

Long-Term Care Insurance

MetLife[®]

LTC101 — Long-Term Care Basics

A woman with long, dark, curly hair is standing in a classroom or training room. She is wearing a dark jacket over a patterned top. She is pointing her right hand towards a whiteboard in the background. The room is dimly lit, with the whiteboard being the primary light source. The overall color scheme of the slide is blue and yellow.

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You should be able to answer the following questions:

- What is long-term care (LTC)?
- Who may need LTC services?
- What are LTC services?
- What is the cost of LTC services?
- What is Long-Term Care Insurance (LTCI)?
- Why you need LTCI?



What is long-term care?

- The type of care needed when:
 - A person is no longer able to care for him/herself independently
 - A person can no longer perform the normal Activities of Daily Living (ADLs)
 - A person is diagnosed as being chronically ill, or
 - A person needs substantial supervision for a severe cognitive impairment such as Alzheimer's Disease



Activities of Daily Living (ADL's)

- Dressing
- Bathing
- Transferring (moving from a bed to a chair)
- Toileting
- Eating
- Continence



Chronically III

- A person who needs substantial assistance from another individual because they need assistance with at least ***two of six*** Activities of Daily Living (ADLs), and are expected to need substantial assistance for at least 90 days due to a loss of functional capacity.



Substantial Assistance

- Substantial assistance means either hands-on or standby assistance.
 - An example of hands-on assistance is when a person needs physical help getting out of bed in the morning or needs someone to help them bathe.
 - An example of standby assistance is when a person may need someone within arm's reach of him or her to prevent, through physical intervention, injury to the first individual when he/she is transferring from their bed to a chair.

Substantial Supervision

- Substantial Supervision means continual supervision (which may include cueing by verbal prompting, gesture, or other demonstration) by another person that is necessary to protect you from threats to your health and safety (such as may result from wandering).



Who Needs Long-Term Care?

- As people age – or due to a life-changing event such as a stroke – the ability to live independently may change. Over 12 million Americans spend time caring for family members or friends who can no longer live on their own. Often a family member or friend steps in to assist the person with their activities of daily living, such as bathing, dressing, helping with everyday chores, or preparing a meal.

Source: Since You Care Guide “Hiring an Independent Caregiver”, MetLife Mature Market Institute and the National Alliance for Caregiving, 2003



The Longevity Factor

- The average life expectancy for people born in 1900 was 46.3 (male) and 48.3 (female).¹
- There was a 60% increase in the average life expectancy for people born in 2000 – 74.3 (male) and 79.7 (female). This number continues to rise.²

Source: ¹ Centers for Disease Control and Prevention, National Vital Statistics System and National Projections Program, U.S. Census Bureau

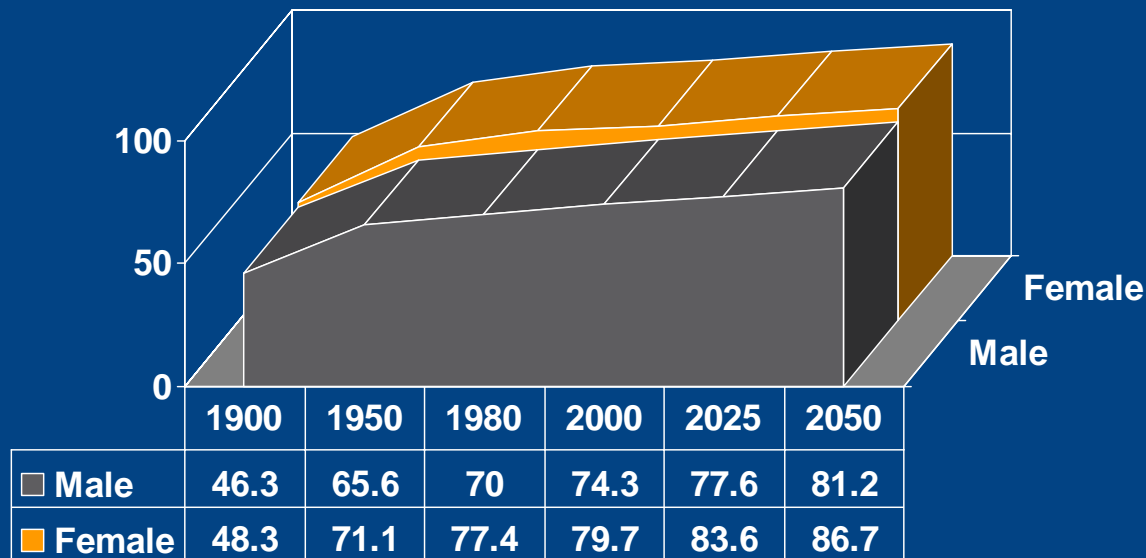
² *Since You Care Guide "Community Services"*, MetLife Mature Market Institute and the National Alliance for Caregiving, 2003.



