifetime maximum benefit” and is determined by

4. INFLATION PROTECTION

Today, most people who are shopping for long term care insurance are under the age of 70. In fact, the average age of purchase is about 57 and some purchase in their 30's and 40's. If you fall into this category, it is highly recommended that you consider some type of inflation protection option in your policy.



6 Chapter



There are a wide variety of insurance carriers and companies to choose from and just as wide a selection as to what each offers.

6) Do Your Research – Finding the right carrier.

Many carriers provide wide choices for comprehensive coverage, with few exclusions and limitations. Additionally, there are insurance companies willing to consider the health-challenged – those with diabetic conditions or combined medical conditions including height/weight issues, tobacco use with heart/circulation complications, recent cancer treatments, etc. – these plans may cost more and offer less. Benefits will likely be limited and more difficult to obtain.

With this in mind, you may find a considerable number of varying options between compa-

nies. Many couples with health disparities between them have found the best combinations of benefits and premiums by applying to two different companies (similar to two drivers in the same household; one with a “preferred” and the other with an “assigned risk” classification.).

In some states, some carriers offer “partnership” plans in conjunction with the State, making possible additional levels of asset protection. While most plans are based on *reimbursement* models requiring the submission of expenses, several carriers *indemnify* a specific cash benefit, regardless

of actual expenses, to be used however you choose. There are plans more suited to **couples** by virtue of “shared” benefits as well as those that offer discounts for couples both married or in domestic partner relationships.

For the educated consumer, the ability to compare insurance companies side by side is essential in making the right decision. Having choices guarantees that your situation and needs can most often be met with optimal benefits, affordable premiums, and the confidence that you have made the right decision. ■

*Only a long term care specialist
can provide all of the resources
and carrier access needed to
make a plan that best fits
your individualized needs.*

Chapter 7

7) Work with a Specialist

When considering long term care insurance, consumers are typically challenged by a multitude of decisions to be made: how much coverage do I actually need; which benefits are most meaningful to my specific needs; which insurance company is best for my situation; and finally, what are “partnership plans” and should I be considering one?

The value of dealing with a “specialist” cannot be overstated. Increasingly, financial advisors, legal consultants, and even general insurance brokers advise their clients to seek out licensed agents who are long term care specialists dealing exclusively with this product. A specialist will have access to many major carriers, including state partnership plans, (where available) so the

concerned consumer can be assured all options are considered on their behalf. Carriers have different policies regarding: domestic vs. international claims; independent care providers vs. agency caregivers; discounts available when only one spouse applies, and non-traditional relationships as well as for group and professional affiliations. Most significantly, insurance companies decide insurability based on health profiles provided at time of application, and companies differ on what health conditions they will accept. This is reflected in premiums or maybe even the ability to obtain a policy. One other consideration is when is a group offering (open enrollment) better than an individual plan?

A specialist will consider your specific needs and

situation and is experienced in gathering all relevant data. The LTC specialist will then make recommendations pertaining to a long term care plan design and appropriate carrier, based on your needs. Working with a specialist allows many more options compared to a general insurance agent who may have limited carrier access and minimal plan design. With only a few options, you may not get exactly what you need. As improved lifestyles, advances in medical technology, and the continued development of carrier benefits affect the dynamics of long term care issues, we believe that only a long term care specialist can provide the education, plan design, and comparisons most suitable to your needs. ■



The new wider range of health care options makes it easier for you to plan ahead. Without planning ahead, however, you are unable to take advantage of many of these options.



8) Home Care Services

Today, there are a wide range of health care services that can be provided in the home. Home care is usually less expensive and more convenient than care in a facility such as a hospital, nursing home or inpatient rehabilitation. There are two types of home care services that you can find in most areas of the country.

The first type provides medical care at home and your doctor gives the home care company a plan and instructions for your care. Your

treatment is provided by health care professionals such as nurses, physical therapists, speech therapists and social workers, as well as by home health aides who can help with bathing or dressing or using the bathroom while you are receiving home nursing or therapy services. This type of care is often paid for by Medicare, Medicare Advantage plans, Medicaid or many commercial insurance companies. The services are usually provided by what are called a Medicare or Medicaid Certified Home

Health Agency which has met federal and/or state standards for delivering care, or a home care company approved by the insurance plan.

