

A guide for women and their advisors in preparing for long term care.

Smart. Strong. Savvy.



Genworth Financial 



Genworth Financial

October 2011

It has always been our goal at Genworth to help guide individuals toward financial security by providing information on important planning issues. As a result, Genworth has developed this booklet for the following simple reason.

Long term care is truly a women's issue.

Although men and women can both require long term care services, women are more heavily impacted on two sides of the issue. Women not only provide, but also receive, the majority of long term care services.

- When it comes to a relative's or family member's need for professional long term care services, women are usually the primary decision makers.
- We believe having a strategy for long term care can be an important part of your retirement planning needs. It can help protect the savings and assets you have worked so hard to accumulate.

Our ongoing conversations with our field sales representatives continue to reveal that a clear and concise review of topics related to long term care would help women better understand the issues their families are likely to face. To help meet this need, we have created this booklet. We hope it meets that objective and helps both women and their advisors in taking steps toward creating a retirement plan that considers the emotional and financial demands that long term care may entail.

We hope that by working directly with financial advisors, we can not only educate and inform women about long term care, but also help motivate them to take control of planning for a secure financial future for themselves and their families.

Sincerely,

Colleen Goldhammer Benzin
Senior Vice President

Independent Channel Sales Long Term Care Insurance, Genworth Financial
Member of the Board of Directors, Alzheimer's Association

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Introduction

With all the pressures of daily life – working, managing our homes, participating in our communities, caring for our families – it’s difficult to even think about adding anything else to the mix. But somehow we need to find time to make sure our retirement strategy is complete. And that means more than just putting aside money in a 401(k) and glancing at the IRA statements once a month. It means taking a hard look at being prepared in the event that we, or one of our loved ones, might need long term care.

Many of us mistakenly believe that traditional health insurance pays for long term care services. Health insurance pays for medical expenses, doctors’ services and hospital stays. Generally, it will not cover long term care costs. Medicare and Medicaid may cover some long term care costs, but these also have restrictions and limitations. And as we grow older, there is a greater likelihood of needing those services. Roughly 70 percent of those currently turning age 65 will have long term care needs at some point in their lives.¹

Many of us may also think that we will be able to care for our loved ones, or that they will care for us. But that may not be the case. Could your loved one take care of your daily needs without jeopardizing or having a severe impact on their own life? Many well-meaning caregivers quickly find they are in over their heads and require paid help. And if home care is not adequate, then a long term care facility may be the answer. Although we may not know what our long term care needs may be, meeting them could be stressful and expensive.

For women, long term care is an especially important issue. Olympic Gold Medalist Wendy Boglioli, a national spokesperson for Genworth, says that not having a long term care strategy can be a real danger for women. According to Boglioli, “Women already take 11 years out of the workforce to take care of children and families, which means their retirement savings tends to be smaller, putting them at risk of outliving their retirement. That’s why it is important for advisors to talk to women about the options available to them to pay for long term care.”

“What I have seen in my experience in this industry is that families are either brought together or ripped apart by these decisions,” says Boglioli. “Having a long term care strategy in place and having it in writing gives a family more resources. Without a strategy, you are voluntarily putting your family at risk to make huge decisions financially, physically and emotionally.”²

For many, having a strategy for long term care may be the answer. According to industry professionals, there are two main things a long term care road map can do: it can help preserve your assets, and it can allow you to have certain choices and flexibility.

¹ “The Complementarity of Public and Private Long Term Care Coverage,” Stevenson, Cohen, Tell, Burwell, *Health Affairs*, 2010

² *Employee Benefit News*, “Long Term Costs Fall Heavily on Women,” Ruthie Ackerman. August 30, 2010.

Women as Caregivers



About three-fourths of family caregivers are women – wives, daughters, sisters, nieces, cousins and aunts.

Although women make up nearly half of the nation's workforce, are better educated than in the past and have seen their pay increase during the past 25 years,³ social norms still dictate that caregiving is mostly a woman's job. At some point in her life, a woman will quite likely provide care for a spouse, child, parent, relative or friend. Perhaps they see this as their responsibility and the "right thing to do," regardless of the sacrifices they may have to make. Or maybe they see it as a time to repay a loved one for their support and care over the years. Sociologists can debate the reasons, but when faced with a family member who needs care, women may be more likely to ask what they can do to help.

About three-fourths of family caregivers are women – wives, daughters, sisters, nieces, cousins and aunts.⁴ Although men do provide some direct care, it is women who are likely to do most of the "hands-on" care such as bathing, feeding and toileting. Men are more likely to take care of other tasks such as transportation, car repairs and home modifications.⁵

- These unpaid family caregivers can spend 20-40 hours a week caring for a family member, over an average period of four to five years, with three in 10 providing care for five years or more. This is a much longer period of time than ever before.⁶
- It is interesting and important to note that for the first time in U.S. history, the average American couple has more parents living (more than two) than children (fewer than two).⁷
- It is especially difficult for American women, who now spend more years caring for parents (18) than for children (17). And 25 percent of women caregivers are caring for both their parents and their children, making up what is called the sandwich generation.⁸

This can be an exhausting situation and can take a toll on the emotional and physical health of the caregiver.

The coming "caregiver crunch"

According to a 2009 study by the National Alliance for Caregivers, there are approximately 66 million Americans serving as unpaid family caregivers, with the economic value of this care estimated at \$350 billion.⁹ But there will soon be a mass shortage of family caregivers for many reasons, including the fact that women, who provide the majority of caregiving, now account for almost half of the U.S. workforce and are increasingly challenged by balancing their work and caregiving responsibilities.¹⁰

³ U.S. Department of Labor, Women's Bureau, "Quick Stats on Women Workers, 2009"

⁴ "Caregiving in the U.S. 2009," National Alliance for Caregiving in collaboration with AARP

⁵ U.S. Department of Labor, Women's Bureau, "Quick Stats on Women Workers, 2009"

⁶ Ibid

⁷ Fact Sheet FCS 2082, a series of the Department of Family, Youth and Community Sciences, Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida. Revised July 2005.

