Long-Term Care Insurance Partnership Programs

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We're in it for the **Long-Term**... We **Care** SM

A Partnership for Your State?

1. How much would it help you?
2. In what ways would it help?
3. What can you do to be prepared and to encourage Partnerships?

Claude’s Industry Predictions

- 2006 will be the lowest year of LTCi sales in 10 or more years
- 5%-10% increase in 2007 over 2006
- >10% increase each year thereafter for the foreseeable future

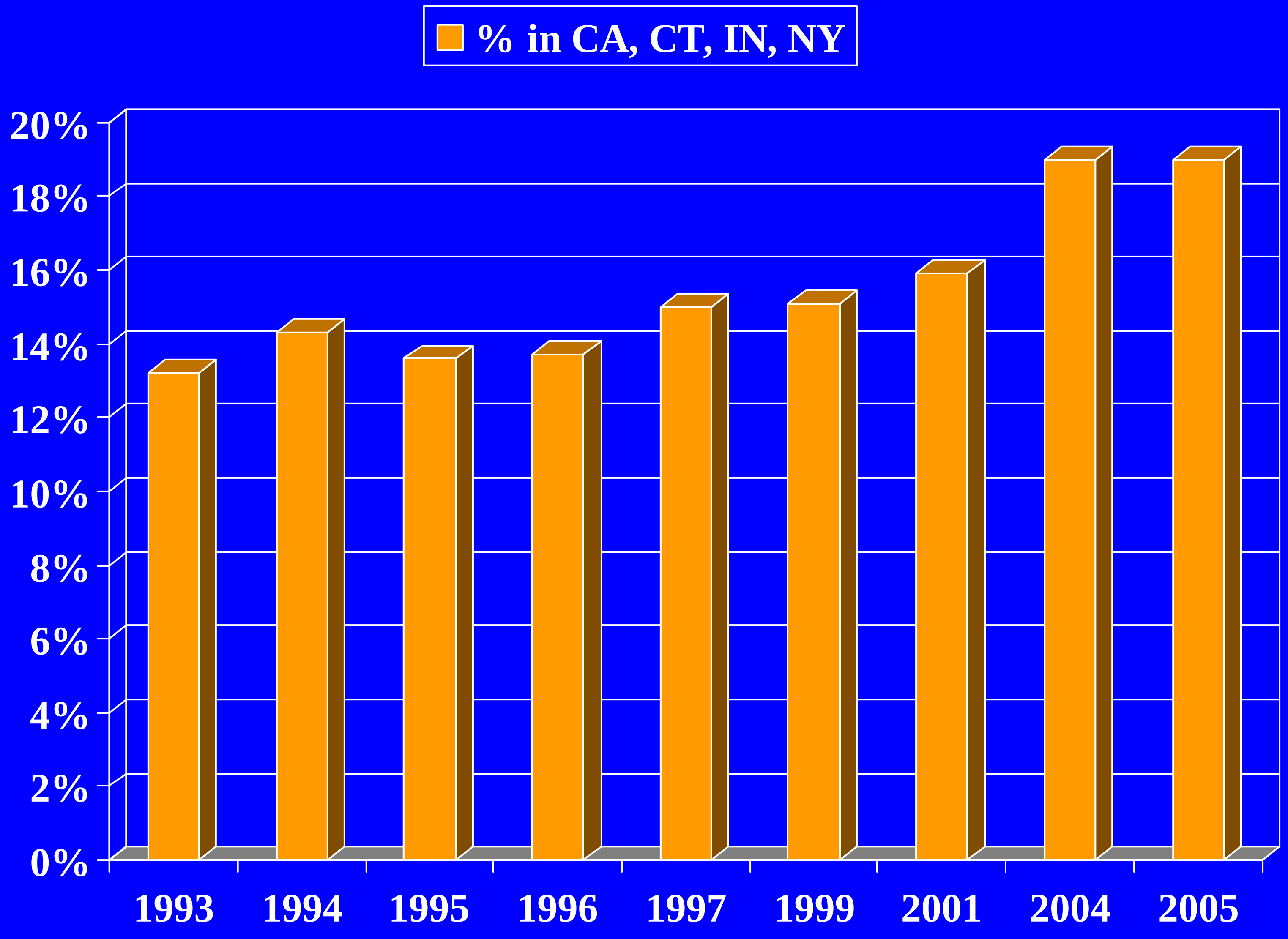
Why Sales Will Turn Around

1. Brokers adapting to higher prices and stable market
2. Prospects have not seen lower prices
3. End of fire sales
4. Carriers focusing on sales now: advertising, sales support
5. Government tax (including HSAs) and publicity support

