Your **Top Ten** Long Term Care Insurance Questions ANSWERED!

We asked some of our CLTC designees to share their Top 10 challenges working in the long term care insurance market. And then we turned to three industry leaders and CLTC Board Members to offer their advice, tips, and strategies for overcoming them. Not surprisingly, they had some great insights and valuable answers that we are happy to share. Keep in mind this is based on their experience and practices and is not a representation of CLTC's policies.

Certification for Long-Term Care

cltc®

Round I – August 2020

Q.1. Are **lifetime benefits** still available?

Yes. In the Linked Benefits arena, OneAmerica offers a lifetime benefit duration, and for traditional long term care insurance, National Guardian Life (NGL) does. Keep in mind any application that includes lifetime benefits will be rigorously underwritten.

> We would only recommend lifetime benefits when a client specifically requests it. This usually happens when they have had an experience (e.g. caring for someone with Alzheimer's for many years), or they are trying to protect against a catastrophic loss. Keep in mind the premium difference between a 3- or 6-year plan and a lifetime plan will be significant.

Q.2. What's the **best inflation protection option**?

It's easiest to respond with what is not the best inflation protection feature – 5% compound. Our preference is to increase the daily benefit and add a more conservative inflation protection feature like 3% compound.

> Another option is to skip inflation protection altogether and gross up the monthly benefit. Just run the numbers and see what is best for your client.

Q.3. Are **indemnity benefits** better than reimbursement?

The answer is dependent on the client's needs and expectations. Indemnity could be a better fit for a client who feels there is a high probability they will use an informal caregiver. Or for a high net worth client who is used to (and wants) high control in managing their benefits.

> The claims process is likely easier than your clients think. More times than not it involves submitting a statement of services rather than gathering up and organizing receipts.

Q.4. Are **Partnership programs/plans** still around? Do they work?

Yes, they are around; and yes, they do work, particularly for clients whose net worth is less $1Million or who have a household income of less than $100,000. The lower a client's net worth and income, the more sense it makes to consider a Partnership plan.

> The primary benefit of having a Partnership plan is the Medicaid asset protection it provides once insurance benefits have been exhausted. Without the purchase of a Partnership plan, the state would require an individual to spend down all their assets to $2,000 before they could qualify for Medicaid long term care benefits. The state would also examine any transfer of assets within 5 years of the application for Medicaid benefits and apply a penalty period if any are found. With the purchase of a Partnership plan, Medicaid will not require the $2,000 spend down and will disregard any assets equal to the LTC insurance benefits received.
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> The first Partnership programs were developed in 1992 by four states – CT, NY, IN and CA. They require rich benefits and inflation protection features that make them undesirable, or financially out of reach, for many consumers. In 2005 Congress expanded the LTC Partnership programs to other states and today 45 have them. For a LTC insurance policy to offer Partnership protection, it must include the following features.
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> 1. Must be Federally tax-qualified
> 2. Must include inflation protection (see a given state's guidelines). Policies issued to applicants,
>   - Under age 61 must include compound inflation protection
>   - Between 61 and 75 must include some form of inflation protection
>   - Age 76+ do not require inflation protection

Q.5. Will **rates** go up on today's stand-alone LTC insurance policies?

What all agents and consumers need to understand is the pricing of today's policies includes all prior rate increases implemented by the given carrier. A carrier can't sell a policy without including prior rate increases in their pricing and are therefore built for stability. However, that doesn't mean there won't be rate increases if something unforeseen happens. We feel the rate actions to date have solved earlier problems, but of course there is no guarantee.

> To help ensure rate stability for your clients, try to avoid rich benefits like 5% compound inflation protection and lifetime benefits.

Q.6. What advice can you share regarding delivering a **rate increase** (client options)?

First, empathize with the client, reinforce their original decision to plan for long term care and then evaluate the options available to them. Start by looking at the current value of the daily benefit and comparing it to the actual cost of care. If the carrier offers more restrictive inflation protection options, consider having the client move to one of them. If there isn't an opportunity to adjust an inflation protection feature, determine if savings could come by modifying the plan design another way.

> Don't assume there aren't options because there likely are. Identify them (which may involve a call to the carrier) and help your client work through them for the best outcome.

Q.7. How do we come up with our product and **plan design recommendations**?

The best way to identify the right plan design is by asking questions – if you ask the right ones, the client will identify the best plan themselves. And the most important place to start is establishing their health history. This will lead you to the types of policies they can qualify for.

> Other important questions to cover include the following: How much of your long term care costs do you want covered by insurance? Are you looking for 3 – 4 years of protection, or something longer, like 8 – 10 years? How would you like to receive benefits – indemnity or reimbursement? How do you want to pay for your coverage – is single premium an option, or are you more comfortable paying over time?

Q.8. How is **COVID-19** impacting LTC Insurance underwriting?

If you have a client that has had COVID-19, it is likely the carrier will be looking for full recovery followed by a 90 or 180 day period of good health before an application can be submitted.

> The biggest impact of COVID -19 has been on traditional LTC insurance where carriers require face-to-face assessments for applicants age 65 or 70+. There has also been significant delays in receipt of medical records from doctor offices.

Q.9. Is there a **small group** LTCI plan available?

Yes. There is a robust market for employer sponsored long term care insurance and many plan options. Carriers want to be in this market.

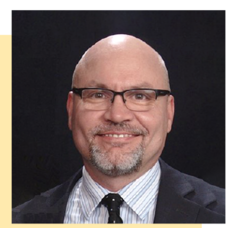
Federal tax treatment (as well as some state tax credits), including deductibility, the ability to create carve outs as well as the ability to have premium excluded from an employee's income, while receiving benefits tax free, make group LTCI plans very attractive. In addition, over 22 Million Americans [1] have HSAs (a number only expected to grow), providing a vehicle for people to purchase LTCI with pre-tax dollars.

Q. 10. What is the **best/optimal age** to buy LTC coverage?

There really is no best time or age to purchase LTC coverage. We find it is more dependent on the client's financial situation than his or her age. For example, there are 65-year-olds that shouldn't buy LTCI because they will likely qualify for Medicaid. On the other hand, you can find 45-year-olds who are well on their way to financial independence and should consider coverage.

MEET OUR PANELISTS:

Steve Cain, CLTC
Director, National Sales Leader
LTCI Partners



Scott Olson, CLTC
Co-owner
LTCShop.com

Chad Eyrich, CLTC, LTCP
VP, LTC & Linked Benefits
Ash Brokerage

[1] Study: 55% in U.S. with health savings accounts don't contribute to them