⁸ Statistical Abstract of the United States, US Department of Labor and Age Wave analysis

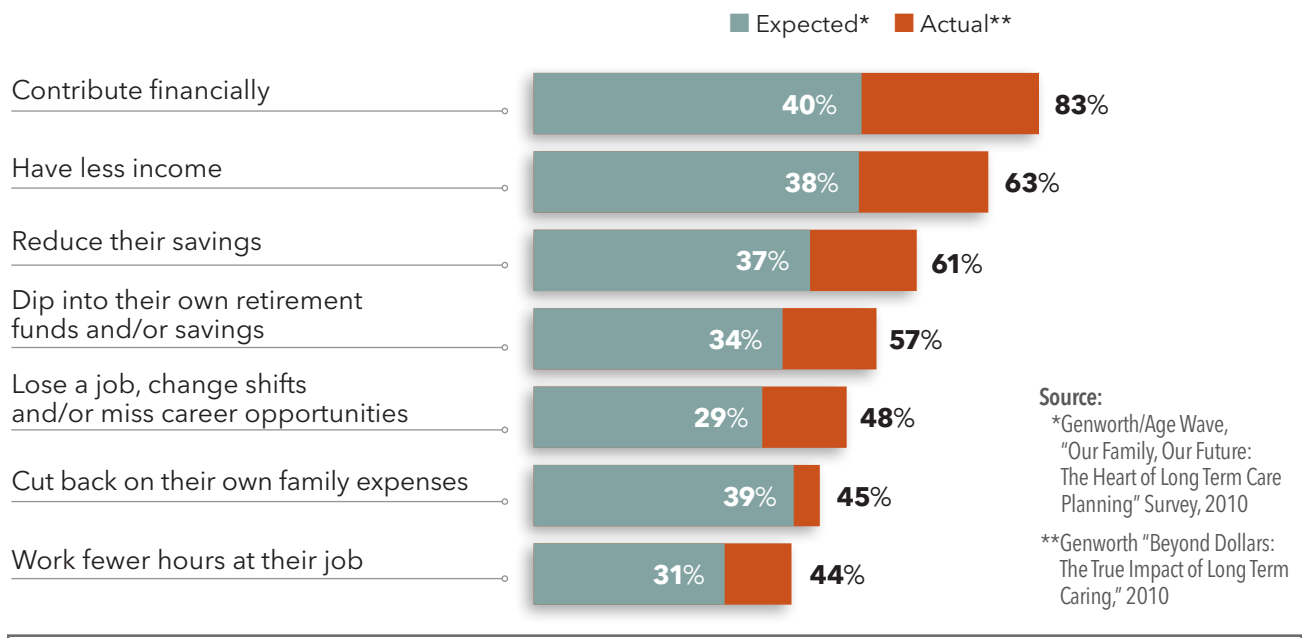
⁹ "Caregiving in the U.S. 2009," National Alliance for Caregiving in collaboration with AARP

¹⁰ Statistical Abstract of the United States, US Department of Labor and Age Wave analysis

Unexpected consequences of caregiving

Caregiving can have dramatic effects on caregivers' lives: their marriages, family dynamics, relationships with friends, professional commitments, financial stability and future security. In 2010, an Age Wave/Harris Interactive survey sponsored by Genworth found that when people became caregivers, their greatest worry was emotional strain – even more so than the financial costs. The survey also revealed that the actual impact of caregiving is often significantly greater than people expect.

Expected and actual impact of caregivers' responsibilities



The stresses of caregiving

The majority of long term care in this country is not provided by nursing homes, as many may incorrectly assume, but by women who are both approaching or are in their 50s, are employed full or part time, and may be responsible for their own children as well as the care of a loved one.¹¹ In another Genworth survey, "Beyond Dollars: The True Impact of Long Term Caring," over a third of surveyed caregivers reported direct negative consequences to their own careers resulting from their caregiving responsibilities. Many worked fewer hours with repeated absences, and nearly 20 percent reported a direct loss of career opportunity.¹²

¹¹ U.S. Department of Health and Human Services, "Where is Long Term Care Provided?" 10/22/2008

¹² "Beyond Dollars: The True Impact of Long Term Caring", Genworth Financial, 9/30/2010



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But women don't immediately abandon their caregiving responsibilities because of employment demands – they try to cope as best they can. However, sometimes the conflict between work and caregiving becomes too much, and as a result, 12 percent of caregivers eventually quit their jobs due to work and caregiving demands.¹³ This is not surprising, given that employed caregivers may feel they have two full-time jobs.

Caregiving is an extremely difficult job, and many caregivers show symptoms of declines in physical and mental health. Emotional stresses may include concern over the recipient's health and safety; loss of friends due to increased time spent caregiving; feelings of depression, anger or resentment; and a sense of guilt about wanting some personal time. In addition, many caregivers often pay out of pocket for goods and services provided to loved ones, making financial hardship an additional stress. In fact, only four in 10 caregivers obtain paid help from a housekeeper, in-home aide or some other assistant, because professional services are so costly.¹⁴

Finally, it is not uncommon for caregivers to have serious health problems. Research shows that caregivers are likely to have more sick days since, in dealing with infectious disease, they have a weaker immune response to the flu and are more susceptible to long-term medical problems such as heart disease, cancer, diabetes or arthritis than their non-caregiver counterparts.¹⁵ According to a study by the U.S. Department of Health and Human Services, elderly people who felt stressed while taking care of a disabled spouse were 63 percent more likely to die within four years than those caregivers who were not feeling stressed.¹⁶ And part of the reason caregivers have health problems is that they are less likely to take care of themselves – they get less sleep, do not exercise regularly or eat properly, and do not keep up with their own medical care.¹⁷

With all this to consider, people are “running on empty,” says Barbara McVicker, a consultant with companies on caregiving issues and author of *Stuck in the Middle*.¹⁸ The good news, she acknowledges, is that more working people are raising awareness among their employers, who are beginning to recognize the needs caregivers may have. They are similar to the childcare needs the workplace has worked to meet over the last 20 years.

