Dignity For Life

12th Edition

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Five Things You Should Know Before Considering Long-Term Care Insurance

Facts That Can Protect Your Assets & Quality of Life

LTC Financial Partners, LLC

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Jerry M. Levy

Jerry Levy is a licensed long term care specialist and a partner with LTC Financial Partners, the nation's only producer and employee-owned organization of long term care specialists.

A family tragedy was the catalyst that caused Jerry to enter the long term care field. His mom suffered a massive stroke and required full time care. Fortunately, his mom had planned for her future and had purchased a long term care policy several years earlier.

After his mom's stroke, Jerry invested time at her nursing facility and witnessed how a lack of planning caused confusion, frustration, and financial pain to so many families while attempting to care for loved ones. These observations and experiences have given Jerry a personal reason to educate and motivate the community to begin planning for their future independence, protect their dignity, and conserve their assets.

With 18 years experience in helping clients manage their risk, Jerry has the knowledge and skill to help design the appropriate plan utilizing the largest and most stable long term care insurance providers.

Jerry and Gail, his wife of 40 years, reside in Missouri City, Texas. They and their two adult children are native Texans.

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LTC Financial Partners

Long Term Care Insurance Specialists

Health Care Isn't Enough

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About LTC Financial Partners, LLC

Long-term care is a very complex issue. Fortunately, each LTC Financial Partners agent is a neighbor, a member of your local community and a specialist who has experience helping people evaluate their unique situation and consulting with them on possible solutions for long-term care insurance planning. Each agent has developed successful and productive plans for people who want to help protect their assets and still be assured of receiving quality care.

Of the top 100 licensed agents who specialize in long-term care across the United States, many are partners at LTC Financial Partners, LLC. Only agents who are highly trained are invited to become partners in LTC Financial Partners. Each is an owner who is committed to understanding a client's unique needs and goals.

Our Resources

Our company represents a wide range of insurance carriers selling long-term care insurance. Each producer earns the same commission, which allows objectivity in selecting the company that meets each client's special needs.

All material contained in this book is offered for informational purposes only.

This is not an offer to sell long-term care insurance. The information should not be construed as pertinent to your situation or as tax advice. You are encouraged to speak with a long-term care expert for advice and consult your own tax advisor regarding your particular circumstances.

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"There are four kinds of people in the world:
Those who have been caregivers
Those who currently are caregivers
Those who will be caregivers
And those who will need caregivers."

Former First Lady Rosalynn Carter

Published by LTC Financial Partners, Kirkland Washington

Section I

Before you read "Insider Tips", it may be helpful for you to learn more about long term care and financing options such as long-term care insurance below.

However, if you would like to go directly to "Insider Tips" please turn to page 11.

What is long-term care?

Long-term care is the medical and/or social services term for helping people who develop disabilities or chronic care needs. For example, there may come a time when you or a loved one need help walking, getting dressed, eating or bathing. It also includes the kind of care you would need if you had a severe cognitive impairment such as Alzheimer's disease.

Long-term care services may be brief with full recovery, or it can continue for years. Services may be provided in a person's home, in the community, or in a residential facility (e.g., nursing home or assisted living facility).

Will Medicare pay for long-term care?

Medicare is health insurance for people age 65 or older, under age 65 with certain disabilities. You must have entered the United States lawfully and have lived here for 5 years to be eligible for Medicare.

Medicare generally doesn't pay for long-term care. Medicare also doesn't pay for help with activities of daily living or other care that most people can do themselves. Some examples of activities of daily living include eating, bathing, dressing and using the bathroom.

Medicare only pays for care in a skilled nursing facility in certain situations and only for a defined period of time.

For nursing home care, Medicare will pay 100% of the first 20 days (providing you are receiving daily skilled care). From days 21-100, you pay the first $133.50 per day (2009) and Medicare will pay the balance. After day 100, Medicare pays nothing and you are solely responsible for all costs.[1]

Visit www.medicare.com for specific details on this insurance program.

What is long-term care insurance?

Long-term care insurance pays for long-term care services. Policies vary in terms of what they will cover and insurance companies do require that applicants qualify for the coverage through an underwriting process.

I

What benefits do you get from long term care coverage? Why do people buy it?

As you would expect, a good long-term care insurance policy delivers broad and flexible benefits to help provide and pay for the long-term care services you need.

