

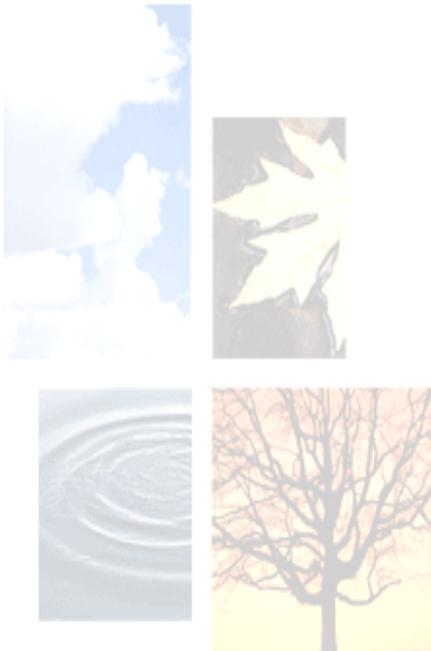
Long-Term Care Planning and Insurance

Presented to **Medicaid Commission**

March 14, 2006

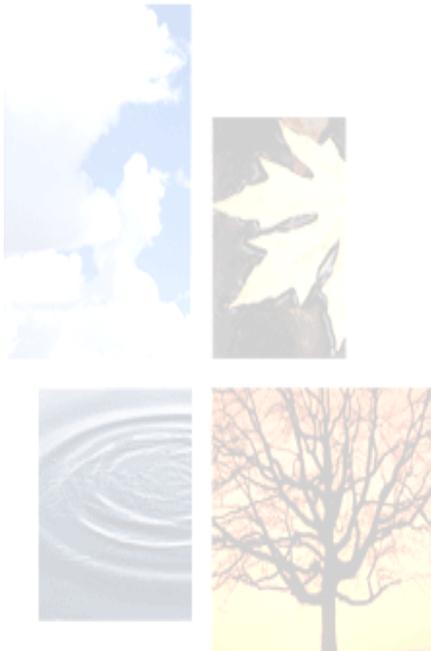
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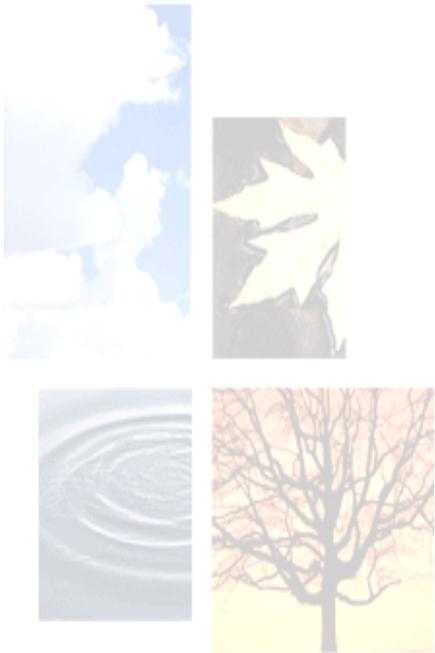
Purpose

- To present background information on long-term care (LTC) planning.
 - What is it?
 - Is it happening?
 - What are the obstacles to appropriate planning?
- To provide information on how LTC insurance fits into the planning picture.
- To provide data on the impact of growth in the LTC insurance market on consumers and on Medicaid expenditures.



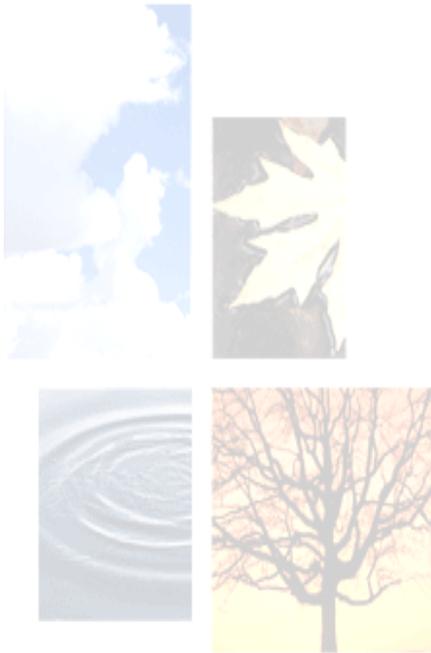
What is LTC Planning?

- Understanding the risks and costs associated with needing long-term care.
- Understanding what sources of financing are available and under what conditions.
- Taking steps to assure that if care is needed, it can be arranged and paid for.



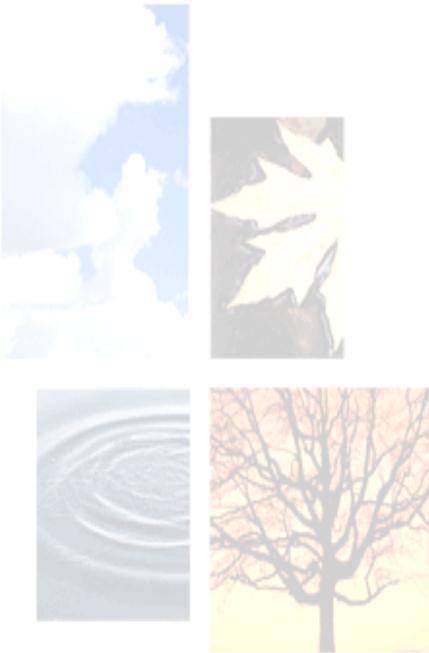
Key Characteristics of LTC Planning

- Involves setting aside resources today, to assure protection in the future.
- Often includes estate planning, family coordination, service mapping, home modifications.
- Involves the interplay of individual preferences, lifestyle and needs.
- Typically distant or long time horizon.
- Involves not just “patient” but family as well.

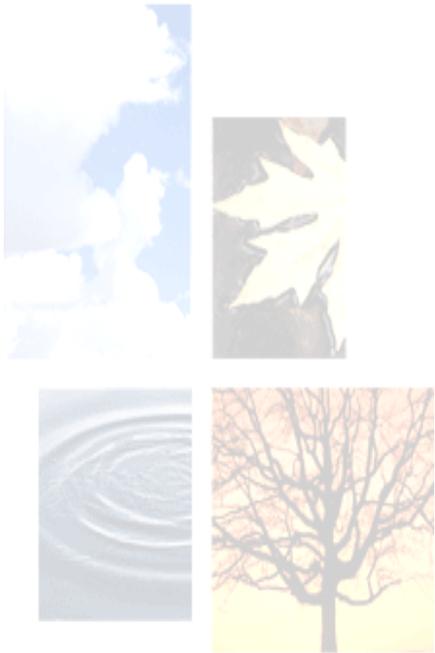


Why Plan ahead?

- Provide choice and control over care options.
- Ease the burden on family caregivers of providing care.
- Preserve assets and income for spouse or family members.
- Minimize worry and reduce emotional stress.
- Maintain independence during retirement.

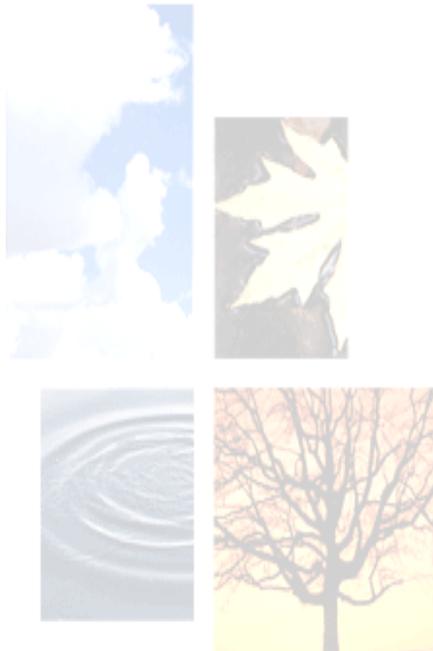


Are people planning for their
long-term care needs?