With all this to consider, people are “running on empty”

Barbara McVicker
author, *Stuck in the Middle*

¹³ Fact Sheet FCS 2082, a series of the Department of Family, Youth and Community Sciences, Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida. Revised July 2005.

¹⁴ “The Cost of Caregiving,” AARP, Elinor Ginzler, January 2010

¹⁵ “Caregiver Stress,” U.S. Department of Health and Human Services, Office on Women's Health, May 2008

¹⁶ Ibid

¹⁷ Ibid

¹⁸ AARP, “The Difficulties of Caregiving, Particularly for Young Boomer Women,” Alejandra Owens 12/21/2009

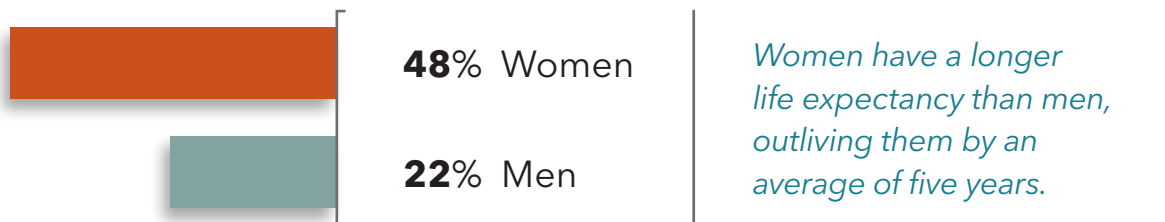
Women are at Greater Risk



As they age, women may be likely to face major challenges as they seek to maintain their independence and security. Women have a longer life expectancy than men, outliving them by an average of five years. Women who reach age 65 can expect to live an average of 20 more years, and those who reach age 75, an additional 13 years.¹⁹ So women are more likely to be single as they age, with nearly half of women age 75 or older living alone, compared to less than one quarter (22 percent) of men.²⁰

When their husbands need long term care, wives are there to help them. Many times, women who help care for their dying husbands must then live alone as they continue to age and begin to need help to care for themselves and their homes. Unfortunately, many women are widowed by the time they need care, and there is no one there to provide it for them.

Percentage of Americans living alone age 75 or older, by gender, 2005



Source:
AARP Public Policy Institute Fact Sheet, April 2007

With advancing age comes an increase in the need for long term care services. That's why almost two-thirds of formal (paid) and informal (unpaid) home care recipients are women. And it's not surprising that over 70 percent of nursing home residents are women, with the average age of admission being 80.²¹

¹⁹ National Center for Health Statistics, "Health, United States, 2006," Table 27

²⁰ AARP Public Policy Institute Fact Sheet, April 2007

²¹ Ibid

Since a major factor affecting income is marital status, millions of older women are unable to pay for long term care services.²² And since women may take many years out of the workforce to care for children and families, their retirement savings tend to be smaller.²³ The fact is that elderly women are more likely than men to run out of resources later in life.²⁴

“Long term care is a critically important issue for women,” explains Jesse Slome, Executive Director of the American Association for Long Term Care Insurance (AALTCI), a national trade group. “The vast majority of women who are age 50 or older considerably underestimate the risk (of needing long term care) and have no (long term care) plan in place.”

According to the AALTCI, when it comes to long term care insurance, women currently account for nearly 66 percent of the annual benefit dollars paid.²⁵ Many industry experts advise women to begin investigating long term care insurance when they turn 50. “At this age, you are far more likely to qualify for good health discounts that you don’t lose even if your health changes in future years,” says Slome.



Alzheimer’s Impact on Women

Ten million women either have Alzheimer’s or are caring for someone with the disease.

In the next 70 seconds, someone in this country will develop Alzheimer’s.²⁶ The recent release of *The Shriver Report: A Woman’s Nation Takes on Alzheimer’s* emphasizes the alarming challenges of the disease and, in particular, how women are affected. The report is a collaboration between Maria Shriver, whose father, Sargent Shriver, was diagnosed in 2003, and The Alzheimer’s Association.

It stresses that women make up two-thirds of the people in the U.S. with Alzheimer’s and account for 60 percent of the unpaid caregivers for people with the disease. Hence, 10 million women either have Alzheimer’s or are caring for someone with the disease. It’s no wonder that people rank having Alzheimer’s disease as their single greatest fear among disabling diseases in later life.²⁷ It is by far the leading health condition that requires long term care.²⁸

