Her Retirement®

Welcome to

Her Retirement Roadmap® Masterclass

Class 6

Protecting Your Health & Wealth

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Longevity & the Need for Long Term Care & Medicare Insurance

“Retirement is a Women’s Issue”

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.

Most concern themselves, thankfully, with Income planning…

yet…

planning for Health Care Costs are just as needed...and missed.

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For healthy men and women who are age 65…

Life expectancy is

82

Life expectancy is

85

Source: U.S.: Life expectancy for men at the age of 65 years 2020 | Statista

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

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

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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

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The Current Statistics:

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

- **$157,500 per person**
- **$315,000 per couple**

NOT INCLUDING

Frailty/Long Term Care.

Assisted Care to Nursing Care Total:

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

Source: How to plan for rising health care costs | Fidelity

Healthcare Costs Increase as We Age:

Annual estimated cost for 65-74 year old:
$13,000

Annual estimated cost for 75-84 year old:
$24,000

Annual estimated cost for over 85:
$39,000

Source: How to plan for rising health care costs | Fidelity

Sample - Annual Health Care Budget – Per Person Insurance Premiums and Out-of-Pocket Costs

Expenditure	Annual amount
Insurance premiums: $374 x 12	$4,488
Prescription drugs: out-of-pocket costs	$800
Dental out-of-pocket	$300
Vision out-of-pocket	$300
Alternative care out-of-pocket	$200
Total	**$6,088**

Sample Medicare Budget
Per Person - Insurance premiums

Expenditure	Monthly amount
Part B premium	$134.00
Medigap Plan F premium	$200.00
Part D drug plan premium	$40.00
Total	**$374.00**

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The Task:

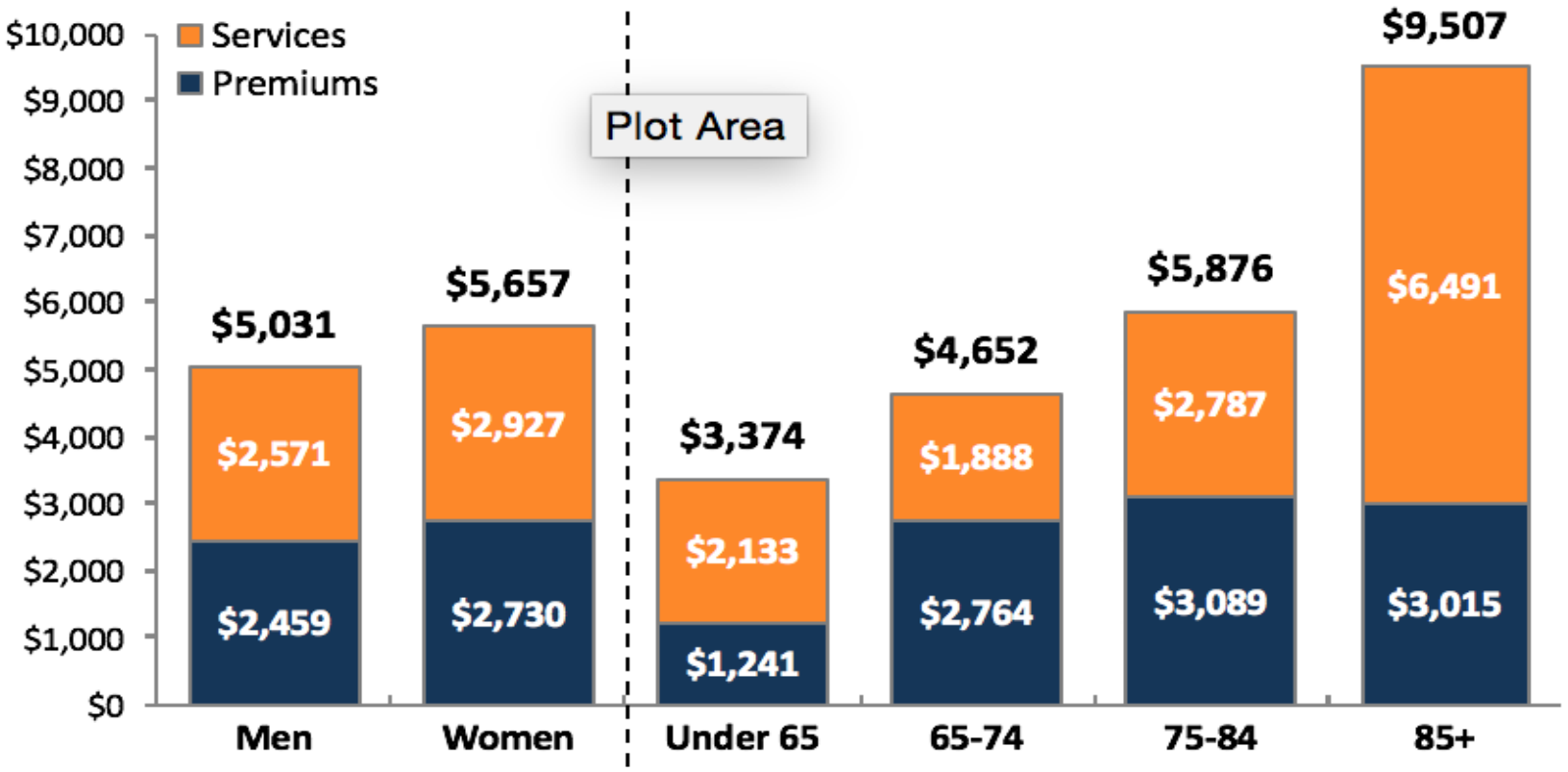
Understanding Healthcare Options & Protections to offset Costs are Paramount!