There are six common reasons why people want to buy this insurance coverage:

1) Relieve the potential burden on their loved ones

2) Help to make certain they have a choice of care.

3) Help to make certain they maintain their independence

4) Help to protect the assets they've worked to earn (either for the spouse or to pass on to an heir)

5) Avoid having to rely on Medicaid

6) Proactively make decisions that help protect their family and themselves

Having long-term care coverage could save you hundreds of thousands of dollars, should you need care.

Do you need long-term care insurance protection?

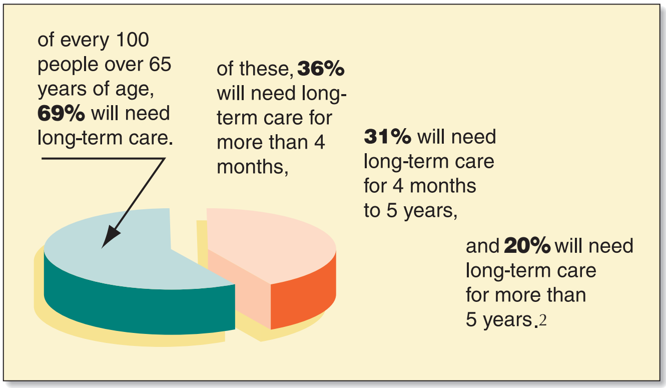
Maybe you do or maybe you don't – this is, of course, a personal decision. The best way to make an intelligent decision is to look at the facts.

How likely are you to need long-term care?

What would you be placing at risk if you did need long-term care?

Can you afford the insurance?

What's the likelihood you will need long-term care?



Don't think that long-term care is just for elderly people. Young men and women also need long-term care for a variety of reasons including accidents, multiple sclerosis, strokes or other debilitating conditions. **40% of the people receiving long-term care are working age adults between the ages of 18 and 64.**[3]

What's the likelihood that you'll spend time in a nursing home?

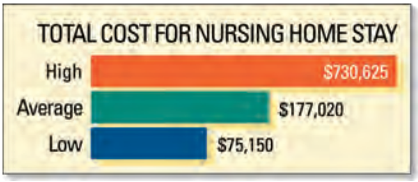
More than 70 percent of nursing home residents are women; their average age at admission was 80.[4]

When you reach age 65, you have a 40% lifetime chance of entering a nursing home, and a 10% risk that you will stay there at least five years.[5]

The average length of stay in a nursing home (current resident) is 835 days.[6]

What will you pay for nursing home care?

The national average rate for a private room in a nursing home is $212 a day,[7] or $77,380 annually. **That equals $177,020 for the average nursing home stay of 2.29 years.**



Alaska – High Cost of a Private Room: $875 x 835 days[7]
Louisiana – Low Cost of a Private Room: $90 x 835 days[7]

What if you want care at home? How much will that cost?

If you're like most people who need care, you would prefer to stay in the comfort of your own home. For this reason, many people do receive care at home instead of, or prior to, a nursing home stay. Long-term care insurance may include coverage for at-home care. Full-time home health care can cost just as much as nursing home care. The average hourly rate for home care is $18 for a Homemaker/ Companion and $20 for a Home Health Aide. [8] It's important to keep in mind that this is just part of the cost because, if you live in your own home, you may still have to pay to take care of your home. However, for most people, home care services are combined with care from family members and cost considerably less than nursing home care.[8]

Is LTC Insurance financially appropriate for me?

Insurance may be the right solution, but it depends on your circumstances. In our experience as long-term care financing specialists, we recognize where the need may be greatest. For example:

- **If you have minimal assets,** long-term care insurance is generally inappropriate because the premiums may deplete those assets and you will likely qualify for Medicaid anyway.
- **If you are independently wealthy** and can pay for long-term care yourself, the coverage may nevertheless be very attractive because the relatively modest premium makes sense when compared to the likely high costs of the care.
- **If you have assets worth protecting,** but are not independently wealthy, you need to get the facts about long-term care insurance and consider this coverage as an alternative to paying for the care yourself.