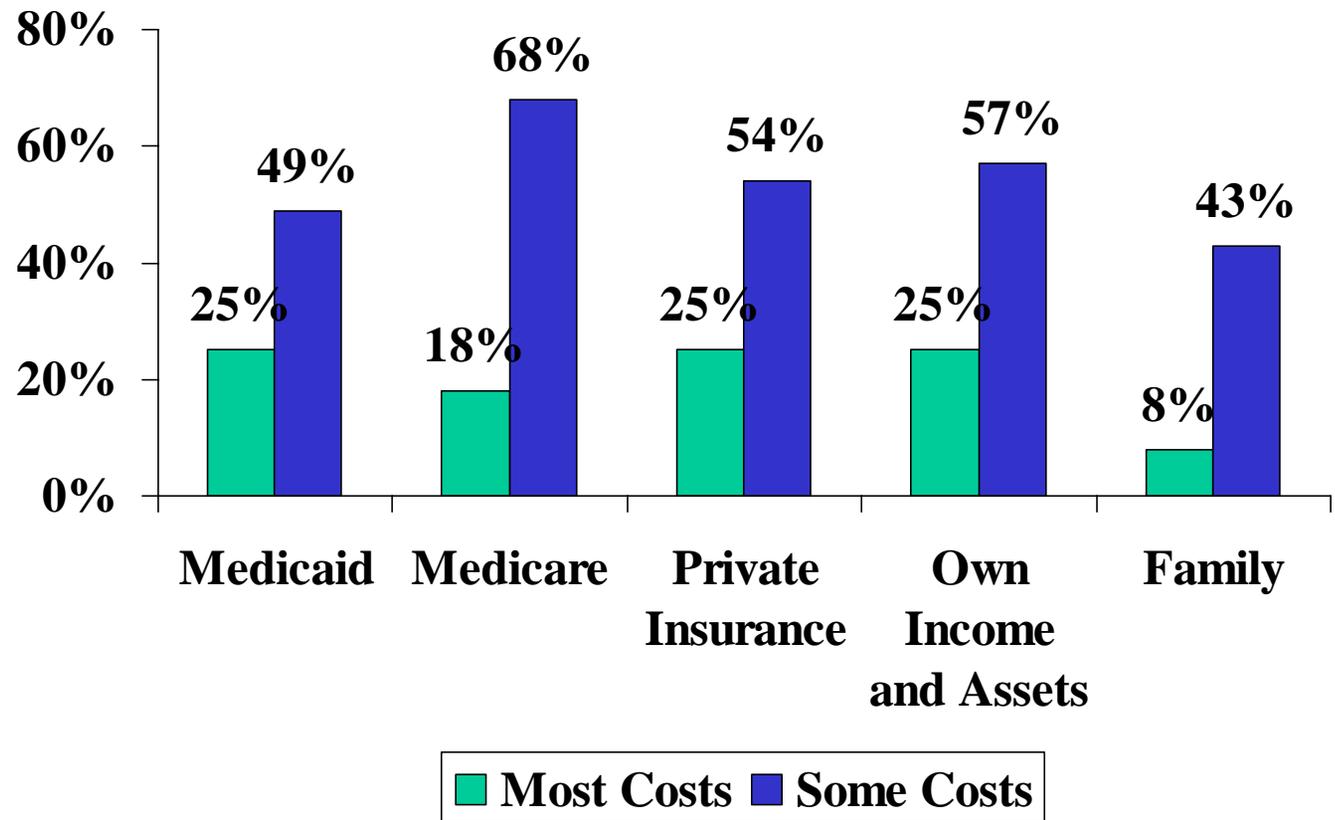
Key Barriers to Planning

- Lack of awareness of the risks of needing care.
- Denial and difficulty discussing LTC issues.
- Lack of awareness of costs of care and who pays for costs.
- Belief that there is adequate public coverage.
- Competing planning priorities.

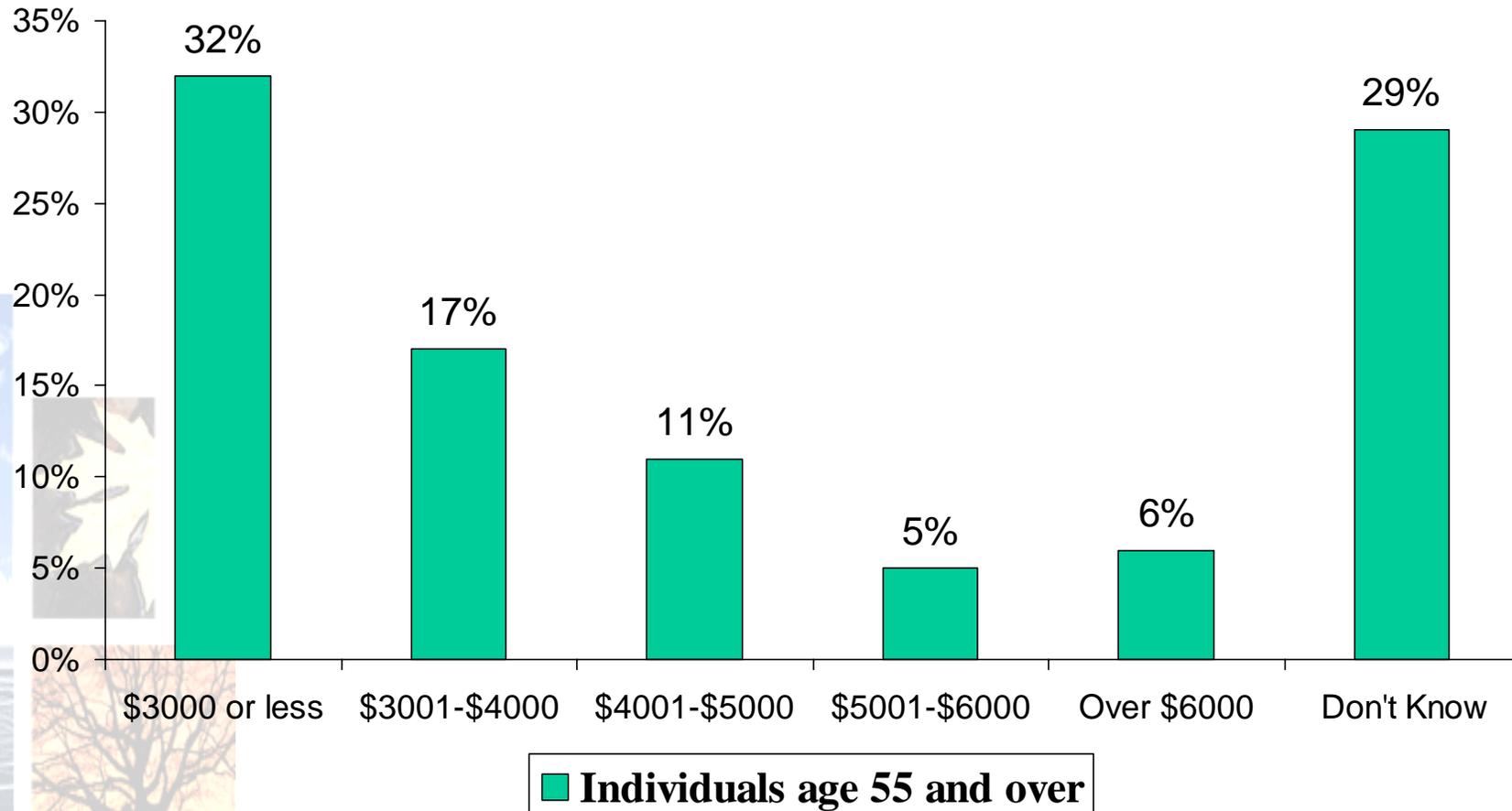


Inaccurate information about how costs would be paid

(survey of individuals 50-70)



