

Medicare

Rising Cost

Medicare Supplements

WELCOME

Medicaid/Medi-Cal

LONG-TERM

BENEFITS

CARE



Long Term Care Insurance:
The Foundation of Every
Financial Plan

STOCKS
BONDS
MUTUAL FUNDS
LIFE INSURANCE
LONG TERM CARE INSURANCE

What is Long Term Care?

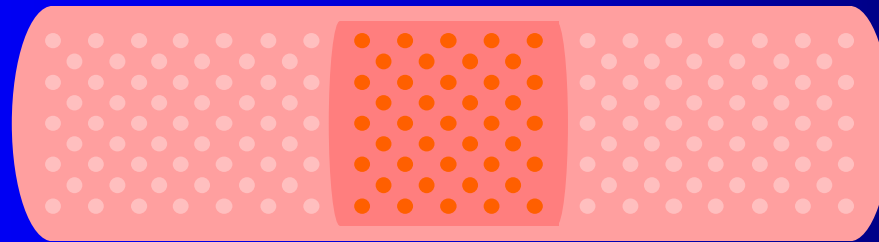
- Day in, day out assistance you need when you have a serious illness or disability that lasts for a period of time causing you to be unable to care for yourself.
- A continuum of care...

Long Term Care Services: More Than Just Nursing Homes

- Adult Day Care Centers
- Respite Care
- Home Health Care Aide
- Personal Care Attendant or Chore Services
- Assisted Living Facilities, RCFE
- Hospice Care

Levels of Care

Skilled
Care



Custodial
Care

The Costs of Long-Term Care Are Considerable

At-home care:

- The minimum average in OC for a **home health care** visit is \$18 per hour.*

Facility Care:

- The minimum average daily rate in OC is estimated to be \$176 or \$64,000 per year to keep just one person in a **nursing facility**.**

* "Profiles of Long-Term Care Systems," Met Life 2003

**California Office of Statewide Health Planning and Development

HOME CARE VS. FACILITY CARE

* 85% of people needing care today are receiving it in their homes by family, spouses, friends & neighbors



What are your chances of needing long-term care?

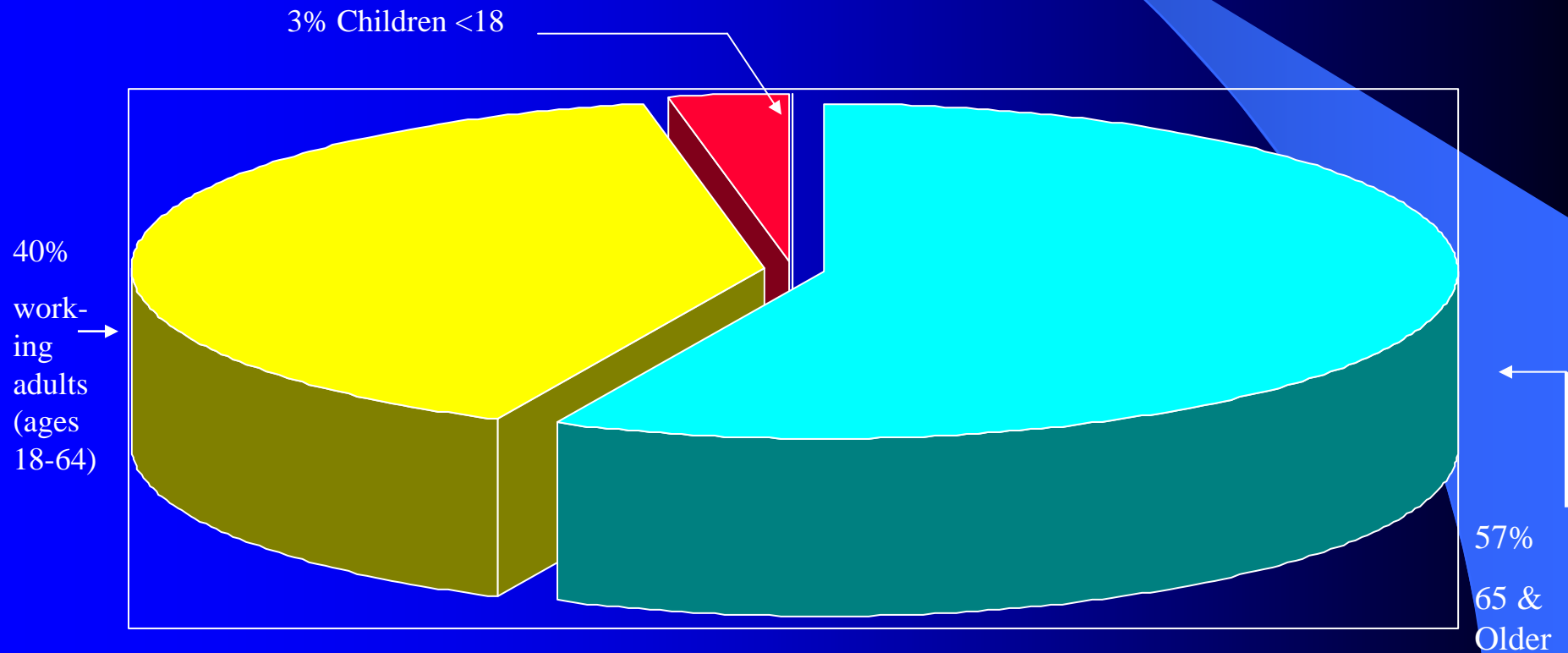
60% of all Americans over the age of 65 may need some type long-term care in their lifetime.*

