Tackling Today's Health Costs to Create a Stronger Retirement Protection Plan

Ways to Protect Against Health & Longevity Threats

Presented by Cheryl Boyles, RICP

For healthy men and women who are age 65…

Life expectancy is

87

Life expectancy is

90

Living to 90 is common

For healthy people age 65, about 4 in 10 men and more than half of women will live to age 90;

…and rising.

Source: BTN Research, October 2014 ~ CDC: National Center for Health Statistics, January 2020

"Retirement is a Women's Issue"

Cheryl Boyles

Longevity is on our side!

Living 30 years retired is entirely possible.

That means 30 years of Income and Healthcare Costs, which are ever-increasing.

The
#1
reason for bankruptcy in the United States today is:

The financial toll of medical costs- sudden or chronic/critical.[1]

1 American Journal of Public Health, March 2019
Medical Bankruptcy: Still Common Despite the Affordable Care Act

The BIGGEST threat to our retirement portfolio, assets, and retirement income & lifestyle is:

The cost of an unfunded long-term care (LTC) event that is not covered by health insurance, Medicare, or a Medicare Supplement.[1]
(*Personal Care, not Medical Costs)

[1] Fidelity Investments Annual Cost Health Insurance Survey, January 2014

The Current Statistics:

Covering Medical Expenses and Premiums from age 65 today through Retirement:

- **$175,000 per person**
- **$387,000 per couple**

NOT INCLUDING

Frailty/Long Term Care.

Assisted Care to Nursing Care Total:

- **$225,000 per person LTC**
- **$387,000 per couple LTC**

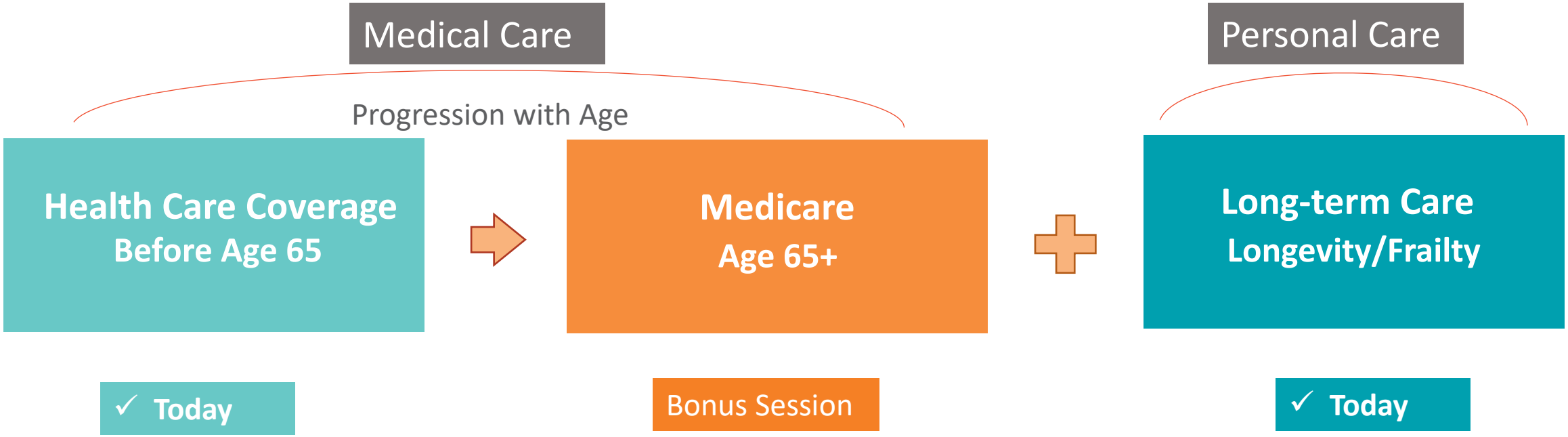
2021 Retirement Healthcare Costs Data Report, HealthView Services

The Task:

Understanding Healthcare Options & Protections to offset Costs are Paramount!

Most concern themselves thankfully with Income planning…yet…planning for Health Care Costs are just as needed.

Healthcare Choices Today and in Retirement



Providing for Medical Costs

Women utilize healthcare more consistently throughout their lifetime.