People underestimate future liabilities (monthly nursing home costs)



Average monthly cost in 2005 of nursing home care is between \$5,300 and \$6,175 depending on type of room;

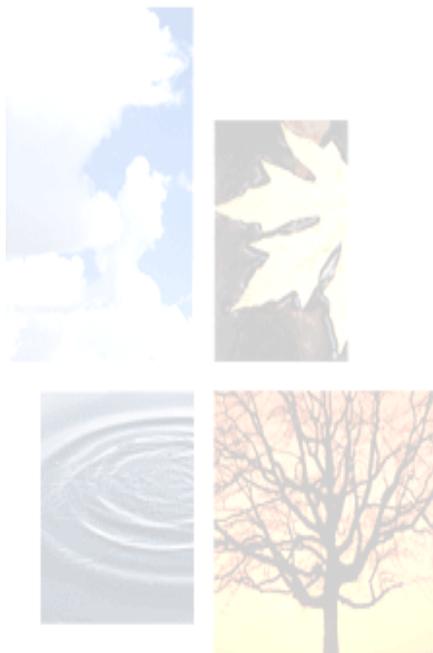
What can be done to encourage planning?

- Public education and awareness campaigns.
 - Expansion of DHHS Five State Long-Term Care Consumer Awareness Initiative
 - Response Rates to LTC Planning kits was 8.1%
- Tax incentives for purchase of LTC insurance.
- Public-private partnerships.
- Public employee LTC insurance programs.
- Expanded group insurance offerings.



Why support growth in Private LTC Insurance Market?

- Provides a mechanism for assuring financial protection, access to care, and affordability of services.
- Dramatic improvements in product.
- Less expensive when purchased at young ages.
- Individuals accessing benefits under the products are satisfied and it is making a positive impact on family caregivers.
- Provides significant protection against the costs of LTC.

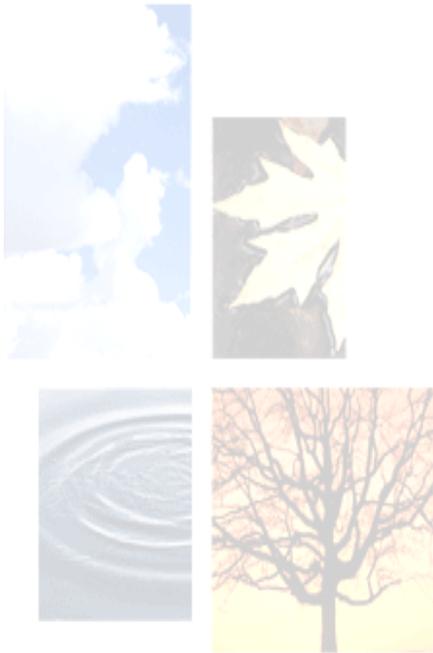


Policies are dramatically improving

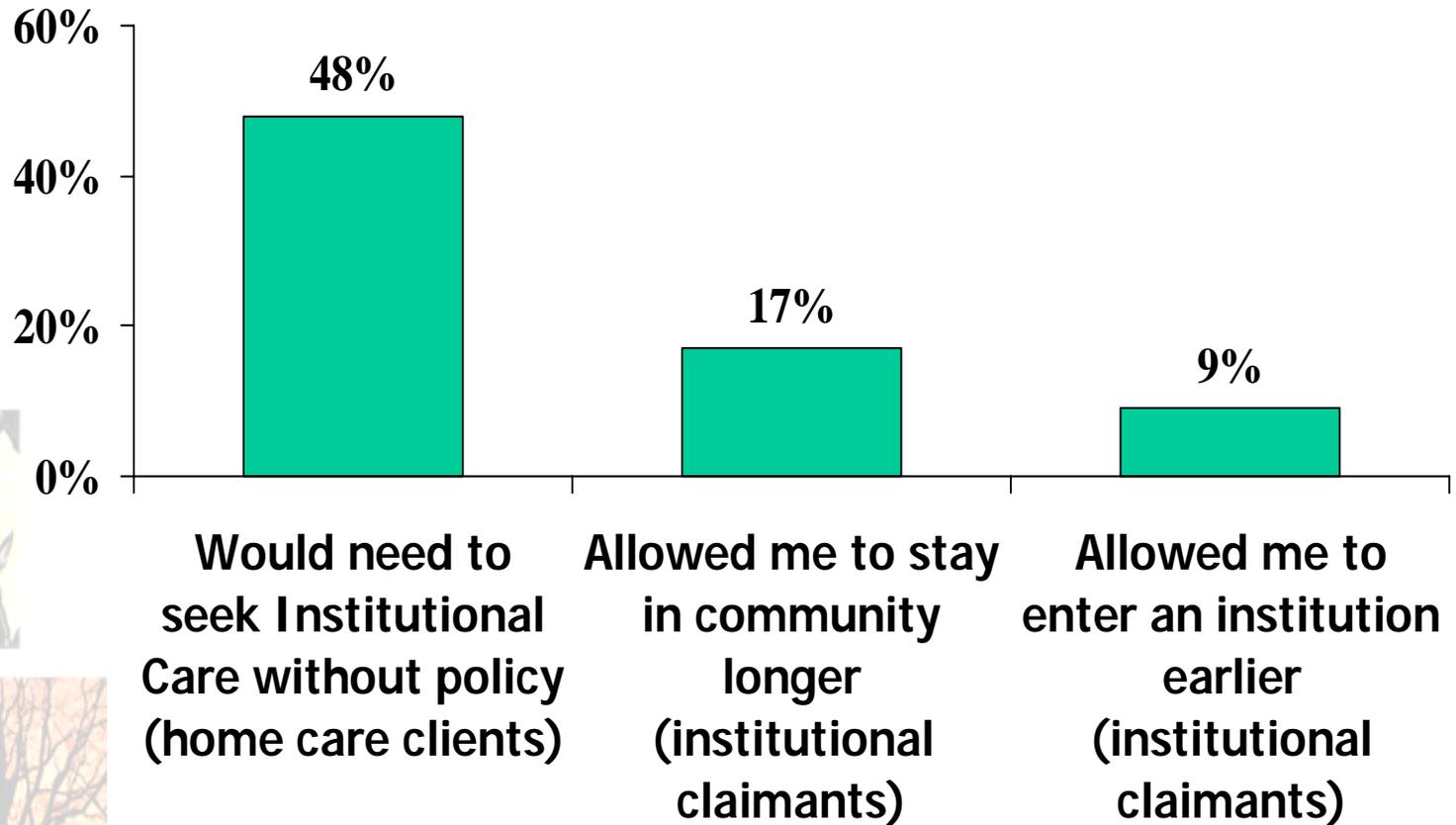
	2000	1995	1990
Comprehensive	77%	61%	37%
NH Daily Benefit	\$109	\$85	\$72
HHC Daily Benefit	\$106	\$78	\$36
Benefit Duration	5.5 years	5.1 years	5.6 years
Elimination Period of < 90 days	41%	61%	78%
Annual Premium	\$1,677	\$1,505	\$1,071