As we age, the likelihood of needing long-term care increases.

*Who Buys Long-Term Care Insurance: 1994-95: "Profiles of Innovations in a Dynamic Market" Health Insurance Association of America.

Long-Term Care: Is *Your* Family Protected?

All Ages Need Long-Term Care



Long-Term Care: Is Your Family Protected?

A Big Hole In Private Insurance

- Medicare Supplements
- Retiree Group Health Plans
- Group Health Plans
- Individual Health Plans
- HMOs (Regular or Medicare)

What Are Your Options?

- Self-insure
- Medicaid/Medi-Cal
- Medicare
- Long-term Care insurance

My Family Will Care for Me

1. No medical expertise
2. Expense
3. Physical and emotional demands
4. Lifestyles

Long-Term Care: Is Your Family Protected?

Medicaid

- Below \$2,000* in Assets
- Look Back Audit
- No Cap on Penalty Period
- Mandated Estate Recovery
- Limited Choices

Long-Term Care: Is Your Family Protected?

Medicare Nursing Home Benefits

- Days 1-20 All Costs At 100%
- Days 21-100 100% after \$124.00/day
- Days 100+ Nothing

SKILLED CARE

(Average 23 days)

Why Medicare Does Not Pay for Long-Term Care?

- Care Provided in a Skilled Nursing Facility
 - Must be Medicare Approved
 - Three Day Hospital Stay
 - Skilled Care with minimum HHC
 - “Restorative” in Nature

Long Term Care Insurance

vs.

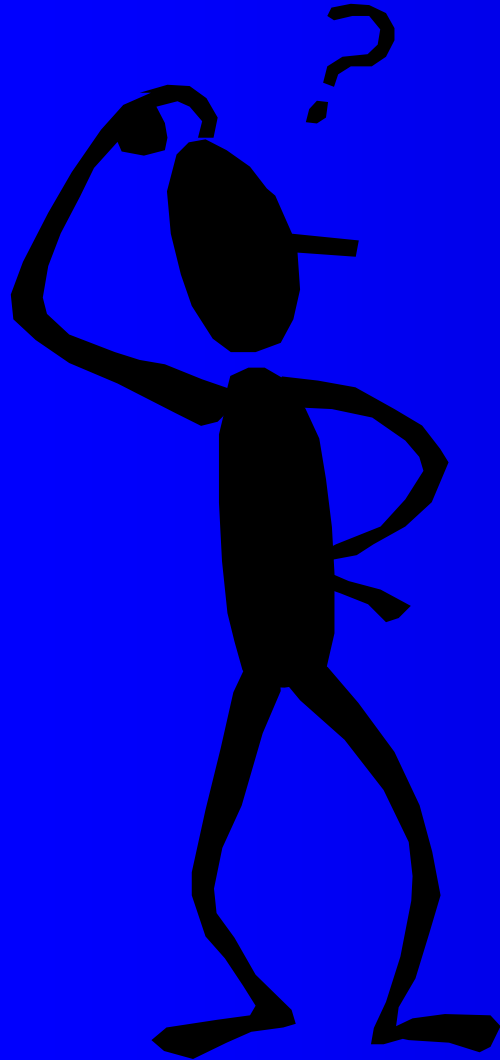
Disability Insurance

- Disability Insurance Replaces Your Income
- Long Term Care Insurance Protects Your Income

MAJOR FINANCIAL RISKS (over age 65 within next 12 months)

Total Loss From Fire	1 in 1,200
Major Auto Accident	1 in 240
Hospitalization (spending \$30,000)	1 in 15
Long-Term Care	1 in 5