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

Providing for Medical Costs

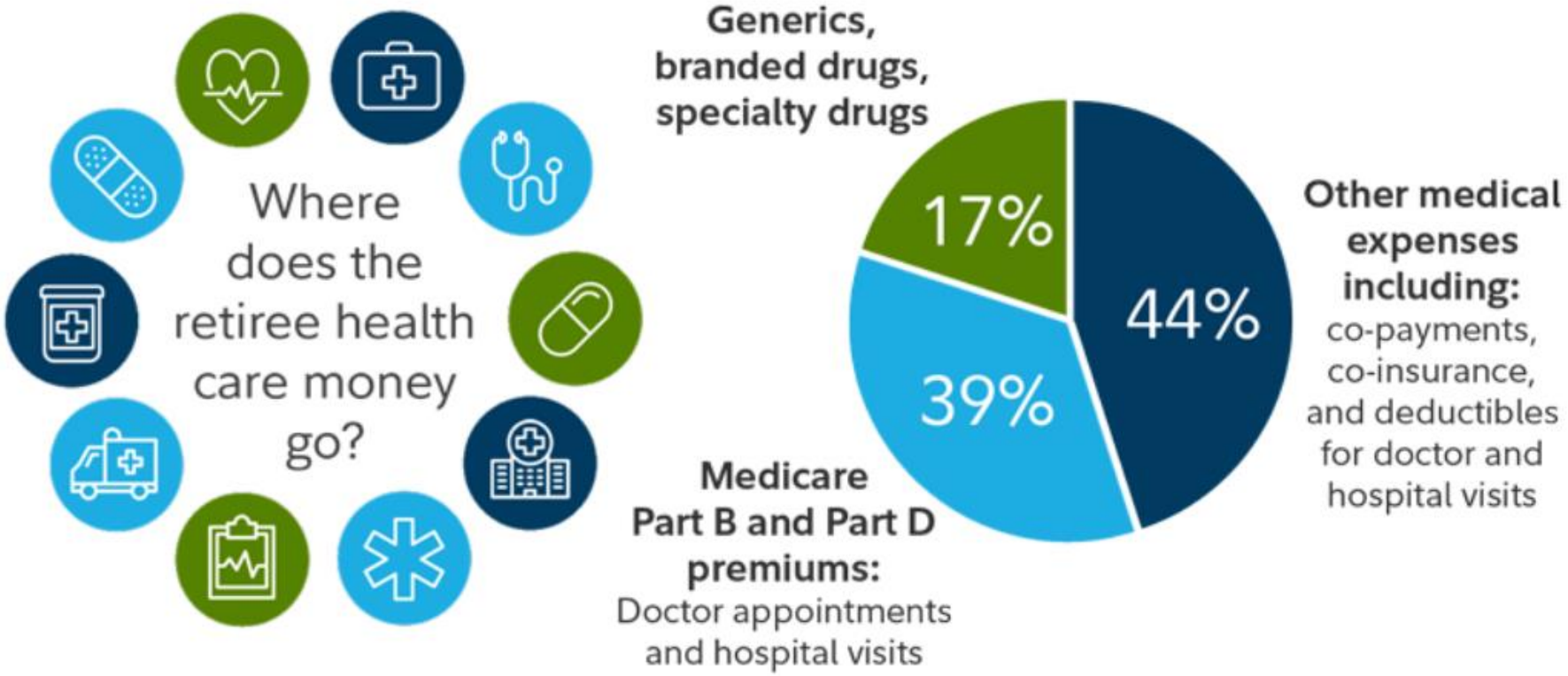
Women utilize healthcare more consistently throughout their lifetime.