Healthcare Choices Today and in Retirement

Health Care Coverage

Before Age 65

- Medical Cost Share
- Employer Cost Share
- Self Fund or Individual Insured
- Still Employed after Age 65

Medicare

Age 65+

- Medical Costs Share
- Governmental Offset to Costs

Process with Usual Progression of Age

Healthcare Choices Today and in Retirement

Health Care Coverage Today

Before Age 65

Marketplace

- Self Fund
- Insurers Medical Cost Share
- Employer Cost Share More
- Individual Insured
- Reimbursed or Assigned Benefit
- Major Medical or Supplemental

[1] Pre X stands for Pre-existing Medical or Mental Conditions

Healthcare Choices Today and in Retirement

Health Care Coverage Today

Before Age 65

Options Offered

- Insured Cost Share: Copay, Co-insurance, Deductible, Stop Gap
- Employer (usually subsidized & Pre X) [1]
- Individual (100% Premiums No Pre X) [1]
- Pharmacy (Included/Discount)
- Discount Indemnity /Supplemental Plans
- Employer Coverage Age 65+

[1] Pre X stands for Pre-existing Medical or Mental Conditions

Healthcare Choices Today and in Retirement

Health Care Coverage Today

Before Age 65

Types

- HMO – Network Specific
- POS or PPO – In/Out of Network
- Pharmacy (Included/Discount)

- High Deductible Plans (HDHP)
  ($1400 Single /$2800 FM) [1]
  Deductible Met before Co-insurance
- Health Spending Accounts (Tax Advtg Savings accounts to supplement HDHP or later)

[1] Pre X stands for Pre-existing Medical or Mental Conditions

Healthcare Choices Today and in Retirement

Health Care Coverage 2021
Before Age 65

Can NOT Contribute on Medicare. Can use for Medicare expenses

Health Savings Accounts (HSA)

- Tax-Deductible/Tax-Free Eligible
- Owned Individually, Can be Invested
- Used to offset Medical Expenses
- Must have High Deductible Health Plan (HDHP) Annual Deductibles
- Can Contribute up to Annual Max ($3600 Single/$7200 Family) [1]

Can be used to Pay Long Term Care Premiums and Expenses.

[1] Pre X stands for Pre-existing Medical or Mental Conditions

Healthcare Choices Today and in Retirement

Health Care Coverage 2021
Before Age 65

Subsidies are available for Affordable Care Costs based on Income

Employer Alternatives

- GAP before Medicare Eligible
- Individual Major Medical (Pre X) [1]
- COBRA Continued (18 mo-No PreX) [1]
- Affordable Care Act (No Pre X) [1]
- Short-Term Medical (12 mo –Pre X) [1]
- Discount Indemnity
  (Reimbursed, Not major medical)

Medical Insurance Increases up 12% - 20%+ year

[1] Internal Revenue Service, 2021

Healthcare Choices Today and in Retirement

Health Care Coverage

Before Age 65

- Medical Cost Share
- Employer Cost Share
- Self Fund or Individual Insured
- Still Employed after Age 65

Progression of Age

Medicare

Age 65+

- Medical Costs Share
- Governmental Offset to Costs

Healthcare Choices Today and in Retirement

Medicare

Age 65+

- Original Medicare
- (Part A Hospital or Hospice)
- Original Medicare Purchased (Part B-Physicians and Services)
- Medicare Supplement
- Pharmacy Benefit (Part D)

OR

Healthcare Choices Today and in Retirement

Medicare

Consider Joining our Bonus Class for More On Medicare

Age 65+

- Original Medicare
- (Part A Hospital or Hospice)
- Original Medicare Purchased (Part B-Physicians and Services)
- Medicare Supplement
- Pharmacy Benefit (Part D)

OR

Age 65+

- "Medicare Advantage" (Part C) Medicare Replacement (Usually includes Pharmacy + Vision/Hearing/Etc)

or

- Medicaid (Various Levels) (*Low Income/ Government offset)