Questions To Ask Yourself



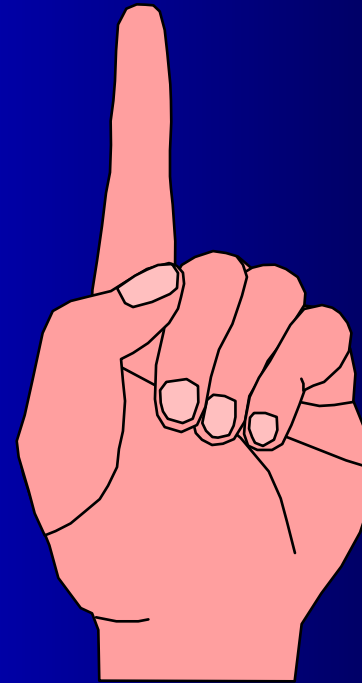
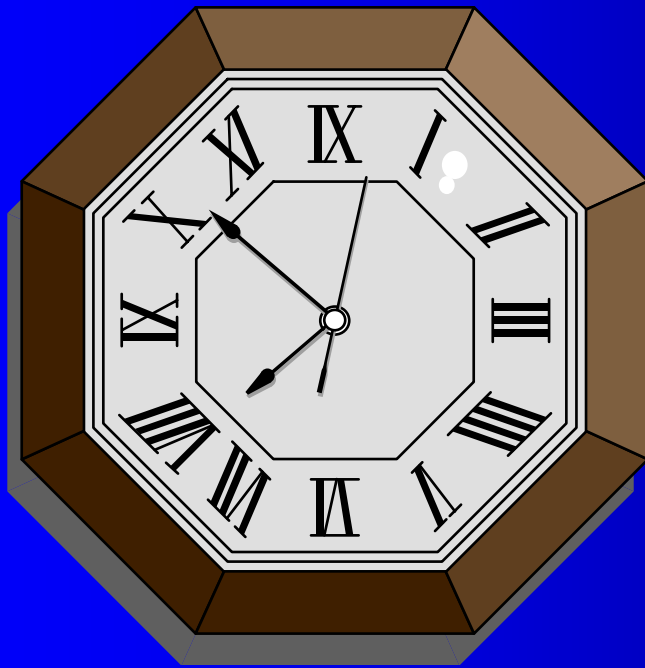
1. Do you know where the money will come from if you need a stay in a nursing facility or at home?
2. How long will your money last?
3. Does it make sense to use interest from an investment to pay for long-term care?
4. Can you count on your family to be able to help you?
5. Can you count on the government to design a plan that is right for your needs?

The Top Six Reasons Why You Need LTC Insurance

- Independence and affordability of service
- Helps protect your family
- Provides you with choices and quality of care
- Helps protect your retirement savings and family assets
- Peace of mind and Dignity
- Avoid emotional burden and physical dependence on family

Why Consider It Now?

Premiums increase
with age



The Health Insurance Portability and Accountability Act of 1996: A Closer Look

- LTC premiums are deductible as a medical expense
- LTC benefits received are tax-free
- LTC expenses not covered by insurance are deductible ..

The Health Insurance Portability and Accountability Act of 1996: A Closer Look

- Employers who pay premiums for an employee are entitled to deduct that premium as a business expense, as they do for medical insurance.
- Premiums paid by an employer on behalf of an employee will not be treated as income to that employee.

The Health Insurance Portability and Accountability Act of 1996: A Closer Look

- Self-employed individuals can deduct 100% of qualified premiums as a business expense.
- “C” Corporations can deduct 100% of premiums as a business expense

The Health Insurance Portability and Accountability Act of 1996: A Closer Look

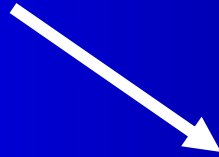
- The Government has sent a clear message that it is your responsibility to take care of your Long-Term Care needs.

Long-Term Care Insurance

Insurance
Company



Individual



Cost Sharing

You Pay

1 Year Premium
(approximately \$3,500 per
year for a 65 year old)

Company Pays

\$64,000 for 1
year of care

The Greatest Problem



DENIAL

Common Misconceptions

1. It will never happen to me
2. My family will care for me
3. Medicare will pay for it

“Failure to prepare for
the cost of long-term care
is the primary cause of
impoverishment
among the elderly.”

--American Health
Care Association

Six Factors that Impact the Premium...

- Benefit Length
- Daily Benefit
- Elimination Period
- Health
- Inflation Protection
- Age

Care Coordination: Valuable Help When You Need It.

- A registered Nurse or Licensed Social Worker will perform an initial assessment of your long-term care needs.
- Your Care Coordinator will help you and your family develop the best Service Plan.
- When your Service Plan is set, *you* and *your family* decide who to hire to provide your care and *where to receive the care* you need.