Average out-of-pocket spending on services is higher for women on Medicare than men and increases with age



NOTE: Analysis excludes beneficiaries enrolled in Medicare Advantage plans. Premiums includes Medicare Parts A, B, D, and other types of health insurance beneficiaries may have.
SOURCE: Kaiser Family Foundation analysis of the Medicare Current Beneficiary Survey 2011 Cost and Use file.

THE HENRY J. KAISER FAMILY FOUNDATION



Source: [How to plan for rising health care costs | Fidelity]

Planning for Higher Health Care Costs

- Two reasons your health care expenses will be higher in the future
  - Inflation
  - Utilization - increased need for services as you age
- Medicare does not cover long-term care

The Big Issue

Social Security COLA 2.4% - Healthcare Costs Increasing6%

Year	Age	Social Security Benefit	Healthcare Cost	Retirement HC Cost Index
2023	65	$31,701	$14,122	44.5%
2024	66	$32,494	$14,999	46.2%
2025	67	$33,274	$15,916	47.8%
2026	68	$34,072	$17,032	50.0%
2027	69	$34,890	$18,212	52.2%
2028	70	$35,727	$19,373	54.2%
2029	71	$36,585	$20,605	56.3%
2030	72	$37,463	$21,864	58.4%
2031	73	$38,362	$23,246	60.6%
2032	74	$39,283	$24,245	61.7%
2033	75	$40,225	$25,641	63.7%
2034	76	$41,191	$27,124	65.8%
2035	77	$42,179	$28,696	68.0%
2036	78	$43,192	$30,324	70.2%
2037	79	$44,228	$32,051	72.5%
2038	80	$45,290	$33,879	74.8%
2039	81	$46,377	$35,787	77.2%
2040	82	$47,490	$37,811	79.6%
2041	83	$48,630	$40,063	82.4%
2042	84	$49,797	$42,432	85.2%
2043	85	$50,992	$44,928	88.1%
2044	86	$52,216	$47,566	91.1%
2045	87	$53,469	$50,339	94.1%
2046	88	$54,752	$52,952	96.7%
2047	89	$56,066	$55,555	99.1%
Total		**$1,069,944**	**$774,762**	**69.6%**

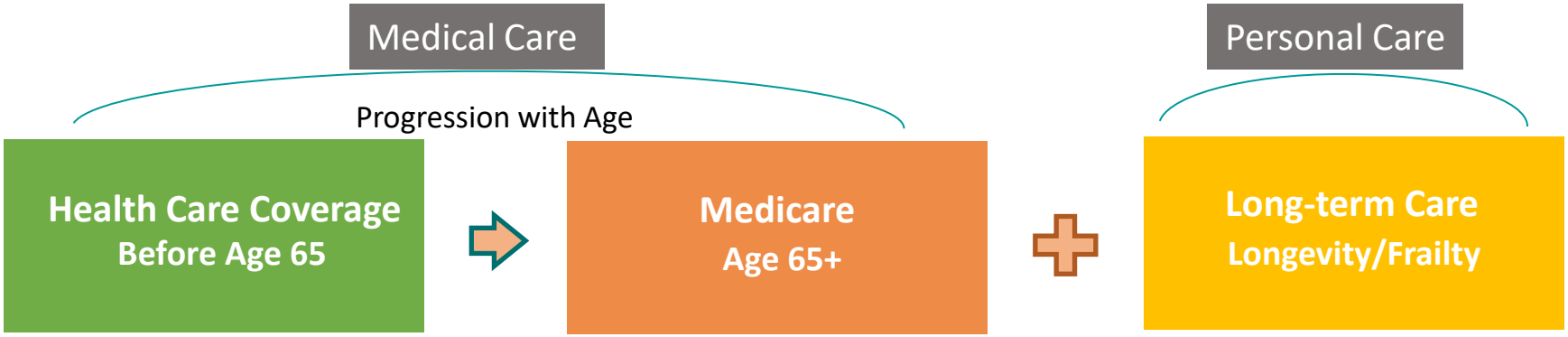
Case Assumptions: healthcare costs are based on national averages and include Medicare Part B and D premiums, Medigap Plan G, and dental insurance, plus out-of-pocket spending on