The Longevity Factor

- One of the reasons there is an increased need for LTC services is that Americans are living longer.

Life Expectancy at Birth



Source: Centers for Disease Control and Prevention, National Vital Statistics System and National Projections Program, U.S. Census Bureau, 2000 Census



Who Needs Long-Term Care?

- Currently, 44 percent of people who require some type of long-term care are between the ages of 18-64¹
- An estimated 6.4 million people in the United states age 65 and over need long-term care²
- One in two people age 85 and over require this type of care³

Source: ¹*Long-Term Care: Medicaid's Role and Challenges (publication #2172)* The Henry J. Kaiser Foundation, November , 1999.

² *Planning for Long-Term Care*, United Seniors Health Council, Washington, DC – McGraw-Hill 2002.

³ *ibid.*



Where are long-term care services provided?

- *Most of the care is provided in the home by family members.*
- Approximately one out of every four U.S. households (23 percent, or 22.4 million) provides care to a relative or friend age 50 or older.

Source: American Society on Aging, "Care for Caregivers -- A Profile of Informal and Family Caregivers," 2002.



In addition to the home, LTC services are provided:

- In various facilities that assist people with long-term care needs (such as assisted living facilities, residential care facilities or residential care facilities for the elderly)
- In community settings, such as adult day care or adult day health centers
- In hospice home-care programs or facilities
- In nursing homes

Source: American Society on Aging, "Care for Caregivers -- A Profile of Informal and Family Caregivers," 2002.



Who provides long-term care services?

- Family members, friends, independent/informal caregivers
- Home Health Aides and homemakers from a licensed Home Care Agency
- Physical, occupational, speech and respiratory therapists
- Certified Nursing Assistants
- Nurses (RNs, LPNs, LVNs)



What could long-term care services cost?

- Home Health Care:
 - The average hourly rate for Home Health Aides provided through a home care agency is \$18.12 per hour
 - At only 4 hours a day, 5 days a week, that is a total of \$18,844.80 a year. Most people need more paid care: 8 hours a day, 5 days a week = \$37,689.60.

Source: MetLife Mature Market “The MetLife Market Survey of Nursing Home and Home Care Costs”, August, 2003



What could long-term care services cost?

- Nursing Home Care:
 - The average daily rate for a private room in a nursing home is \$181.24
 - The average daily rate for a semi-private room in a nursing home is \$158.26
 - A yearly cost for a semi-private room in a nursing home is \$57,765
 - The average stay in a nursing home is 2.5 years
 - This does not include costs such as prescriptions, personal items or physicians visits

Source: MetLife Mature Market “The MetLife Market Survey of Nursing Home and Home Care Costs”, August, 2003



