



Long-Term Care Insurance: Marketplace Update & Compliance Discussion

Presented by
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You may ask your question in the questions box at any time. Any questions that we do not answer during the webinar will be posted on the compliance corner webpage in the coming weeks.

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TODAY'S PRESENTERS

Tom Riekse Jr.



Tom Riekse, Jr., ChFC, CEBS has been working in the long-term care insurance business since 1991 with an emphasis on communicating the value of LTC planning to advisors, employers and consumers.

He has primary responsibility for all marketing and technology initiatives at LTCI Partners, and has worked closely with carriers and vendors to make LTC Insurance easier to sell and enroll.

Tom received his undergraduate degree in from Hope College, Holland Michigan. He subsequently achieved his MBA at the University of Illinois at Chicago, with a concentration in finance and marketing. He holds the Certified Employee Benefit Specialist designation from the International Foundation of Employee Benefit Plans and the Wharton School and his Chartered Financial Consultant from the American College.

Tom serves on the board of directors of the Society of Financial Services Professionals-Chicago and has served as a board member of The National Association of Independent Life Brokerage Agencies (NAILBA).

TODAY'S PRESENTERS

Steve Cain



Steve Cain is a Director and is the National Sales & Business Development Leader for LTCI Partners, one of the nation's largest Long-Term Care Insurance (LTCI) retail and wholesale brokerage enterprises.

He is responsible for increasing the firm's revenue – from acquisition of new Institutional and Group accounts, to the development of existing client relationships. Steve brings more than 16 years of experience in the insurance brokerage marketplace.

Steve is a graduate of the University of California at Santa Barbara. After graduation, he had a brief career in professional baseball, pitching in the farm systems of three professional teams. Steve is married with two young daughters and resides in Los Angeles, CA.

AGENDA

- Marketplace update
- Overview of LTC Insurance solutions
- Tax treatment of LTC Insurance
- Legislative update
- Trends in plan design (suitability)
- E&O considerations
- Q&A

EXCUSES...EXCUSES

Critical illness coverage

Eventually the government will cover LTCI

Don't have time for CEs

Media is critical

Products are too complicated

Carriers keep dropping out of market

I refer my clients to a specialist for LTCI

Clients don't like that they have to "use it or lose it"

Rate hikes

Too expensive for my clients

Product changes are too much to keep current with

Too much time and effort to engage clients when they might not qualify

My clients are too young

My clients self insure



LONG-TERM CARE: IN THE NEWS

Health Care Reform -- Medicaid and LTC

JUN 21, 2017 @ 10:28 AM 266

The Little Black Book of Billionaire Secrets

Proposed Federal Medicaid Caps Will Hurt Seniors. Here's Why



Howard Gleckman, CONTRIBUTOR

I cover news on Washington [FULL BIO](#) ✓

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The Senate's version of the House-passed American Health Care Act will almost certainly include a [fundamental change in the way the federal government contributes to Medicaid](#). Over time, that new structure would result in deep cuts in the federal contribution to Medicaid and ultimately reduce long-term care benefits for frail older adults as well as younger people with disabilities.

- **64% of Nursing Home funding through Medicaid**
- **States may have more flexibility on how to cover LTC - but potentially with less \$\$**
- **States would pick either a “block grant” or a “per capita” grant**
- **States with lot's of 80+ population would be under most stress – and possibly face care rationing**
- **Democrats will focus on Nursing Home LTC to fight bill**

LTC INSURANCE MARKETPLACE UPDATE

- No “bad news”
- Sales growth (Multi-life & Individual)
- Carrier entries
- Rate stability on new products (conservative actuarial assumptions)
- New plan design strategies
- Innovative inflation protection options
- Hedging vs. fully covering the risk
- Using behavioral finance findings/research in your sales

LTC INSURANCE SOLUTIONS



LONG-TERM CARE INSURANCE

Protect your assets from an extended health care event

PROS:

- Inflation Protection
- Care Coordination "Concierge Healthcare" Benefit
- Maximizes long-term care insurance leverage while minimizing premium commitment.
- Tax Deductible for business owners
- HSAs

CONS:

- Premiums not Guaranteed
- "Use it or lose it" premium (no chase value or return of premium)



ASSET BASED HYBRID

Protect your assets and retirement savings from an extended health care event while retaining maximum flexibility

PROS:

- Standardized benefit trigger
- 1035 exchanges
- Tax Advantages
- Maximizes flexibility and provides a substantial benefit for a long-term care insurance event.
- Flexible payment options
- Return of premium
- Guaranteed premiums
- Life Insurance and LTC Benefits

CONS:

- Opportunity cost (if single premium option is selected)
- Not the same tax advantages for business owners



LIFE INSURANCE

Maximize your death benefit while retaining moderate flexibility

PROS:

- Largest Death Benefits
- Relatively low premium cost for rider
- Better suited to pay for benefits on a monthly basis, if needed.