Table A shows that in the first three years of retirement, this healthy 65-year-old couple can expect to see healthcare absorb 45% to 48% of their Social Security income (before taxes). After ten years, this number will rise to 64%, and by the end of their lives, healthcare will likely offset their entire Social Security checks. These projections incorporate updated Medicare Part B premiums and Social Security COLAs for 2023 – plus the latest available data in 2024 and beyond from Medicare[iii] and Social Security[iv].

What Can Cause Your Health Care Budget to Change in the Future?

- Health care costs will likely increase due to:
  - Higher insurance premiums (inflation)
  - Higher utilization with declining health
- A change in health status may require:
  - Expensive prescription drugs (donut hole)
  - More services not covered by insurance
    - Dental
    - Vision
    - Hearing
    - Alternative care
    - Long-term care

Healthcare Choices Today and in Retirement



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
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
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

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)

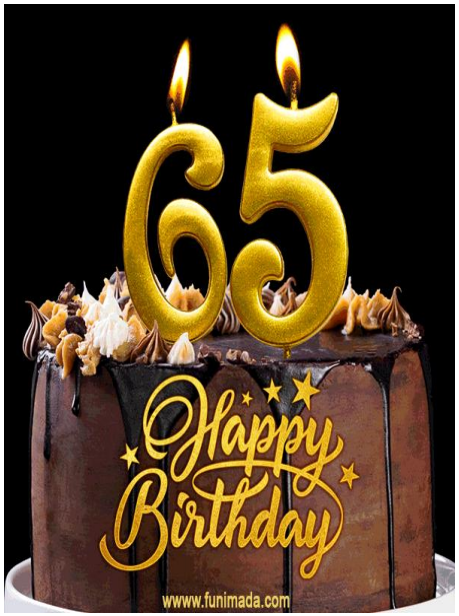
What Is Medicare?

- National health insurance program for people 65+
- Administered by the Centers for Medicare and Medicaid Services (CMS), an agency within the Dept. of Health and Human Services
- Enrollment through the Social Security Administration (SSA.gov)
- Don’t confuse Medicare and SS eligibility

Myths
of Medicare

WHO…
is eligible for Medicare from the Federal Government?

- A. US Citizen or Legal Permanent Resident 5 Years
- B. Turning age 65 (3 months before your birth month and 3 months after)
- C. 65+ coming off Other Healthcare or waited to enroll
- E. Disabled for 24 months or more
- F. End Stage Renal Disease
- G. Non-working Spouse of Working Spouse is age 62
- **Worked 40 quarters or reducted if 30 to 39 quarters and <30 quarters for you and your spouse, up to $471 /month in 2021



HOW
to Enroll for Medicare:

"?"

Do I receive Social Security or Railroad Retirement?

Yes!

- I get my SS/RR income. Then in most cases, you'll automatically get Part A and Part B starting the first day of the month you turn 65.
- If your birthday is on the first day of the month, Part A and Part B will start the first day of the prior month.

No!

- If you're over 65 (or turning 65 in the next 3 months) and **not already getting benefits from Social Security**, you need to sign up to get Medicare Part A (Hospital Insurance) and Part B (Medical Insurance). You won't get Medicare automatically.
- Where do you go to sign up? Your Local SS office or online at: https://www.ssa.gov/benefits/medicare/

Enrolling in Medicare?

- **If you are receiving Social Security when you turn 65:**
  - Medicare Parts A and B are automatic (can decline if don't want Part B)
  - Coverage starts 1st of month turn 65
  - Parts C, D and "medigap" plans are not automatic; must choose private insurer and proactively enroll
- **Medicare choices are NOT forever. You can review and change each year**

Enrolling in Medicare?

