

## *Consumer View of LTCI Partnership Plans*

Ted Pass, CEO  
StrateCision, Inc.

1

## *Who should buy LTC insurance?*

- Rule of thumb: those with \$100,000 - \$1,000,000 in assets
- Above \$1 million, can self-insure
- Below \$100K, cost too high, can rely on Medicaid
  - Must spend down assets to become eligible

2

## *But is LTCI affordable?*

- Client has \$100,000 to \$300,000 in assets
- Wants to protect assets
- Agent runs quotes for conventional LTCI
- Premium is too high
- Can't protect assets at an affordable price

3

## *Can Partnership plans help?*

- Offer dollar for dollar asset protection:
  - If policy pays \$100,000 benefit
  - \$100,000 protected from Medicaid spend-down and can be kept by insured

Does this make insurance more affordable?

4

## *3 options for consumers*

- No insurance (self-insure)
- Non-Partnership policy
- Partnership policy

5

## *Which option best protects assets?*

- We can calculate this, we have Excel
- Build a model of what happens to assets under the 3 different options
- Run the model for typical consumers
- See which option works best

6

## Model Inputs

- Client age, marital status, health status
- When will client need care?
- For how long will they need it?
- Current cost of care?
- What will care cost when it is needed?
- What will the dollar be worth?

7

## Model Outputs

- Total cost of care needed
  - Cost paid by insurance
  - Cost paid by consumer
  - Cost paid by Medicaid
- Combined with premium data, this can help choose a strategy

8

## When will care be needed?

- ✓ CDC, NCHS: The Changing Profile of Nursing Home Residents:1985-1997:  
Average age at entry to nursing home is 83
- ✓ The age is increasing over time
- ✓ Assume entry at age 85

9

## Care for how long?

- NNHS 1999: Avg nursing home stay of current residents is 892 days
- SOA Multicompany Claim Study: Average length of LTC claim by 2004 was 1040 days
- So 3 years of care is about average
- Look at costs for 1-7 years of care

10

## What will care cost in the future?

- Assume a current cost of \$200/day
- Can estimate future cost based on past increases
- Recent surveys give estimates

11

## Genworth Study: Facility Care

Four-Year Trend in Annual Cost of Facility-Based Care			
National Findings Facility-Based Care	2004-2007 Variance	2004-2007 % Variance	National Compound Annual Inflation Rate
Nursing Home, Semi-Private Room	\$8,311	14.41%	4.59%
Nursing Home, Private Room	\$9,621	14.76%	4.70%
Assisted Living Facility, Private Room	\$3,809	13.25%	4.23%

Assume 5% inflation to allow for higher inflation in the future. <sup>12</sup>

## Future value of the dollar

	CPI	URBAN PRICE INDEX	INCREASE
1997	160.5		
1998	163	1.016	1.6%
1999	166.6	1.022	2.2%
2000	172.2	1.034	3.4%
2001	177.1	1.028	2.8%
2002	179.9	1.016	1.6%
2003	184	1.023	2.3%
2004	188.9	1.027	2.7%
2005	195.3	1.034	3.4%
2006	201.6	1.032	3.2%
<b>Average:</b>			2.6%

Assume 3% to allow for higher future inflation.

13

## Excel model – single person

- Single client, age 60
- Will go on claim at 85
- Will receive care for 1-7 years
- Cost of care will be current cost, inflated at 5% per year, and then adjusted back to 2009 dollars, using an inflation rate of 3%
- Income is spent on LTC or otherwise, not saved into assets

14

## Other assumptions

- Assets appreciate at the overall dollar inflation rate
- Assets also yield 3% income
- Pensions, social security, etc increase at the dollar inflation rate
- Medicaid pays a percentage of the nursing home charges – here assumed to be 80%
- Premiums are for Genworth Classic Select

15

## Case I: \$100,000 in assets

- Other income of \$2200/month
- Consumer wants to protect as much of assets as possible
- Consumer is 60, will need care at 85
- How do the 3 options play out?

16

## Case I: Self Insure

Care Month	Monthly CareCost	Begin Mo Assets	Paid by Insurance	Self Pay	Paid by Medicaid
0	\$9839	\$100,000	\$0	\$9839	\$0
6	\$9,934	\$54,789	\$0	\$9,934	\$0
12	\$10,030	\$8,319	\$0	\$8,480	\$1,550
18	\$8,101*	\$2,000	\$0	\$2,145	\$5,956
24	\$8,180*	\$2,000	\$0	\$2,145	\$6,035

\* After Medicaid discount

17

## Case I: Non-Partnership Policy

Care Month	Monthly Cost	Begin Mo Assets	Paid by Insurance	Self Pay	Paid by Medicaid
0	\$9,839	\$100,000	\$0*	\$9,839*	\$0
12	\$10,030	\$92,551	\$7,773	\$2,257	\$0
48	\$10,626	\$92,551	\$8,235	\$2,391	\$0
57	\$10,780	\$49,531	\$0	\$10,780	\$0
63	\$8,407	\$2,000	\$0	\$2,145	\$6,262