When you need this type of home medical service, the discharge planner or case manager in a facility (e.g. hospital, nursing home or rehabilitation) will work with you and your family to select a home health agency and get the doctor's agreement for your care. It is important if you are in a facility and you do not feel



you can manage your care when you get home that you bring this to the attention of the doctor or the discharge planner. This will ensure that your needs are evaluated before you go home. Remember, it is important that you be an advocate for your own care.

The second type of home care helps you with everyday activities, activities which may be difficult for you to perform by yourself. This

type of home care also helps when you have an illness that may be slowly getting worse such as heart disease or diabetes, and you do not always feel safe to do things like bathing or dressing or shopping by yourself and you want to stay at home as long as possible. These services are often called private duty or personal care and support services. These may be paid for by a long term insurance policy, Medicaid, or be paid directly by you or your family. The services are available for a few hours per week, per day, or around-the-clock.

If you believe these types of services would help you, you will need to select a company. It is important you feel confident the staff that may come into your home are screened and bonded. It is also important to have the company come out and evaluate what services

you need, as you may not always know exactly what services are available or the type of care you may need. Based on this information, they should present you with a reasonable plan of what they will do, when, and for how long - a plan that both keeps you safe and meets your budget. ■

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9) Senior Care & Living Options

As people grow older, changes in their abilities are often gradual and subtle. That's why it is often difficult for families and care providers to know when a loved one may need extra help or support. These questions may help you find the answers you need:

- Are they living alone with no local family or friends?
- Have they experienced any falls?
- Do they have any loss of appetite or have they lost weight?
- Are they becoming increasingly forgetful?
- Do they remember

to take their medications?

- Do new situations cause them confusion or anxiety?
- Have they kept up with their bathing and grooming?
- Are they having any trouble getting to appointments or running errands?

If you answered yes to any of these questions, it might be time to look into a senior care or living arrangement. Senior care options have advanced significantly over the last decade and today's retirees have several alternatives to choose from. The most

common types of living arrangements include home care, independent living, assisted living, skilled nursing, and Alzheimer's/Dementia care or memory care.

Home care covers a wide range of assistance and health services that can be provided in a senior's home. There are three levels of care provided by home care providers: companion care, personal care, and skilled care.

Companion Care includes meal preparation, light housekeeping, assistance with daily activities such as letter writing, reading, and entertainment. This level of care



is designed to provide peace of mind for the client and the family.

Personal Care includes help with activities of daily living – eating, bathing, dressing, toileting, transferring and continence. This level involves hands-on care and requires a higher level of training than companion care.

Skilled Care is provided by a licensed professional such as a nurse, LPN, physical therapist, or occupational therapist.

Usually, home care providers coordinate the services that a doctor orders. Whether you plan to contact an agency or hire a health care professional directly, be

sure and research your options carefully, get recommendations, and check with Medicare or any other insurance plans to make sure that the care required is covered in your plan.

When needs for senior care require more supervision and care, it might be time to consider one of the many senior living options.

Independent Living (or Retirement) Communities

Independent living accommodations are often called retirement communities, and they offer a safe, secure and social environment for active, independent seniors. For seniors who can do everything for themselves, but would like to live among peers, this is a very good option for them. The key points about independent living communities are that they:

- Allow a person to maintain independence, without feeling alone or isolated
- Often offer meal packages so residents don't have to worry about cooking or dining alone
- Offer more social interaction than living at home
- Provide some supervision from the staff
- Often arrange activities and outings for residents
- Are a maintenance-free living option for retirees

Assisted Living Care

As our family members age, you may notice they need a helping hand – ranging from assistance getting ready for the day to managing medications to preparing meals. If your loved one needs this type of assistance, it might be time to consider an assisted-living community.

At an assisted living community, all meals are generally served in a central dining room. In addition, the staff will usually help with trans-

cated facility, or a special care section in an assisted-living or skilled nursing community.

Alzheimer's, Dementia or Memory Care

Because of the nature of Alzheimer's disease and Dementia, it is crucial to find a community where the staff is highly skilled and experienced in caring for this fragile population and significant safety precautions are in place.