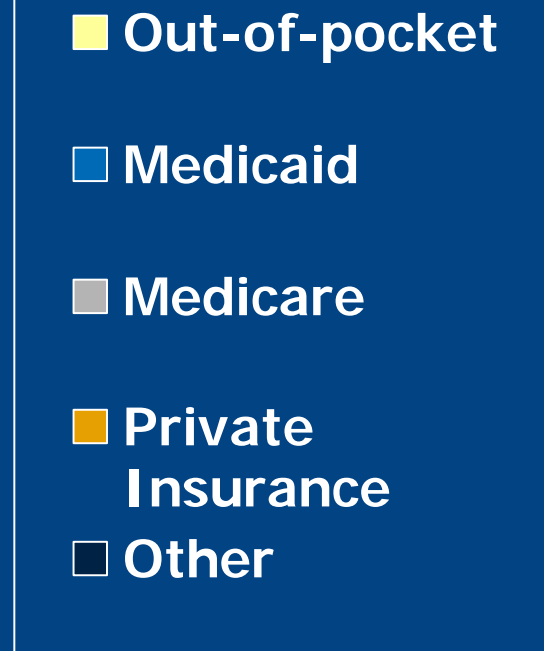
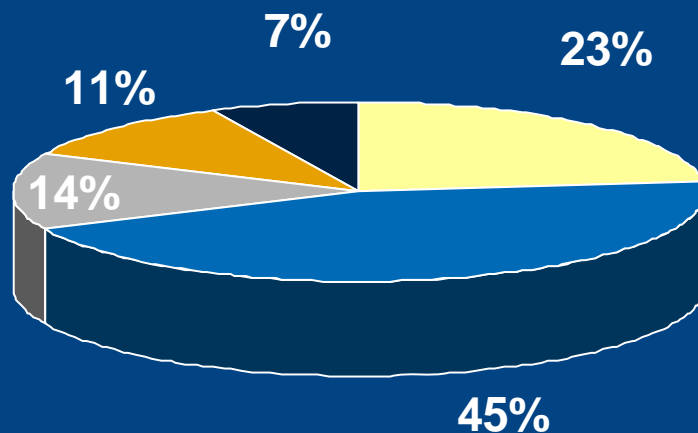
What does it cost caregivers?

- Family members may be able to assist in the informal/unpaid caregiving, but they do so at a cost.
- Working caregivers who go from full-time to part-time status or leave a job to perform caregiving responsibilities experience an average lifetime total wealth loss of \$659,139.
- This figure includes lost wages, Social Security and pension benefits.¹

Source: ¹*Since You Care Guide* "Making the Nursing Home Choice", MetLife Mature Market Institute and the National Alliance for Caregiving, 2003



Who pays for LTC services?



Source: Department of Health and Human Services. Centers for Medicare and Medicaid Services. Office of the Actuary. *Personal Health Care Expenditures, 2000 Data*. 2001.



Who pays for LTC services?

- For many people, the costs of long-term care services will be paid from their savings or by family.
- Medicare only paid 14 percent of total long-term care services in 2000.
- Once all non-exempt assets are spent down (to state minimums), Medicaid may then pay the bulk of long-term care services.
- A large amount of informal LTC services are provided by family members – the cost of which cannot be measured.

Source: Department of Health and Human Services, HCFA, Office of the Actuary, National Health Statistics Group, Personal Health Care Expenditures, 2000 Data, 2001



Medicare

- Medicare was enacted by the Federal Government in 1965 to provide funds to pay for retiree's acute/short-term health care costs.
- In 1965 we did not have the longevity issue that we do now. People are living longer, and needing a different type of care. Medicare was not designed to cover LTC Services because there wasn't the need in 1965. Medicare still pays for care the same way it did for our grandparents.



What is Medicare?

What does it cover?

- Medicare is a Health Insurance Program for people age 65 years of age and older, some disabled people under 65 years of age, and people with End-Stage Renal Disease (permanent kidney failure treated with Dialysis or a transplant).
- Pays for skilled nursing facility care for up to 100 days per spell of illness following hospitalization and some at-home care in conjunction with skilled care.



Medicare (Continued)

- Medicare pays for skilled/ acute care or hospital care
- Medicare paid 14% of total national LTC services in 2000
- Medicare pays for limited custodial/personal care in conjunction with skilled/acute

Source: HCFA-DSSH, *"2002/2003 Guide to Medicare"*, National Underwriter, *"All About Medicare"*, 2003



What is required for Medicare to pay for care in a skilled nursing facility?

- Must receive skilled care
- Must be a Medicare-approved facility
- Must have a 3-day prior hospital stay within prior 30 days
- Pays 100% of cost for first 20 days*
- Must pay a co-pay from day 21 through day 100*
- \$0 after day 100*

**per benefit period*

Source: Medicare, 2004



What is required for Medicare to pay for long-term care in the home?

