

# Partnership Programs: Opportunities For Producers

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# Partnership Programs

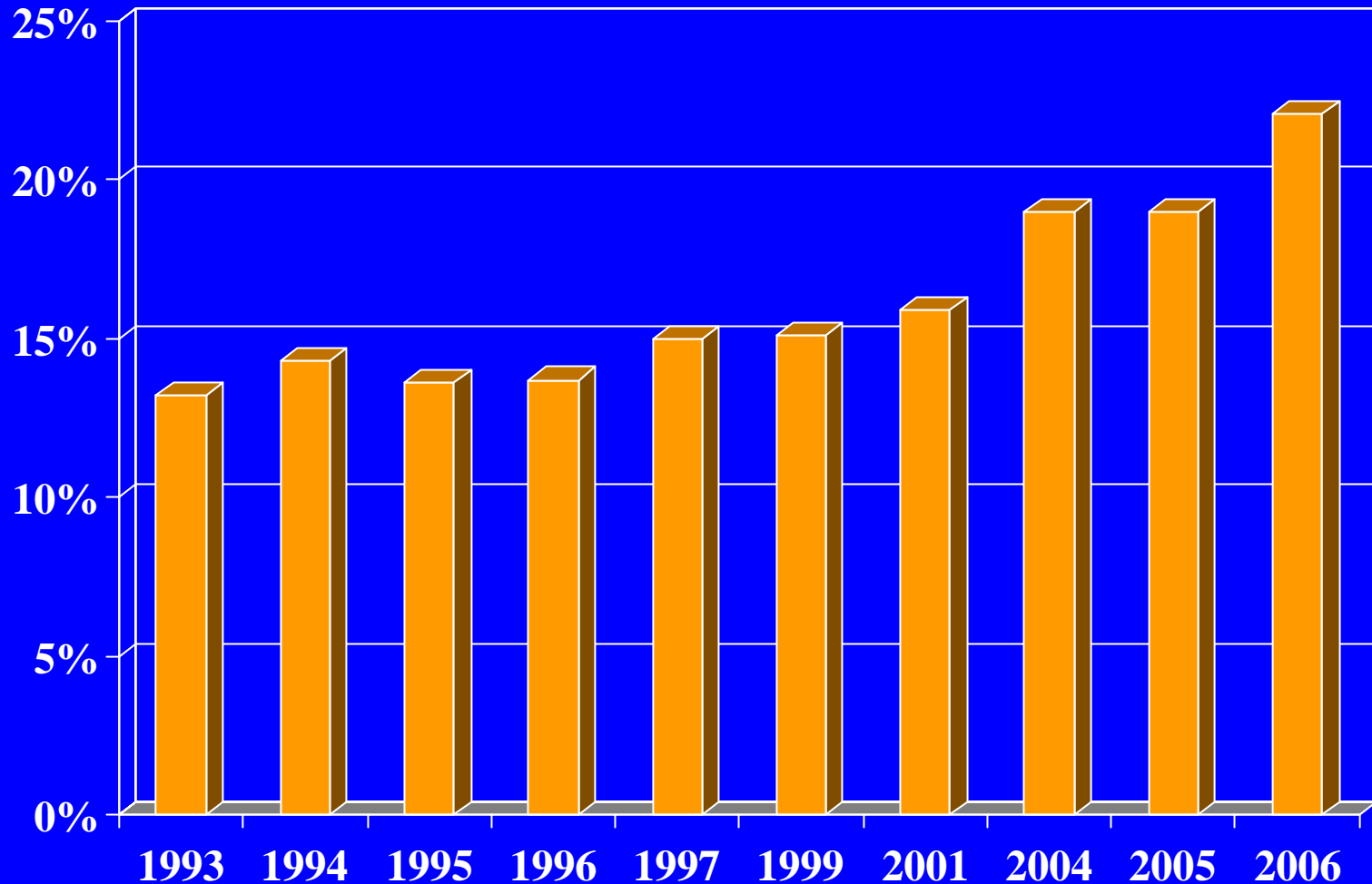
## Our Focus: NEW Partnerships

- Some comments may apply to original states as well, but features and rules are somewhat different.
- We don't want to confuse people by discussing different programs.

However the historical impact of Partnership on sales is relevant.