Once you know the particular special care needs of your loved one, here are some of the things you need to look for when visiting a care facility:

The Environment

- Is the layout of the community easy to navigate? Do the hallways lead residents back to public areas?
- Do the residents have adequate privacy for bathing, toileting and hygiene?
- What safety measures are in place for residents with

Alzheimer's and Dementia? Are there door and window locks, monitoring systems, adequate lighting and no-slip flooring?

- Is there an outdoor patio or walking area that is easily accessible to residents yet enclosed to prevent wandering away from the community?

The Staff and Care Team

- Do the caregivers interact with residents in a comforting and professional manner, maintaining their dignity and respect?
- How does the staff handle disruptive resident behavior such as wandering?
- Do the caregivers have specialized



portation arrangements to doctor appointments, and coordinate activities, events and group excursions for residents. The key points to remember about assisted-living communities are that they:

- Can provide direct assistance with everyday tasks, like bathing, dressing and meals
- Have trained staff available and monitoring 24 hours a day
- Help residents maintain their dignity while aging
- May have specialized units for residents with Alzheimer's or Dementia
- Can have different licenses allowing for different levels of assistance and independence

For individuals who have Alzheimer's or Dementia conditions, it is important to find specialized care for them in either a dedi-

training in effectively communicating with and caring for residents who suffer from Alzheimer's or Dementia?

- How do the caregivers deal with the progression of the disease?

The Residents

- Are residents actively engaged in activities that are appropriate and interesting to them?
- How is their hygiene? Do they have brushed hair, are clean-shaven, are wearing clean clothing, and free of incontinence odors?

Skilled Nursing and Rehabilitative Care

Skilled nursing facilities provide the highest level of care outside of a hospital setting for individuals who have health conditions that require constant monitoring. These facilities have doctors, nurses and

health-care aides available 24 hours a day who provide care for people who are recovering from a surgery, a hospital stay or those that need long term custodial care.

The ideal skilled nursing staff will work closely with the resident's family and physician so they can provide the highest level of personalized care and return the patient home as soon as they are able. Most skilled nursing communities provide:

- Post-hospital & post-surgical care
- Long term custodial care
- Medication administration and IV services
- Individualized care plans
- Activities of daily living assistance
- Incontinence care
- Therapeutic & special diets
- Diabetic management
- Medicare-certified beds

Specialty Services

Many skilled nursing communities offer

access to specialized services designed to improve the resident's condition, such as:

- Physical, occupational & speech therapy
- Psycho-social care & support
- Hospice & palliative care
- Cardiac respiratory care
- Orthopedic recovery care
- Dialysis Care
- Feeding assistance
- Incontinence, catheter & colostomy care

Your search for the perfect living and care situation for your loved one is one of the most significant tasks you will undertake. ■

For more detailed information, more than 20 short educational senior living videos are available at www.emeritus.com/videos.

Author: Jayne Sallerson
Executive Vice President

Provided Courtesy of:



www.emeritus.com

Conversion of a life insurance policy into a long term care “Assurance Benefit” plan



10) Assurance Benefits

The Supreme Court case of *Grigsby v. Russell* (1911) established a life insurance policy owner's right to transfer or convert the use of an insurance policy. For families with the need to pay for long term care, they can use their legal right to convert an in-force life insurance policy to enroll in a long term care “Assurance Benefit” benefit plan and are then able to immediately fund their care through monthly payments. Providers of long term care services such as nursing homes, assisted living communities and home health agencies

have been quick to embrace this alternative form of payment. State governments too are realizing that there is tremendous value to be found by converting life insurance policies to help pay for the costs of long term care.

Life insurance is an unqualified asset for Medicaid eligibility. Converting a life insurance policy into a long term care “Assurance Benefit” plan is a Medicaid qualified spend down of the policy, and it extends the time a person remains private pay before going onto Medicaid. For families

preparing for the costs of senior living and long term care, it has been standard practice to abandon a life insurance policy if it is within the legally required five year look back spend-down period. But, by converting a life insurance policy instead of abandoning it, the policy owner's care can be covered as a private pay patient by the long term care benefit plan over an extended time frame. Instead of abandoning the policy and going immediately onto Medicaid, the life insurance asset is spent-down in a Medicaid compliant fashion—while preserving a portion of



the death benefit for the family during the extended time period.