- Must need doctor approved skilled care
- Medicare-certified home health agency
- Must be homebound



Medicaid

- Medicaid is a welfare program to provide health care to the indigent.
- It is available to pay for LTC services once an individual has spent most of his/her countable assets.
- Both the Federal Government and State Government provide funding. Rules for eligibility vary by states.
- Medicaid will pay for personal care, but primarily in a skilled nursing facility.

Source: Certification in Long-Term Care Course Material, "What Pays for Long-Term Care", Harley Gordon, Corporation for Long-Term Care Certification, 2003



Medicaid Continued

- Medicaid paid for 45% of LTC services in 2000
- Available only if strict income and asset criteria have been met
- Requires 'spending down' of countable assets to meet state required minimums
- A person may be temporarily ineligible for benefits if he/she transfers assets

Source: HCFA-DHHS, 2002, CT Partnership, 2003



Why do people purchase Long-Term Care Insurance (LTCI)?

- A long-term care illness can burden a family both financially and emotionally
- People want help to keep their families financially secure
- People want to relieve the family of full caregiving responsibilities
- People want to be able to stay in their own homes as long as possible



What is Long-Term Care Insurance (LTCI)?

- LTCI helps preserve a person's savings and assets by providing him/her benefits to help cover the cost of long-term care services
- LTCI is designed to help pay the cost of covered long-term care services if a person needs them
- It is not the same as medical insurance, Medicare, Medigap policies, or Disability Insurance



What Is LTCI? (continued)

- A LTCI policy pays a maximum dollar amount calculated either as a Daily Benefit or Monthly Benefit Amount)
- The Daily Benefit Amount (DBA)
 - The maximum dollar amount a policy will pay for care received by the insured on any given day
 - The insured can choose their DBA based on the cost of care in their area and/or based on the percent of coverage they want to self-insure
 - The DBA for Home Care may be different than the DBA for Facility Care, depending on the plan chosen



What Is LTCI? (continued)

- A Monthly DBA is calculated by taking the number of days in a given month times the DBA
- A LTCI policy can help cover the costs of long-term care services either by reimbursement or on an indemnity or cash payment basis



What Is LTCI? (continued)

- **Reimbursement Plans**
 - Policies may offer Daily or Monthly Reimbursement Plans.
 - The insured must receive QLTC services and must submit receipts for the services that are received.
 - The LTCI policy then reimburses the insured for the cost of these services up to the Daily or Monthly Benefit Amount in effect at the time of claim.



What Is LTCL? (continued)

- **Daily Reimbursement**
 - Pays up to the chosen Daily Benefit Amount (DBA) computed on a daily basis, for covered services the insured receives.

Example: If an insured has a plan with a \$100 DBA, he/she will be reimbursed up to \$100 a day for covered long-term care services. If the covered services on Monday cost \$50, he/she will be reimbursed \$50. If the covered services on Tuesday cost \$150, the client will be reimbursed \$100 (the maximum DBA).



What Is LTCI? (continued)

- **Monthly Reimbursement**

- Pays benefits on a monthly basis for covered services the insured receives at any time during the calendar month.
- The most the insured will be reimbursed in any given month is the Maximum DBA times the number of days in that month.

Example: If an insured has a plan with a \$100 DBA, he/she will be reimbursed up to \$3,100 a month (\$3,000 for months with 30 days) for covered long-term care services. If he/she receives covered services for 20 days in a month at a cost of \$150 per day, he/she will be reimbursed \$3,000 (\$150 times 20 days).



What Is LTCI? (continued)

- **Indemnity Plans**

- This type of plan will pay the Maximum DBA regardless of the cost of services received on a given day
- The insured must receive services, and must submit receipts of the service (or proof some services were received on a given day) to be paid the Maximum DBA for that day
- The benefit amount is calculated on a daily basis

Example: If an insured, who is benefit eligible, has a plan with a \$200 DBA, he/she will be reimbursed the maximum DBA of \$200 every day that he/she receives covered long-term care services, even if the care received only cost \$150 each day.

Note: There may be tax implications.