²² “AARP Public Policy Institute Fact Sheet,” April, 2007

²³ Ibid

²⁴ Ibid

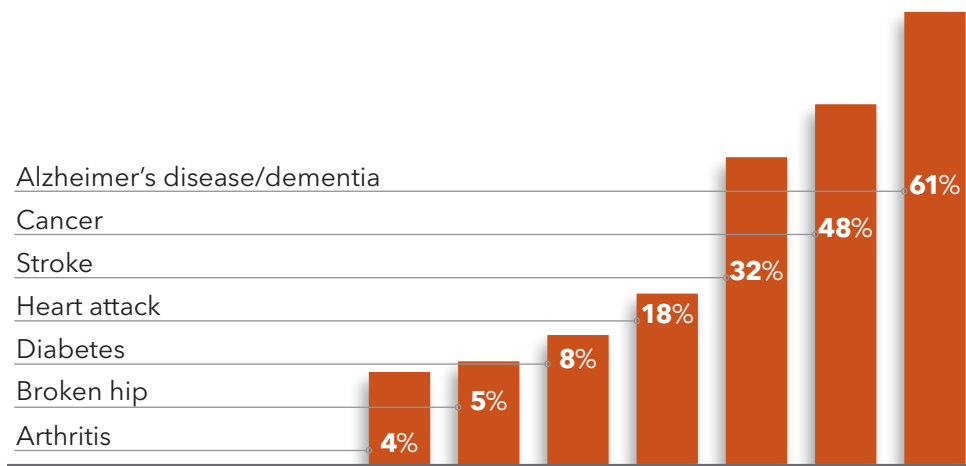
²⁵ “Woman’s Guide to Long Term Care Insurance Protection,” November, 2008

²⁶ “The Shriver Report: A Woman’s Nation Takes on Alzheimer’s,” A Woman’s Nation Takes on Alzheimer’s, Maria Shriver, The Alzheimer’s Association, October 2010

²⁷ Genworth/AgeWave, “Our Family, Our Future: The Heart of Long Term Care Planning” Survey, 2010

²⁸ Long Term Care Educator, Mary E. Denham, 2006-2011; <http://www.longtermcareeducator.com>, accessed 10/01/11

Disabling diseases most feared in later life



We need to understand that almost a third of Americans have a family member with Alzheimer's, and that women are at the center of this disease.

Source: Genworth/AgeWave, "Our Family, Our Future: The Heart of Long Term Care Planning" Survey, 2010

The Shriver Report reveals shocking numbers that alert us to the fact that, as a nation, we need to understand that almost a third of Americans have a family member with Alzheimer's, and that women are at the center of this disease. The report says that almost two-thirds of working caregivers report having to come to work late or leave early as a result of providing care. Yet they receive less support for elder care than for child care. And nearly 40 percent reported that they had no choice in becoming a caregiver because no one else would do it.

"A woman who is caregiving, raising children, working outside the home, being a good community volunteer absolutely does not have enough energy and time to do it all," says Sue Friedman of the Alzheimer's Association.²⁹ She goes on to say, "the statistics are pretty startling and grim that between now and 2050, which is not that far away, we may triple the incidents of Alzheimer's disease." As of 2010, 5.1 million people age 65 and over have Alzheimer's disease. It is estimated that by 2050 that number will swell to 13.2 million – a 259 percent increase!³⁰

A woman caring for someone with Alzheimer's is more likely to be depressed. According to *The Shriver Report*, 68 percent of women experienced emotional stress, and 51 percent said they suffered from physical stress. They did not realize what a toll caregiving took on their own lives and health, putting aside their own needs and dreams. The report is a good reminder of how important support is for the millions of women trying to balance caregiving with jobs and families. Increased public awareness will hopefully encourage a national dialogue about Alzheimer's and its effects on women and society.

²⁹ NBC29.com – "Shriver Report on Alzheimer's Released," Jennifer Von Reuter, October 15, 2010, updated October 29, 2010

³⁰ AARP Public Policy Institute Fact Sheet, April 2007

Improving Care and Helping Caregivers Cope

It's all about having options. A group of Genworth Benefit Analysts gathered to confer on approaches taken to help those needing care.* The range of options they discussed went far beyond processing invoices and making payments. They made a difference for long term care insurance policyholders and offered solutions to help caregivers cope.

Here are some examples they cited:

- A college student had a sick father at home. She prepared to cut back on her courses to reduce family expenses and looked for a job to raise extra money to help her family. Her father was insistent that no one else care for him but her.

The daughter became an employee of a home health care service and was assigned to care for him. While family members are typically excluded from being reimbursed, in this situation, the daughter was able to provide care for her father.**

In this case, long term care insurance allowed a family to make the most of a difficult situation. And since the job provided flexible hours, she could continue taking her normal course load at college.
- The wife of a LTCI policyholder with Alzheimer's was insistent that he live at home under her care. But the Senior Benefit Analyst suggested he try going to adult daycare three days a week, and she agreed. The daycare was covered under his long term care insurance policy, giving him access to additional services and giving his wife a respite to enjoy time with her friends.
- A wife wanted to care for her husband at home but couldn't continue managing all the chores involved in running the household. The husband's plan of care provided for homemaking tasks to be performed. The policy reimbursed for homemaker services, which helped with meal preparation and light housecleaning, allowing the wife to focus on caring for her husband and alleviate some of the burden of completing the chores.
- A man caring for his wife wasn't familiar with how to do household chores and developed anxiety about having to learn. Even though he was physically capable of performing the chores, coverage for homemaker services was included under his wife's policy, helping him give his wife the best care he could.
- A couple living in an assisted living facility wanted to return to their home to be with their disabled daughter. After only six weeks, one of them required a higher level of care at a facility again, but because long term care insurance gave them a home care option, they were able to give it a try.

* Interview by conference call, August 16, 2004, with Michael Heard, Senior Vice President of National Claims, Long Term Care Insurance Division, and Senior Benefit Analysts: Alice Brunfeld, Elin Hyytinen, Michael Jackson, Robyn Torres and Lori Watson. Policyholders discussed above were eligible for the payment of benefits under their long term care insurance policies, and the benefits received were part of their plan of care.

** The daughter became a regular employee of the organization providing services, the organization received payment for those services, and she received normal compensation for employees in her job category.