The “Assurance Benefit” is not a long term care insurance policy, annuity, any form of hybrid life/LTCi policies, or an accelerated death benefit-- it is actually the secondary-market exchange of a life insurance policy for a long term care benefit plan at the time that care needs to be paid. The “Assurance Benefit” is a unique financial option for seniors because there are no wait periods, no care limitations, no costs to apply, no requirement to be terminally ill, and there are no premium payments. Policy owners use their legal right to convert an in-force

life insurance policy to enroll in the benefit plan and are able to immediately direct payments to cover their senior housing and long term care costs. Every “Assurance Benefit” account also has the added protection for the enrollee of providing a final expense benefit to help cover funeral expenses. Lastly, if the insured should pass away before the benefit amount is exhausted, then any remaining balance is paid to the family or named beneficiary as a final lump sum payment.

contain a conversion or accelerated death benefit rider, and is not restricted to the issuing carrier. Far too many life insurance policies owned by seniors will never pay a death benefit because they are allowed to either expire, lapse or are surrendered for cash value. For families with the need to pay for long term care, but they are unable or unwilling to keep their life insurance policy in-force by maintaining premium payments, the Assurance Benefit conversion



The Assurance Benefit plan is a private market funding option and is not issued by a carrier, not restricted to policies that

option is a much better choice than abandoning a policy. ■



11) Annuities

What are Annuities?

An annuity is a long term retirement savings product that can help protect you from outliving your money. It's a contract between you and an insurance company. When you put money into an annuity, you create something that will in turn pay you an income month after month, year after year, for as long as you live if you like.

Lifetime Income and LTC Benefits

Many annuities come with options providing you control

of your money as your retirement circumstances change. These new annuity options are highly adaptable, providing income when you need it most. Options include income for life, supplemental income to help with long term care expenses, and a death



benefit with a variety of payment choices.

These annuities offer the opportunity to use a single premium to pay for long term care protection and grow an asset simultaneously. This protection is built into the annuity, providing a combination of annuity value and long term care benefits should you need them. For those who have successfully saved, but are concerned about future income and the impact of long term care on their savings, these new annuity options are worthy of consideration. ■

*75% of Healthy
Individuals Over the
Age of 40 Will Become
Critically Ill at Some
Point During Their Life*

12) Critical Illness -

Most of us have purchased insurance in case we die from a disease or illness, but today there is a real need for insurance because we're living. Modern medicine has made great strides in the early detection and treatment of critical illnesses like Cancer, Heart Attacks, Strokes and a long list of other critical illnesses. The benefit to those who incur one of these ailments is dramatically increased survival rates and longer life expectancy.

For those who do suffer a critical illness,

How to Survive Financially

the probability of surviving is twice that of dying. According to the American Cancer Society, men have a 1 in 2 chance of developing some form of Cancer during their lifetime; for women it's 1 in 3. Women will suffer from Breast Cancer more than any other form of cancer and nearly 90% of them will survive for more than 5 years.

The American Heart Association states 1 in 3 adults have some form of cardiovascular disease. Over 1.4 million heart attacks occur every year and over 88% of heart attack

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victims under age 65 survive and are able to return to work.

The Flip Side is the Cost of Survival

With health care costs steadily on the rise and greater numbers of people surviving a diagnosed critical illness, we may face a mountain of medical expenses during and after recovery. One way to survive a critical illness financially is with a Critical Illness Insurance policy.

While many people feel secure knowing they

have traditional health insurance in place, the financial burden they could face goes well beyond the cost of their co-pays and deductibles. For many, the costs are simply too much to bear.

- Nearly two thirds of all bankruptcies filed in the United States are a direct result of overwhelming medical expenses.
- 79% of those who filed for bankruptcy protection had medical insurance

in place when they were diagnosed and treated.

When a loved one is diagnosed with a serious illness the last thing they should have to dwell on is how to cope financially.

Invented by a Doctor, NOT The Insurance Industry

Critical Illness insurance was the invention of world renowned and pioneering heart surgeon, Dr. Marius Barnard. Dr. Barnard

along with his brother Dr. Christiaan Barnard performed the world's first successful human to human heart transplantation surgery.

