

2010

Long Term Care Planning Update
2010

There are only 4 kinds of people in this world:

1. Those who have been caregivers.
2. Those who are currently caregivers.
3. Those who will be caregivers.
4. Those who will need caregivers.

----Rosalyn Carter

Introduction:

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My Story

Introduction



Need any further proof..

- The Long Term Care Issue and its associated challenges can present themselves to you and your family at any time and acts independently of age:
 - Mom—45—M.S. Diagnosis
 - Dad----70—Esophageal Cancer Diagnosis
 - Jackie—19 mos. Neuroblastoma Diagnosis
 - Grandfather—88 Yrs old CLL Diagnosis

The 7 urban legends of Long Term Care..

- I'll wait to secure my coverage
- I'm already covered by.....
- I can self fund
- My family will take care of me
- I'll never go to a nursing home
- The government will take care of me
- It'll never happen to me

Two kinds of Long Term Care Planning Clients:

Can your income stream withstand a monthly custodial care obligation of \$6,700+ per month?

The majority of care delivered is non-skilled; nothing pays for it

Your business clients have the opportunity to finance Long Term Care Insurance on a potentially tax favorable basis now while they are still working.

How do clients go on claim?

- *Physical Impairment*
- *Cognitive Impairment*
- *Role of the 90 day certification letter*

How do clients go on claim?

- *Physical Impairment*
- Inability to perform 2 of the 6 Activities of Daily Living (ADL'S)
 - Eating
 - Bathing
 - Dressing
 - Toileting
 - Transferring
 - Contenance

How do clients go on claim?

- *Cognitive Impairment*
- *4 components:*
 - Issues related to short or long term memory
 - Orientation as to person, place or time
 - Issues with deductive or abstract reasoning
 - Judgement as it relates to safety awareness

How do clients go on claim?

- *Cognitive Impairment determined by:*
 - Clinical Evidence
 - Standardized tests

Understanding impairment and types of care:

- *Acute Impairment*
- *Chronic Impairment*
- *Skilled Care*
- *Non-Skilled Care*

Understanding impairment and types of care:

- ***Acute Impairment***
 - Utilizes Skilled care
 - Expectation of getting better/returning to the state that you were in prior to the event
- ***Chronic/Physical Impairment***
 - Utilizes non-skilled care
 - No expectation of getting better

Understanding impairment and types of care:

- ***Cognitive Impairment***
 - Utilizes non-skilled care
- Common causes of Cognitive impairment include:
 - Alzheimer's disease
 - Parkinson's disease
 - Various forms of dementia

Where can I receive care?

- *Home/Community Based Care*
- *Facility Based Care*

Home Care:

- *Homemaker Aides*
- *Personal Care Attendants*
- *Community based services supporting home care:*
 - Senior Centers
 - Transportation Services
 - Meals on Wheels

Home Care:

- *Adult Day Care Centers*

Facility Care...main considerations

- *Assisted Living*
- *Continuing Care Retirement Communities (CCRC)*
- *Nursing Homes*

How Did We Get Here?

- Longevity
- Risk.....
- What used to kill us doesn't necessarily do so anymore
- Life Expectancy Progression
- Medical Advancements
- Clients taking better care of themselves
- Translation? **Planning is a necessity!**

Medicaid...what is it and how does it work?

- You must meet your state's requirements to become eligible:
 - Meet minimum income and asset metrics
 - Meet the medical criteria established by the state

Medicaid...what is it and how does it work?

- What you need to know about the look back period:
 - Increased from 3 years to 5 years as a result of the Deficit Reduction Act on February 8, 2006. (DRA)
 - Is equal to the date you apply for Medicaid

Medicaid...what is it and how does it work?

- What you need to know about the ineligibility period:
 - The transfer of assets into inaccessible status for less than fair market value (generally defined as a gift) within the applicable look back period creates a period of ineligibility from Medicaid benefits.

Medicaid...what is it and how does it work?

- What you need to know about the ineligibility period:
 - All states use this formula to determine the period of ineligibility:
 - Transferred Assets divided by the average monthly cost of nursing care in the applicant's home state (determined by that state's office) equals the number of months of ineligibility.
 - Penalty period runs forward

John has \$100,000 in life savings. His health is declining sharply.

- He gifts his assets to his children on April 1, 2007.
- He enters a skilled nursing facility (SNF) on April 1, 2009 and applies for Medicaid benefits on that date.
- John's state Medicaid office considers SNF care to cost, on average, \$5,000 a month.

John has \$100,000 in life savings. His health is declining sharply.

- The Look back period began on:
 - A. April 1, 2007
 - B. April 1, 2009

John has \$100,000 in life savings. His health is declining sharply.

- The Look back period began on:
 - A. April 1, 2007
 - B. April 1, 2009

ANSWER: B. The date John applies for Medicaid. The look back period runs backward.

