Long-Term Care Insurance Partnership Programs

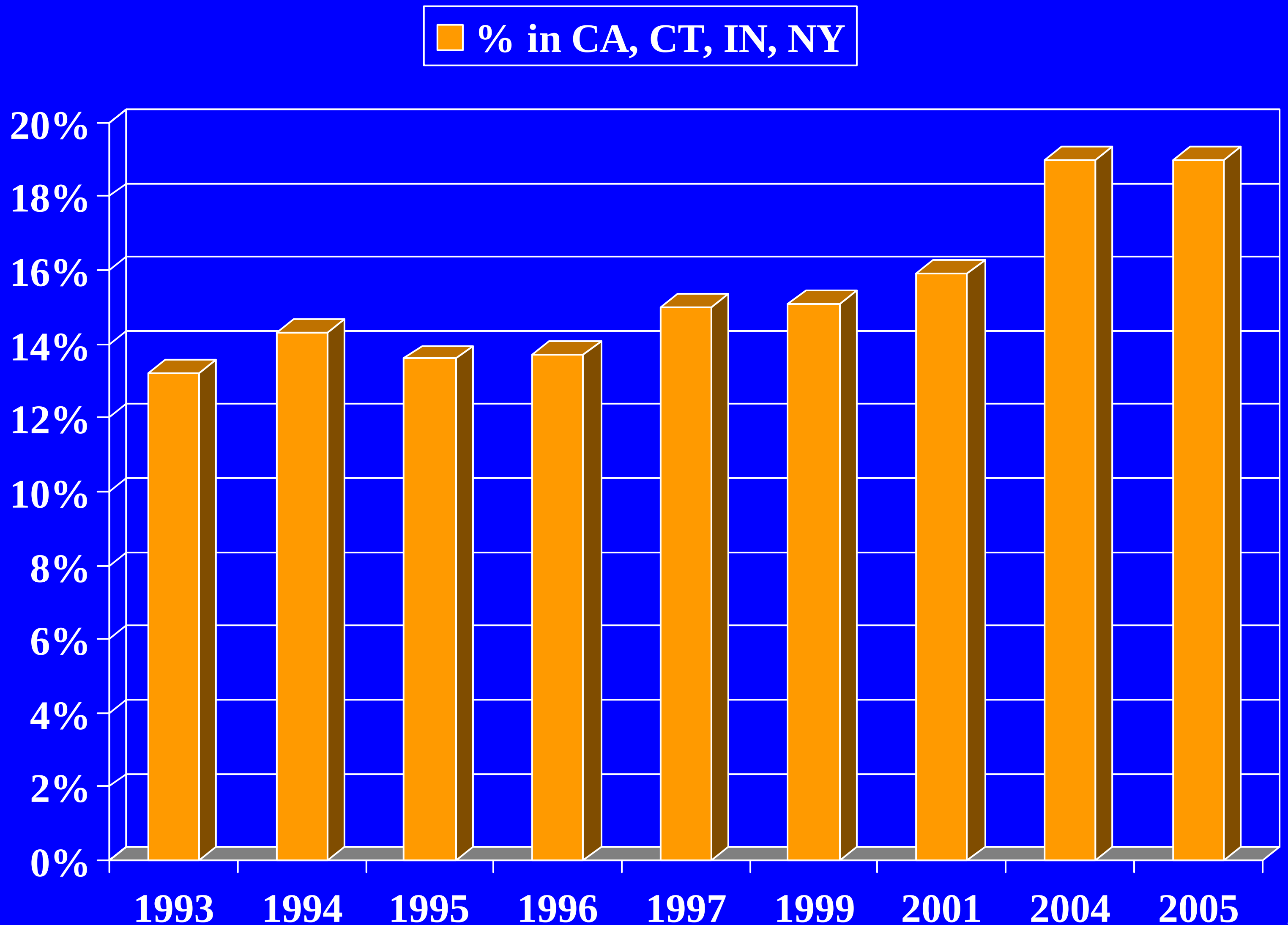
Claude Thau
Target Insurance Services
800-999-3026, x2241
Cthau@targetins.com

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

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
- After 10 years, Partnerships could increase the market 25% to 60% or even more

Partnership States' Market Share is Growing



Partnerships

- Increase average policy premiums by about 30%
- Expand the market to lower incomes
- Encourage people to buy

Partnership May Have More Future Impact

More support from carriers/multi-state GAs

- Competitive necessity
- Critical mass with many states
- Consistent design between states
- Reciprocal CE

Partnership May Have More Future Impact

Shift to fewer Lifetime BP policies

- Pricing
- Shared Care
- Insurer emphasis and claims statistics

Partnership work-site sales: maybe

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”

- 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.)

End of My First Segment

- Other speakers speak until I am called upon to discuss E&O issues

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.

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Countable Assets	How soon could qualify?
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$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.