Selected quotations from major publications and agencies:

"By 2010, 13% of people 65+ are projected to have Alzheimer's disease."[9]

"Service and support needs vary from one person to the next and often change over time. Women need care for longer (on average 3.7 years) than do men (on average 2.2 years)."[10]

"More than seven out of ten people with Alzheimer's disease live at home, where family and friends provide almost 75 percent of their care. American's life expectancy continues to increase and nearly half of those over 85 are affected by Alzheimer's."[11]

When you or a loved one develop a need for long-term care, the decisions you make right now will influence:

Who cares for you.

Where you receive that care.

The emotional and financial effect your illness will have on your loved ones.

Long-term care may be the single greatest uninsured risk most Americans face today.

5 things you should know before considering long-term care insurance

1 How much coverage is right for you?

Buying too little coverage may not help to protect your assets, but purchasing too much coverage can be a big mistake. Your premiums need to be affordable not only for today but for the long term. If the premium you pay changes your lifestyle or has you compromising on essentials, it may be the wrong policy for you.

Design an affordable and effective policy that keeps pace with inflation and provides affordable premiums throughout your retirement years.

2 PROTECT YOURSELF AGAINST PREMIUMS THAT ARE LIKELY TO INCREASE.

Choosing the right insurance company is one of the most important decisions you can make when considering long-term care insurance. Seek out companies with a proven track record of strength, stability, and responsible pricing.

Many insurance companies have a financially secure background, but an agent specializing in long-term care will know which insurance companies have demonstrated a real commitment to the client and which companies may be more likely to raise premiums.

3 Being rejected for coverage doesn't have to mean you can never get long-term care insurance.

We work with some companies that have tight underwriting guidelines and could reject an application. However, other companies we work with have different guidelines and might accept that same person.

If you have certain health conditions, it may be more difficult to get coverage. Yes, the insurance can cost more, but if you have a health condition the protection you get can be extremely valuable to you and your family.

If you've been declined for coverage, an agent specializing in long-term care can probably help you find additional options.

Of course, applying for coverage while you enjoy good health can provide more choices.

4 Get expert advice – it doesn't cost you any more.

Long-term care insurance is a relatively complex form of insurance with many companies, policies and benefits from which to choose. If you are considering coverage, we recommend you get advice from a dedicated agent specializing in long-term care.

Professionals who don't specialize in long-term care may be experts in their own fields and they may also offer long-term care insurance, but they may lack specialized knowledge and access to a broad range of policies to choose from.

5 Be aware that long-term care is an especially important issue for women.

We have noted that often, women:

- Are caregivers to their husbands
- Have a longer life expectancy and may out-live their spouse or partner
- Can find themselves with depleted assets due to a spouse's need for long-term care.
- Make up two-thirds of the people in nursing homes [12]

II

The typical U.S. caregiver is a 46-year-old woman who works outside of the home.[12]

We also have noticed that women tend to care for their spouses at home without assistance, which probably explains why only 1 out of 3 men require professional long-term care services.[12]

For all these reasons, you may want to share this information with your spouse and make certain that you both are properly protected.

"Of the elderly living in poverty, 75% are women and 80% of those women were not poor when their husbands were alive."

- Kim Kiyosaki, Author of *Rich Women*

Section III

Additional insider tips to help maximize the value you get from coverage

INSIDER TIP 1: We've met people who would have qualified for discounts but didn't take advantage of them. Don't let that happen to you.

Among the discounts you may qualify for:

- Spousal discount
- Preferred health discount
- Group coverage discount with an employer or association

Typically, the savings can range from 5% all the way up to 30% or even more. The result: You save money and could acquire more coverage.

Every insurance company is different and it's important to select the right policy with the right company… one that offers the discounts that create the best value for you.

INSIDER TIP 2: Some policies pay you cash and others pay with a reimbursement system.

Different plans have different benefit structures. For instance:

- **A Reimbursement Policy** reimburses you for the actual costs of specific, defined services and only up to the selected benefit amount.
- **A Cash Benefit Policy** will pay you the full selected daily benefit rate. You receive the benefits regardless of who provides the care or how much the actual services cost. This type of policy provides the full daily benefits you applied for and complete discretion as to how you spend the money.
- **Some Policies are a combination of the two.**

Many policy holders prefer the cash daily benefit since it gives them total freedom to pay for any services they feel are important and which may not be included in most contracts.

INSIDER TIP 3: Return of premium may be available, but the cost might outweigh the benefit.