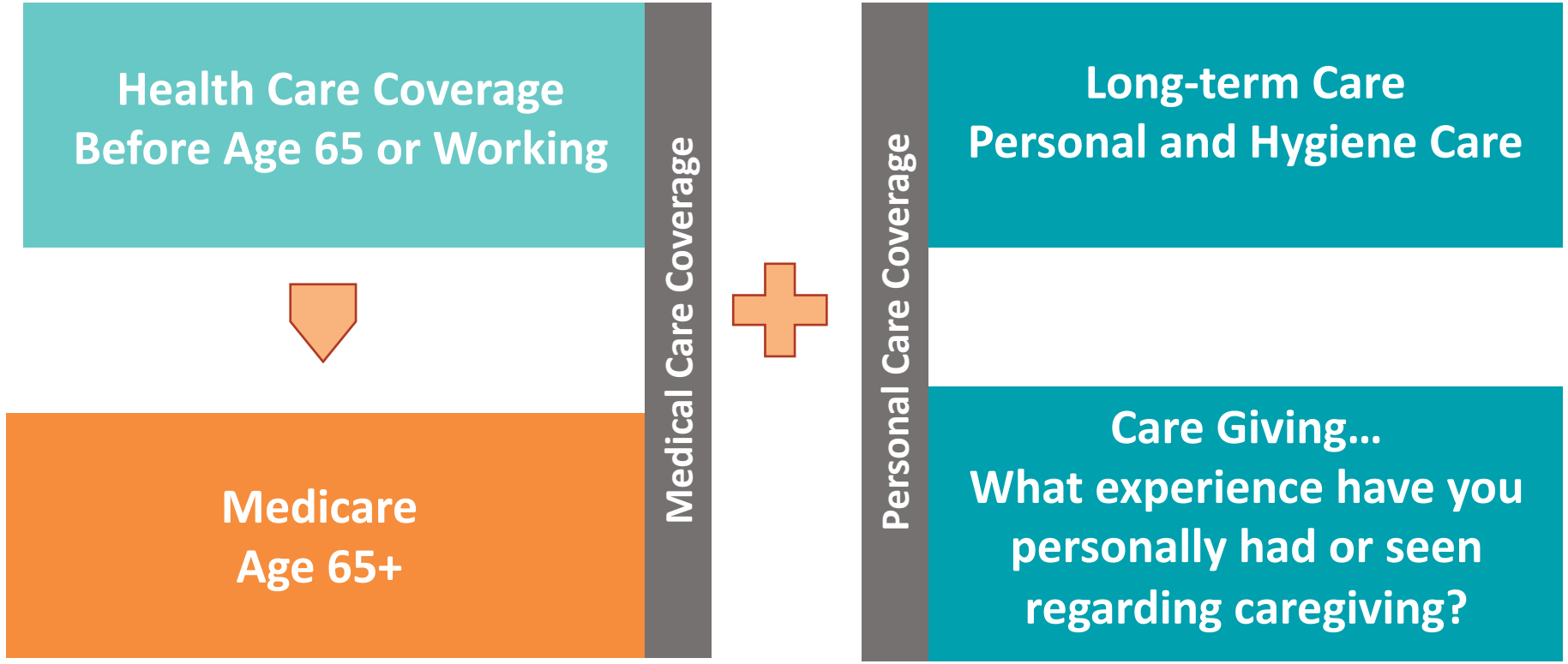
- Medical Costs are Ever-Rising
- If **acute** diseases like heart failure or stroke don't invade our health, the **chronic** ones like Alzheimer's and cancer may eventually bring havoc to our health, lives, and retirement plans.
- Advances in medicine allow us to live longer, which has increased our need for long-term or extended care during our lifetimes.
- Chances are about **70%** of us will need LTC services during our lifetime. This type of care is also rising and likely to be expensive.

2018 Medicare & You, National Medicare Handbook, Centers for Medicare & Medicaid Services, July 2018.

Providing for Personal Care

Women tend to need more help with personal care being the surviving partner or single.

Healthcare Choices Today and in Retirement



What is Long-Term Care?

A range of services and supports you may need to meet your personal care—not medical care—triggered by:

Severe cognitive impairment

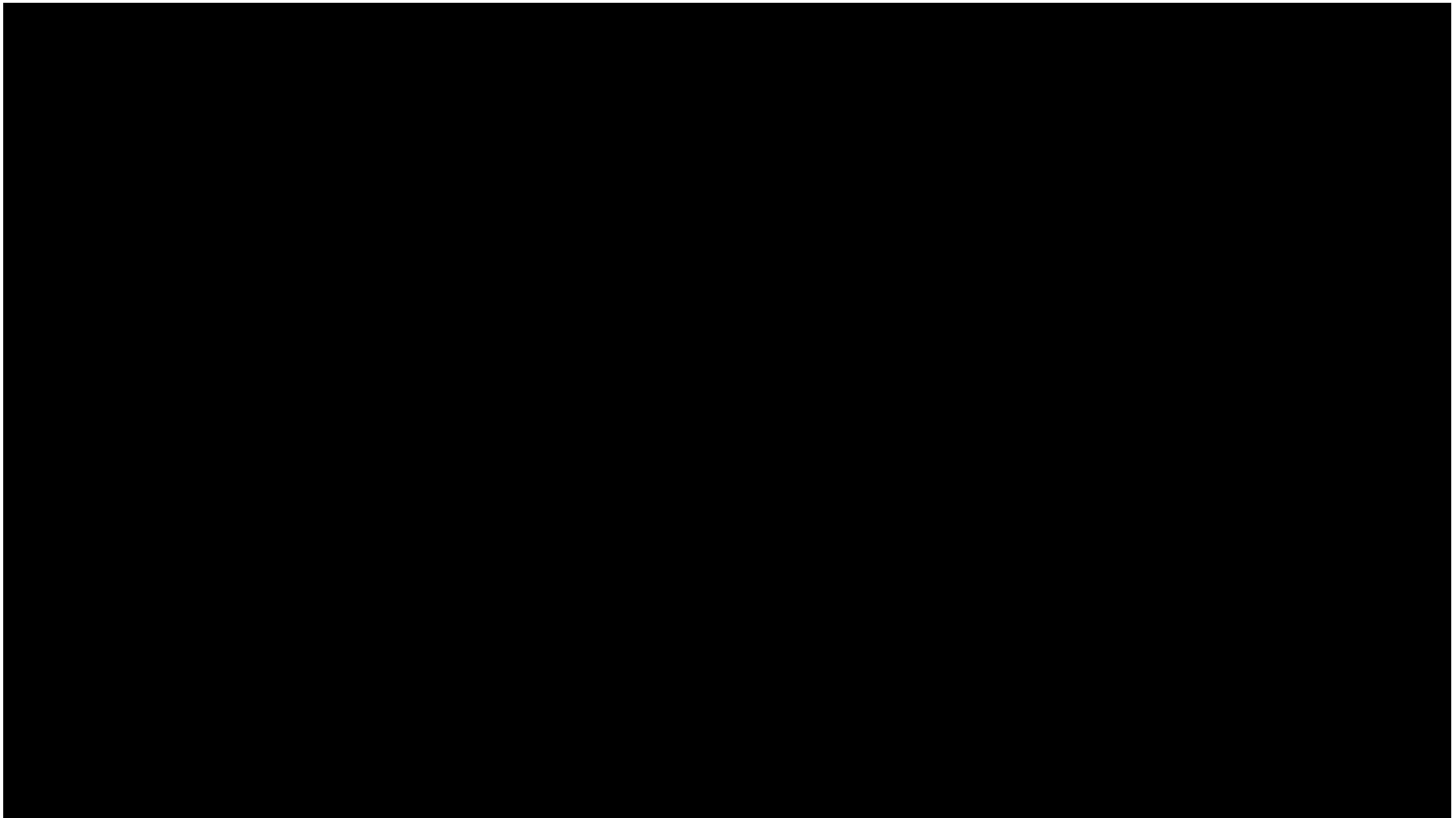
Lack of memory, orientation, person, place or time, abstract reasoning or judgment relating to safety (Alzheimer's would qualify)