What Is LTCI? (continued)

- **Cash Payment Plans**

- This type of plan will pay the insured the Maximum DBA without having to receive services or submit bills
- The benefit amount is usually calculated on a monthly basis (Maximum DBA times the number of days in the month)
- This type of plan allows the insured to use the benefit for any service, even informal care

Example: If an insured, who is benefit eligible, has a plan with a \$200 DBA, he/she will be paid the maximum DBA of \$200 times the number of days in a month ($\$200 \times 30 \text{ days} = \$6,000$), regardless of whether or not the insured receives services.

Note: There may be tax implications.



What Is LTCI? (continued)

- A LTCI policy will pay benefits up to the “Total Lifetime Benefit (TLB)” or pool of money. This is determined by choosing a daily benefit amount and a benefit period.



What Is LTCI? (continued)

- **The Benefit Period (BP)**
 - The BP chosen is used to help calculate the total amount of benefit dollars (pool of money) available under the policy
 - This “Total Lifetime Benefit (TLB)” (pool of money) is equal to the Nursing Home/Facility DBA multiplied by the number of years benefits can be paid

Example: If the insured purchased \$100 Daily Benefit Amount with a 5 year Benefit Period, the Total Lifetime Benefit (TLB) or pool of money would equal \$182,500.

$$100 \times 5 \times 365 = 182,500$$



What Is LTCI? (continued)

- **The Benefit Period (BP)**
 - If the “unlimited” option is chosen, benefits will be paid for the life of the claim with no total dollar cap
 - The Total Lifetime Benefit (pool of money) does *not* have to be used up within the timeframe that was selected for the Benefit Period.
 - For example, in a reimbursement policy, if a client has a DBA of \$100 and a Benefit Period of 5 years, and he/she only uses \$50 a day for covered services, his/her pool of money does not ‘disappear’ at the end of 5 years – it could theoretically last up to 10 years, or when all the benefit dollars (pool of money) is paid out in full.



What Is LTCI? (continued)

- A LTCI policy will start paying benefits after the insured is eligible for benefits, and after he/she completes any required elimination period
- Elimination Period (EP)
 - The length of time before benefits are paid when the client first needs coverage (also may be referred to as the waiting period)
 - During the EP, the client may pay for benefits out-of-pocket
 - The EP must be satisfied only once in the life of the policy, and in most plans, the days do not need to be consecutive
 - The EP can be *Days of Service* or *Calendar Days*
 - Some options are 0, 20, 45, 90 or 100 days



What are LTCI Partnership Programs?

- A joint effort between states and private insurers to create an option to help individuals meet their future long-term care needs without depleting all of their countable assets and protecting state funds by self insuring for a period of time.
- If an approved Partnership long-term care insurance policy is purchased and the benefits under that insurance coverage are exhausted, the individual may apply for Medicaid (Medi-Cal in CA) coverage while retaining all or a portion of the assets he or she would otherwise have to 'spend down' (A MassHealth Qualified policy is designed to protect only the client's home in this instance).



What are LTCI Partnership Programs? (continued)

- Four states currently have Partnership Programs: California, Connecticut, Indiana and New York
- Massachusetts currently has a MassHealth Qualified policy, which is similar to a Partnership Program



What is a Tax Qualified (TQ) Long-Term Care Insurance Policy?

- Tax-Qualified Long-Term Care Policies meet certain standards set forth in the Health Insurance Portability and Accountability Act (HIPAA)
 - TQ LTC Policies offer the following advantages:
 - Benefits paid from TQ policies are not considered taxable income
 - Qualified premiums may be deductible as medical expenses if certain thresholds are met
 - Almost half of all states offer tax incentives for long-term care insurance premiums
 - Most LTCI Policies sold today are Tax-Qualified!



Important Information

- Please refer to the MetLife VIP Specimen Policies for more complete information.
- Like most long-term care insurance policies, MetLife's policies contain certain exclusions, limitations, waiting periods, reductions of benefits and terms for keeping them in force.

• Not A Deposit Or Other Obligation Of Bank • Not FDIC Insured • Not Insured By Any Federal Government Agency • Not Issued, Guaranteed Or Underwritten By Bank Or FDIC • Not A Condition To The Provision Or Term Of Any Banking Service Or Activity • Policy Is An Obligation Of The Issuing Insurance Company