

# Healthcare Planning: Long-Term Care

May 2011

## HEALTHCARE COSTS

In June of 2009, a pivotal study on healthcare in retirement was published by the Employee Benefit Research Institute (EBRI). The study examined the savings needed for healthcare expenses incurred in retirement to cover Medigap premiums, Medicare Part B premiums, Medicare Part D premiums, and out-of-pocket expenses for men and women as individuals and as married couples.

### SAVINGS REQUIRED FOR 90% CONFIDENCE LEVEL OF HEALTHCARE COVERAGE<sup>†</sup>

	Age 65 in 2009	Age 65 in 2019
Men	\$378,000	\$634,000
Women	\$450,000	\$754,000
Married Couples	\$807,000	\$1,353,000

<sup>†</sup>Includes Medigap Premiums, Medicare Part B Premiums, Medicare Part D Premiums, and Out-of-Pocket Drug Expenses  
Source: Employee Benefit Research Institute Study, 2009

According to the study, “many individuals will need more money than the amounts cited in this report because this analysis does not factor in the savings needed to cover long-term care expenses, nor does it take into account the fact that many individuals retire prior to becoming eligible for Medicare.” Neither private insurance nor Medicare cover the indirect expenses associated with in-home health care, assisted living or nursing facility care.

To further compound matters, coverage through Medicare or traditional health insurance varies widely depending on whether the care is related to a physical or cognitive impairment and also whether the care required involves an acute (health will improve/need for care will end), a chronic (health will not improve/permanent need for care) or an end-of-life (palliative) care event. These distinctions have infinite nuances and are ever-changing. For a brief summary on Medicare and Medicaid, see **Appendix, EXHIBIT 1**.

Healthcare plans and Medicare combined pay a mere 3% of long-term care costs. State Medicaid programs are only available to those families who descend to the poverty line. The remainder is either funded out-of-pocket — from a nest egg, assets earmarked for retirement or life savings — or from an LTCi policy.

Confirmation of escalating healthcare costs is provided by the 2010 Milliman Medical Index Study. The total medical costs for a typical American family of four in 2010 was \$18,074, an increase of 7.8% from the 2009 amount of \$16,771.

With an effective annual trend rate from 2005 to 2010 of 8.2%, the healthcare cost inflation rate significantly outpaced the Consumer Price Index inflation rate during the same timeframe, which averaged just over 2.5%. More specifically related to long-term care, between 2008 and 2010, in-home care costs rose 13% and private room nursing facility care costs increased by 14%.

### **What is the financial impact?**

- Costly illnesses and medical issues trigger nearly half of all personal bankruptcies, despite the existence of health insurance in the majority of these scenarios, according to a Harvard University study.
- Fifty percent of all couples and seventy percent of single individuals are impoverished within one year of entering a nursing facility.

### **LONGEVITY**

The general population is living longer, thanks to healthier lifestyles and advances in medical technology and treatment. As life expectancy increases, so too will the likelihood of requiring long-term care.

According to the Department of Health and Human Services, at least 70% of people over age 65 will require some form of long-term care during their lifetime; more than 40% of these long-term care scenarios will involve an extended stay within a nursing facility.

A significant number of working-age adults are also in need of long-term care. Of the total population requiring this kind of care, 40% of them are between the ages of 18 and 64. These long-term care requirements are usually necessitated by a catastrophic disability resulting from a severe illness or debilitating accident.

#### **Related Statistics:**

- Twenty percent of Americans over the age of 50 are at risk of needing long-term care within the next 12 months
- More than half of Americans will require long-term care during their lifetime

### **DISPARATE LONGEVITY**

Women typically live longer than men. If there is an age disparity where the husband is significantly older than the wife, the need for additional long-term care planning is intensified. Financial and life decision making for women becomes increasingly difficult once they have lost their spouse.

- A woman's likelihood of needing long-term care within her lifetime is 79%.
- Roughly two-thirds of the \$3.5 billion in LTCi claim benefits paid in 2007 were paid for women needing care.
- More than 70% of residents in nursing or personal care facilities are women. Two-thirds of them are widowed or divorced. Nearly 40% are demented and about 59% requiring assistance with four or more Activities of Daily Living (ADLs).