What is Critical Illness Insurance?

The idea behind a Critical Illness policy is simple. If you receive a diagnosis for a covered critical illness the policy will pay you a lump sum or monthly cash benefit that can be used for anything you need. Whether it's



for a promising new experimental treatment not covered by your health insurance, care outside your network, your mortgage, child care, school tuition, modifications needed to make your home livable following a stroke or any other day to day expenses, this money is yours to use however you see fit.

What Does a Plan Cover?

Conditions such as Cancer, Heart Attack and Stroke are the most commonly occurring diagnosed conditions and are therefore covered in the majority of Critical

Illness plans offered.

Plans have greatly expanded their list of covered conditions to include such diagnoses as Alzheimer's Disease, Coronary Bypass surgery, Major Organ Transplants, Major Burns, Coma, End Stage Renal Failure and more. ■

Provided Courtesy Of



A Critical Illness Policy

Can Remove Financial

Stress So The Focus

Can Be On Recovery



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Rising from relative obscurity, over the past 10 years, the Reverse Mortgage has become a topic on the minds of millions of seniors and their trusted advisors.

Chapter 13

13) Today's Reverse Mortgage

Rising from relative obscurity, over the past 10 years, the Reverse Mortgage has become a topic on the minds of millions of seniors and their trusted advisors.

Totally unlike the reverse mortgage of years gone by, today's reverse mortgage has evolved. It has grown from what most considered a needs-based "product of last resort" into a true retirement

planning tool, a tool that should be considered as a very viable option in an overall and more comprehensive retirement plan.

But still, even today the reverse mortgage is surrounded by misinformation and half-truths. Let's look at some of this misinformation and separate myth from reality right now.



Exactly what is a Reverse Mortgage?

A reverse mortgage is a loan that enables senior homeowners, age 62 and older, to convert part of their home equity into tax-free* income—without having to sell their home, give up title to it, or make monthly mortgage payments. The loan becomes due when the last borrower(s) permanently leaves the home.

Will I retain ownership of my home?

Yes, you retain title to your home during the period when you have a reverse mortgage,



just the same as with a regular home purchase mortgage. The reverse mortgage lender is merely extending a loan to the borrower.

Because the homeowners retain title, they remain responsible for the payment of property taxes, hazard insurance, and maintaining the home in reasonable condition – just as they would with a standard first mortgage or home equity loan.

How do I receive the proceeds of a reverse mortgage?

You have MANY options:

Upfront Cash : Single Lump Sum Payment

Line of Credit: Unscheduled payments or installments, at times and in amounts of your choosing until the line of credit is exhausted.

Tenure: Equal monthly

payments as long as at least one borrower lives and continues to occupy the property as a principal residence.

Term: Equal monthly payments for a fixed period of months selected.

Modified Tenure: Combination of line of credit with monthly payments for as long as you remain in the home.

Modified Term: Combination of line of credit plus monthly payments for a fixed period of months selected by the borrower.

How can I use the proceeds of a Reverse Mortgage?

You can use the money for virtually anything you choose, from daily living expenses, home improvements, healthcare expenses, paying off existing debts, or simply enhancing your retirement years. For many people, the money provides a “financial security blanket,” in case unexpected expenses arise.

Will my current income affect my ability to get a reverse mortgage?

Not under current guidelines and not if you don't own any other properties. Please note : some income conditions may apply if you own more than one property.

Will securing a Reverse Mortgage have an effect on my Social Security or Medicare benefits?

No. Your benefits will not be affected by the Reverse Mortgage Proceeds.

What about SSI and state benefits such as Medicaid?



If you receive SSI, Medicaid or other public benefits, these loan advances are counted as “liquid assets” if you keep them in an account past the end of the calendar month in which you receive them. Reverse Mortgage proceeds that you receive must be used immediately so they don't impact Medicaid eligibility. To be safe, you should contact the local “Area Agency on Aging” or a Medicaid expert.

Truly, how safe is the FHA insured Reverse Mortgage?

They are as safe as any other government insured loan. You or your heirs retain ALL ownership rights. You continue to own your home. It is impossible to fall behind on monthly payments because there are none to make. And Reverse Mortgages are “non-recourse” mortgages,



which means that a debt CANNOT be passed to your heirs as a result of doing an FHA insured reverse mortgage.