"Return of Premium" optional riders are offered by some insurance companies, but this feature is not available in all states. There are many variations of this optional rider, so make sure you understand the restrictions associated with return of premium riders before you purchase.

For example, some companies offer a rider that will return premiums to the policyholder but only after making deductions for any claims paid, while another company may offer a full return of the premiums paid, regardless of the policyholder's claims history. In this case, at the death of the policyholder, the estate or beneficiary will receive a refund of premiums paid over the life of the policy. Keep in mind, that while this feature sounds like a great deal, the extra premium for the rider could be substantial.

Don't let the allure of the return of premium concept get in the way of the primary reason for planning for long-term care. There is no return of premium option for homeowners or auto insurance, and your exposure to long-term care may be the greatest financial risk you face in your lifetime.

Note: C-Corporation business owners consult your tax advisor for information on a unique planning technique for wealth transfer using long-term care insurance. Your tax advisor and your long-term care insurance agent can help you determine if this planning approach is right for you. This information is not intended to give tax advice – consult a professional tax advisor.

INSIDER TIP 4: Your employer may offer coverage.

Your employer may offer a long-term care insurance program. Employer programs generally offer features such as:

- Favorable underwriting for employees
- Employer program rates for both employees and eligible family members
- Payroll deduction

Information regarding long-term care and the associated benefit options and insurance forms can be somewhat complex.

Whether you are considering individual coverage or a long-term care insurance program offered through your employer, it is important that you understand your options and make informed choices.

III

The expertise of an agent specializing in long-term care can be useful as you consider:

- The risks and expenses associated with long-term care
- Your options for helping to protect your family and assets
- The protection available through long-term care insurance
- The program options and premiums

INSIDER TIP 5: Enhance your coverage with a Shared Care Rider.

With a Shared Care Rider, couples who purchase identical coverage options may access the other's benefit pool should one person exhaust their benefits. This optional rider also allows for any remaining benefit pool to pass from the deceased partner to the insured survivor. The Shared Care Rider provides planning flexibility and accessibility when the need for long-term care arises.

INSIDER TIP 6: If affordability is a concern, consider State Partnership Programs.

These programs are designed so a policy can be more valuable for middle and lower income individuals. Consumers who purchase these policies are insured for covered long-term care expenses for a predetermined level of benefits through a private insurer. If these benefits are exhausted, and the individual still requires services, Medicaid may be available, but without the insured having to spend down all of his or her assets, as is usually required to meet Medicaid eligibility criteria. The individual is permitted to retain part or all of his or her assets as per the state's requirements.

Check with your agent specializing in long-term care to see if your state offers this program.

INSIDER TIP 7: There are ways to reduce the cost of long-term care insurance.

Co-insurance means paying for a portion of your care yourself from existing financial resources and designing an insurance plan to pay the rest. This requires taking the time to fully understand the cost of care and its affordability.

Increasing the elimination period or deductible means you'll pay more out of pocket initially, but you will be covered for the more severe risk of an extended stay.

Reduce the in-home care benefit to reduce the premium. Most home care is a combination of care provided by your family and care administered by a health care provider. Many times the availability of home care allows an individual to stay home longer and reduces the burden and dependence on the family. This may cost significantly less than facility care. Reducing the home care benefit reduces costs, yet still helps protect you from the potential financial risk of an extended stay in a nursing home.

III

INSIDER TIP 8: There may be tax advantages to purchasing long-term care insurance.

Tax deductions continue to be a positive by-product of the purchase of tax-qualified long-term care plans.

You may be eligible to deduct a portion of your long-term care insurance premiums as a medical expense. If an employer pays for all or part of your coverage, the premiums are not taxable income to you which translates into savings. Depending on your tax bracket, this savings could be significant.

Special note to business owners and self-employed individuals: There are specific deductions that may be available. In order to understand your tax benefits, you should always consult with your accountant.

INSIDER TIP 9: Are there other options if long-term care insurance isn't appropriate?

There are ways to obtain protection, but they may not address the full potential financial need. In the event that you cannot qualify for long-term care insurance, any of the following could be an extremely valuable option.