The market has willing suppliers

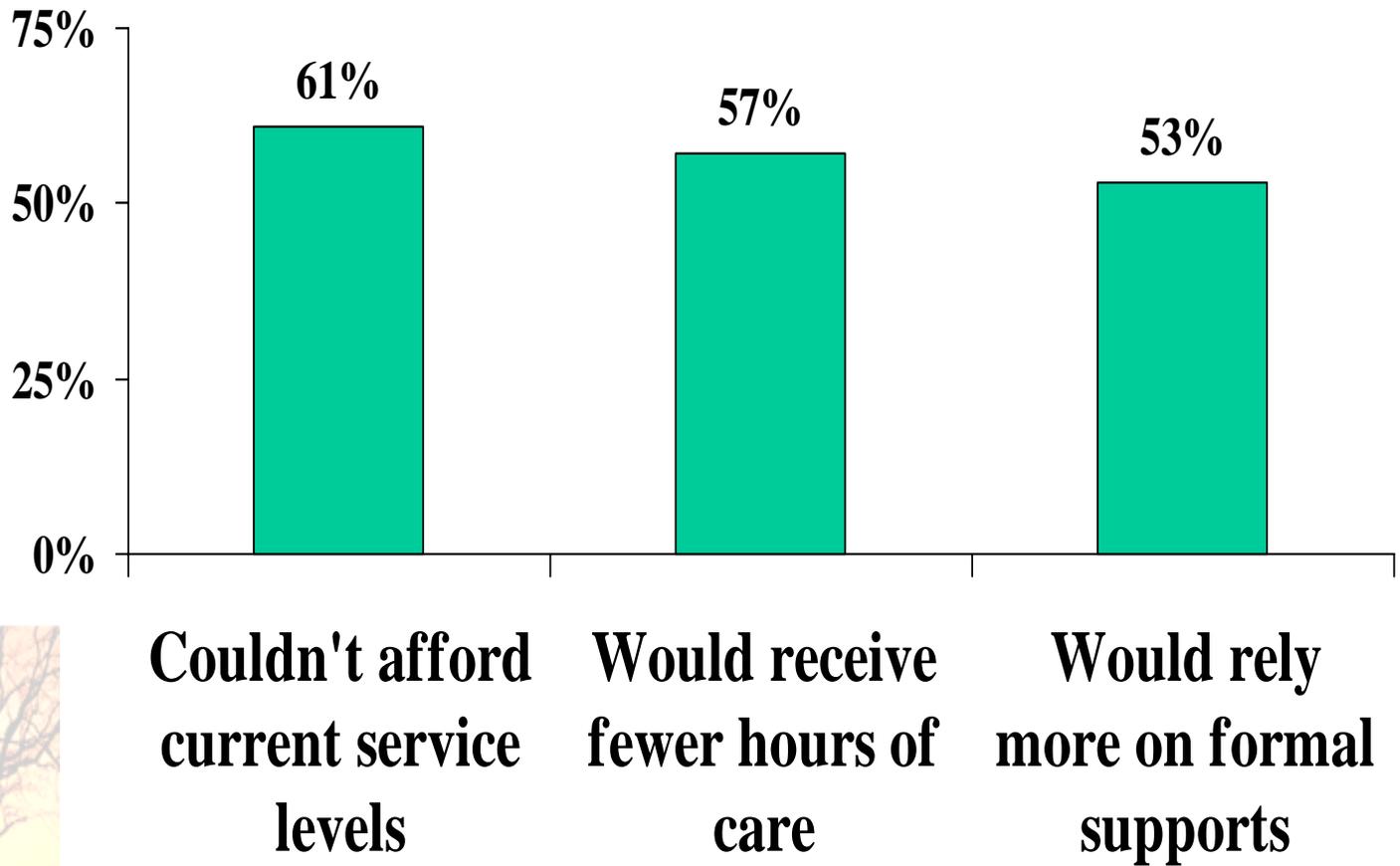
- More than 8 million policies have been sold with between 5.5 and 6.0 million in-force.
- About 5,000 employers offer plans.
- More than 100 insurance companies do offer insurance although top 20 account for most sales.
- More than \$1 billion in new annualized premium generated.