The Cost of Care



Even a temporary stay in a nursing home can have a substantial impact on years of careful financial planning. Long term care services are expensive – and many of us underestimate the cost of care. According to Genworth’s eighth annual Cost of Care Survey (April 2011), the median annual cost for nursing home care in the United States is \$77,745, or \$213 per day, for a private room.

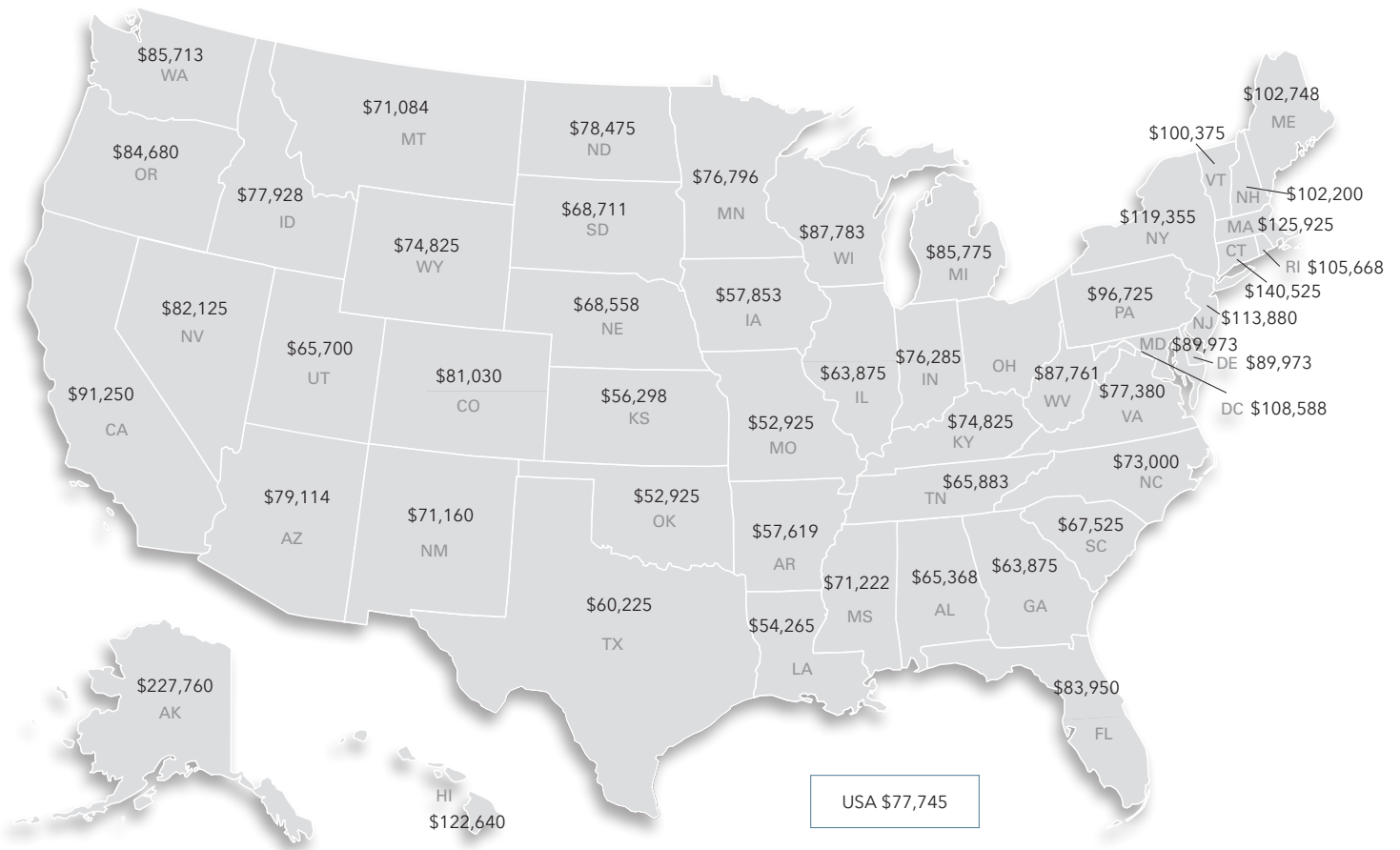
The hourly rate for a home health aide is \$19, which has remained flat in part because of increased competition among agencies, the availability of unskilled labor and agencies avoiding the costs associated with maintaining stand-alone health care facilities.

The annual cost for a one bedroom/single occupancy unit in an assisted living facility is \$39,135 (\$3,261 per month). The trend in pricing among assisted living facilities has changed considerably. These facilities continue to offer a wide range of care needs fueled by our growing elder population. Many facilities now provide services ranging from high-level continual care or supervision to a minimal level of care for healthier individuals who can take care of themselves.

As the range becomes broader, so does the range of monthly costs. According to the findings of the Genworth Survey, there is no indication in the base data that the increase in rates for care in assisted living facilities will be dramatically different from the price increase rate experienced for care in nursing homes.³¹

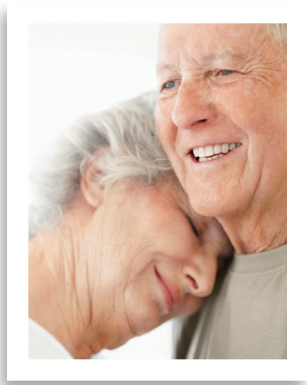
³¹ Genworth 2011 Cost of Care Survey. Conducted by CareScout®, 4/2011.

Nursing Home: Private Room Median Annual Rate*



*Numbers exclude Puerto Rico

The Reality of Paying for Care



Long term care insurance also allows people to participate in choosing their care setting and in the type of services they receive.

Many families put little thought into what kind of long term care help they or their elders may need and how they will pay for it – whether it is help with grocery shopping and bathing or full-time care in a nursing home. It is usually not until a crisis arises and they are face to face with the problem that they confront the issue. But we need to ask ourselves, “Who pays for long term care?”