- **Reverse Mortgage** – If you're uninsured and need money to pay for long-term care services, you can look to other financial vehicles such as a reverse mortgage which, assuming you have adequate equity in your home, will deplete that equity in return for cash. This can be used to pay for your care or to fund a long-term care insurance policy.
- **Accelerated Benefits** – Some whole or universal life insurance contracts pay accelerated benefits to policyholders who are terminally ill from such causes as cancer or heart disease.
- **Deferred Annuities** – Some deferred annuities have waivers that allow you to withdraw money without penalty upon entering a nursing home.
- **Impaired Risk Annuity** – If you have a known health concern, an Impaired Risk Annuity will offer you a higher than standard return because of your existing health problem.

III

INSIDER TIP 10: Minimize your chances of needing long-term care.

There are steps you can take today that may help reduce your need for long-term care:

- Get regular medical examinations.
- Live a healthy lifestyle, which includes regular exercise and a good diet.
- If you smoke, find a way to break the habit.
- If you drink alcohol in excess, cut back.
- Drive safely and always wear your seat belt.
- Do all you can to prevent falls and other accidents at home (especially in the bathroom).
- Consider some of the new early warning tests for osteoporosis, Alzheimer's disease or for blocked arteries in order to help prevent a stroke or heart attack.

A common reason for needing long-term care is cognitive impairment. Thus far, medical science has not yet found the cause or cure. Even a former U.S. president with significant wealth and the best of medical care can linger for years in a state that requires constant care.

Please see Appendix B on page 28 for more information about minimizing your chances of needing long-term care.

The single biggest mistake you can make: Waiting!

If you decide long-term care insurance is right for your situation, the best time to buy is now.

By buying now:

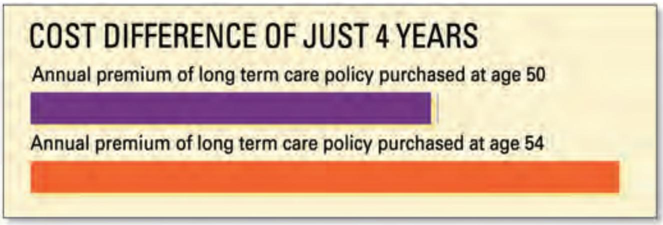
- You will generally pay lower premiums than if you wait.
- You avoid the risk of developing a condition that may make you uninsurable.
- You avoid the risk of needing care you will have to pay for yourself.
- You are likely to have a wider choice of insurance companies to choose from.
- You know that if you cannot care for yourself, you will get the care you need!

Plan to wait 4 more years? Consider the following example:

Bob is 50 years old and purchases a long-term care policy that includes a $150 daily benefit, four-year benefit period, 90-day elimination period and inflation protection compounded at 5%.

Now, let's say Bob waits four years and is now 54 and purchases the equivalent policy, assuming that premiums do not change, and Bob remains healthy, the cost of waiting could cost Bob an additional $17,362 in premiums over the life of the policy. This is the cost of keeping up with inflation; the cost of the daily benefit increasing for every year Bob waited.

In this situation, Bob did not save anything by waiting – in fact it cost him money and he took the risk of not being covered for an additional four years.



This example is for illustration purposes only and does not guarantee insurability.

Also consider:

- Your health status could change.
- You may have to buy a higher daily benefit than you would have if the costs of long-term care rise.
- You will be 4 years older and the premiums will be higher due to your attained age.

How much will a policy cost? That all depends…

Now that you have basic information about the likelihood of needing care and the potential cost of that care, let's look briefly at what factors determine the cost of long-term care insurance (LTCi).

First, the cost of a long-term care insurance plan is based in part on your age and your health status when you apply. At age 55, you will generally pay a lower premium for the same benefits than you would if were 60 years old. If you are in good health, you will pay a lower premium (even possibly qualifying for "Preferred Health" rates) than you would if you were in poor health. There is a chance you may not qualify. That's why it is wise to apply while you are still (relatively) healthy. Interestingly, underwriting for long-term care insurance is very different from underwriting for health or life insurance. You may be able to obtain life and medical coverage but not qualify for long-term care insurance.

The decision you make regarding the level of benefits is the next factor in determining the premium. There are four main choices to make as you and your agent specializing in long-term care design the plan that is right for you.

1) Monthly or Daily Benefit: How much money (in dollars per month or day) do you want the insurance company to pay out when you go on claim? That choice depends on the cost of care in your area and whether you want the insurer to pay all or just a part of the total cost.