\* 30 day elimination period

18

## Non Partnership Policy

- \$155 per day
- 4 years of coverage
- 30 day elimination period
- 5% compound inflation protection
- Premium: \$247/month
- (single person age 60)
- Premium is 10% of income

19

## Case I: Partnership Policy

Care Month	Monthly Cost	Begin Mo Assets	Paid by Insurance	Self Pay	Paid by Medicaid
0	\$9839	\$100,000	\$0*	\$9839*	\$0
12	\$10,030	\$92,551	\$7,773	\$2,257	\$0
24	\$10,225	\$92,551	\$7,924	\$2,301	\$0
26	\$8,206	\$92,551	\$0	\$2,371	\$5,835
84	\$9,005	\$92,551	\$0	\$2,371	\$6,634

\* 30 day elimination period

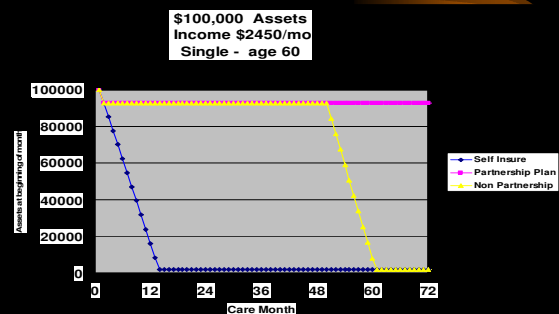
20

## Partnership Policy

- \$155 per day, 2 years coverage
- 30 day elimination period
- 5% compound inflation protection
- Premium: \$166/month (7% of income)

21

## Protect \$100,000 - 3 Options



22

## Single buyer age 60: protect \$100,000

### Non Partnership plan

- \$155/day, 4 years
- 30 day elimination
- 5% compound inflation
- Premium \$247/month
- Prem is 10% of income

**Protects \$92,551 for 4 years**

### Partnership plan

- \$155/day, 2 years
- 30 day elimination
- 5% compound inflation
- Premium \$166/month
- Prem is 7% of income

**Protects \$92,551 for as long as care is needed**

23

## Case III: \$300,000 in assets

- Individual has non-asset income of \$2800/month
- Choose plans to protect \$250,000 of the \$300,000
- Does the Partnership help?

25

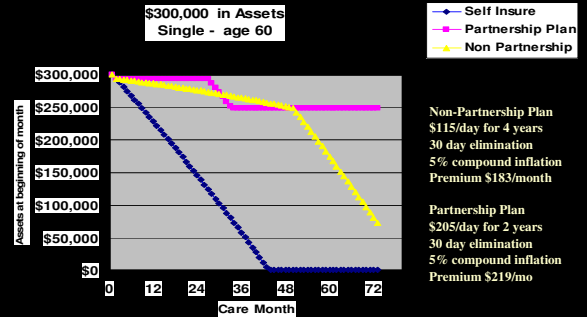
### Case III: Assets of \$300,000\*

Care Month	Assets at beginning of month		
	Self Insure	Non-Partnership	Partnership
0	\$300,000	\$300,000	\$300,000
12	\$221,702	\$285,323	\$293,651
24	\$138,677	\$275,019	\$293,651
33	\$73,194	\$266,421	\$249,069
48	\$2,000	\$250,361	\$249,069
81	\$2,000	\$2,000	\$249,069

\* Income \$2800/mo from pensions, Soc Security

26

### Protect \$250,000 of \$300,000



### Summary for an individual

Compared to a conventional LTC plan that protects assets for 4 years, a short Partnership Plan can protect assets at a lower cost for

- Assets of \$100,000
- Assets of \$200,000
- No cost advantage for assets of \$300,000 (This could change under different assumptions)

26

### Model for a Couple

- 2 partners, both 60
- One will go on claim at 85
- Will receive care for 1-7 years
- The other partner will not need LTC
- Cost of care will be current cost, inflated at 5% per year, and then adjusted back to 2008 dollars, using the dollar inflation rate of 3%
- Each spouse has half the total income
- CSRA is the greater of \$2610 or CS income

29

### Case IV: Couple with \$100,000

- Joint assets of \$100,000
- Joint income of \$3000/month plus income from assets
- What happens to assets under the 3 scenarios?