Why Sales Will Turn Around

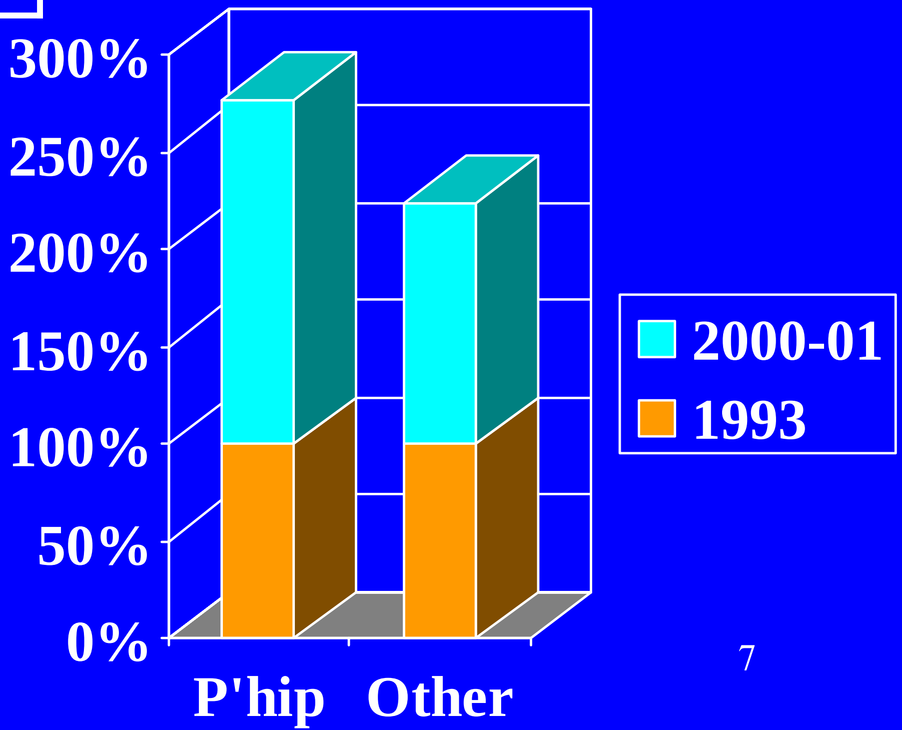
6. More support from media, FPs, CPAs, attorneys
7. Increasing need, awareness & use of private LTC
8. Decreased Medicaid planning
9. Improved messaging
10. Carriers coming [back] into the LTCi market
11. Partnerships could make a big difference

Partnership States' Market Share is Growing



LTCi Sales in 1993 and 2000-01

	Partnership States	Other States
Annual Growth	13.6%	10.6%



Partnerships Increase Policy Premiums

2005 Average Premium/Policy

- Partnership States: $2,336
- Non-Partnership States: $1,785

31% higher is particularly impressive as:

- California had old lower premiums
- Shorter benefit periods

Partnerships Influence People to Buy LTCi

How many Partnership purchasers say “The Partnership influenced me to buy”?

- California: 51%
- Connecticut: 68%

Partnerships Expand the Market to Less Affluent Buyers

- 36% of buyers buy a 1-Yr or 2-Yr benefit period
  - Must be NON-affluent buyers
  - Other NON-affluent buyers might buy 3+ BPs
- These people would **<u>NOT</u>** have been insured without the Partnership programs.
- Particularly impressive that average premiums are larger

Data from CA Partnership

Partnership Sales Will Continue to Grow

1. More states with Partnerships
2. Consistent design between states
3. Reciprocal CE
4. Thus, more support from carriers
5. More support from multi-state GAs

Policy design will change to make LTCi more affordable

How many of you think that benefit periods will get shorter?

Partnership Sales Will Continue to Grow

6. Fewer Lifetime BP policies being sold
   - Pricing
   - Shared Care
   - Insurer emphasis and claims statistics
7. Partnership work-site sales: maybe
8. Better chance of increased tax breaks in the future

Partnership Sales Will Continue to Grow

- Historically, Partnership state sales grew 3% more each year
- With more support and broader market, this could become 4% or 5%
- 10 years of Partnerships could increase the market 25% to 60% or even more

Partnerships Are Good for the States Because They Boost LTCi Sales

1. Consumers get care where they want it
2. Providers get private pay rates
3. More LTC competition and investment
4. Reduced Medicaid LTC expenditure
5. Fewer Medicaid applications & payments to process, fewer estate recoveries
6. Increased income (premium tax from insurers; inc. tax from brokers, providers and lenders)
7. PR benefits

Partnerships Are Good for the States Because Little Asset Protection is Used

CT: 544 Partnership insureds have gone on claim

- 172 died before applying for Medicaid
- Only 36 have gone on Medicaid

24% of CT Asset Protection has already been retired

Every Partnership policy sold is a potential savings of more than $50,000 per year to taxpayers.