OR

Inability to perform <u>two</u> Activities of Daily Living (ADLs)

Standard 6 ADLs: bathing, dressing, toileting, eating, transferring (out of bed, chair, or wheelchair), continence

It's another retirement expense that will cause your need for income to **INCREASE SUBSTANTIALLY** should you need care.



There are 5 approaches to funding a long-term care event on which we'll focus on 4:

1. **Self-Funding**
2. **Traditional LTCi Policy**
3. **Hybrid Life with a LTC or CI Rider**
4. **Linked-Benefit Policy**
5. **Govt. Aid/Medicaid – Asset Spend Down**

Home is where the care is:

- The *average* monthly cost of a nursing home can range from $5,000/mo-$13,000/mo, depending on where you live.
- The average nursing home confinement is 2.8 years, however, specific illnesses (stroke, Alzheimer's) can extend a stay up to 12 years.
- Your chance of needing some type of extended health care after age 65 is 70%.
- The average cost for a home health aide can be quite a bit less, but also can be just as costly if 24/7 care is needed.
- The average length of a claim is 3.7 years for women and 2.2 years for men, though dementia claims can last between 8-12 years.

Sources: 1) Genworth Cost of Care 2019. 2) Alzheimer's Association, 2019.

Informal long-term care is physically and financial demanding for women.

Only 38% of women age 75 still have a spouse to provide care for them.[1]

Greater incidence of depression and heart disease among women caregivers.[2]

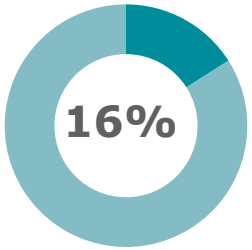
Lost wages and benefits result in an average loss of over $650,000 for women caregivers.[2]

[1] American Association for Long-Term Care Insurance, 2014.
[2] Minnesota Women's Press, "Take Time to Make Long-term Care Plans", November 2013.

The longer you live, the more likely you will have an extended healthcare need.

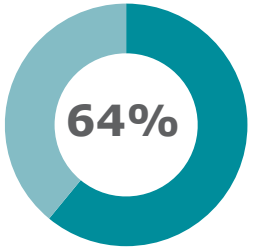
- Who will care for you when you can't care for yourself?
- Private health insurance won’t pay for long-term care.
- Health insurance really only pays for doctor and hospital bills.
- Medicare will cover skilled care for periods up to 100 days, but only if certain requirements are met.
- Medicaid? You'd have to spend down your assets before Medicaid would kick in, and then you'd have less choice about the care you receive.