CONS:

- If LTC is needed, reduction of death benefit
- No return of premium
- Benefit triggers not standardized
- Benefits determined at claim time
- No inflation protection



FIXED OR INDEXED ANNUITIES

Long-term care options late in life with potential health concerns

PROS:

- Limited or no medical underwriting
- 1035 exchange tax advantage could turn tax-deferred growth to tax-free LTC payments

CONS:

- Limited or no inflation protection
- Typically no care coordination
- No tax advantages for business owners



SELF FUNDED

Access to money now

PROS:

- Zero up-front costs while retaining liquidity

CONS:

- Not a healthcare plan
- No care coordination benefit
- Tax timing consequences
-

LONG TERM CARE  INSURANCE

TAX TREATMENT OF LTC INSURANCE

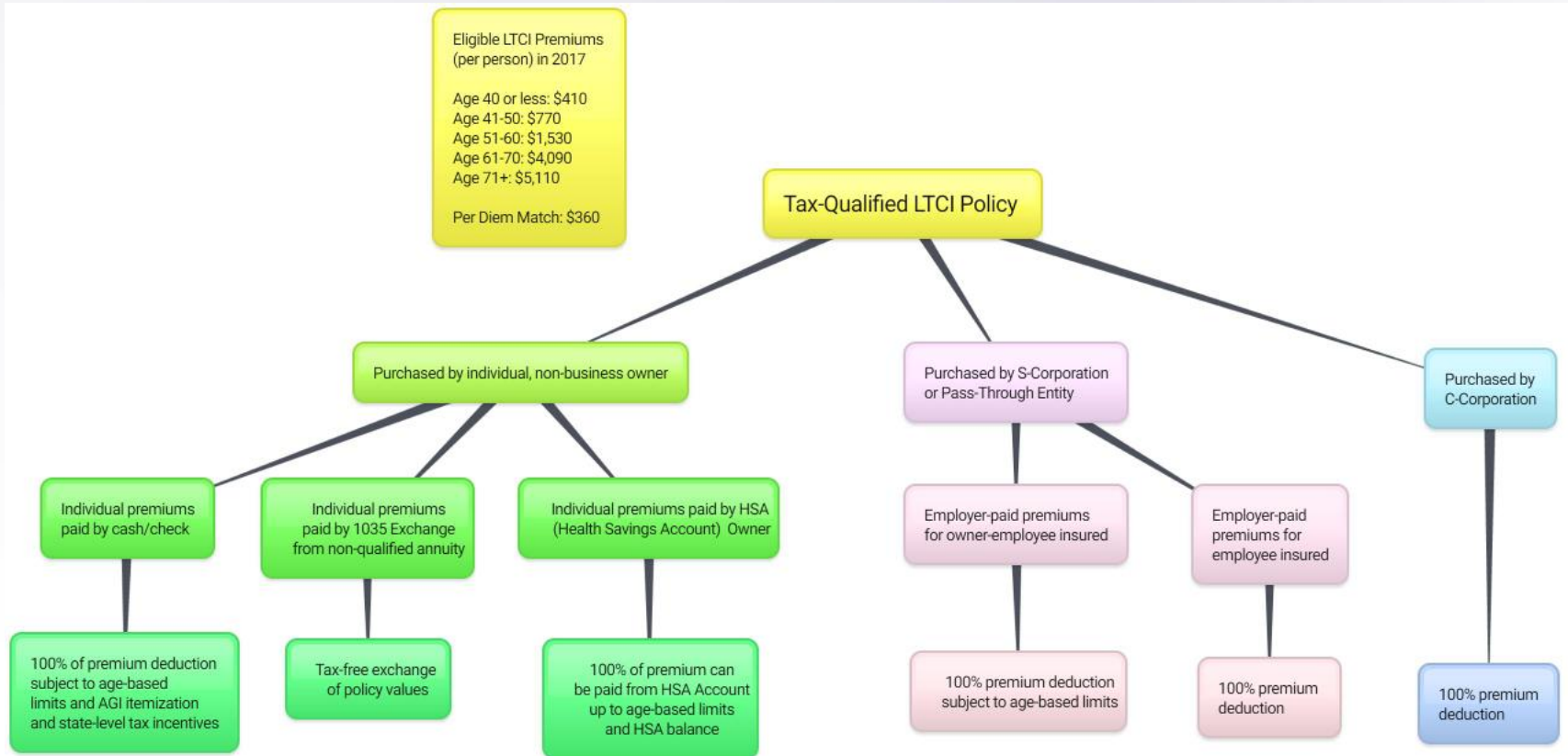
IRS CODE SECTIONS:

- 7702B – defined Qualified LTC (accident & health insurance / tax-free benefits)
- 162 – ability to deduct accident & health insurance (c-corp owners are treated as employees)
- 213 – age-based deductibility for pass-through entities (s-corps, LLCs or LLPs)
- 106 – premium is not included /counted as imputed income
- Treasury Regulation 1.105-5 – employer can create a class of select employees to offer this coverage to (ability to carve-out or “discriminate”)
- IRS Notice 2004-50, Q and A41 (HSAs) – tax-qualified LTCI premiums are a qualified medical expense. As a result, an individual may withdraw money tax-free from their HSA to pay tax-qualified LTCI premiums

IRS CIRCULAR 230 DISCLOSURE:

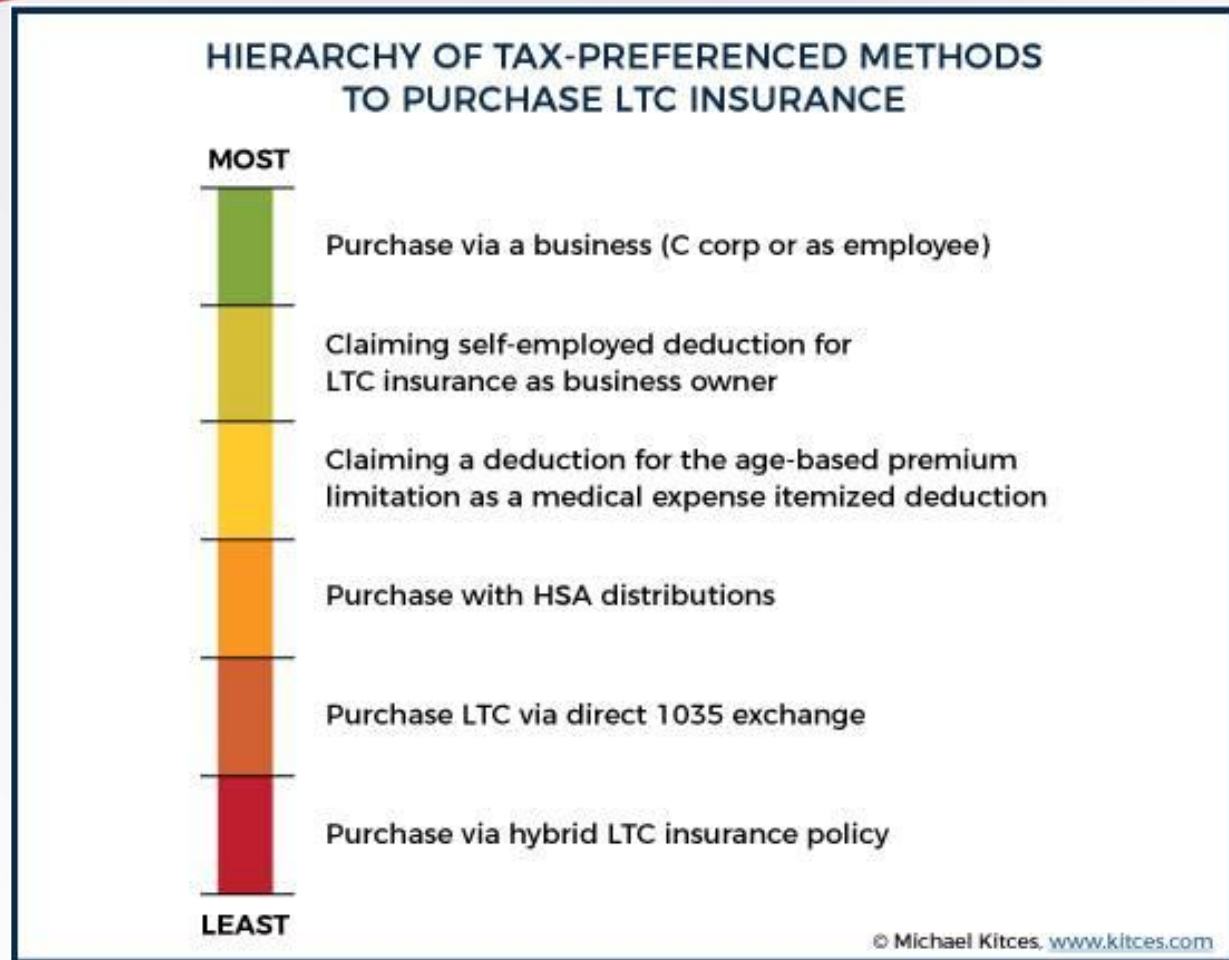
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TAX TREATMENT OF LTC INSURANCE