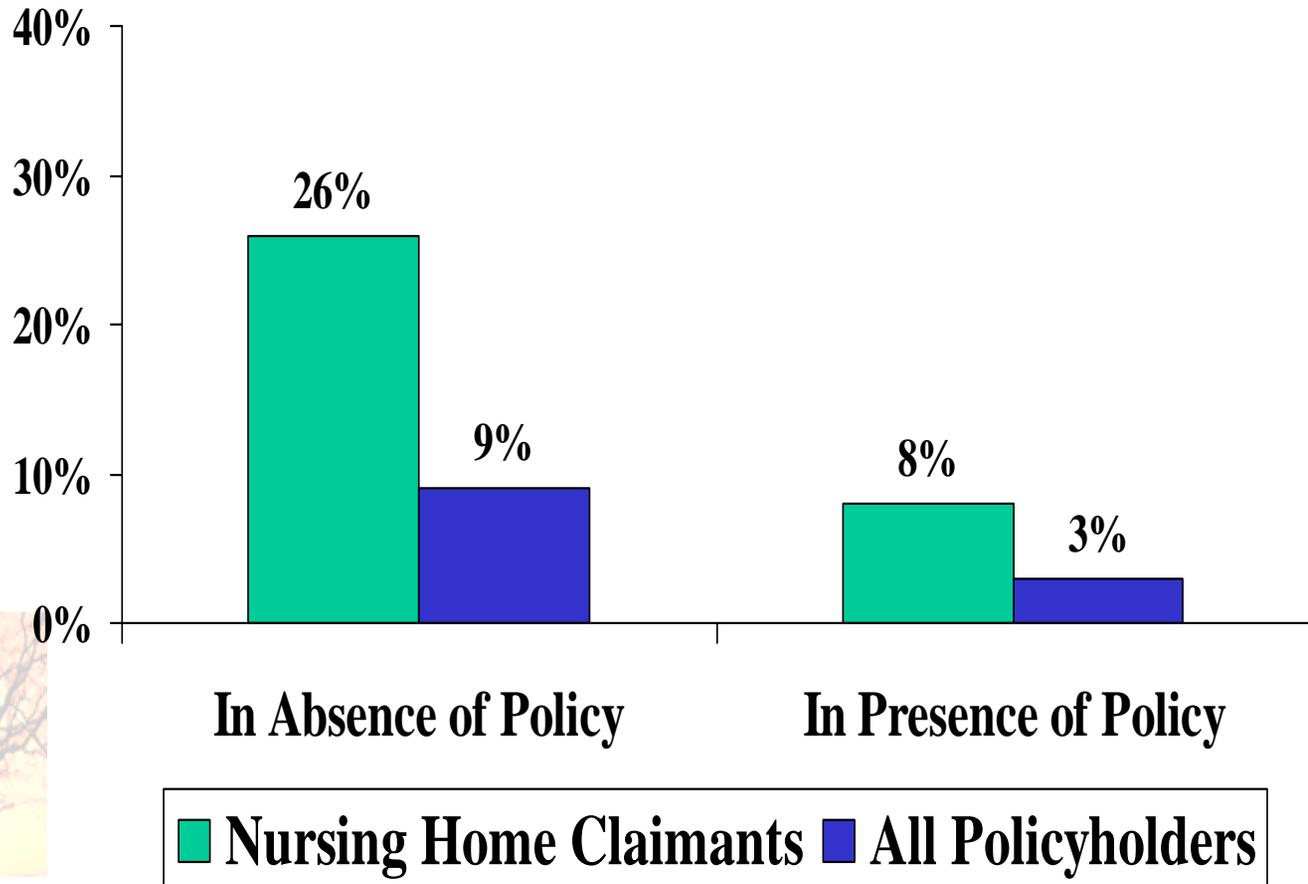
LTC insurance enhances choice



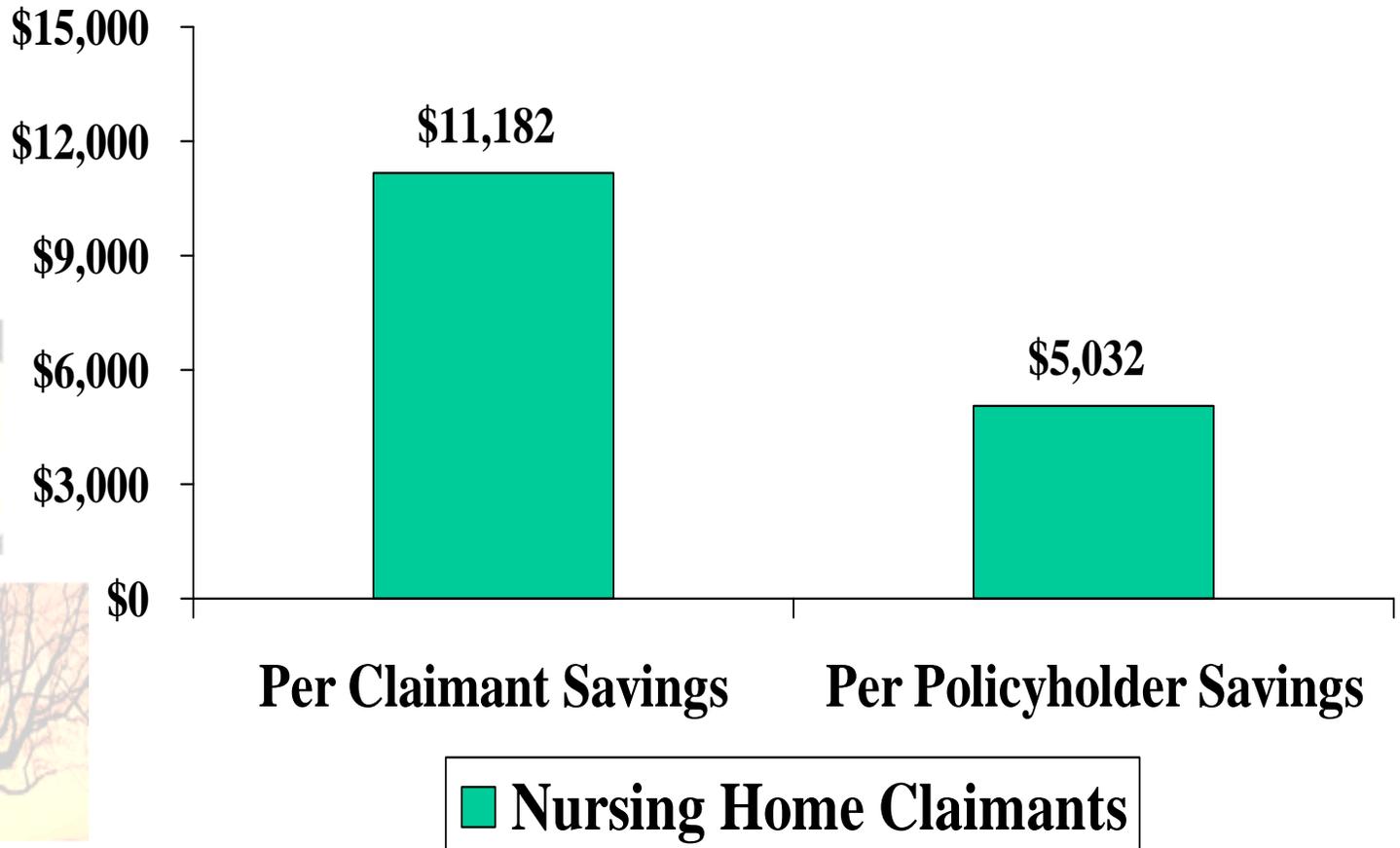
Without insurance claimants would receive less care and rely more on families



Having LTC Insurance Reduces the Probability of Medicaid Spenddown

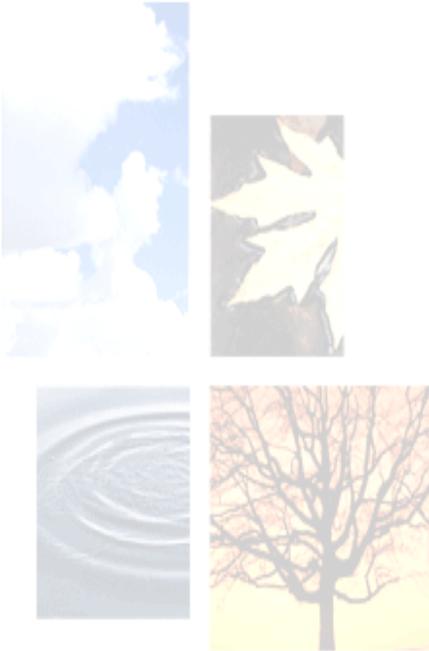


Having LTC Insurance Reduces Medicaid Expenditures (2002 dollars)

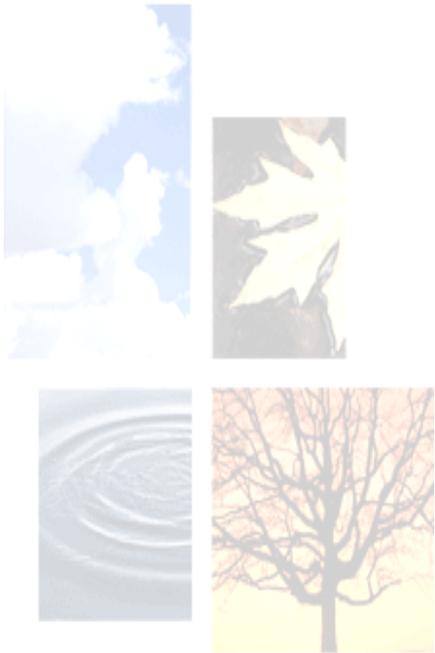


Key Summary Points

- Planning is important.
- It is not being undertaken enough.
- Government can support planning through:
 - Public education and awareness programs
- Government can support the LTC insurance market through:
 - Public-private partnerships
 - Public awareness
 - Tax incentives
 - Support for employee group programs
- Growth in the LTC insurance will have positive effects on consumers and state Medicaid programs.