30

### Case IV: Couple with \$100,000 - Self Insure

Care Month	Monthly Cost	Begin Mo Assets	Paid by Insurance	Self Pay	Paid by Medicaid
0	\$9,839	\$100,000	\$0	\$9839	\$0
3	\$9,886	\$72,107	\$0	\$9,886	\$0
5	\$7,934*	\$53,315	\$0	\$1,779	\$6,155
6	\$7,947*	\$52,000	\$0	\$460	\$7,487
12	\$8,024*	\$52,000	\$0	\$460	\$7,564
24	\$8,180*	\$52,000	\$0	\$460	\$7,720

\* After Medicaid discount

31

**Case IV: Couple with \$100,000  
Non Partnership Plan**

Plan benefits  
\$190/day for 4 years  
30 day elim, 5% compound

Care Month	Monthly Cost	Begin Mo Assets	Paid by Insurance	Self Pay	Paid by Medicaid
0	\$9839	\$100,000	\$0*	\$9839*	\$0
48	\$10,626	\$93,507	\$10,094	\$531	\$0
49	\$10,643	\$93,600	\$0	\$10,643	\$0
50	\$10,660	\$85,117	\$0	\$10,660	\$0
54	\$8,583	\$52,000	\$0	\$460	\$8,123
60	\$8,666	\$52,000	\$0	\$460	\$8,206

\* 30 day elimination period

32

**Case IV: Couple with \$100,000  
Partnership Plan**

Plan benefits  
\$190/day for 2 years  
30 day elim, 5% compound

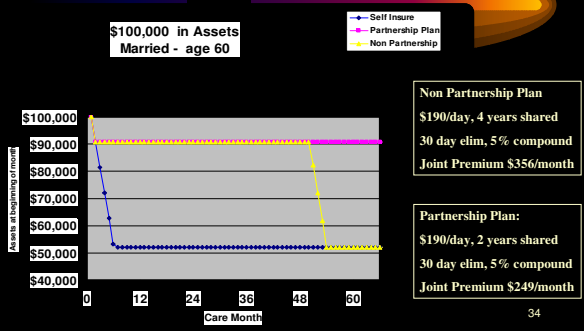
Care Month	Monthly Cost	Begin Mo Assets	Paid by Insurance	Self Pay	Paid by Medicaid
0	\$9,839	\$100,000	\$0*	\$9,839*	\$0
1	\$9,855	\$90,741	\$9,362	\$493	\$0
24	\$10,225	\$90,741	\$9,713	\$511	\$0
25	\$8,193**	\$90,741	\$0	\$557	\$7,636
60	\$8,666**	\$90,741	\$0	\$557	\$8,109

\* 30 day elimination period

\*\* Medicaid reimbursement

33

**Case IV: Couple with \$100,000**



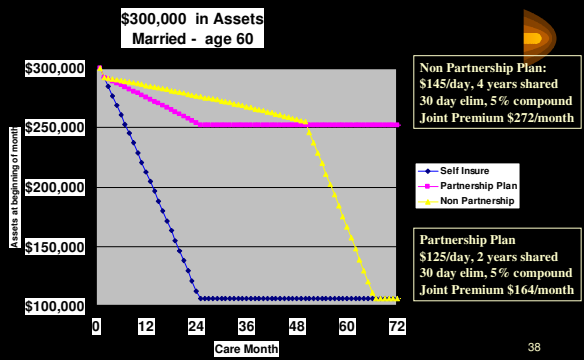
**Case VI: Couple with \$300,000\***

Care Month	Assets at beginning of month		
	Self Insure	Non-Partnership	Partnership
0	\$300,000	\$300,000	\$300,000
12	\$204,547	\$284,766	\$273,701
24	\$106,400	\$275,755	\$252,043
49	\$106,400	\$254,789	\$252,043
58	\$106,400	\$175,303	\$252,043
66	\$106,400	\$106,400	\$252,043

\* Income \$4000/mo plus interest on assets

37

**Case VI: Protect \$250,000 of \$300,000**



**Partnership Cost Savings**

Insured	Assets	Monthly Premium	
		Partnership	Non-Partner
Single	\$100,000	\$166	\$247
Single	\$200,000	\$171	\$231
Single	\$300,000	\$219	\$183
Couple	\$100,000	\$249	\$356
Couple	\$200,000	\$230	\$328
Couple	\$300,000	\$164	\$272

39

## *Partnership Strategy?*

- To Protect assets for client with moderate assets and income:
- Choose a Partnership plan with a 2 year benefit, 5% compound inflation, short elim period
- Estimate how much care can be paid out of income
- Determine amount of assets to be protected

40

## *Partnership Strategy? - 2*

- Choose a daily/monthly benefit so that
  - 1 Covers cost of care – amount to pay from income
  - 2 Benefit pool = assets to protect
- Calculate Premium
- If too high, reduce daily benefit by 25%
- If still too high, choose 5% simple inflation if client over 60, 3% compound if younger
- Is this a good strategy?

41

## *Consumer View of LTCI Partnership Plans*

Ted Pass, CEO  
StrateCision, Inc.  
[TedPass@LTCA.com](mailto:TedPass@LTCA.com)  
781-453-1938

42