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TAX TREATMENT OF LTC INSURANCE



LEGISLATIVE UPDATE

- NAHU Position Paper (2016)
- Tax treatment of LTC Insurance
- Medicaid cutbacks
- Short-Term Care (STC)



Long Term Care Position Paper

January 2016

The National Association of Health Underwriters (NAHU), a leading professional trade association for health insurance agents, brokers and consultants, represents more than 100,000 benefit specialists. Our members work on a daily basis to help millions of American individuals and employers purchase, administer and utilize health insurance coverage. Long term care insurance is an important topic; many NAHU members provide products and advice with regards to family LTC planning as an adjunct to retirement and estate protection.

THE LONG TERM CARE SITUATION

The long term care (LTC) system in the United States faces significant challenges as it prepares for an increasingly aging society. The number of people over age 65 is projected to grow to 98 million of the total population by 2060.¹ Thus, many individuals will require long term care services and supports (LTSS) to manage the many health conditions that develop due to aging. While the need for LTSS is not just for the elderly, those ages 65 and older are eight times more likely to need care than those under 65.² Furthermore, with life expectancy of men at 86.6 years and women at 88.8 years,³ it is no surprise that approximately 133 million Americans are living with at least one chronic condition, which can eventually lead to the need for LTC. By 2030, that number is projected to increase to 171 million.⁴

More than 50% of recipients of LTSS in the U.S. partially self-insure their expenses by using savings, depleting retirement assets and/or relying on family caregivers. In fact, 75% of people needing care rely solely on unpaid caregivers. It should also be noted that caregivers die earlier than non caregivers yet also need more LTC themselves because of the mental and physical burden of being a caregiver.⁵ After age 65, it is highly likely that a person will need at least one year of care.⁶ Due to the high cost of care,⁷ many people are pushed into poverty and dependency on Medicaid, yet few Americans are currently covered by LTCI—less than five percent.⁸

Many Americans incorrectly believe that their private health insurance or Medicare will pay LTSS costs. However, the primary burden of providing these services falls on family members. The person needing care and their family then engage in spend-down of savings or other depletion of savings and assets until the person requiring care can meet state-based eligibility criteria for Medicaid. Unless we successfully encourage people who can afford to do so to take personal responsibility for their LTC needs, Medicaid will be hard-pressed to have the funds necessary to care for the truly needy.

¹ Aging Statistics, ACL (Administration for Community Living), U.S. Dept. of Health and Human Services, www.acl.gov/aging_statistics.

² Derived by Claude Thau using July 2015 population numbers (below age 65 vs. 65+) from www.cia.gov/library/publications/the-world-factbook/geos/us.html#Energy; and a June 2007 estimate of the percentage of LTC recipients under age 65 ("nearly 41%") from Georgetown University Long-Term Care Financing Project. "Long-Term Care Financing Policy Options for the Future," June 2007, as cited at www.litcfd.com/start/aboutlitc_whatls.html. An update to Georgetown's 42% statistic should cause the ratio stated in the text to increase.

³ Society of Actuaries, Retirement Plans Experience Committee, June 2015, update of the mortality improvement scale, mp-2015.

⁴ "The Growing Crisis of Chronic Disease," www.cdc.gov/nccdphp/publications/AAG/chronic.htm.