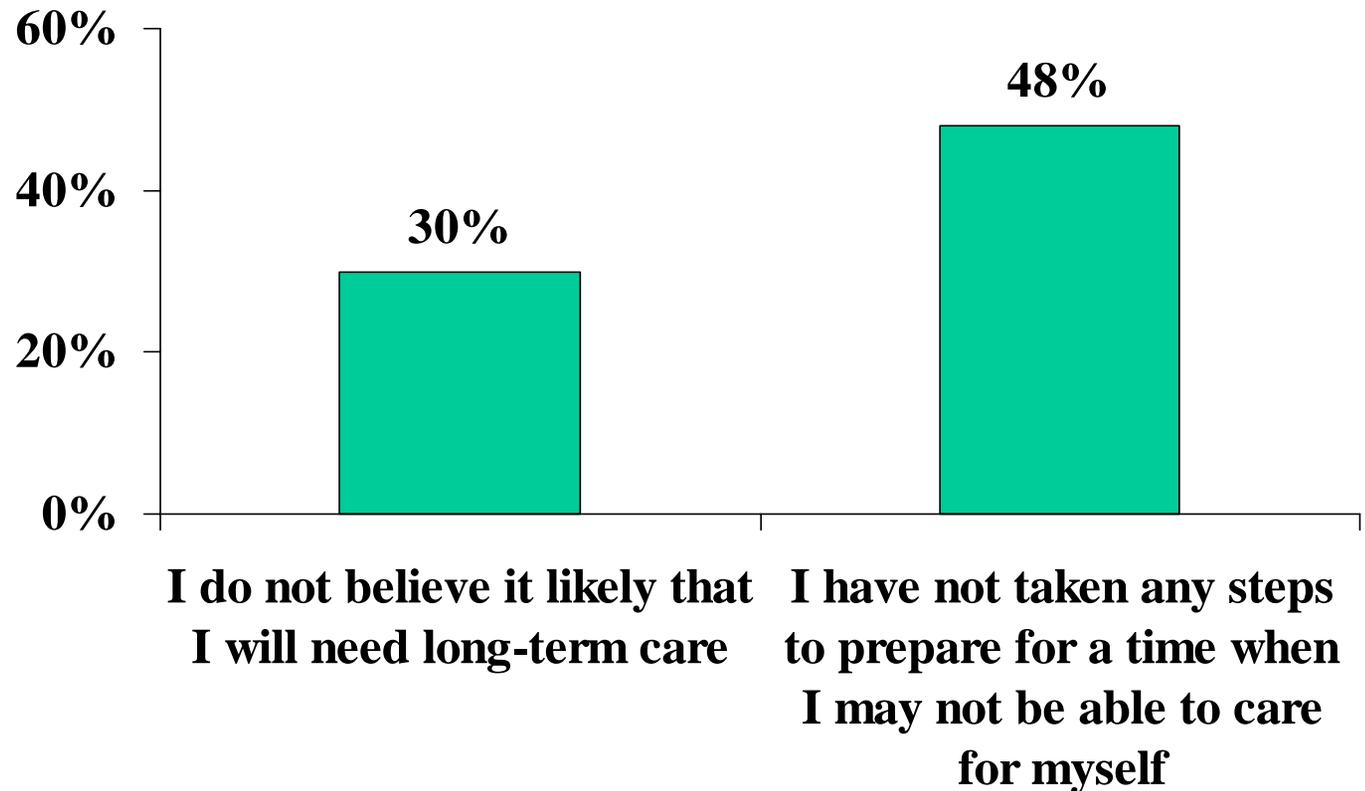


Additional Background Slides on Planning and Private LTC Insurance

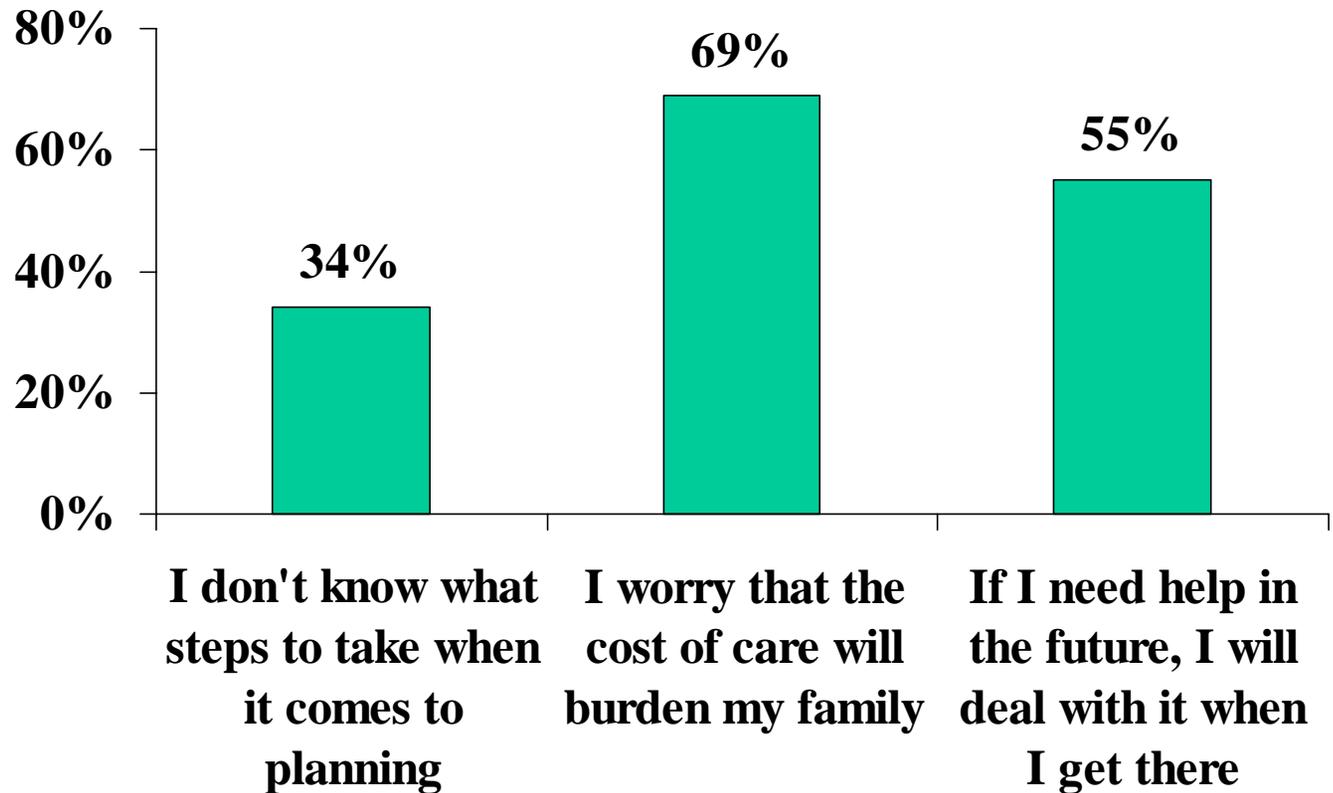


There is a great deal of denial of potential need