Misperceptions of Payment Options



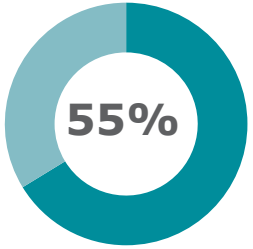
Think that Medicare pays for long-term care.[1]

Medicare only pays for 100 days and is limited in what it covers.[2]



Plan to use Social Security to pay for long-term care.[2]

The maximum benefit at FRA in 2015 is $32,220.
A semi-private nursing home room $82,125.[3]



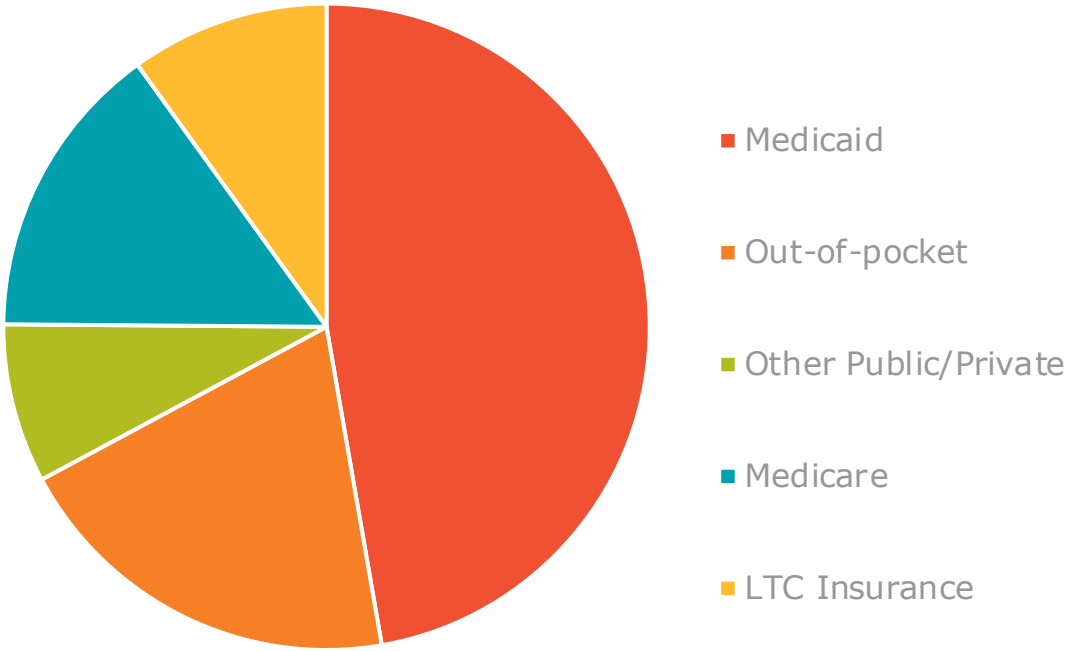
Don’t know that the Affordable Care Act doesn’t cover long-term care.[1]

The CLASS Act was repealed on Jan. 1, 2013.[4]

[1] The 2016 Nationwide/Harris Poll Health Care and Long-Term Care Consumer Survey.
[2] Longtermcare.gov. Medicare and You, 2015. Medicare.gov.
[3] Genworth Financial, Cost of Care Survey, 2016.
[4] Fiscal Cliff Deal Repeals CLASS Act, Creates Long-Term Care Commission. Forbes.com. January 1, 2013.

Paying for Long-Term Care—*Medicaid*

Nursing home care expenditures[1]



To qualify for Medicaid you must:

- Have income below or near the federal poverty level
- Assets less than $2,000[2]
- Five year look-back on assets

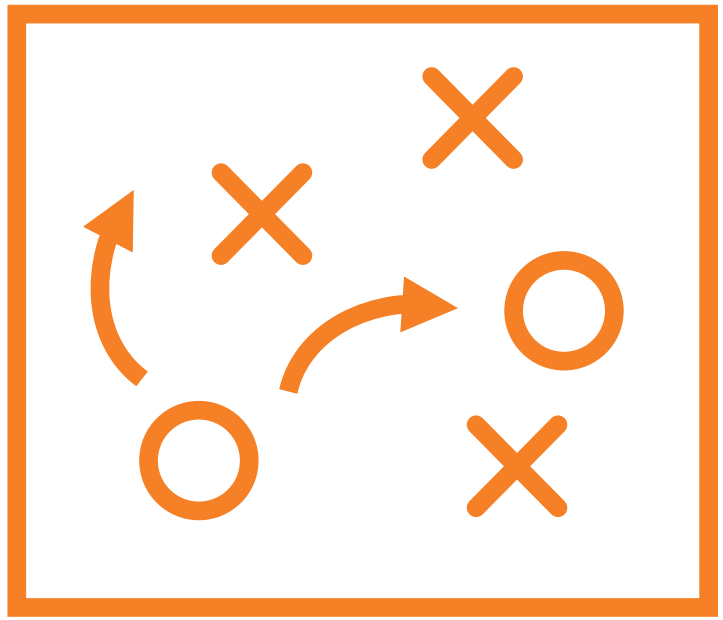
Varies by state guidelines[2]