2) Benefit Period: Once you are on claim, how long will the policy pay benefits? A benefit pool is determined by the dollars available per day (or month) and how many days or months are in your benefit period. A policy that pays $200 per day, with a benefit period of 3 years, creates a benefit pool of $219,000. If you used your maximum daily (or monthly) benefit every day, in 3 years your pool of money would be gone. However, if you do not use your maximum available every day, your dollars will last until the last dollar is spent. Your agent specializing in long-term care can help you determine what is right for you, based on family history and other factors.

3) Elimination Period: Think of this as a deductible, just like your other insurance policies. With LTCi, this is just expressed in days instead of dollars. It is the length of time that you pay for care before the insurance starts to pay. The periods you can choose range from 0 to 180 days. Of course, the longer the period (the higher the deductible), the lower the cost of the premium.

4) Inflation Protection: Since most experts agree that the cost of care will be higher in the future, it makes sense for most people to add riders to provide built-in Inflation Protection to their LTCi policy. These riders automatically increase the daily or monthly benefit you choose to help keep pace with the rising cost of care. The two most common increases are 5% simple and 5% compound. With 5% simple interest, the benefit increases 5% each year based on the original amount. For 5% compounded, the benefits increase by 5% on the previous year's amount, just like when you leave money in the bank. Consequently, 5% simple interest causes the benefit to double in 20 years, whereas 5% compounding doubles in just over 14 years.

Additional Options: Depending on the company and the policy, there are various riders that may be available. Some of these include: Shared Care, Restoration of Benefits, Survivorship, Waiver of Premium, Waiver of Elimination Period for Home Care, Return of Premium, etc. Depending on your situation, these may or may not make sense. **Your agent specializing in long-term care will be able to advise you concerning which of these optional riders are appropriate for your situation.**

Coverage Considerations for the Working Adult: For those of you below 60 years of age, ask yourself these questions: "What will I do if I become disabled and can't work? How will I replace my income? How will I pay my mortgage?" If you don't have a plan in place to cover those contingencies, a plan that pays cash (see p. 12) may be worth looking at.

If you are already covered by a disability plan, either through your job or an individual policy, it still may make sense to look at long-term care insurance. Why? Some disability plans only pay out for a few years. Also, most disability plans only reimburse you up to a maximum of (about) 66% of your income and terminate at age 65. What about the cost of your care?

Also keep in mind that a disability policy and a long-term care policy are designed to cover different risks. In order for benefits to be paid under a typical, tax qualified long-term care insurance plan, you must need assistance with two of six activities of daily living (ADLs) or have a severe cognitive impairment. A licensed health care practitioner (for example, your doctor) must certify that you are expected to need such assistance with ADLs for a period of at least 90 days. We are not suggesting that you drop your disability coverage, but it's important to be aware that there are additional factors to consider.

The Bottom Line

The question you probably have in your mind is "so, how much does it cost?" Answer that question with a question; "how much does a car cost?" It depends which one you buy. With LTCi, we covered the factors affecting the cost on the previous page. The cost varies according to the choices and decisions which you make. **The main thing is to meet with an agent specializing in long-term care and find out what you may or may not need – remember, LTCi may not be for you.**

Appendix A

Special long-term care insurance tax advantages to businesses:

Long-term care insurance and your taxes:

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) provides a tax incentive for individuals to take financial responsibility for their long-term care needs.

Business owners who purchase long-term care insurance for themselves and/or their employees may deduct a portion of their premium contributions. This means that business owners can essentially count the cost of long-term care insurance as a business expense and reduce their total tax obligation. Specific laws and regulations apply, but these tax advantages can prove especially valuable for shareholders and partners of sub-S and C-corporations and limited liability companies.

The following is a basic summary of these tax rules:

- **Both the employee and employer may make long-term care insurance premium contributions.** In most states, there is no limit to the amount an employer may contribute as a premium for his/her employee's long-term care insurance. These premium contributions can be treated as medical expenses and may be tax-deductible to the employer.

- **Premium contributions are tax-deductible for self-employed individuals**, subject to the limits of deductions for health insurance by the self-employed.

- **Business owners receive tax advantages** if the insurance is purchased for personal use and/or for employees.