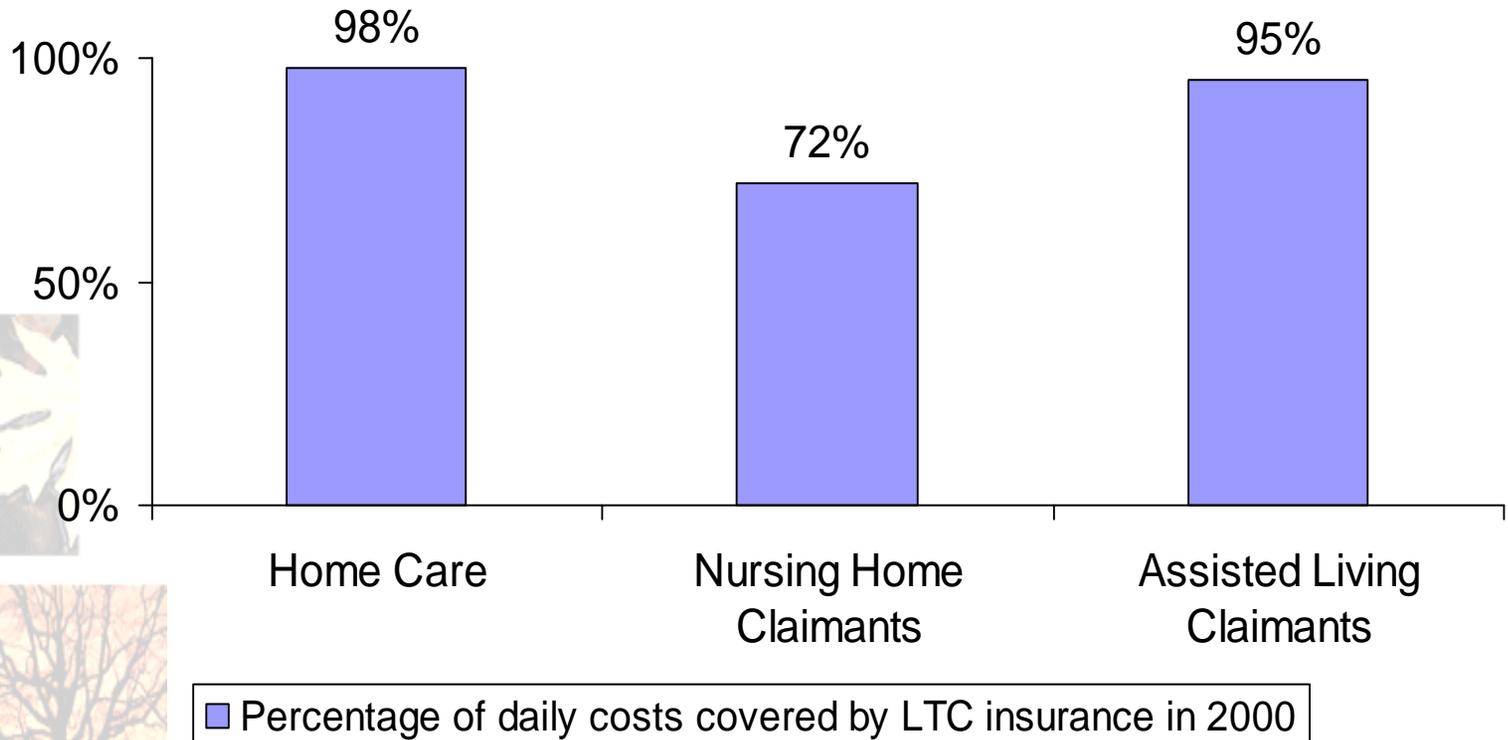
(survey of Americans age 40 to 70)



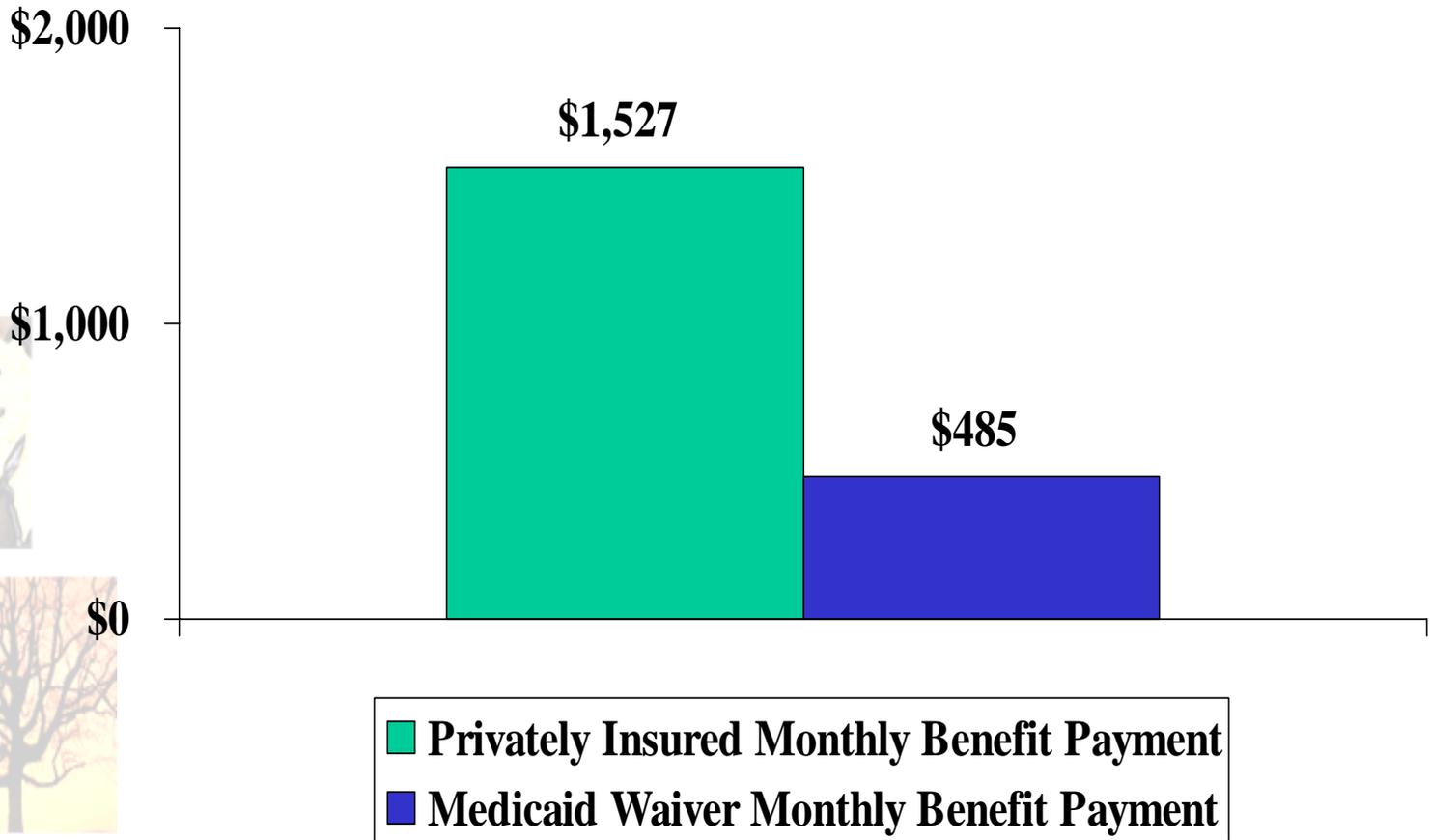
Not enough proactive steps being taken despite worry