### **ALZHEIMER'S/DEMENTIA TRENDING**

The first of the Baby Boomers are now turning 65. By 2030, the U.S. population aged 65 and over is expected to double, meaning there will be more and more Americans with

Alzheimer's — potentially as many as 16 million by mid-century, when there will be nearly 1 million new cases every year. One in eight Baby Boomers will get the disease after they turn 65. After age 85, that risk increases to nearly one in two.

- Part of the challenge will be caring for parents while trying to raise children. The 2009 NAC/AARP survey on caregiving in the United States found that 30% of family and other unpaid caregivers for people with Alzheimer's and other forms of dementia also had children or grandchildren under age 18 living at home.
- In 2004, total per person payments from all sources for health care, long-term care and hospice were three times higher for Medicare beneficiaries aged 65 and older with Alzheimer's and other forms of dementia than for other Medicare beneficiaries in the same age group.
- A study on claims filed against LTCi policies for the first time between 2003 and 2005 showed that nearly two-thirds of the claims for care in assisted living (63%) and nursing facilities (64%) were due to cognitive impairment. The figure was 28% for claims filed for paid in-home care, indicating a higher likelihood of requiring facility care if the cause is cognitive.

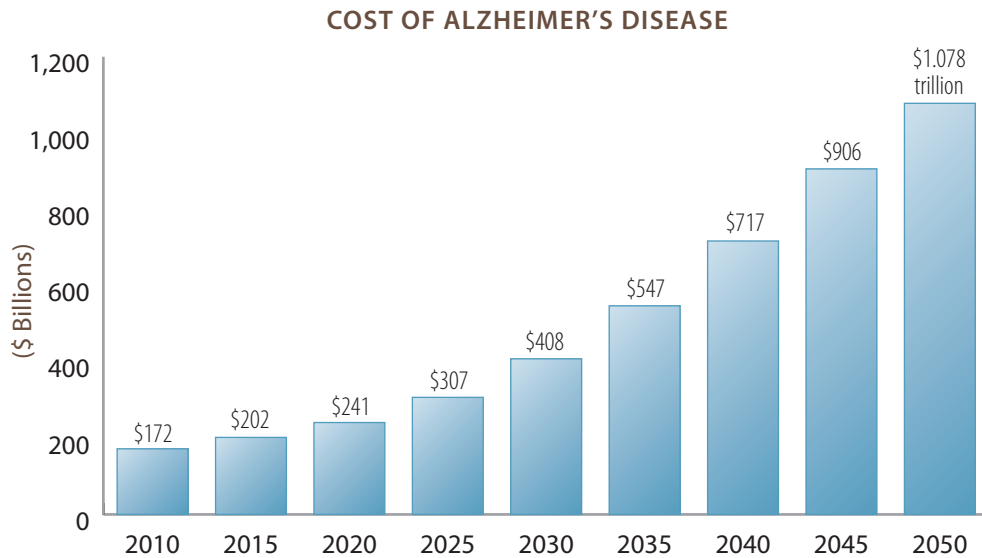
The death rates for other major diseases — HIV, stroke, heart disease, prostate cancer, breast cancer — are declining. Alzheimer's is the only Top 10 cause of death without a cure, a means to prevent it or an ability to slow its progression.

By the time Baby Boomers reach age 85, one in two will develop the disease. The proliferation of Alzheimer's within the Baby Boomer population has prompted the Alzheimer's Association to identify it as "the defining disease of the Baby Boomers."

While the costs associated with Alzheimer's are significant today, they will become staggering over time.

- Over the next 40 years, Alzheimer's will cost America more than \$20 trillion, enough to pay off the national debt and still send a \$20,000 check to every man, woman and child in America.
- Between 2010 and 2050, the costs to Medicare for the care of someone with Alzheimer's will increase over 600% — with the out-of-pocket costs to families will grow by more than 400%.

Private long-term care insurance is only an option for those with the foresight, the health and the means to purchase policies prior to developing a form of dementia.



Source: Alzheimer's Association. *Generation Alzheimer's: Defining Disease of the Baby Boomers*. 2011.