1 Kaiser Family Foundation/CMS "The DI and LTC Blog" 12/18/2017;
2 Most states' limit $2,000; CT limit is $1,600

"Cost" of Self-Funding

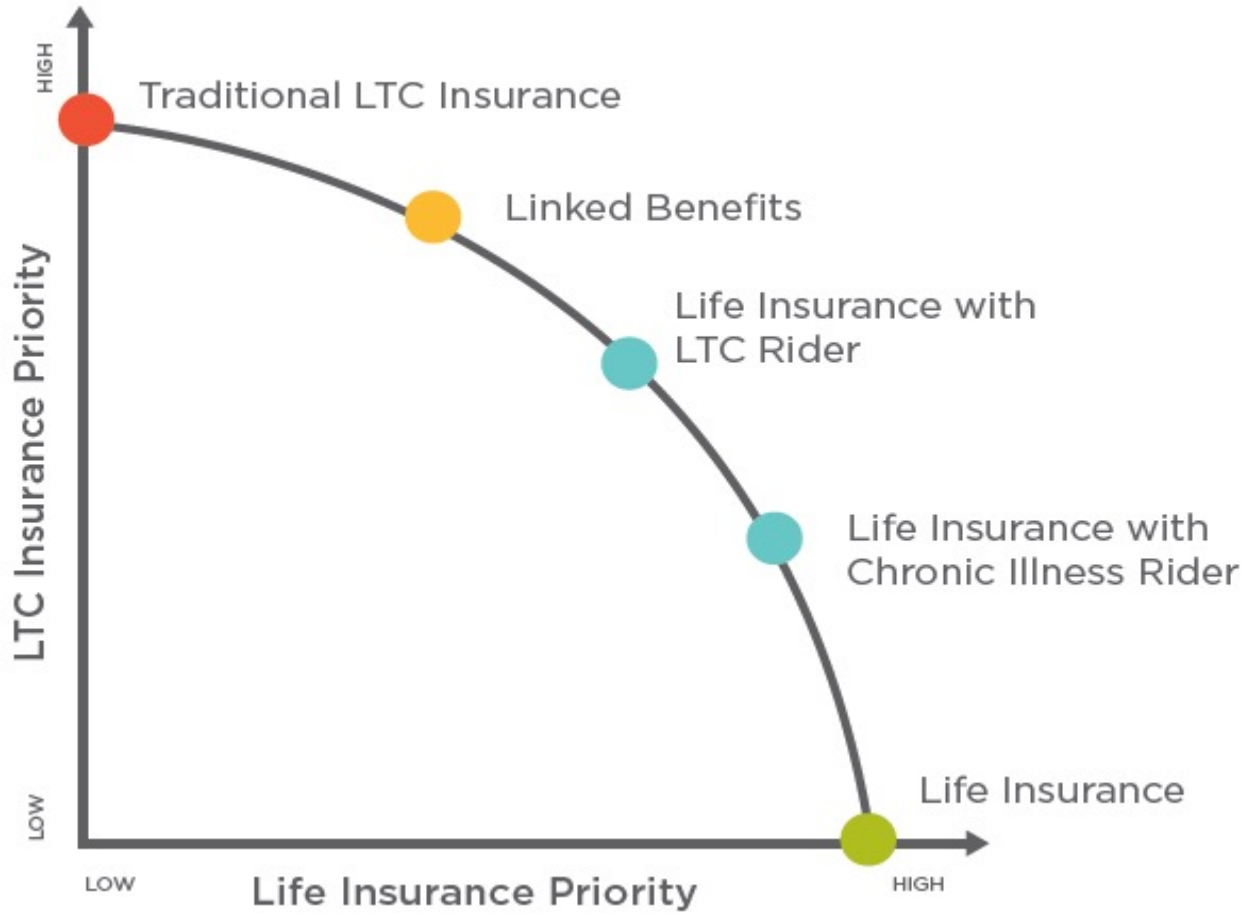
- Cost of liquidating qualified funds to pay for care
- Assets that are difficult to convert without severe tax or market liability
- Loss of investment opportunity on funds liquidated to pay for care
- Lack of care coordination benefit