- **Premium contributions made by an employee may be deductible for individuals,** if itemized medical expenses exceed 7.5% of annual adjusted gross income, subject to certain limits.

- **Businesses can purchase coverage for owners and key employees** and use long-term care insurance as part of a special compensation package. This takes advantage of tax benefits for owners without incurring the costs of buying insurance for 100% of a company's employees.

Specific tax advantages may be available in these categories:

- Individual who purchases a qualified long-term care insurance policy.
- Employer contributory arrangement.
- Corporation (C-corporation or 501 trust entity) that purchases qualified long-term care insurance coverage for employees.
- S-Corporation that purchases a qualified long-term care insurance policy for non-partner employees.
- Self-employed person who purchases a qualified long-term care insurance policy with after-tax dollars.

Note: C-Corporation business owners consult your tax advisor for information on a unique planning technique for wealth transfer using long-term care insurance. Your tax advisor and your agent specializing in long-term care can help you determine if this planning approach is right for you.

The above information is offered for informational purposes only. This information should not be construed as tax advice. You are encouraged to speak to your tax advisor regarding your own particular circumstances.

Tax Advantages to Businesses and Individuals

LTCi premiums may be paid for from Health Savings Accounts (HSAs).

Congress passed the Tax Relief and Health Care Act (H.R. 6111 IRC sec 223(d)(2)(c)), which expands the sources and amounts that may be contributed to Health Savings Accounts. This is good news for those seeking long-term care protection but unsure how to finance it.

HSAs are tax-advantaged savings accounts restricted to health-related expenses.

Funds may be withdrawn tax-free to pay for long-term care insurance (LTCi) premiums, deductibles, co-insurance, and dental and vision care.

Key provisions of the new law for HSAs include –

- **Expansion of the maximum annual HSA contribution.**
- **Addition of new funding sources, such as one-time transfer from individual retirement accounts (IRAs).**
- **Permitting employers to make extra contributions for lower-paid employees.**

Appendix B

Is it possible to prevent or delay the need for long-term care?

By considering long-term care insurance, you've taken the first step toward helping to protect your finances. However, the cost of long-term care doesn't just possibly threaten your assets. The potential need for long-term care can also be a threat to your health and independence. In reality, what people really want is a guarantee that they'll never need long-term care.

Fortunately, recent medical and technological advances have resulted in a number of simple, cost effective prevention and early detection strategies that can help you reduce your risk for many of the conditions that require long-term care. At the same time, researchers are now finding that many diseases, for which there was thought to be no medical recourse, do, in fact, benefit from early treatment. The adoption of a prevention and early detection strategy can position you to take advantage of these emerging treatment options.

The leading causes of long-term care (and what you can do about them)

Long-term care insurance has been on the market for over 30 years, allowing actuaries to determine the leading causes of claims. In nearly every case, claims involve diseases or conditions that benefit from early detection and treatment. The following represents the five major causes of LTCI claims (with the percentage of claim dollars they represent) and what you can do to reduce your own risk.[13]

1) Alzheimer's Disease and Related Dementia (ADRD) - 31% of Long Term Care Claim Dollars

Simple 15 to 20 minute screenings, available on-line or over the phone, can now detect ADRD at its earliest and most treatable stages. Recent pharmaceutical advances and prevention strategies have been shown to reduce the need for nursing home placement by 3 to 6 years for ADRD victims.

2) Circulatory Disease and Hypertension Related - 16% of Long Term Care Claim Dollars

Peripheral Arterial Disease (PAD) is often called "angina of the leg" because the ache in leg muscles resembles chest pain in heart patients. However, not all people who have PAD experience leg pain. PAD is highly under-treated and under-diagnosed, and most people are unaware that it is a strong indicator that they may be at risk of a stroke or heart attack. A simple ankle brachial index can alert you to the risk. Through early detection and intervention, you may be able to avoid a major medical problem.

3) Parkinson's and Other Central Nervous System Conditions - 14% of Long-term Care Claim Dollars

A recent study from the Mayo Clinic has shown that early detection of Parkinson's is a major advantage in successful management of this condition. The combination of an experimental drug with a widely available brain-scan device appears to allow detection before symptoms appear. Drugs now in research trials have been shown to reduce the loss of dopamine to the brain, which is the primary cause of Parkinson's Disease.