# Partnership States' Growing Market Share

■ % of LTCi policies sold in CA, CT, IN, NY



# The State's Partnership Budgetary Advantages

- Fewer Medicaid payments for LTC
- Fewer expenses
  - fewer people reviewed for qualification
  - fewer payments processed
  - less estate recovery processing
- More tax revenue
  - from insurers (premium tax)
  - brokers (commissions)
  - providers (income) and/or their staff (higher salaries)
  - insureds (investment income on retained assets)

# The State's Partnership Non-Budgetary Advantages

- Consumers get care where they want it
- Providers get private pay rates
- More LTC competition and investment
- Citizens get better care
- Less political pressure for Medicaid to pay for home care and against estate recovery and other tightening

# Partnership Impacts on Consumers

- More suitable coverage (CBIO)
- Better-trained LTCi Professionals
- Better care
  - More cash flow for providers
  - Less turn-over of LTC staff
  - More consumer-driven choices
  - More investment in LTC services
- Lower LTC prices
  - Less cost transfer from Medicaid to Private Pay clients
- Healthier state finances (lower taxes???)

# Impact on LTCi Industry

- Media, Financial Advisor, etc. perspective
- In new Partnership states
  - Increased sales to less affluent; better direct mail
  - Increased sales in general (+25% over 10 years)
- Increased sales in work-site?
- Increased sales in existing Partnership states
  - Stronger support from insurers, multi-state GAs
  - Work-site in general, especially multi-state employers?
- More limited benefit period sales
- Increased need for specialists due to CE and interest from FPs with less affluent clients
- More tax breaks?

# Partnerships Attract Less Affluent Buyers (Data from CA Partnership)

36% of buyers buy a 1-Yr or 2-Yr benefit period

- Affluent don't buy less than 3 years
- So these must be NON-affluent buyers
- Other NON-affluent might buy 3 or more years

These people would **NOT** have been insured  
without the Partnership programs.

Hence opens up less affluent market.



# How I Explain Partnerships

## Claude Thau

- The Partnership: an “additional back-end safety net”
- Because people with LTCi are unlikely to ever qualify for Medicaid, states benefit greatly
- Therefore State provides safety net for the few who exhaust their LTCi
- If some assets are protected, balance still exposed
  - So well-focused on less affluent
- Brokers: safe harbor with 5% CBIO (“ABI”)

# How I Explain Partnerships

## David Hillelsohn

New program from state which:

- Endorses LTCi
- Asks citizens to take personal responsibility
- As benefits are paid, assets are protected beyond the minimum threshold
- \$1 for \$1 protection, extends to estate recovery
- Mandates inflation protection
- Does not mean you'll automatically qualify for state assistance

# Partnership Expansion – The Basics

- Further Legitimizes Private LTCi As An Important Financial Planning Tool By Weaving Product Into Nation's LTC Strategy
- Provides Dollar-For-Dollar Asset Protection As An Incentive For Consumers To Purchase Private LTCi
- Creates LTC Educational Clearinghouse To Help Educate Public About The Merits Of LTCi – Funded At \$3MM Annually
- Provides for LTCi Coverage Standards

# Misguided Thoughts

- Appropriateness of using a program normally reserved for very poor to promote the private sector market for LTCi
- Whether the asset protection promised is necessary or sufficient to encourage people who would otherwise not purchase LTCi
- Program could allow people to retain large sums of money in excess of Medicaid limits that apply to everyone else
- Whether the program promotes Medicaid savings

# Important LTC Themes

- Success hinges on convincing lower and middle income consumers to purchase LTCi
- No Medicaid savings with wealthy purchasing coverage
- Purchasers of LTCi under Partnership plans tend to purchase comprehensive coverage
- Partnership policies tend to include inflation protection
- Plans tend to be of 3 year duration or greater

# Lessons Learned – Existing Partnerships

## Genworth Experience

- **Partnership States (CA, CT, IN, NY) Experienced Higher Growth Rates Than Non-Partnership States (7% vs Flat Growth; '00-'05)**
- **Agents In Partnership States More Efficient (7.5 Policies Per Agent vs. 6.5 Average In All Other States)**

## Industry Experience

- **28% of CT Partnership Policyholders would not have Purchased LTCi Without the Partnership<sup>1</sup>**
- **15-30% of Respondents to Partnership Surveys State that they Purchased a Policy as an Alternative to Transferring Assets<sup>2</sup>**

<sup>1</sup>CRS Report for Congress, Long-Term Care Insurance Partnership Program, Sep. 27, 2004 p.28; <sup>2</sup>Ibid, p. 26-27