How to be prepared for the risk

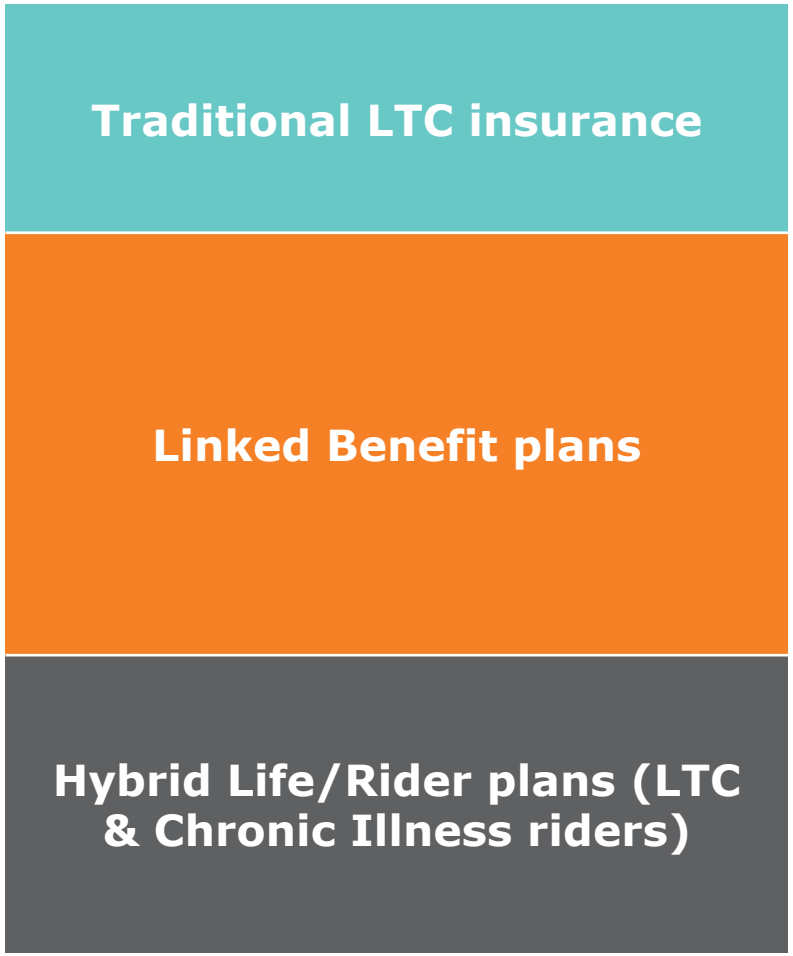


- Develop a strategy and fund a plan to cover this risk
- Since your health insurance or Medicare doesn’t pay for this type of care—what are your options?

LTC Insurance Options



3 Types of LTC Insurance Plan Designs



Most comprehensive, partnership asset protection, shared plans; “use or lose it”, premiums may increase.

Guaranteed payout, life and/or LTC benefits, return of premium, inflation options; large deposit may be required. LTC primary concern, can afford shorter pay option. Acceleration of death benefit + extension of benefits for LTC. Annuity-linked plans also available for LTC leverage.

Life and/or LTC benefits, most flexible pay periods; no ROP, no inflation options. All premium funding options including lifetime. Simple acceleration of death benefit.

Long-Term Care Planning Options

4 Ways to Fund a Long-Term Care Event

What's the best strategy?

"It depends."

(Each client or situation is unique.)

Linked-Benefit Plans

Benefits no matter what the future holds:

Live

Quit

Die

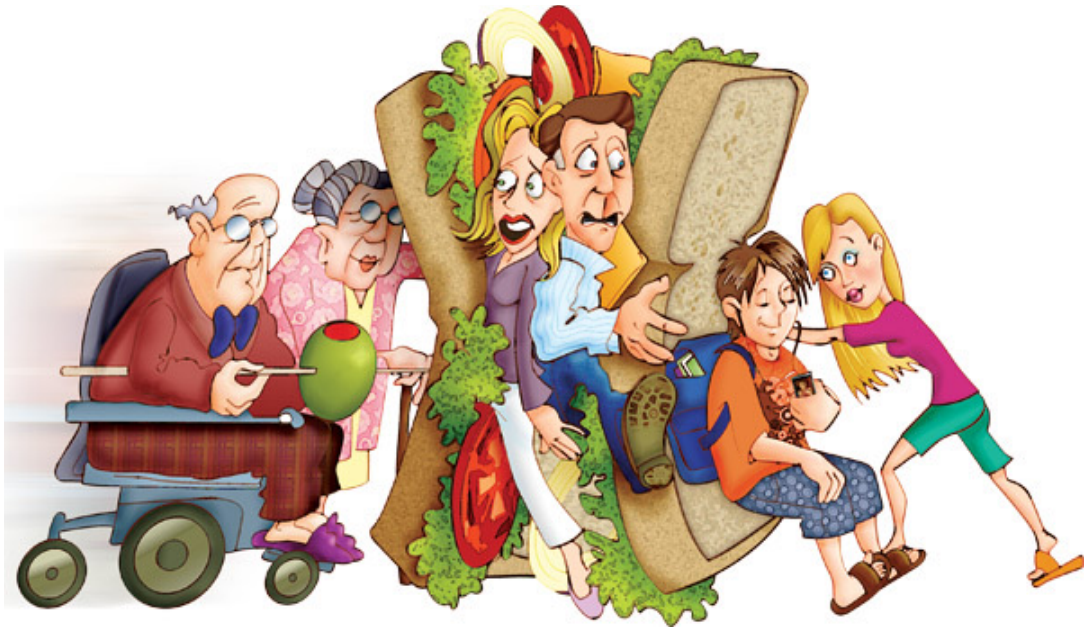
Why should you plan for long-term care?