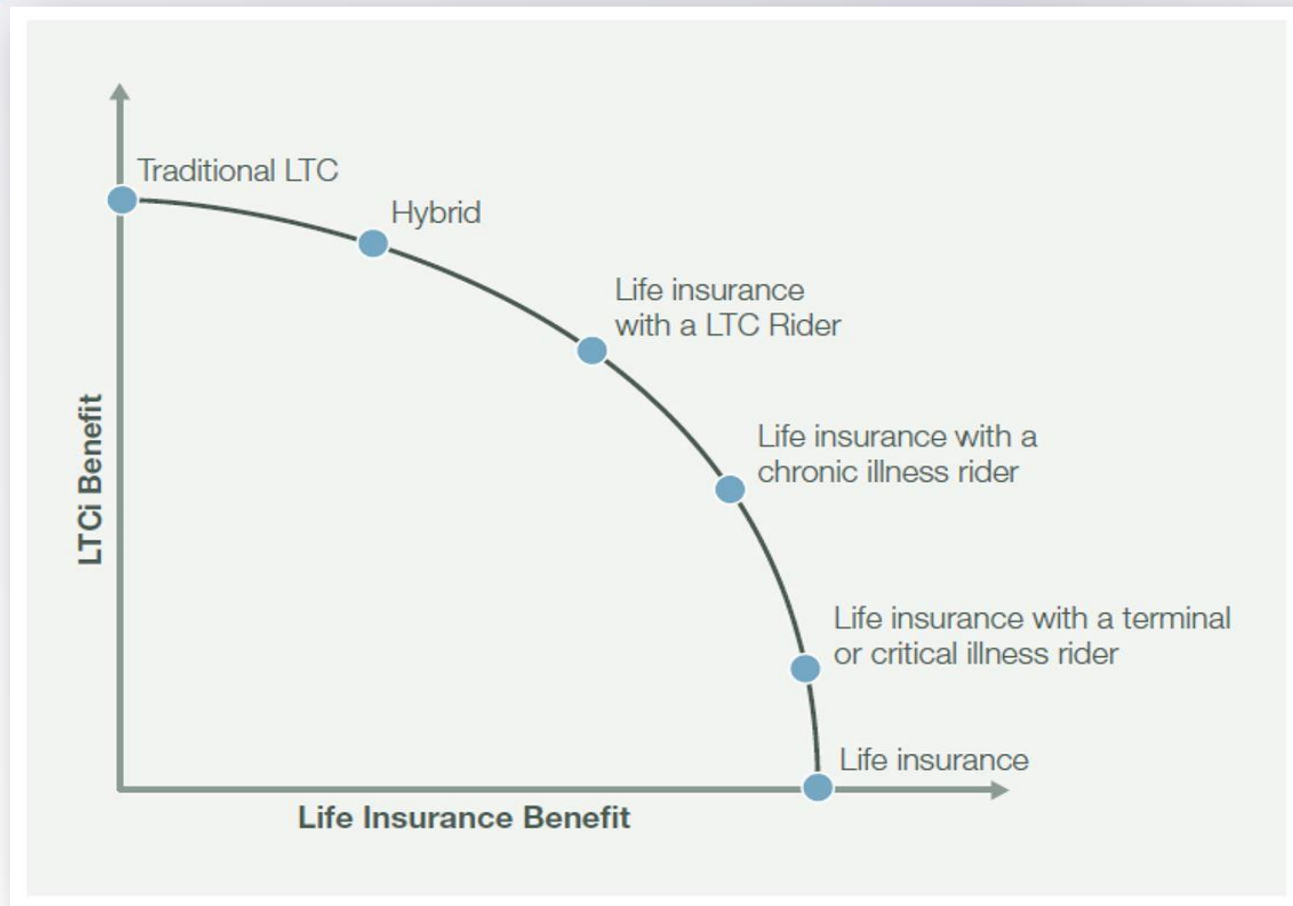
⁵ "Risk of Death Can Soar When Spouse is Sick," Robert Roy Britt, news.yahoo.com/s/space/2006215/sc_space/riskofdeathcansoarwhenspouseisick.

⁶ Kemper, Komisar, Alech. Long-Term Care over an Uncertain Future: What Can Current Retirees Expect? Inquiry 42:335-350; winter 2005/2006.

⁷ Genworth 2015 Cost of Care Study; April 2015.

⁸ Robert Wood Foundation, Policy Snapshot, Health Issue Brief, February 2015.