Many of us mistakenly believe that government programs will take care of it. A national public opinion poll commissioned by Genworth in 2007 found that more than 55 percent of Americans have a family member or close relative who has needed long term care services, yet roughly three in four people have made no plans for their own or a loved one’s future long term care needs.³² The poll found that Americans underestimate the cost of long term care, making out-of-pocket costs for long term care especially burdensome.³³

Ultimately, overburdened government programs are forced to cover the gap, further straining our nation’s public assistance programs. For some, long term care insurance is a reasonable solution to the often overwhelming expenses brought on by long term care needs. Yet fewer than 10 percent of Americans most likely to need long term care currently have private coverage.³⁴ Many assume it will be covered as they grow older and qualify for Medicare.

Generally, Medicare provides limited coverage for nursing home and home health care only if certain conditions are met. Medicare will pay for up to 100 days of care in a skilled nursing facility per benefit period – 100 percent for the first 20 days (after a three-day hospital stay if skilled care is needed). Then, for days 21-100, Medicare requires co-payments. To help cover this, many seniors have Medicare supplement insurance. But in general, once Medicare stops paying for care, the supplement payments will also end.

Most long term care services assist people with things such as activities of daily living, including dressing, bathing and using the bathroom. Services may also include care that most people can normally provide for themselves – like diabetes monitoring. This is called custodial care or non-skilled care, and Medicare does not pay for custodial care.³⁵

Medicaid, the largest payer of long term care services, generally pays for certain health services and nursing home care for those with low incomes and few assets. Eligibility rules may require reducing one’s assets to \$2,000 or less, selling personal assets such as a second home or car, and liquidating retirement assets such as a 401(k). Medicaid has strict limitations on the amount of assets you may own and the amount of income you may receive.

³² Genworth 2007 National Poll Findings, conducted March 25-27, 2007 Public Opinion Strategies

³³ Ibid

³⁴ Ibid

³⁵ Medicare.gov. Site accessed 05/01/11.

Medicaid also limits the scope of care provided, with care guidelines still heavily favoring institutional care in nursing homes, although in some cases, Medicaid may also pay for limited long term care services at home or in the community. There are also restrictions on transferring assets to others in order to qualify for Medicaid, and up to five years' worth of an individual's financial history may be reviewed to look for such transfers, making it difficult for middle-income Americans to qualify.

In an opening statement to a Senate Finance Health Subcommittee hearing, Senator John D. Rockefeller IV stated what is so important for the public to know. "Contrary to what most Americans believe and expect, Medicare does not provide meaningful coverage for long term care. And, help with Medicaid, the largest payer of long term care, requires individuals to spend down their income and assets to a level of impoverishment."³⁶ The out-of-pocket costs of long term care services can be catastrophic for some individuals and families, often exceeding annual income and, in some cases, savings and assets.³⁷

In addition, although Medicaid is intended as a safety net program for people living in poverty, it has also become the default long term care funding source for many older people who start their retirement years financially comfortable, but end up exhausting their assets and impoverishing themselves paying for long term care out of pocket.

Often this spend-down is an unintended result of a lack of planning for long term care by individuals and families, as well as widespread misconceptions about long term care, such as the mistaken belief that it will be covered by Medicare or other health or disability insurance.³⁸

Another option for many is to simply self-insure; in other words, use personal savings and income to pay for care as needed. An individual who self-insures retains maximum flexibility and control over his or her care but must bear the full financial risk of impairment. This will depend on the extent and duration of the care needed. Significant impacts to savings can leave little, if any, wealth for inheritance or other uses.

Wealthy individuals are likely to have sufficient funds to pay for long term care, and those with very low incomes will probably be eligible for help from the government. But for the vast number of people in between, long term care insurance can play an important role to fill this void. Long term care insurance also allows people to participate in choosing their care setting and the type of services they receive.

The public's lack of understanding about who will pay for long term care is an obstacle to proper long term care planning. With increased awareness about the limitations of government programs, the public should be motivated to make decisions and provide advance funding to pay for care.

Contrary to what most Americans believe and expect, Medicare does not provide meaningful coverage for long term care.

Senator John D. Rockefeller IV

³⁶ Opening Statement of Senator John D. Rockefeller IV, Chairman, Subcommittee of Health Care, to the Senate Finance Health Subcommittee, March 25, 2009

³⁷ Congressional Research Service Long Term Care: Financing Overview and Issues for Congress, Julie Stone, February 1, 2010

³⁸ "Medicaid and Long Term Care: New Challenges, New Opportunities, and Implications for a Comprehensive National Long Term Care Strategy," June 2010, Prepared for Genworth

Sources of Financing

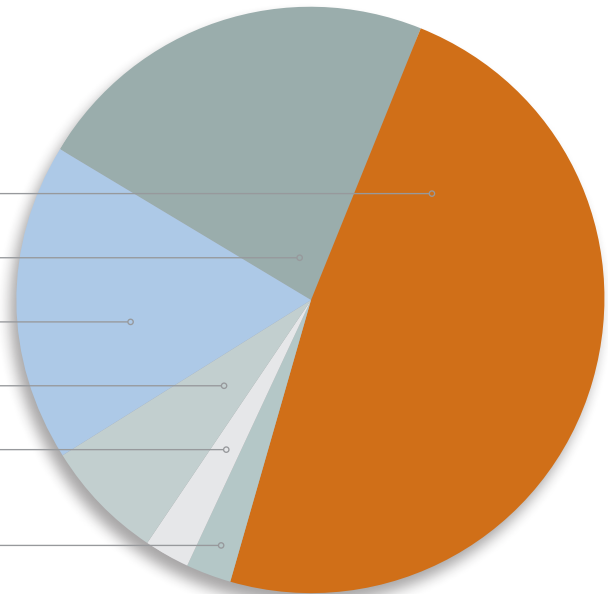


According to the Congressional Budget Office, the U.S. spends more than \$200 billion annually on long term care, not including unpaid services provided by friends and family members.³⁹ Even excluding donated services, the cost is still a staggering \$135 billion per year.⁴⁰