When does a Reverse Mortgage come due?

When none of the borrowers are remaining in the home, the loan is due, or you may choose to pay off the loan early. The family or heirs can sell the house or refinance the house and pay off the loan as with any other loan on the property.

So as you can see, today's FHA insured reverse mortgage offers protections and safeguards for today's senior like never before.

Today's highly volatile market environment makes the reverse mort-

gage a perfect choice to eliminate your present mortgage payment, eliminate other installment debt, assist in the payment of your long term care insurance premiums, assist in the payment of in-home care services, or simply just give you a higher quality of life.

It is certainly a product worth considering. ■

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*A bright spot in the marketplace
is life insurance or annuities to
fund long term care costs.*

Chapter 14



14) Asset Based LTC Combination Products

Now You Have More Options

Asset based or linked-benefit combination plans pay whether or not LTC is needed and death occurs. Rounding out the coverage are LTC riders on life insurance, which may allow policyholders to draw death benefits early if they end up needing LTC coverage.

LTCI coverage provided as part of life insurance or annuity contracts continue to grow in popularity with financial and other estate planning advisors. If you have retirement savings that are now invested in bank certificates of deposit and money funds, this may be the time to explore repositioning some of those assets to do double duty as a source of funding for long term care. The market

penetration of these products is partly due to favorable tax rules created by the Pension Protection Act of 2006. There is no 'use it or lose it' feature with combo or linked-benefit policies or concern about rising premiums as the marketplace has been experiencing with traditional LTC policies.

These products are based on either a life insurance policy or an annuity which can partially or entirely cover long term care expenses and allow your money to grow tax-deferred. Unless the money used to pay for the policy comes from a qualified plan such as an IRA, all withdrawals to pay for care come out tax-free. Beneficiaries may receive more than paid in premium, assuming the insured lives for at

least two years. For example, in one case a combined life/long term care insurance plan for a 65-year-old woman leveraged a \$100,000 deposit through the use of a rider into a benefit pool of over \$450,000 of LTC coverage and a guaranteed death benefit. In most cases, the principal invested in combo products can be withdrawn with no penalty. And one asset-based plan will cover two people for the same policy.

These plans differ and their complexities will require that you have a knowledgeable long term care specialist along with your financial advisor to guide you in the most appropriate plan for your needs and current financial situation. ■

*Knowing what is available,
how to qualify and who to
trust with assistance.*

Chapter 15



15) VA Long Term Care Benefits

The Department of Veterans Affairs (VA) pays for some long-term care services for Veterans needing long term care due to **service-related disabilities** and for veterans who do not have service-related disabilities but who need care and are **unable to pay for the cost of necessary care**. Co-pays may apply depending on the veteran's income and asset level. For more information visit: <http://longtermcare.gov>

VA Pension Benefits Program

Applying for pension benefits with the U.S. Department of Veterans Affairs is not simple. It is a long, complicated process that even the

department's own staff struggles to explain to veterans and families the types of benefits available and criteria for qualifying. This chapter will serve as a step to change that by assisting veterans and organizations that serve them in effectively maneuvering the VA system and legally qualifying for the benefits that they deserve.

What is the VA Pension Program?

The VA Improved Pension was established to assist veterans, their spouses, widows/widowers, and designed to assure a level of income above the minimum subsistence level, allowing veterans and their

survivors to live out their lives in dignity and afford basic necessities. This pension benefit is not dependent upon service-related injuries. There are three program levels - Basic, Housebound, and Aid and Attendance (A&A). A&A assists veterans and their surviving spouses who require attendance of another person to assist with activities of daily living. It helps cover the cost of qualified non-reimbursed medical expenses, in-home care and assisted living facility care. In existence for decades, it is widely unknown and under-utilized.

How to Know Who Qualifies

The VA does not make it clear who qualifies for the Improved Pension. Applicants are told that it is based on income, but it is actually needs based. Once the applicant deducts their qualified non-reimbursed medical expenses and assisted living care from their income, many will qualify that might not have without those deductions. There is no time limit to apply for the pension, but determining if you meet the criteria to qualify can be a complex process.