OTHER OPTIONS

- CALIFORNIA PARTNERSHIP PLAN
- LIFE POLICIES WITH LONG TERM CARE COVERAGE
- ANNUITIES WITH LONG TERM CARE COVERAGE

Money Pays For Long Term
Care
Insurance

Health Buys Long Term Care
Insurance

Long Term Care Insurance:
The Foundation of Every
Financial Plan

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LONG-TERM CARE INSURANCE

Medicare

Rising Cost

Medicare Supplements

THANK YOU

Medicaid/Medi-Cal



BENEFITS

LONG-TERM

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2007 One Page Tax Summary Qualified Long-Term Care Insurance (LTCi)

Type of Taxpayer	Premium Deductions	Taxation of Benefits												
Individual taxpayer who does NOT itemize	No deduction.	Reimbursement benefits are not included in income. IRC §§104(a)(3), 7702B(a)(2)												
Individual taxpayer who itemizes deductions	<p>Treated as accident and health insurance. IRC §7702B(a)(1)</p> <p>Limited to lesser of actual premium paid or eligible LTC premium. IRC §§213(d)(1)(D), 213(d)(10)</p> <p>Eligible LTC premium in 2007:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Attained age in tax year</th> <th>Limitation on premiums</th> </tr> </thead> <tbody> <tr> <td>Age 40 or less</td> <td>\$290</td> </tr> <tr> <td>Age 41 – 50</td> <td>\$550</td> </tr> <tr> <td>Age 51 – 60</td> <td>\$1,110</td> </tr> <tr> <td>Age 61 – 70</td> <td>\$2,950</td> </tr> <tr> <td>Age 71 and older</td> <td>\$3,680</td> </tr> </tbody> </table> <p>Medical expense deduction is allowable to extent that such expenses (including payment of eligible LTC premium) exceed 7.5% of AGI. IRC §213(a)</p>	Attained age in tax year	Limitation on premiums	Age 40 or less	\$290	Age 41 – 50	\$550	Age 51 – 60	\$1,110	Age 61 – 70	\$2,950	Age 71 and older	\$3,680	<p>Per diem or indemnity benefits are not included in income except those amounts that exceed the greater of:</p> <ul style="list-style-type: none"> • Total qualified LTC expenses, or • \$260 per day (in 2007). <p>IRC §§104(a)(3), 7702B(a)(2), 7702B(d)</p> <p>Nonforfeiture benefit (return of premium benefit):</p> <ul style="list-style-type: none"> • Available only upon total surrender or death. • May not be borrowed or pledged. • Included in gross income to extent of any deduction or exclusion allowed with respect to premium. <p>IRC §7702B(b)(2)(C)</p>
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MSA & HSA deductible premium Employees (non-owners)	<p>Eligible LTC premium is a qualified medical expense. IRC §213(d)(1)(D)</p> <p>Premiums paid by employees:</p> <ul style="list-style-type: none"> • Deductible by employee who itemizes (subject to limitations outlined above). • May not be paid through cafeteria plan. IRC §125(f) • May not be paid through FSA or similar arrangement. IRC §106(c) <p>Premiums paid by employer:</p> <ul style="list-style-type: none"> • Employer provided LTCi treated as accident and health plan. IRC §7702B(a)(3) • Deductible by employer (subject to reasonable compensation). IRC §162(a) • Total premium excluded from employee's income (not limited to eligible premium). IRC §106(a) 													
C corporation owner-employee	Treated as employee.													
Other business owners - Sole proprietor - Greater than 2% shareholder in: - S corporation - Partnership LLC: LLC is a legal not tax filing. Check how the entity files	<p>Eligible for Self-Employed health insurance deduction, which is taken "above the line" Line 31 of IRS Form 1040 (2002). IRC §162(l)</p> <p>Limited to lesser of actual premium paid or eligible LTC premium. IRC §§213(d)(1)(D), 213(d)(10)</p> <p>Eligible LTC premium in 2007:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Attained age in tax year</th> <th>Limitation on premiums</th> </tr> </thead> <tbody> <tr> <td>Age 40 or less</td> <td>\$290</td> </tr> <tr> <td>Age 41 – 50</td> <td>\$550</td> </tr> <tr> <td>Age 51 – 60</td> <td>\$1,110</td> </tr> <tr> <td>Age 61 – 70</td> <td>\$2,950</td> </tr> <tr> <td>Age 71 and older</td> <td>\$3,680</td> </tr> </tbody> </table> <p>Deduction is not limited to 7.5% of AGI threshold (outlined above).</p>	Attained age in tax year	Limitation on premiums	Age 40 or less	\$290	Age 41 – 50	\$550	Age 51 – 60	\$1,110	Age 61 – 70	\$2,950	Age 71 and older	\$3,680	<p>NOTE: This document is only a summary of the tax treatment of qualified long-term care insurance.</p>
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The information contained in this summary is provided with the understanding that it is not to be interpreted as specific legal or tax advice. Neither The Corporation for Long-Term Care Certification, Inc. nor any of its employees or representatives is authorized to give legal or tax advice. Individuals are encouraged to seek the guidance of their own personal legal or tax counsel.