Formal long term care services in the U.S. are financed by a wide variety of public and private sources. The largest payer of long term care in the country is Medicaid, paying for almost half (48.5 percent) of all formal care, totaling \$114.1 billion or 32 percent of total Medicaid spending.⁴¹ Because Medicaid is administered and partially financed by each state, there is a wide range in both eligibility criteria and benefits across the country. For example, an individual may qualify for a comprehensive service package in one state, then more limited services in another state and perhaps no services at all in yet a third state. So although public programs may meet the long term care needs of some, there are clearly many unmet needs.⁴²

Major Sources of Financing for Long Term Care Services

Medicaid	48.5%
Medicare	22.4%
Out of Pocket	17.7%
Private Insurance	6.6%
Other Private (i.e., Charitable Organizations)	2.5%
Other Public (i.e., Veterans and state-funded programs)	2.4%



*Despite the large public commitment to financing care, most long term care is provided by informal sources such as family and friends – who provide care without compensation.*⁴³

Source: Congressional Research Service estimates based on 2007 National Health Expenditure Data, Centers for Medicare and Medicaid Services. Total percentages do not add up to 100 due to rounding.

³⁹ Center for American Progress, Long Term Care by the Numbers, 2008

⁴⁰ Congressional Research Service: Long Term Care: Financing Overview and Issues for Congress, Julie Stone, February 1, 2010

⁴¹ Medicaid Long Term Care Spending FY 2009, Eiken, Dredl, Burwell, Gold, 2010

⁴² Congressional Research Service: Long Term Care: Financing Overview and Issues for Congress, Julie Stone, February 1, 2010

⁴³ Ibid

Rising Awareness Among the Public and Private Sectors for Long Term Care Strategies



The aging U.S. population has caused increased concern about the way long term care is financed and delivered in this country. According to a 2010 Congressional Research Service Report, *Long Term Care: Financing Overview and Issues for Congress*, Congress continues to be concerned about many issues including:

- 1 barriers to public and private coverage;
- 2 strains on federal and state Medicaid budgets;
- 3 coordination of care across Medicaid, Medicare and other public programs;
- 4 spending on institutional care vs. home and community-based services and
- 5 challenges facing long term care consumers.

To address some of these issues today, most Federal and U.S. Postal Service employees and annuitants, active and retired members of the uniformed services, and their qualified relatives are eligible to apply for insurance coverage under the Federal Long Term Care Insurance Program (FLTCIP). Several state governments also offer long term care insurance coverage to their employees and retirees and their families. It is hoped that long term care insurance programs like these will help enrollees and their families pay for the costs of long term care.

Public Policy Issues



There is widespread concern about the financial pressure on the Medicaid and Medicare programs. Medicaid is jointly funded by the federal and state governments, and while each state has some flexibility in determining what benefits they provide and who is eligible to receive them, they must abide by federal guidelines. The federal government pays a portion of each state's Medicaid costs. The funding is adjusted each year and Congress can increase the funding across the board at any time.

According to a report by Deloitte LLP's Center for Health Solutions, without immediate action, the state governments' obligation to their long term care Medicaid participants could incapacitate government effectiveness.⁴⁴ Because Medicaid is the primary source of long term care services, the report emphasizes the enormous pressures on state budgets. The report goes on to highlight the severity of the situation, noting that if current trends in long term care spending continue, Medicaid budgets as a percentage of state operating budgets will almost double by the year 2030, from the current 20 percent to 35 percent in some states. "Obviously, this is not sustainable," according to the authors.⁴⁵

The Deloitte LLP study says "Medicaid long term care is one of state government's most urgent health care challenges. Failure to innovate with medical and administrative best practices is likely to result in runaway costs, poor quality care and challenging fiscal budget holes for states. Taxpayers and the millions of people who depend on Medicaid long term care should understand that this is a critical issue that demands immediate attention. States shouldn't wait for the crisis to hit, given how clear it is what's coming."⁴⁶

The study continues, "There is currently no coordinated, comprehensive system of the provision and financing for long term care services in the United States. States are left to fend for themselves, and they will have to find ways to meet the demands of the health care reform bill with decreasing resources." The authors of the study conclude, "[This] is one of the most urgent health care problems for most states."⁴⁷

At least for the near term, Medicaid will continue to be the financing system for long term care services. States will continue to be pressured to control their Medicaid costs, while at the same time, with an aging population, the need for services will continue to grow.

⁴⁴ "Medicaid Long Term Care: The Ticking Time Bomb," Deloitte Center for Health Solutions June 2010.

⁴⁵ Ibid

⁴⁶ Ibid

⁴⁷ Ibid



An incentive to buy long term care insurance, rather than rely solely on Medicaid to pay long term care expenses, is the asset protection afforded by policies that qualify under state partnership programs. If the insured under a state partnership-approved long term care insurance policy exhausts their policy benefits and applies for Medicaid, they can shelter, for eligibility purposes, an amount of assets at least equal to any benefits paid under the partnership policy. The assets sheltered under the partnership policy will generally also be protected at the insured's death from Medicaid estate recovery actions.⁴⁸

Premiums (up to federal age-based limit amounts) a person pays for tax-qualified long term care insurance covering their self, spouse and legal dependents may be deductible for federal income tax purposes. To the extent this deduction is available, it would generally be taken as an itemized medical expense deduction; or, for those who are self-employed, as an above-the-line deduction. Long term care insurance premiums may also qualify for state income tax credits and/or deductions in certain states.