Sales In Partnership States Growing Faster Than Non-Partnership

# Typical Buyer (CA and CT)

- 50% have assets in excess of \$350,000 (excluding the home)
- An average of 20% have assets under \$100,000 (excluding the home)
- 58% of buyers in California have income in excess of \$5,000 per month
- Over half the purchasers in CT have income under \$2,500 per month
- Limited data shows partnership purchasers to be slightly younger than general purchasers

Source: Purchaser Survey, California Dept of Health Services; Annual Report for the Connecticut for Long Term Care Research: Evaluation Studies July 1, 2001 – June 30, 2003. Issued Oct 2003

# Typical Buyer (CA and CT)

State	California	Connecticut
Married	69%	79%
Gender	59% Female	56% Female
Median Age	61	58
Other	71% Ages 55 - 74	8% Widowed
Declination Rate	17%	11%

Source: Purchaser Survey, California Dept of Health Services; Annual Report for the Connecticut for Long Term Care Research: Evaluation Studies July 1, 2001 – June 30, 2003. Issued Oct 2003



# Buyer Survey

- To pay for future services (90%)
- To protect the spouse and family (81%)
- To protect assets of the purchaser (74%)
- Slightly under 25% stated that they purchased coverage as an alternative to transferring assets
- 79% of respondents found it was important to very important to have the state seal of approval on the policies
- 82% felt that Medicaid asset protection feature was important to very important

# Messaging

- Pay for Care
- Protection for Family Members
- (Medicaid) Asset Protection
- State Seal of Approval
- Additional Safety Net
- Estate Reduction
- Expanded Medicaid Qualification
- Affordable LTC Alternatives
- Health Qualification

# Messaging Issues

Market	Pre-Partnership	Post-Partnership
Pay for Care	Leveraging Existing Wealth	Need to Create Wealth
Protection for Family Members	Already a Core Issue	Increasing Importance
Asset Protection	Primary Focus	Creating Resources
State Seal of Approval	Limited to Tax Deduction	Tax Benefits and State Endorsed LTC Plans
Safety Net	LTC Policy	Added Safety Net

# Messaging Issues

Market	Pre-Partnership	Post-Partnership
Estate Reduction	Tax Planning; Gifting	For Medicaid Eligibility Testing
Expanded Medicaid Qualification	Medicaid Avoidance	Potential Medicaid Participation
LTC Plans	Coverage Becoming More Expensive	Finding Affordable Solutions
Health Qualification	Changing Market Variance from Older to Active	Broader Segment of Population

# Messaging

Market	Lower – Middle Class	Upper – Middle Class
Asset Protection	Protect What You've Got; Medicaid Asset Protection	Accumulated Personal Savings and Assets
State Seal of Approval	State Encouraged LTCi Plans	State LTC Partnership Plans
Family Members	Help for Friends and Family	Maintain Independence for Friends & Family

# Messaging

Market	Lower – Middle Class	Upper – Middle Class
Expanded Medicaid Qualification	Plans which ease Medicaid qualification; added protection from estate recovery	Plans to keep you off of Medicaid
Enrollment	Simple Enrollment Process	Plan Options Available
LTC Plans	New, Affordable LTC Plans	New Coverage to Meet LTC Partnership Guidelines
Health Qualification	Many Health Conditions Considered	Good Health Discounts Available

# Coverage Design

Market	Lower – Middle Class	Upper – Middle Class
Daily Benefit	100% of Lower-End cost of care	75% - 80% of Average Cost of Care
Benefit Period	2 year and 3 year plans	3 year and 5 year plans
Elimination Period	90 / 100 day EP	90 / 100 day EP
Home Care	Included with Focus on Informal care	Included with Focus on Independent Home Care
Inflation Protection	GPO, 3% Compound, 5% Compound, 5% Compound to Age 70, CPI COLA	5% Compound COLA
Coverage Design	Higher DB, Lower BP	Moderate DB, Higher BP
Coverage Limits	\$75,000 - \$150,000	\$200,000 - \$500,000

# Messaging for Low-Income

- Easy
- Basics
- Structure
- Value
- Word of Mouth
- Protection
- Affordable
- Access





# Messaging for Lower-Income

- “State Residents”
- “Easy to Sign-Up”
- “Low-Monthly Premiums”
- “Access to Care When you Need It”
- “Standardized Plan Features”
- “Community Care Benefits”
- “Instant Dollars Available”
- “Enhanced Medicaid Assistance for Plan Participants”
- “Simple Planning”