John has \$100,000 in life savings. His health is declining sharply.

- The period of ineligibility begins on:
 - A. April 1, 2007
 - B. April 1, 2009

John has \$100,000 in life savings. His health is declining sharply.

- The period of ineligibility begins on:
 - A. April 1, 2009
 - B. April 1, 2007

ANSWER: A, the date that John applies for Medicaid benefits. Penalty period runs forward; John will qualify for benefits on December 1, 2010, 20 months after applying ($\$100,000/\$5,000$)

Medicaid...what is it and how does it work?

- 4 Metrics to be mindful of:
 - **1. Cash Allowance: (CA)**
 - Ranges from: \$1,000--\$4,150
 - Determined by individual States
 - Goes to the institutionalized person (I.e. the person utilizing the services)

GA: \$2,000 = CA

Medicaid...what is it and how does it work?

- 4 Metrics to be mindful of:
 - **2. Community Spouse Resource Allowance: (CSRA)**
 - Ranges from: \$21,912--\$109,560
 - Determined by individual States
 - Goes to the healthy person

GA: \$109,560= CSRA

Medicaid...what is it and how does it work?

- 4 Metrics to be mindful of:
 - **3. Personal Monthly Needs Allowance: (PMNA)**
 - Ranges from: \$30--\$90.45
 - Determined by individual States
 - Goes to the institutionalized person

GA: \$30.00 = PMNA

Medicaid...what is it and how does it work?

- 4 Metrics to be mindful of:
 - **4. Minimum Monthly Maintenance Needs Allowance: (MMMNA)**
 - Ranges from: \$1,750---\$2,739
 - Determined by individual States
 - Goes to the healthy person

GA: \$2,739 = MMMNA

Medicare...what is it and how does it work with Long Term Care?

- Medicare Part A: Hospital Program
 - For Skilled Nursing Care
 - Will pay for the first 20 days if:
 - Beneficiary receives care for at least 3 nights and enters a SNF within 30 days
 - Enters the SNF for the same medical reason that required the hospital stay

Medicare...what is it and how does it work?

- Medicare Part A: Hospital Program
 - For Skilled Nursing Care
 - Will pay for the first 20 days if:
 - The care is skilled and “services so inherently complex that they can be safely and effectively performed only by, or under the supervision of technical or professional personnel OR

Medicare...what is it and how does it work?

- Medicare Part A: Hospital Program
 - For Skilled Nursing Care
 - Will pay for the first 20 days if:
 - The patient must be receiving rehabilitative care under a plan with ascertainable goals

Medicare...what is it and how does it work?

- Medicare Part A: Hospital Program
 - Days 21-100, the co-pay is:
 - \$137.50/day in 2010

Living a long life is almost a certainty. Planning for it is now, more than ever a necessity

The Classic Objections...

- "I won't live a long life"
- "I'll never need care"
- "I am never going to a nursing home"
- "I'll shoot myself"
- "I'll self-insure"

Common objections...

- "I'm covered under my Health Insurance."
- "I'm covered under my Disability Income."
- "I'm never going to a nursing home."
- "The government paid for my_____, so that means they will pay for me."
- "I'll put a gun in my mouth."

The Government's Position on Long Term Care

The Government will not pay for your custodial care:

- Medicare Reform
- Medicaid Reform
- DRA
- Partnership Plans
- Federal LTC Program
- State campaign "Own Your Future"

You can fund the cost of your custodial care from:

Your Principal From Savings

or

Interest From Your Principal

Effective Long Term Care Planning:

Effective Long Term Care Planning:

- Three Steps
- Can you be Underwritten?
 - Main Planning Metrics

Three steps to effective Long Term Care Planning:

1. Establishing that the client believes he/she could live a long life.

Three steps to effective Long Term Care Planning:

- 2. Establishing that if the client lives long enough; he/she could become frail and need some assistance as a result.*

Three steps to effective Long Term Care Planning:

3. When and if the LTC issue and its associated challenges present themselves to you it is no longer about you. It is about the emotional and physical toll that caregiving takes on the involved individuals.

Underwriting: Can you be underwritten?

1. Pre-qualification
2. Timeline
3. Steps involved
4. Underwriting Classes
5. Process Process Process

Main LTCi Planning Metrics

1. Daily Benefit Amount
2. Elimination Period
3. Benefit Period
4. Inflation Protection
5. Accelerated Payment Option

Why Take Action with Long Term Care Planning?

- In order to protect:
 - Relationships
 - Current and Future Income Streams
 - Promises
 - Obligations
 - Financial Plans
 - Legacies
 - Families

Why now..for you...for your business clients?

- Secure coverage while you are at the height of your insurability
- Market forces
- Tax favorable basis; fully deductible for the organization, not income to the shareholder/partner
- Abbreviated underwriting for you and your family
- Premium discounts for you and your family

Questions?

How can I help you
further?

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Questions?

Thank You!

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