Estimated Medicaid savings (through 30Jun06)

- $3,500,000

Partnerships Benefit States In Many Ways

1. **Increased** revenue: premium tax, income tax on insurance agents & providers
2. Reduced expenditures
3. **Expanded**, higher quality and innovative LTC provider market
4. **More** ability to serve the truly needy
5. Less criticism

What Can You Do?

- Develop your LTCi expertise, including Partnership
- Get involved in helping your state adopt the Partnership
- Be prepared to get the message out!
  - To consumers in the FUTURE (not now)
  - To referrers

Getting The Message Out To Consumers

- Direct Mail Letters
- Seminars
- Newsletter articles
- Through their financial advisors
- BUT DON'T START THE CAMPAIGN TOO SOON

Getting The Message Out To Referrers

- Build your brand; materials
- Make contacts; join organizations
- Fee-Only (financial planners, attorneys, some CPAs)
- Commission-based (financial planners; insurance agents)

End of Presentation Partnership Programs

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Does “Selling Partnership” Mean “Selling Medicaid”?

- Common Objection: “We sell against Medicaid. Turning around and selling asset protection undermines our sales approach.”

“Selling Partnership” is NOT “Selling Medicaid”

- LTCi is meant to avoid Medicaid. A policy should ideally not expire during claim.
- But we sell a lot of limited BP.
- After expiry, people might have to spend down.
- They could reject Medicaid, if qualified.
- Explain that it is not intended that the client go on Medicaid.

“Selling Partnership” is NOT “Selling Medicaid”

- Partnership “asset protection” could be viewed as:
  - Essentially irrelevant for the rich.
  - An extremely unlikely safety net for the rich.
  - An unlikely safety net for the less affluent.
  - A reasonably likely safety net for the less affluent who purchase a 1-year benefit period. (Among other things, the LTCi might help them get into the NH of their choice.)

Partnership Policies What They Are

- Tax-qualified policy
- Satisfy the model regulation and model act
- Benefit increases required:
  - "Compound annual" for issue ages through 60
  - "Some level" for issue ages 61-75
- Most policies should automatically qualify
- Dollar-for-Dollar Asset Protection model
- Must be originally issued to a resident of the state

Partnership Policies What They Are

- Excellent products for everyone
- Might as well sell Partnership
  - For some people, asset protection is clearly the most suitable approach
  - For others, they lose nothing
  - Avoids having to defend oneself later

Partnership Policies
What They Are NOT

- Partnerships are NOT a Medicaid support program for the wealthy
- Wealthy clients are very unlikely to benefit from asset protection
- Assets beyond the amount of insurance benefits are not protected
- Income is not protected
- $500,000 residential limit

Partnership Policies What They Are NOT

- Conceivably, an investment or uninsured family health problem could make Medicaid relevant
- But it would be very rare for a well-off clients to benefit from asset protection

How Soon Can People Qualify for Medicaid?

Countable Assets	How soon could qualify?
$50,000	2nd Year of needing LTC
$100,000	3rd Year of needing LTC
$250,000	8th Year of needing LTC

In each case:

- Even if eligible, LTCi alleviates Medicaid cost until end of LTCi benefit period.
- Recovery against non-countable assets is possible.
- With lower cost care, qualification can be delayed.

How Soon Can People Qualify for Medicaid?

Countable Assets	**How soon could qualify?**
$50,000	2nd Year of needing LTC
$100,000	3rd Year of needing LTC
$250,000	8th Year of needing LTC

Conclusions:

- It is hard for affluent to get asset protection.
- Such difficulty encourages affluent to buy longer benefit period. Of course, then they are unlikely to use up all their benefits.
- Income from protected assets saves Medicaid $.

Partnership Policies
What They Are NOT

Limited BP + asset protection ≠ Lifetime BP

- It is important that your client NOT be given that impression
- Asset protection can be safety net, but you must:
  - Spend down unprotected countable assets
  - Expose for recovery non-countable assets
  - Contribute pension, social security & investment income

Partnership Policies What They Are NOT

- Reciprocity canNOT be guaranteed
- Even if it exists at the time the policy is issued, that can change
- Be very careful if you tout reciprocity!

Partnership Policies
What They Are NOT

Continuation of Care canNOT be guaranteed

- Someone may be in a non-Medicaid facility. If so, they may be faced with the following choice:

a) Spend protected assets and age in place.

b) Rely on Medicaid and get moved.

Partnership Policies
What They Are NOT

If your Asset Protected amount exceeds your countable assets, you still might NOT qualify for Medicaid:

- You may be in a non-Medicaid facility
- In a "medically needy" state, your income might exceed the cost of care
- In an "income cap" state, your income might exceed the cap ($1809/month in 2006)

Partnership Policies What They Are NOT

Partnership policies do NOT guarantee that today's Medicaid rules will apply in the future.

So don't fall into the trap of explaining what would happen today as though the future is guaranteed to work that way.

Discussing Medicaid's rules may be unnecessary.