If you are not receiving Social Security when you turn 65:

- Must sign up through Social Security Administration during a Medicare enrollment period
  - **Initial enrollment period:** If you are not covered by a group plan at 65
  - **Special enrollment period:** If you are covered by a group plan at 65
  - **General enrollment period:** If you missed your initial or special enrollment period

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If Not Automatically Enrolled Your 7-Month Initial Enrollment Period							
No Delay				Delayed Start			
If you enroll in Part B	**3 months before the month you turn 65**	**2 months before the month you turn 65**	**1 month before the month you turn 65**	***The month you turn 65***	**1 month after you turn 65**	**2 months after you turn 65**	**3 months after you turn 65**
Sign up early to avoid a delay in getting coverage for Part B services. To get Part B coverage the month you turn 65, you must sign up during the first three months before the month you turn 65.				If you wait until the last four months of your Initial Enrollment Period to sign up for Part B, your start date for coverage will be delayed.			

Source: Centers for Medicare and Medicaid Services (CMS)

Special Enrollment Periods

- For people who did not sign up for Original Medicare during their initial enrollment period because they were covered as a worker or spouse of a current worker by a large (≥20 employees) group plan.
  - Special enrollment period for Part B:
    - Anytime before coverage ends
    - The 8-month period starting the earlier of the month employment terminates or group coverage ends
  - Special enrollment period for Part C
    - Anytime before coverage ends
    - Within 2 months after coverage ends
  - Special enrollment period for Part D:
    - Anytime before coverage ends
    - Within 63 days after coverage ends

Transitioning to Medicare?

What if I'm on a group or other plan now, age 65, and not retiring yet?

Do I stay or go to Medicare?

Call your HR Dept and get your plan's Summary of Benefits and exactly what is coming out of your paycheck each month. Then we need to review the costs of your current Group plan vs the Cost of…Part B, Supplemental Plans and Out of Pocket Costs – This is TOTAL costs.

Determine the costs of Part B Premium and your new Medicare Advantage or Medigap Supplement plan. It may be more cost effective to to choose Medicare coverage, but not always!

If you want **to <u>leave your group plan,</u>** you need take 2 forms with you to SS. **<u>The Part B application and Request for Employment Information form.</u>** (We have both forms.) You must let SS and Medicare Know you are coming off a group.

Best Time To Enroll in Medicare

To avoid late-enrollment penalties:

Sign up during initial or special enrollment period

To avoid gaps in coverage:

Sign up before current coverage ends

How to Sign Up for Medicare Parts A & B

- Go to www.ssa.gov.

- Call Social Security at 800-772-1213.
- For general information about eligibility, go to: www.medicare.gov/MedicareEligibility

What if You Don’t Enroll in Medicare on Time?

- You may pay late-enrollment penalties.
- Your health care expenses may not be covered by insurance.
- Your private insurance options may be limited.

What Choice NOT to Make!

Medicare Made Simple
5 Common Mistakes in Choosing a Medicare Advantage Plan

1. Limiting Yourself with 1 Carrier or Captive Agent
2. Letting a friend refer you to their "best plan"
3. Not Checking your Meds on the plan
4. Not Checking the Network of YOUR Dr's
5. Buying a plan online without the help of a licensed independent agent, we have been trained, certified and work with all the plans and know how they work for you!

Four Parts of Medicare

Part A	Part B	Part C	Part D
Hospital Insurance	Medical Insurance	Medicare Advantage	Medicare Prescription Drug Coverage

Provided by Medicare

Provided by private insurer that contracts with Medicare

You Choose - Buffet or Ala Carte

Traditional/Original Medicare

Federal Original Medicare

- Part A = Hospital/Facility (included)
- Part B=Services (Premium to Secure)
- Optional
- Part D=RX (Private Sector)
- Medigap/Supplement

Medicare Advantage

Private Sector Network Medicare Advantage

- Parts A & B (Hospital/Services)
- Part D (RX)
- Other Coverages (Hear/Vision/Etc)

Hospice and Blood Always Original Medicare

Collaborative Individual Coverages

Inclusive Coverages

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ORIGINAL MEDICARE

PART A
Hospital Coverage

Inclusive coverage for hospital care, including inpatient services, hospice care, and select skilled nursing care.