- Avoid dependency on government programs and limits on care options
- Protect a surviving spouse from financial impoverishment
- Avoid becoming a financial/emotional “burden”
- Maintain independence & options for receiving care (Home Care)
- Women are particularly impacted by LTC
- Preserve a financial legacy for heirs vs “Spend-Down” assets

What if you don’t plan for long-term care?

- Do you have enough resources and support?
- Can your family really take care of you?
- What would you sell first to cover your bills?
- What impact will providing care for you have on your family?
- Is it better to use full funds, or stretch/leverage your dollars?

Sandwich Generation



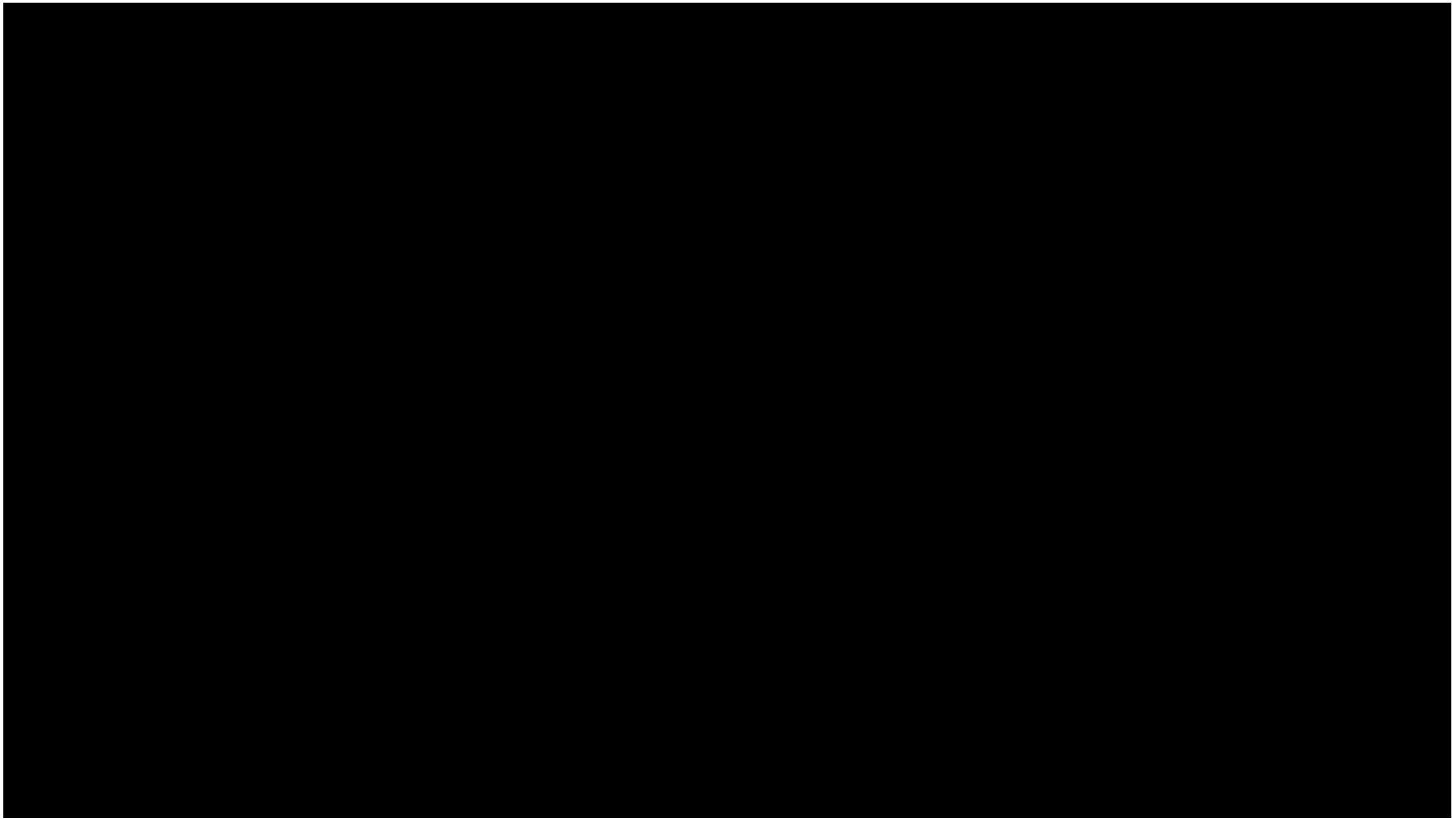
The Power of Longevity Planning

Planning helps children remain as advocates, not full-time caregivers...

...it's about living!

Longevity Planning Checklist

- ✓ Explore services and costs in your area
- ✓ Assess your finances
- ✓ Talk to your family about your plans and their availability to assist in the event care is needed
- ✓ Discuss your options with a professional. Many facets go into the decision process that are often overlooked. (We would be delighted to get you questions and “what if” scenarios to consider and costs for your area)
- ✓ Prepare health care directives & powers of attorneys



Peace of Mind

PRICELESS

Questions?