TRENDS IN PLAN DESIGN (SUITABILITY)



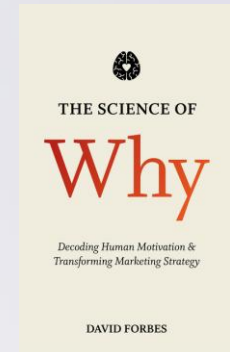
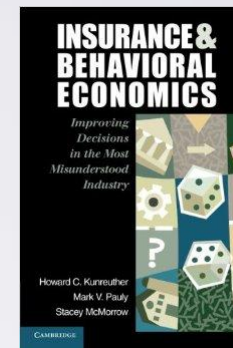
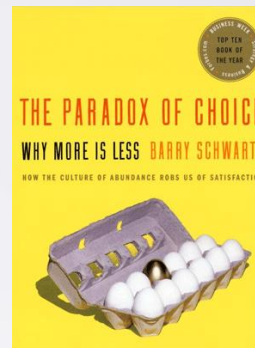
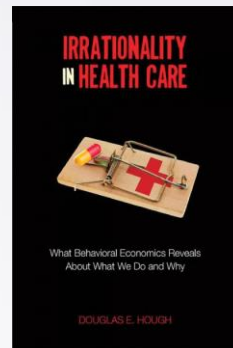
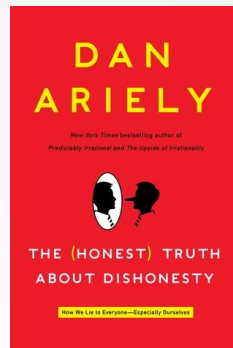
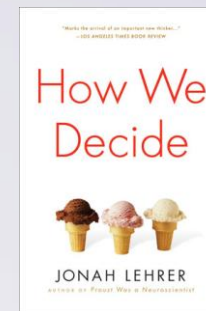
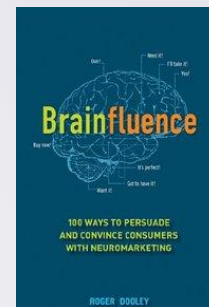
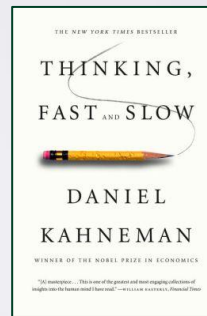
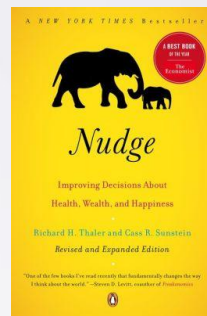
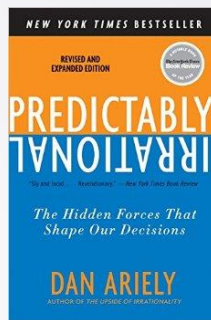
SUITABILITY

Standalone LTC	Life Insurance with Linked Benefits (Life/LTC)	Life Insurance with a Qualified LTC Rider	Life Insurance with a Chronic Illness Rider
Tax Code: 7702B	Tax Code: Life Portion - 101a1 LTC Portion - 104a3/7702B	Tax Code: 7702B	Tax Code: 101(g)
LTC license required	LTC license required	LTC license required	No license needed
Indemnity or Reimbursement	Indemnity or Reimbursement	Indemnity or Reimbursement	Indemnity Only
Cost only overs LTC benefits	Premiums from single to buys Life & LTC benefits (longer premium durations available with certain carriers)	Additional up-front charge for rider	Charge can be up-front or back-end ("discounted acceleration")
Total LTC benefit determined at issue	Total LTC benefit determined at issue	Total LTC benefit determined at issue	LTC benefits may not determined until claim is made (depending on charge structure)
Full Underwriting	Most are Streamlined Underwriting	Life policy is usually underwritten separately from the LTC Rider; Depending on the product/company, the UW may be Full or Partial Underwriting	Some do not require additional underwriting b/c they are underwritten with life policy; others will require Full or Partial Underwriting
Qualifying Condition(s) can be Recoverable or Permanent	Qualifying Condition(s) can be Recoverable or Permanent	Qualifying Condition(s) can be Recoverable or Permanent	Qualifying Condition(s) must be Permanent with most companies
Do NOT offer any DB; "Use it or Lose it" (return of premium to beneficiary at additional cost)	Residual DB (guaranteed minimum amount)	Some offer Residual DB (guaranteed minimum amount)	Residual DB is not in addition to, but a portion of the policy held from acceleration (such as 5%)

E&O CONSIDERATIONS

- Claims litigation
- Filial laws
- Life with ADB & CI riders
- Not offering LTC Insurance solutions

BEHAVIORAL FINANCE LESSONS



KEYS TO SUCCESS

- Risk management vs. pitching product
- Underwriting
- Getting to “yes”
- Keeping choices as simple as possible
- Focus on the possible gain LTC vs. potential loss
- Use stories, not statistics!
- Focus on now benefits, not the future
- Help Guide Heuristics (“rules of thumb”)
- Force a choice
- Follow-up

THANK YOU FOR ATTENDING

Compliance Corner Resources

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