## BURDEN OF CARE

The demand for long-term care services will surge in the coming decades as Baby Boomers reach their 80s. Declining family size, increased childlessness, more women in the workplace and rising divorce rates are limiting the number of available family caregivers. The simulations indicate that even under the most optimistic scenario, the burden of long-term care on families and institutions will increase substantially.

The overarching burden of caregiving takes its toll eventually. The negative financial, physical, emotional and relational impact of caregiving on the caregiver can be devastating.

### Related Statistics:

- Approximately 75% of those providing in-home care are female — most often a daughter.
  - The typical caregiver is a 46-year-old woman who spends 20 hours a week providing care to her mother.
  - It is becoming more difficult for daughters to provide such level of care, given their desire and/or need to work, raise their children and manage the overall family dynamic.
  - One in six caregivers provides 40 hours or more of care per week with women more likely to provide these high levels of care.

Geographic distance is also problematic due to the additional time and expense required to travel for care giving; this distance often leads to the ultimate uprooting of the person under care in order to be closer to the care giver.

Caregivers often experience negative health and/or financial consequences as a result of assuming this caretaking role.

- Family and other unpaid caregivers to those with Alzheimer's or other dementia are more likely than non-caregivers to have high levels of stress hormones, reduced immune function, slow wound healing, new hypertension and new coronary heart disease.
- When women become caregivers, they are 2.5 times more likely to end up in poverty and five times more likely to be dependent on Social Security.

Caregiving issues impact productivity in the workplace as well.

- The annual cost to companies for lost productivity due to family care responsibilities is \$17 billion a year, or \$3,142 per employee.
- By 2020, 1 in 3 workers will be a care giver for a family member.

### USE OF LONG-TERM CARE INSURANCE (LTCI)

It is imperative to incorporate aggressive healthcare and long-term care planning into any comprehensive life plan. As previously outlined in this paper, the issues surrounding a long-term care event can impose serious challenges on the success of an overall life plan. In order to increase the confidence level of success, it is necessary to do one or more of the following:

- Spend less in retirement
- Save more along the way
- Purchase Long-Term Care Insurance (LTCi)

The benefits of LTCi are plentiful and include:

- Protecting assets from long-term care expenses
- Enhancing financial security
- Increasing care choices and options available
- Helping to maintain independence and control
- Reducing or eliminating reliance on Medicaid
- Diminishes the burden of caregiving for family

### Consumer Perspectives

Consumers have their own thoughts regarding long-term care. There is widespread concern over the caliber of staff and the quality of care available. Linked to this concern is a strong desire to be cared for at home.

There is an admitted lack of understanding concerning long-term care. Most individuals surveyed agreed that they should know more about LTCi than they currently do. This knowledge gap is amplified further by the level of misunderstanding surrounding the coverage provided by Medicare and private health insurance as related to long-term care expenses. See **Appendix, EXHIBIT 2** for supporting information.

## TAX EXPOSURE AND MANAGEMENT

Federal and an increasing number of state tax codes now offer tax incentives to encourage Americans to take ownership of their future long-term care needs. The Health Insurance Portability and Accountability Act of 1996 (HIPAA) included provisions for favorable tax treatment of qualified long-term care insurance (LTCi) contracts.

The following table outlines the advantages and disadvantages related to each type of LTCi policy:

	Tax Qualified LTCi Policy	Non-Tax Qualified LTCi Policy
Advantages	Premiums qualify as an itemized deduction up to a defined limit <sup>1</sup>	May include a Medical Necessity trigger, starting your LTC benefits if your doctor states you need LTC
	The benefits you receive will not be taxed	Does not require 90 days of care in order for benefits to kick in
	Non-reimbursed LTC services can be claimed as itemized deductions <sup>2</sup>	Some allow one more ADL, ambulating (walking), as a trigger to start LTC benefits
Disadvantages	There is no Medical Necessity trigger, therefore you must: <ul style="list-style-type: none"> <li>- Need care for at least 90 days</li> <li>- Be unable to perform at least 2 out of 6 Activities of Daily Living (ADLs) without substantial supervision<sup>3</sup></li> <li>- Need substantial assistance due to a severe cognitive impairment</li> <li>- Have a licensed health care professional provide a plan of care</li> </ul>	Many LTCi carriers are no longer selling these types of policies, but if they are, they are tightening up policy wording making it more difficult to actually receive benefits
		Usually more expensive
		Require a person to need assistance with 3 ADLs
		Policy benefits may be taxed in the future <sup>4</sup>

<sup>1</sup>The amount of the deduction is based on the age of the policyholder and inflation.