# Messaging for Lower-Income Markets

- School Teachers – Life Lessons Learned
- Municipality – State Approved Plans
- Public Safety – Protection from the Unexpected
- Not-for-Profit – Not for Profit...For Need
- Other – Plans for the Average American
- Religious Affiliation – Simple Values, Believe in Yourself

# Messaging for Upper - Middle

- Safety
- Savings
- Security
- Life Stages
- Staying Active
- “With it”
- Aging in Place
- Family
- Empowered



# Messaging for Upper-Middle

- “Tax Advantaged Risk Management”
- “Capitalize”
- “Security for an Active Lifestyle”
- “Protecting your Wealth”
- “Prepare Yourself”
- “Plan for Longevity”
- “Live Comfortably”
- “Age in Place”



**“No golden parachute here.  
If one of us gets sick, we could  
lose everything we have.”**

**Get peace of mind by protecting your  
hard-earned nest egg.**

Long-Term Care Partnerships team up state governments and insurance companies so you can get the protection you need at a price you can afford.

If a loved one needs extended care at home or in a facility, the Partnership plan is there to help shield your family from having to deplete all of your assets in order to cover the cost of long-term care.

Find out more about the protection that Long-Term Care Partnerships offer. Visit us online at [www.nahu.org](http://www.nahu.org).



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# Marketing Results from Own Your Future

- Joint Campaign between US Dept of Health and Human Services and National Governor's Association
  - Press Conference
  - Governor Letter Mailing
  - Media Public Service Announcement (Radio and/or TV)
  - Follow Up Post Card
  - Fulfillment Kit for Responders
- Campaign had positive impact
  - Response rate increase of 37-172% during prime phase of mailing (receipt of Governor letter)
  - Sales volume in campaign states 15% higher on average than non-campaign states with weekly surges tied to campaign as high as 97%
  - Sales impact over long term as awareness increased for ~10% of target population

**\$7.5 million in Federal Funding**

# Keys To Success

- Understand Importance of Advisor in the Process
- Recognition of Different Market Segments
- Leverage Heightened Market Awareness
  - [www.longtermcare.gov](http://www.longtermcare.gov)
- Distribution of Information
  - Consistent
  - Accurate
  - Relevant
  - Understandable
  - Current



# Keys To Success

- LTC Educational Clearinghouse
  - CMS supported programs
    - SHIP
    - Administration on Aging
    - Disability Resource Centers
    - Medicare.gov
- Four areas of Focus
  - Consumer research
  - Clearinghouse content
  - Web Based LTC Initiative Design Tool
  - LTC Initiative Call Center
- \$3MM of Annual Funding

Source: CMS LTC Initiative Report; Feb 2004

# Keys To Success

- Advisor Education
- New Continuing Education Requirements
  - State Specific Requirements
  - Initial and Ongoing CE requirements
- Carrier management of Certification data
- Carrier commitment to market with product offering and Marketing Materials
  - What is Medicaid Asset Protection
  - How a Partnership-Qualified Policy Works
  - Description of Carrier Solution

# Opportunities for Advisors / Agencies

- Need for education will create speaking opportunities
  - Agent CE
    - Financial Planners
    - Benefits Producers
    - Life Insurance Groups
    - General Licensed Agents
  - AICPA / NAELA
  - 2 hour, 4 hour, and 8 hour programs

# Opportunities for Advisors / Agencies

- Need for education will create speaking opportunities to consumer groups
  - Counseling Programs
  - Client Appreciation Events
  - Consumer Seminars
  - Employer Groups
  - AICPA / NAELA
- Partner with NAELA Attorneys

# Opportunities for Advisors / Agencies

- Important Message for client letters and Newsletters
- Write articles for local publications, community newsletters, and religious group publications
- Component of Marketing Initiatives for 2008
- Promotion of New Certification to Local Industry and Compatible Financial Professionals
- Review of Existing LTCi Contracts for Coverage Enhancements
- Limit Replacements

# What Not to Do

- Do not split business with advisors who do not have state required CE
- Do not attempt to gauge Medicaid Eligibility
- Do not sell LTCi to individuals where LTCi is not suitable
- Do not commit to reciprocity across all states
- Do not suggest plan will be grandfathered, or that exchange is guaranteed
- Do not sell only carriers with LTCi Partnership Plans or Carriers without LTCi Partnership Plans
- Do not expect an employer to purchase coverage with COLA, but it should be available as a buy-up

# What To Do

- Suggest Employers Commit to LTCi now that all employees have benefits which can match their needs
- Make Appropriate Plan Design Recommendations
- Reach out to all clients with some level of Coverage
- Make it work.....