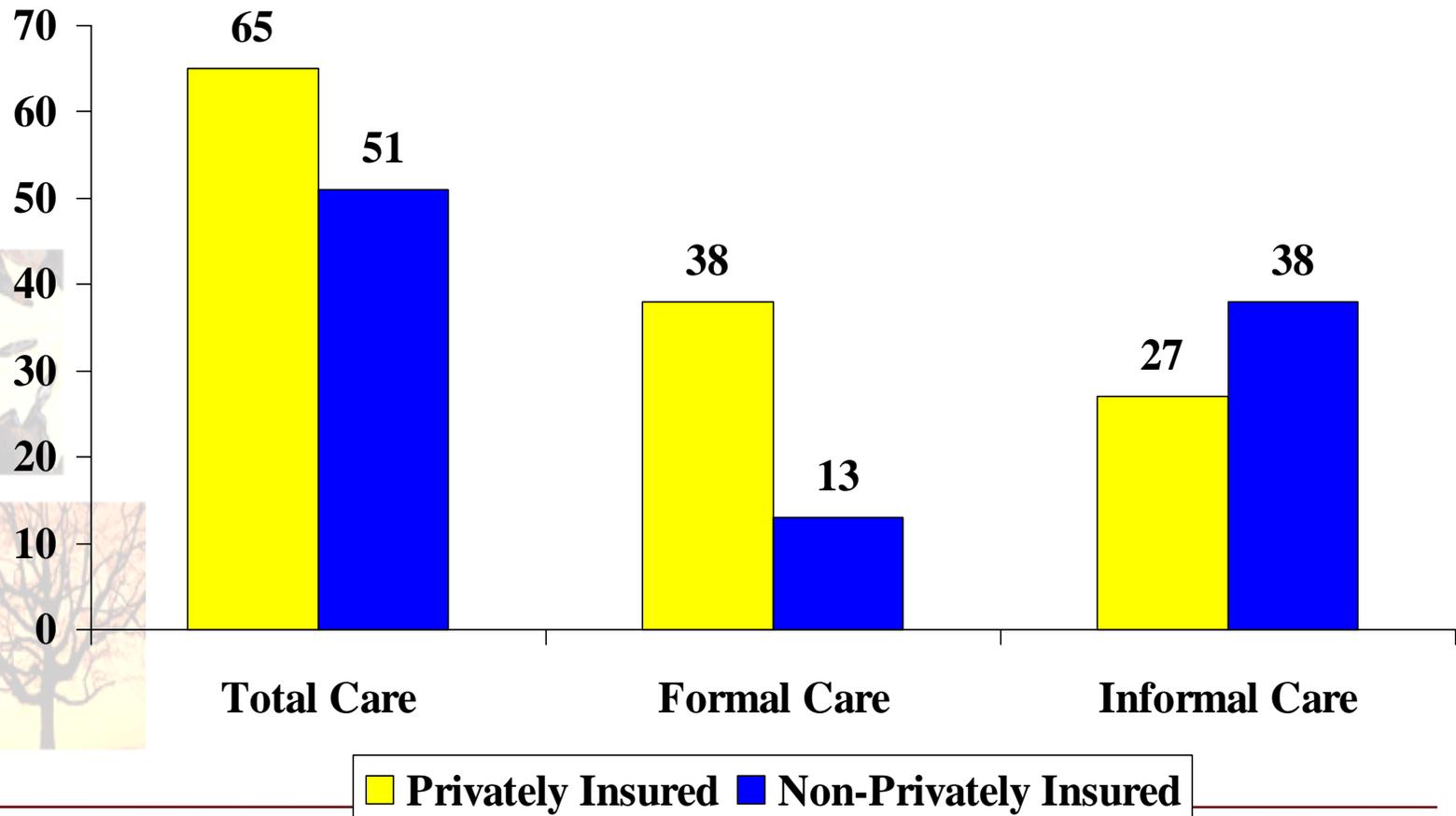
Insurance makes care affordable and therefore helps to protect living standards



Average Monthly benefits from Private Insurance are Relatively Generous

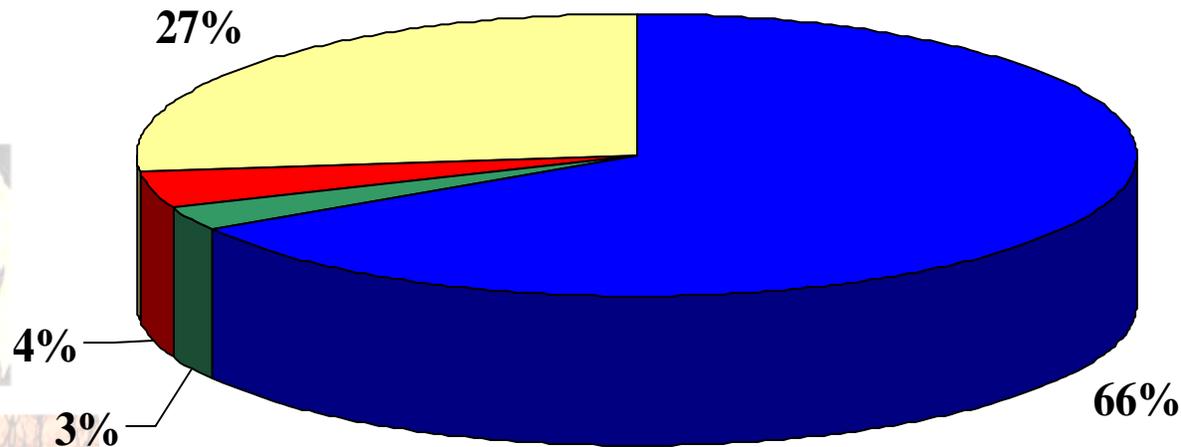


More weekly hours of care



Less Stress on Caregivers:

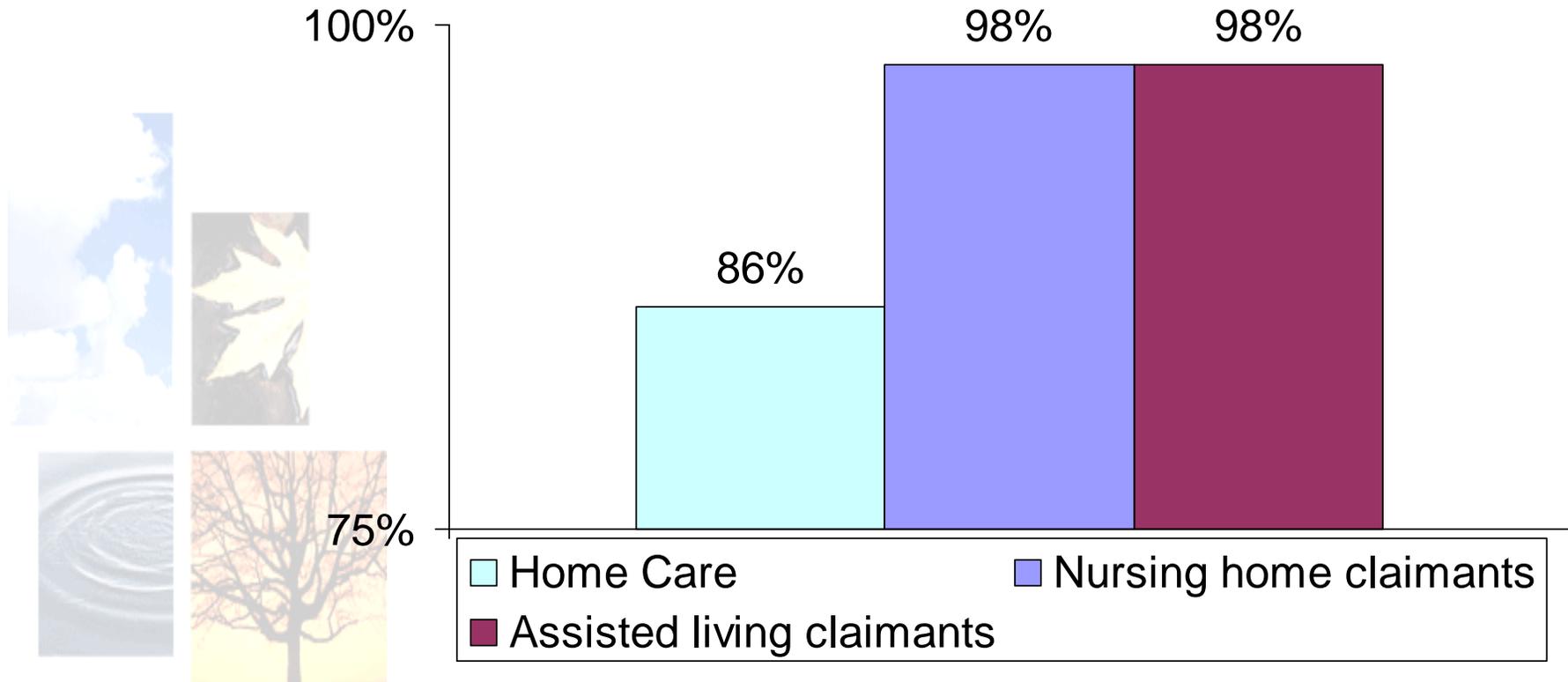
How has presence of insurance affected informal caregiver stress?



■ Decrease ■ Increase ■ No Effect ■ Don't have Stress

New claimants feel their needs are being met

(Individuals receiving care within 4 months of benefit receipt)



Individuals accessing benefits under their policies are satisfied