<sup>2</sup>To the extent they exceed 7.5% of adjusted gross annual income.

<sup>3</sup>There are 7 ADLs in California. ADLs are usually bathing, transferring, eating, dressing, continence or toileting. Substantial supervision may require "hands on" assistance or, if the policy wording is more lenient, it could simply require "standby" supervision, which means that someone watches you and helps you, if the need arises.

<sup>4</sup>If you receive LTCi benefits you are issued a 1099 - LTC at the end of the year. This includes Tax Qualified and Non-Tax Qualified policies. However, Tax Qualified policies are exempt. Per diem benefits received on a TQ policy are tax free up to \$250 for any period during 2006. Per diem benefits above \$250 will be taxed as income, unless you can provide proof that your actual long-term care expenses were also above \$250.

Source: <http://www.prepsmart.com/tax-qualified-ltci-policies.html>. Last accessed May 10, 2011.

In many cases, long-term care insurance premiums may qualify for a partial or full income tax deduction, depending upon the insured's individual or practice entity situation.

**LONG-TERM CARE INSURANCE PREMIUM DEDUCTIBILITY<sup>1</sup>**

Entity	Deductibility												
Individual	Must itemize deductions and total medical expenses must exceed 7.5% of adjusted gross income. Deduct lesser of actual premiums paid and eligible LTCi premium (see table below).												
	2011 FEDERAL TAX DEDUCTIBLE LIMITS <sup>2</sup>												
	<table border="1"> <thead> <tr> <th>Taxpayer's Age at End of Tax Year</th> <th>Deductible Limit</th> </tr> </thead> <tbody> <tr> <td>40 or less</td> <td>\$340</td> </tr> <tr> <td>&gt;40 but not &gt;50</td> <td>\$640</td> </tr> <tr> <td>&gt;50 but not &gt;60</td> <td>\$1,270</td> </tr> <tr> <td>&gt;60 but not &gt;70</td> <td>\$3,390</td> </tr> <tr> <td>&gt;70</td> <td>\$4,240</td> </tr> </tbody> </table>	Taxpayer's Age at End of Tax Year	Deductible Limit	40 or less	\$340	>40 but not >50	\$640	>50 but not >60	\$1,270	>60 but not >70	\$3,390	>70	\$4,240
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Sole Proprietor	Deduct lesser of actual premiums paid and eligible LTCi premium (see federal tax deductible limits table above). <sup>3</sup>												
C Corporation	Deduct 100% of premium expense.												
S Corporation	Premiums attributed to each greater than 2% shareholder included in their income. Deduct lesser of actual premiums paid and eligible LTCi premium (see federal tax deductible limits table above). <sup>4</sup>												
Limited Liability Company <sup>5</sup>	Deduct lesser of actual premiums paid and eligible LTCi premium (see federal tax deductible limits table above). <sup>4</sup>												

<sup>1</sup>Current tax law generally allows deductibility of qualified long-term care insurance premiums paid for policies covering an individual, his or her spouse and dependents.

<sup>2</sup>IRS Revenue Procedure: 2010-40. These amounts will increase annually, based on the Medical Consumer Price Index. State deductibility limits vary.

<sup>3</sup>IRC Sec. 162(l)(1)(B)

<sup>4</sup>IRC Sec. 162(l)(1)(B), Rev. Rul. 91-26, 1991-15 I.R.B. 23

<sup>5</sup>This applies if LLC is taxed as Sole Proprietor. If taxed as Partnership, premiums attributed to each owner/member are included in their income.

Source: Mercer Advisors.