4) Stroke – 9% of Long-term Care Claim Dollars

Strokes are the third leading cause of death in the United States and a leading cause of nursing home stays. Through the use of ultrasound prevention, thrombotic strokes (caused by fatty plaque build-up in the carotid arteries) can be prevented. Surgical and medical interventions are available if a person is found to be at risk for a stroke.

5) Broken Hips and Related Injuries - 9% of Long-term Care Claim Dollars

Osteoporosis is a major health threat for over half of all people aged 55 or older. One can prevent becoming a statistic by taking advantage of prevention and treatment. Osteoporosis screenings are offered for men and women to assess the risk by identifying low bone density. For those who have been identified to have a high risk for osteoporosis, medical management can take place through your primary care physician.

Within each of these categories, there is much you can do as an individual to reduce your personal exposure. Prevention, early detection and treatment strategies can significantly reduce your risk and the potential need for care.

What should you do if you are interested in preventing or delaying the need for long-term care?

You may want to consider a company that specializes in preventive and early detection strategies for chronic conditions. Though there are no guarantees, they seem to have a good combination of cost and effectiveness.

In the area of cognitive conditions (ADRD), Medical Care Corporation offers current technology, prevention and treatment strategies. They can be reached at **www.mccare.com** or by phone at (949) 838-0154.

No one can assure that you will benefit from using services such as the ones above. However, you will have a better chance for an extended, independent life using approaches such as these. By combining your own preventative and treatment strategy with a well-chosen long-term care financing strategy, you may find no better protection against the threat to your health **or** your assets.

B

Appendix C

Healthcare Reform Update:

The Changes Ahead for Your Healthcare Plan

The healthcare law, dubbed the Patient Protection and Affordable Care Act, brings health care to millions more Americans, changes Medicare and Medicaid provisions and payouts, and creates a national voluntary long-term care program. With these and a host of other changes, many Americans are wondering – How will health care reform affect me, my family, or my business? The answers to these questions are key to establishing a sound financial plan for the future. Yet too many people put off planning until it's too late and their options become limited.

The Patient Protection and Affordable Care Act also changes other aspects of the American health care system, most notably:

- Provisions aimed at changing Medicaid's "institutional preference," which forces elderly and disabled individuals in many states to move to nursing homes.
- Provisions that will help protect nursing home residents and other long-term care recipients from abuses.
- Medicare Part D revisions closing the "doughnut hole" coverage gap.
- Help for early retirees – temporary re-insurance program to offset the cost of expensive health claims for employers who provide health benefits to retirees age 55-64 (starts June 2010).
- Increased Medicare premiums for singles earning over $200,000, and couples earning over $250,000. Investment income will also be subject to Medicare tax (some income limits apply).
- Cut Medicare reimbursements to nursing homes by about $15 billion over the next decade, thus impacting the shortfall already created by Medicaid reimbursements to nursing homes.

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CLASS Act Discontinued

On Oct. 14, 2011, the U.S. Government abandoned the CLASS Act (Community Living Assistance Services and Supports), a public option for long-term care coverage.

Explaining why the government was unable to financially sustain the CLASS Act, US Secretary of Health and Human Services, Kathleen Sebelius, wrote on the Huffington Post that by 2020, an estimated 15 million Americans will need some kind of long-term care.[14]

"And at $75,000 a year for a nursing home and $18,000 a year for home health care, most families cannot afford to pay out of pocket," Sebelius wrote.

The need is still there, but the government support is not. If, like many Americans, you're assuming Medicare will cover your long-term care needs, it offers limited protection at best.

Where the public sector failed, the private sector can help. Obtaining private long-term care insurace coverage is the recommended way to help protect against the growing costs of care services.

Education is the Key

Find answers to your questions about the healthcare bill, its effect on you and your future, and suggestions as to how you can prepare for these changes by talking with one of our representatives. Each one is a licensed agent specializing in long-term care planning and education. Our representatives are trained to provide resources for those who want to plan in advance for future health care and long-term care needs – they can help you make an informed decision.

"Of the elderly living in poverty, 75% are women and 80% of those women were not poor when their husbands were alive".

Proper planning can help prevent unwanted results. Don't become a casualty of procrastination.

Source: Kim Kiyosaki, Author of Rich Women

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Resources

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