PART B
Medical Coverage

Extensive coverage for essential medical services, such as doctor visits, laboratory tests, X-rays, provision of oxygen, hospital beds, and preventive services like colonoscopies and mammograms.

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Medicare Cost 2023		
	Part A	**Part B**
Monthly Premium	$0	$164.90
Deductible	$1,600 per benefit period	$226 per year
Cost Sharing	$0 for the first 60 days of benefit period	Medicare pays 80%, you pay 20%
	$400 per day for days 61-90	No Limit on total out-of-pocket costs
	$800 per "lifetime reserve day" after 90 days (max of 60 days over your lifetime)	

PART A - Hospital

Premium	$ 0 Per Month	
Deductible	$ 1,600 per time you are in hospital (as of 2023)	This goes up every year
Days 1-60	No Cost	Medicare covers the hospital costs for the first 60 days that you are in hospital.
Days 61+	Expensive	From day 61, you have to pay from your pocket - It gets quite expensive.

PART B - Medical

Premium	$ 164.90 Per Month (The Average amount as of 2023)	How much you pay is dependent on how much you earned. It's based on your modified adjusted gross income from two years ago
Deductible	$ 226 per year	
Cost Sharing	**Medicare pays 80% , You owe 20%** **NO LIMIT!**	

IRMAA
(Income-Related Monthly Adjusted Amount)
The <u>additional</u> surcharge on top of their Medicare Part B and Part D premiums

<u>Income Penalty</u>
Why Tax and Retirement Planning are
Crucial
to Retirement Wellness!

Medicare IRMAA Chart 2023			
Individual Tax Return 2021	Joint Tax Return 2021	Part B premium 2023	Part D IRMAA 2023
$97k or less	194k or less	$164.90	None
$97k - 123k	$194k - 246k	$230.80	+ $12.20
$123k - 153k	$246k - 306k	$329.70	+ $31.50
$153k - 183k	$306k - 366k	$428.60	+ $50.70
$183k - 500k	$366k - 750k	$527.50	+ $70.00
$500k+	$750k+	$560.50	+ $76.40

What Does Medicare NOT Cover?

KEY TAKEAWAYS

- Even with Medicare Part A and Part B you pay Hospital Deductible + 20% Services of your healthcare costs.
- No Stop Loss per Year = No End
- No Pharmacy is Covered in Medicare unless in hospital settings and its limited

Medicare Coverage Limitations: What's Not Covered

- Deductibles & 20% of Part B Costs
- Prescription Drugs
- Routine dental care, vision exams, eyeglasses, hearing aids, or related services.
- Services deemed as "not medically necessary"

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Options to Fill Medicare Coverage Gaps:

Medicare Supplement

(Medigap)

+

Original Medicare

OR

Medicare Advantage

Part C

Private Medicare

OPTION 1 - Medicare Supplements

Medicare Supplements

(Medigap)

+

Original
Medicare

Serves as an additional layer of coverage alongside your existing original Medicare.

Benefits of Medicare Supplements

- Unrestricted Healthcare Access: freedom to choose any doctor and hospital across the nation.
- Enhanced Financial Security: Fill the gaps in original Medicare, mitigating the risk of high out-of-pocket expenses.
- Simplified and Standardized Coverage.
- Separate Prescription Drug Coverage: If you opt for a Medicare supplement plan, you will need to obtain a separate prescription drug plan.

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Medicare Supplement Insurance (Medigap) Plans A-N

Benefits	A	B	C	D	F	G	K	L	M	N
Medicare Part A Coinsurance & hospital costs(Up to additional 365 days after Medicare benefits are used.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Medicare Part B Coinsurance & Copayment	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
Blood - First 3 pints	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
Part A hospice care	✓	✓	✓	✓	✓	✓	50%	75%	✓	✓
Skilled nursing facility care Coinsurance			✓	✓	✓	✓	50%	75%	✓	✓
Part A Deductible		✓	✓	✓	✓	✓	50%	75%	✓	✓
Part B Deductible			✓		✓					
Part B excess charges					✓	✓				
Foreign travel emergency Up to plan limits			80%	80%	80%	80%			80%	80%

Medicare Supplements: Eligibility & Enrollment

Your health MUST qualify

In the last 2-5 years, have you had;

- Heart attack or stroke?
- COPD, Cancer, etc?
- Any pending test results or upcoming procedures planned?