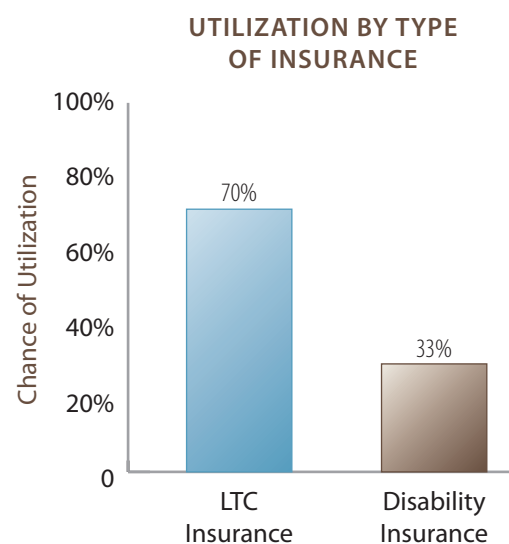
**Related Planning**

There are additional tax implications related to LTCi policies which should be carefully considered during the long-term planning stages. The following table outlines many of these areas for consideration:

<b>5% Simple Inflation Option</b>	(Typically recommended for people over age 65) the coverage grows and doubles every 20 years. Thus, the \$150 you started with would grow to \$225 in 10 years and \$300 in 20 years.
<b>5% Compound Inflation Option</b>	(Typically recommended for people age 65 and under) the coverage grows and doubles every 14.3 years. Keep in mind the pool of money is also growing and doubling over time, to offset the high rate of inflation.

<b>Gift Tax Exclusion</b>	In addition to the annual Gift Tax Exclusion of \$13,000 per donee, a donor has the ability to pay for the medical expenses of the donee [IRC Sec. 2503(e)]. If those medical expenses are tax-qualified LTCi premiums, the exclusion is subject to the age-based limits for Eligible Premium previously shown in the 2011 Federal Tax Deductible Limits table. An individual (donor) can purchase LTCi policies for family members (donees) and still maintain the annual Gift Tax Exclusion when selecting a Ten-Pay or Accelerated Payment Option.
<b>Return of Premium</b>	The refund is included in the beneficiary's gross income and is taxable, to the extent it was either excluded from the owner's income or deducted by the owner. It must be included as income in the year it is received.
<b>Health Savings Account (HSA)</b>	Tax-qualified LTCi premiums can be reimbursed through an HSA, tax-free up to the Eligible Premium amounts, even if the HSA is offered through an employer-provided cafeteria plan.
<b>Health Reimbursement Account (HRA)</b>	Reimbursements for insurance covering medical care expenses, as defined in IRC Sec. 213(d), which includes qualified long-term care services and qualified LTCi premiums, are allowable under an HRA. Although employers pay for HRAs, an HRA cannot be provided by salary reduction or IRC Sec. 125 plans. As such, the LTCi premiums cannot be paid on a pre-tax basis through an HRA.
<b>Cafeteria Plan</b>	Tax-qualified LTCi premiums cannot be purchased with pre-tax dollars under an employer-provided cafeteria plan. However, LTCi premiums may be paid through an HSA that is offered under an employer-provided cafeteria plan.
<b>Flexible Spending Account (FSA)</b>	Tax-qualified LTCi premiums cannot be reimbursed under an FSA.
<b>State Deductibility Rules</b>	Many states offer tax incentives to encourage the purchase of LTCi. Taxpayers may need to meet state specific requirements to qualify for deductions or credits for LTCi.
<b>LTC State Insurance</b>	LTCi policies are guaranteed up to at least \$100,000 in every state, according to the National Organization of Life and Health Insurance Guaranty Associations in Herndon, Va. Consumer Reports

Source: <http://www.aaltci.org/long-term-care-insurance/learning-center/tax-for-business.php>. Last accessed May 10, 2011.



### LTCi versus Other Insurance

Most of us would never dream of going without life, health, homeowners or auto insurance, even if we had a growing abundance of investment assets. The same holds true for personal or business disability insurance. LTCi must be designated, at minimum, at this same level of importance.

Given that 40% of LTCi claims are paid to those who would typically be working, if not for a disabling life event, LTCi should

Sources: Great West Life Insurance, 2005, and Department of Health and Human Services.

be viewed as expanded disability protection. Disability protection is often restricted by either an income cap or an insurance company's maximum issuance amount for personal disability insurance. Further, disability benefit payouts typically stop at age 65. The use of LTCi removes all of these limits and is a very cost competitive option.