Several provisions in health reform offer states incentives to make long term care available to people in their homes or in the community. These include:⁴⁹

- A new Community First Choice option that gives states extra federal money to provide home and community services to people who would otherwise need nursing home care.
- A new State Balancing Incentives program that will improve standards for home care programs, encourage states to move funds away from nursing homes, and increase the number of people receiving home and community-based services.
- Spousal impoverishment protections that provide greater protection for spouses of people needing Medicaid home and community services. While amounts vary by state, spouses may be able to keep half of the couple's countable assets – up to a ceiling as high as \$110,000 – with a maximum monthly income allowance of about \$2,700.
- Added funding for better information and referrals to help people find and pay for long term care, and for programs to identify and support nursing home residents who can return to their homes.

⁴⁸State and Medicaid eligibility requirements vary. For example, the Partnership Program does not affect Medicaid income requirements or other non-asset related eligibility requirements. Individuals should consult an attorney for advice related to their particular situation

⁴⁹ "Straight Talk for Seniors, Will Health Care Reform Change Your Health?" National Council on Aging, 2010

A self-employed individual can deduct his/her out-of-pocket long term care insurance premiums, up to the age-based premium amount. The portion of long term care insurance premiums that exceeds the eligible amount is not deductible as an itemized medical expense. The deductible amount includes eligible premiums paid for spouses and dependents.

It is not necessary to meet a 7.5% AGI threshold in order to take this deduction. However, a self-employed individual may not deduct long term care insurance premiums during any calendar month in which he/she or his/her spouse is eligible to participate in a subsidized long term care insurance plan (where an employer pays all or part of the premiums for long term care insurance). Please consult your tax advisor for details.

And finally, several provisions in health care reform offer states incentives to make long term care available to people at home. These include:

- A new Community First Choice option that gives states extra federal money to provide home and community services to people who would otherwise need nursing home care.
- A new State Balancing Incentives program that will improve standards for home care programs, encourage states to move funds away from nursing homes, and increase the number of people receiving home and community based services.
- Spousal impoverishment protections that provide greater financial protection for spouses of people needing Medicaid home and community services. While amounts vary by state, spouses may be able to keep half of the couple's countable assets – up to a ceiling as high as \$110,000 – with a maximum monthly income allowance of about \$2,700.
- Added funding for better information and referrals to help people find and pay for long term care and for programs to identify and support nursing home residents who can return to their homes.

Since these new provisions are optional to the states, it's difficult to predict how many will adopt these changes.⁵⁰ There is clearly an effort being made to help individuals stay in a more comfortable home or community environment instead of an institutional setting. The Deloitte report also suggests more efficient delivery focused on better care coordination for those receiving Medicare and Medicaid, more home care services, and further incentives to encourage middle-class consumers to buy private long term care insurance.

⁵⁰ "Straight Talk for Seniors, Will Health Care Reform Change Your Health?" National Council on Aging, 2010

Features of Long Term Care Insurance Policies

We've seen that long term care insurance policies can offer options for care that federal programs may not adequately cover – such as easier access to home health services designed to help patients stay at home.

Long term care insurance is not a one-size-fits-all proposition. Within and among long term care insurance policies, there are many variations that affect the level and extent of care and pricing. Just as with auto insurance or other forms of insurance, the higher deductible (typically called an Elimination Period in long term care insurance policies) you are willing to accept, for example, the lower your premiums will be. Those interested in long term care insurance should work with their advisors to determine the level and extent of coverage that may be appropriate.

Here are some points to consider, should you choose to look further into the possible purchase of a long term care insurance policy.

- Do you live in a state with a Partnership for Long Term Care program?
- Should you buy a long term care policy now or wait until you are older? The Connecticut Partnership for Long Term Care notes, "You should discuss the timing of your purchase with your family, financial and legal advisors and insurance agent. The younger you are at the time you purchase, the less expensive the premium and the greater the likelihood you will be [health qualified and] accepted for coverage."⁵¹
- How much protection should you buy? The United States Department of Health and Human Services states in its "Own Your Future" education booklet on long term care that buying a policy that covers three to five years of care is cost effective, but those who are concerned about Alzheimer's or other forms of dementia may want to consider a longer period of coverage.⁵²

⁵¹ Connecticut Partnership for Long Term Care, "Planning Today for a Secure Tomorrow," April 2005

⁵² U.S. Health and Human Services Department, Centers for Medicare and Medicare Services, "Own Your Future," dated December 2002

Peggy's Story – Generations



Peggy says the best advice she has been able to give her daughter came from dealing with her own mother during a tough time.

“When I was 59, my Mom broke her hip and, because of her health history, needed the kind of constant care we couldn't give her at home. Finding a place for her was one of the toughest decisions my sisters and I ever made. But Mom ended up loving the place we found. The only problem was the cost.”

“We sold Mom's house and were able to fund the care she needed with the proceeds from the sale. That was a tough decision, but we will always have great memories of our childhood there.” That life event made Peggy think about her own financial situation and her own daughter.

“It's reassuring to know I can help protect myself against the financial impact of potential long term care costs. I know my daughter would do anything for me, but I don't want to be a burden on her emotionally or financially.”

So Peggy called her daughter and talked about her concerns. “That's the lesson. You have to talk about and prepare for the tough stuff before it happens,” says Peggy.

Peggy likes knowing that she'll be able to get professional care if she needs it and that her daughter won't be left to make tough decisions. Peggy wants to have a voice; to have choices of where she receives care, whether that is at home or in a facility. She also likes being able to have a say in who will be providing that care.