The Basic Criteria for Qualifying are:

- Veteran must have served at least 1 day during a war period
- Veteran must have served at least 90 days of active duty
- Veteran received a better than dishonorable discharge
- Claimant is over the age of 65 or permanently or totally disabled
- Claimant is a surviving spouse of a qualified veteran and did not remarry
- Claimant needs assistance with daily living requirements
- Claimant's monthly medical expenses exceed their monthly income

Pension Amounts for Those Who Qualify

The VA pension can significantly improve the quality of life for veterans and their surviving spouses. The pension amount will depend on the medical needs and level of assistance needed, and is based on the Cost of Living Adjustment Index. The 2013 maximum pension amounts are listed below:

Who Can Best Assist with VA Pension Planning

The fact that the VA Pension Benefit is widely unknown, and for those that do become aware of it, the process is long and complex, has created a business opportunity for many insurance agents and annuity sales representatives. We advise you to be cautious when working with these individuals and companies, who often are not acting in the best interest of the client. Typically, they are not associated with the VA and are not

Single Qualified Veteran:


Basic Improved Pension	Up to \$1,038 per month
Pension with Housebound	Up to \$1,269 per month
Pension with A&A	Up to \$1,732 per month

Qualified Veteran with Spouse:

Basic Improved Pension	Up to \$1,360 per month
Pension with Housebound	Up to \$1,590 per month
Pension with A&A	Up to \$2,054 per month

Surviving Spouse (Death Pension):

Basic Improved Pension	Up to \$696 per month
Pension with Housebound	Up to \$851 per month
Pension with A&A	Up to \$1,113 per month



knowledgeable of the current laws and regulations for qualifying and applying for pension benefits. It is recommended by VeteranAid.org, that only a creditable elder law attorney be used for VA pension planning, and for good reason. Knowing the VA pension process is a big task in itself, but equally important is knowing how the VA pension can effect a senior's Medicaid and Medicare benefits, income tax, inheritance tax, and other financial factors. A reputable elder law attorney can give you sound guidance on how to juggle all the pieces of the financial puzzle.

What Can Dollars from VA Pension Be Used For?

As mentioned above, the dollars can help pay for in-home care, assisted living facility or nursing home, if need be. But these dollars are basically cash for you to keep for whatever your

needs are; however, here are some popular ways that Americans are using those extra dollars:

- Pay for medical co-pays and non-medical expenses.
- Pay a family member or friend to care for you.
- Many daughters, sons and friends need to still bring in an income for themselves and their families, but if they can get leave from work for a time to assist their loved one or friend who needs care, then the VA Pension beneficiary can consider using some of those pension funds to pay their caregivers.
- Purchase a membership for discounted home care services. A discount home care service contract provides a network of home care providers at greatly reduced rates. Membership provides access to a network home care agency or nurse registry that can help with activities of daily living, plus non-medical and compan-

ion service to assist with shopping, pet care, doctor visits and more. These are not insurance contracts and are typically guaranteed to be issued, so anyone can qualify no matter what their health to stretch home care dollars.

- Purchase long term care insurance or life insurance with long term care benefits for your healthy spouse. Since the person receiving care is likely to use personal assets even with the VA pension dollars coming in, there is the risk that there won't be sufficient assets left over for the healthier spouse. Using VA Pension dollars to pay insurance premiums on behalf of the spouse is a great way to protect assets and assure quality care choices and independence for when they need care too without overburdening family and friends. ■

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16) Some Final Thoughts

States have many approved long term care insurance policies on the market. To complicate matters, premiums and coverage can be different in each state. So where do you begin? It is not necessary to review every policy. Speak to an experienced long term care specialist. You have every right to question the experience of any person with whom you are considering working – whether the agent is familiar with all the policies and carriers doing business in your state, how long they have been selling long term care insurance, and

how many policyholders they have obtained coverage for. If you are considering Long Term Care Insurance, you want to make the right decision. It doesn't cost more to work with a specialist and you're more likely to end up with an appropriate, affordable solution that meets your needs. In the end, you will be that much wiser and better equipped to make the right decision for you and your family. ■

100

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.



MISSION

To raise national awareness of the need for each citizen to develop a long-term care plan and to educate on the private and public products and services available to them.

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