When upfront business deductions are received for LTCi premiums, the benefits received by the insured are tax free. In contrast, when personal disability policy premiums are deducted through a business, the benefits received are considered to be taxable income. Further, with an existing annuity or cash-value life insurance policy, funds may be accessed by the insured to purchase LTCi tax free (under Section 1035), thereby avoiding taxation on 100% of withdrawals used for LTCi premiums.

### **When should LTCi be purchased?**

Whenever possible, LTCi should be purchased while in your 40s – the sooner the better. The rationale behind this recommendation is based upon the following:

1. Unknown future availability of LTCi policies
2. Significantly lower premiums when purchased at an earlier age
3. Extended compound benefit growth period
4. Qualification for lower rates due to preferred health
5. Greater likelihood of insurability, see *Appendix, EXHIBIT 3*

### **CONCLUSION**

Many people are currently facing the realities associated with caring for parents who established no plans for their long-term care needs. A generational repeat of this lack of preparedness would be catastrophic, not only for the caregivers of today who will become the recipients of long-term care tomorrow, but for their children as well. Lifestyle preservation, both in terms of cost containment and reduced responsibility for care giving, should be afforded ample consideration, research and discourse when developing a long-term care plan within an overarching life plan.

Long-term care insurance provides a dependable means for ensuring optimal preparation for financing and managing the multitude of challenges presented by a long-term care event. It is paramount for peace of mind along the journey to establish clarity and safeguards today which can address comprehensively the unknowns of tomorrow.

### **CRITICAL NEXT STEPS**

According to the U.S. Department of Labor (2008), long-term care is the greatest uninsured risk that Americans face.

In other words, the risk of a long-term care event is significant enough to warrant each of the following next steps:

- It is imperative that you discuss and share any long-term care desires and expectations with family and friends
- Contact your financial advisor to discuss the best long-term care planning strategy for your unique circumstances and how best to incorporate this strategy into your overall life plan
- Actively plan for the realities associated with long-term care and update your financial plans accordingly — planning cannot wait for the need to arise; a thoughtful plan must be formulated and set in motion well in advance of any need, in order to ensure a high confidence level of success

## APPENDIX

### EXHIBIT 1: Brief Summary of Medicare and Medicaid

The Centers for Medicare & Medicaid Services (CMS) administer Medicare, a federally sponsored health insurance program, which covers nearly 40 million Americans age 65 and older, some disabled people under age 65 and people of all ages with end-stage renal disease. There are three main parts to Medicare — Part A, Part B and Part D. The table below outlines the coverage and premiums (if applicable) for each part:

Medicare Part A Hospital Insurance	Medicare Part B Medical Insurance	Medicare Part D Prescription Drug Coverage
Helps cover patient care while in the hospital, at a skilled nursing facility, in hospice, in-home health care	Helps cover doctor services, hospital outpatient care, in-home health care, some preventative services	Helps cover the cost of, and may help lower the cost of, prescription drugs
Most people do not pay a premium for Part A	Monthly premium, which varies depending on modified adjusted gross income for prior tax year (the 2011 standard premium is \$155.40)	Monthly premium based on plan premium, which varies depending on modified adjusted gross income for prior tax year

Source: Mercer Advisors based on information from [www.medicare.gov](http://www.medicare.gov).

In addition to Medicare Parts A, B, and D, there is also Part C, Medicare Advantage (MA) Plans. MA Plans are similar to an HMO or PPO and are administered by private companies, approved by Medicare. MA Plans provide all of the Part A, Part B, and in most cases, Part D coverage. To fund these plans, Medicare pays a fixed amount each month, per enrollee, to the private company managing the enrollee's care. Not all MA Plans work the same way; they can each have different co-pays, premiums, benefits, and also have different rules for how an enrollee can obtain services.

A Medicare beneficiary enrolled in Part A and Part B has the option of buying Medigap (Medicare supplement insurance) through a private health insurance company. These policies are purchased to provide coverage for expenses not (or only partially) covered by Medicare. Medigap policies have been standardized by the CMS into ten different plan types, labeled A through N, making it easier for consumers to compare plans. (Note: Medigap plans E, H, I and J are no longer sold.) The table found on the following page outlines the coverage provided within each type of Medigap plan.

