The State of Long-Term Care Planning

Cost Financing in 2012

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Agenda

- Introduction – what has changed, is changing and will (or won't!) change
- Public LTC Cost Financing – Current
- CLASS Act Status
- Public LTC Cost Financing – Future?
- Private LTC Financing – Current LTCI
- Private LTC Financing – Future LTCI?
- Conclusion

Public LTC Financing - Current

- Does Medicare pay for LTC costs?
  - Kinda, but not really
  - Rehab vs. chronic care
- Do VA benefits cover LTC costs?
  - Well, maybe, but how and when?
- Does Medicaid cover LTC costs?
  - Yes…but at what price?

Medicare & LTC Costs

***Medicare MAY pay for certain "skilled" care needs in a NH or at Home if*:**

- 3 night hospital stay; discharge w/in 30 days
- Skilled NH or Home Treatment for same cause as hospital stay
- First 20 days covered in full; next 80 days require co-pay; after day 100 - **$0!**
- And, Medicare ONLY pays for rehabilitative or restorative – **NOT chronic** - care!

VA Benefits & LTC

- "service connected" disabilities get priority
  - NH (VA or contracted centers), ALF or HHC
  - Increased demand, higher incomes and lack of fed funding have led to lower availability
- State Vet homes
  - Co-pays usually involved
  - Waiting list often the case; only 5 NY homes
- Presuming availability of VA benefits is a challenge – supply & demand?

Medicaid Funding of LTC

- Pays for about half of LTC costs in U.S.
- BUT – requires crisis planning and/or "spending down" to qualify for benefits
- Need to sacrifice control over care choices
- History of "nursing home bias"
  - Differing resource income guidelines than HHC

Status of the CLASS Act

- What is was
  - Attached to PPACA as a base level of LTCI, primarily for HHC
- Where it is
  - The Secretary of HHS suspended further work on CLASS in October of 2011, citing it was "unsustainable" as drafted

Prospective Public Funding Considerations

- Difficulty of planning years, sometimes decades, in advance
- Federal & State Budget Challenges?
  - Medicaid, Medicare – future?
  - Tighter guidelines for Medicaid qualifications?
- Means Testing more prevalent?
- Modified Estate Recovery for Medicaid?

Private LTCI Funding - Current

- # of Participating carriers has decreased
  - Why?
- Current & Historical view of LTCI pricing
  - Lapse rates/interest rates - impact
- Current & Historical view of LTCI underwriting
- Buyer demographic changes – why?
- Claims experience – impact on LTCI rates
  - New business & inforce

Prospective LTCI Considerations

- Likelihood of new future carriers?
  - Totally new carriers & those re-entering
- Have rates stabilized?
  - Lapse and interest rates
- Likelihood of enhancements to LTCI tax treatment?

2012 NYS Partnership Enhancements

- New 2/4/50 Total Asset plan
- Reciprocity with DRA Partnership states
- New 3.5% inflation option
- Online agent certification training

Conclusion

- The current LTC financing world is far from perfect, both from a public and private funding standpoint
- What has not changed, and will not change, is clients' need to plan
- Focus on what we know NOW

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