Medigap Benefits	A	B	C	D	F <sup>1</sup>	G	K	L	M	N
Medicare Part A coinsurance hospital costs up to an additional 354 days after Medicare benefits are used up	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Medicare Part B Coinsurance or Copayment	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes <sup>2</sup>
Blood (First 3 Pints)	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Part A Hospice Care Coinsurance or Copayment	Yes	Yes	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Skilled Nursing Facility Care Coinsurance	No	No	Yes	Yes	Yes	Yes	50%	75%	Yes	Yes
Medicare Part A Deductible	No	Yes	Yes	Yes	Yes	Yes	50%	75%	50%	Yes
Medicare Part B Deductible	No	No	Yes	No	Yes	No	No	No	No	No
Medicare Part B Excess Charges	No	No	No	No	Yes	Yes	No	No	No	No
Foreign Travel Emergency (Up to Plan Limits)	No	No	Yes	Yes	Yes	Yes	No	No	Yes	Yes
Medicare Preventive Care Part B Coinsurance	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Out-of-Pocket Limit <sup>3</sup>	None	None	None	None	None	None	\$4,620	\$2,310	None	None

<sup>1</sup>Plan F also offers a high-deductible plan. If chosen, the enrollee must pay for Medicare-covered costs up to the deductible amount of \$2,000 (in 2010) before the Medigap plan pays anything.

<sup>2</sup>Plan N pays 100% of the Part B coinsurance except for up to \$20 copayment for office visits, and for up to \$50 for emergency department visits.

<sup>3</sup>After meeting the out-of-pocket yearly limit, and the yearly Part B deductible of \$155 (in 2011), the Medigap plan pays 100% of covered services for the rest of the calendar year. The out-of-pocket limit is the maximum amount the enrollee would pay for coinsurance and copayments.

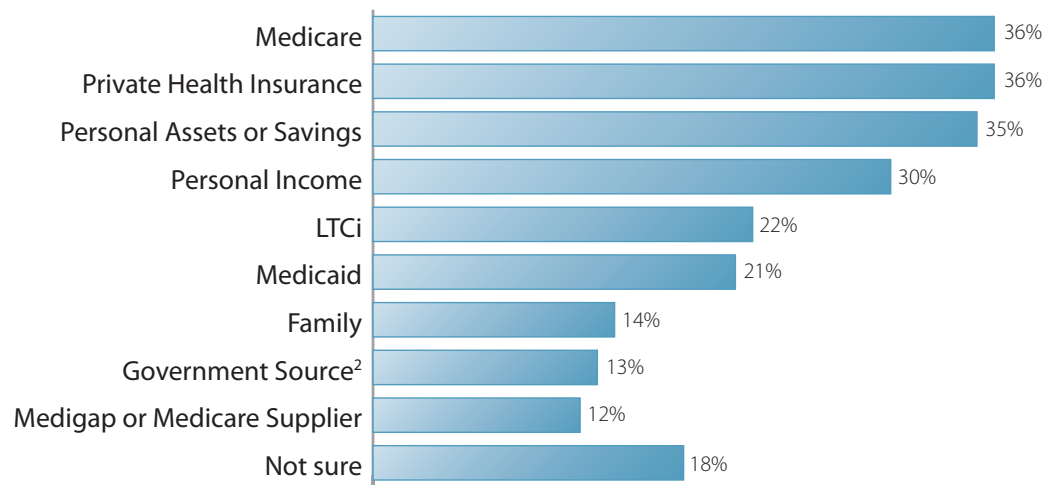
Source: <http://www.medicare.com/medigap-insurance/medigap-plan-benefits-chart.html>

Medicaid is a federal-state partnership which provides health care to two distinct populations: low-income individuals (predominantly women and children) and aged, blind and disabled individuals who require long-term care. Medicaid is the primary funder for long-term care service needs today. Qualification requires meeting three criteria:

1. Medical Need — Typically defined by inability to perform normal activities of daily living requiring nursing facility care for support.
2. Age/Disability — Over age 65 or have a disability.
3. Income/Asset — Varies from state to state and whether single or married, but in most cases, the US Department of Health and Human services definition of poverty must be met in order to satisfy this eligibility criterion.

**EXHIBIT 2: 2010 Prudential Consumer Long-Term Care Attitudes & Awareness Study**

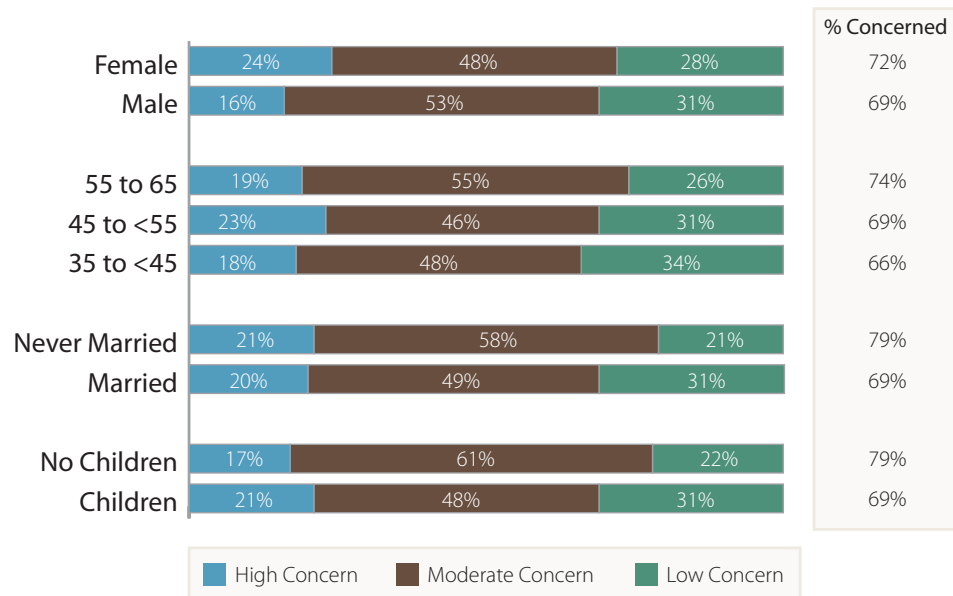
**CONSUMER PERCEPTIONS OF FUNDING SOURCES FOR LTC<sup>1</sup>**



<sup>1</sup>Multiple responses allowed

<sup>2</sup>Other than Medicare or Medicaid

**DEGREE OF CONCERN ABOUT NEEDING LONG-TERM CARE IN THE FUTURE**  
By Demographic Segment



**EXHIBIT 3: Insurability**

The rate of coverage denial increases as we get older: nearly 10% for those under age 50; 14% for ages 50-59; and 23% for ages 60-69; AALTI 2010 Sourcebook

Many conditions are deemed uninsurable for LTCi. This is a partial list of conditions that fall in the uninsurable category:

- Malignant, inoperable, incurable, recurrent and metastatic cancers
- Alzheimer's disease or other permanent cognitive impairment
- Parkinson's disease
- HIV or AIDS
- Arthritis — rheumatoid and osteoarthritis, if degenerative or with functional limitations
- ALS (Lou Gehrig's disease)
- Strokes and TIAs (transient ischemic attacks or 'mini strokes')
- Diabetes with significant insulin use or complications (retinopathy, amputations, etc.)
- Certain eating disorders and severe psychiatric conditions
- Current use of assistive devices — canes, walkers, wheelchairs, oxygen
- Other factors influencing insurability of an applicant — height/weight, pending or recommended surgery, smoking, uncontrolled high blood pressure, obesity and some medications

The presence of a genetic marker known as Apolipoprotein E indicates a strong likelihood of developing Alzheimer's disease and thus, a person's future need for long-term care. [www.healthaffairs.org](http://www.healthaffairs.org) . If this testing becomes consistently used within the industry, those identified at risk could be underwritten out of the market. Several states bar insurance carriers from using such information. Ultimately, policy availability could become increasingly more constricted and premiums will continue to climb. (The Role of Private Insurance in Financing Long Term Care, September 2007, Howard Gleckman)

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