EXCEPTION: THOSE NEW TO MEDICARE!

OPTION 2 - Medicare Advantage

Medicare Advantage

Part
C

Private
Medicare

It combines Medicare Parts A and B, supplement, and drug plan into one package.

Benefits of Medicare Advantage

- Often low to no monthly premium
- Pay co-pays as you use the plan
- Network of doctors and hospitals
- Medicare Advantage plans often include coverage for prescription drugs (Part D) within the health plan
- Premiums can change annually
- May offer extra benefits

Extra Benefits of Medicare Advantage

As of 2023

- Dental, Vision, and Hearing coverage
- Transportation
- Meals after surgery
- Flex cards
- Part B rebates

ALL BENEFITS BASED ON YOUR LOCATION

SUPPLEMENT OR ADVANTAGE

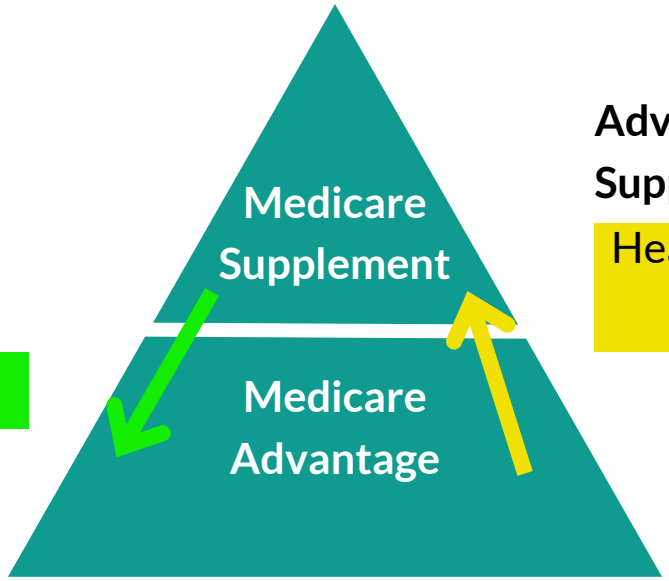
- What is your budget for healthcare coverage?
- How would you describe your current health condition?
- How often do you travel, especially outside your local area?
- How many doctors do you currently visit or anticipate needing to see?
- Are you open to changes in your healthcare coverage on a yearly basis?

Which Plan to Start With

Supplement to Advantage:

Can switch each Oct. 15- Dec. 7

No Health Questions



Advantage to Supplement:

Health **MUST** Qualify

May make sense to START on a Medicare Supplement

Filling the GAP?
How to Choose Supplemental Coverage

- It is not One-size fits all- Couples could have different plans based on need
- Would you Self-insure the 20% remainder balance and/or Prescription Costs on my own– No Plan Needed
- Do you Travel Around (US or Foreign) or Settle in 1 or 2 places?
- Do you have a Pre-Existing Condition or Ongoing Chronic Illness?
- Do you like the freedom to go to Specialists without a referral?
- Is cost a concern and you need to keep it to a minimum?
- Do my Doctor's have certain insurances they take?
- Do I have a number of meds I need covered? Or none?
- Do you want dental, vision, hearing, and a gym included in your plan?

Caution When Choosing Your Plan

- Choosing a plan solely based on someone else's recommendation can lead to unfavorable outcomes.
- Selecting the wrong plan based on someone else's experience may result in being locked into that plan for at least 12 months.
- Avoid making hasty decisions

Critical Deadlines and Penalties

RETIRED individuals have a three-month enrollment window before and after their 65th birthday month. Enrolling within this timeframe ensures Medicare enrollment without penalties.

If you're **STILL EMPLOYED** and covered by your employer's plan, maintaining creditable coverage protects you from penalties. However, it's important to compare the benefits of Medicare to your employer coverage.

Medicare may offer more comprehensive benefits and cost advantages over your employer's plan.

Important Reminders

1. If you do not enroll in Medicare on time, you will pay a monthly penalty.
2. If you do not evaluate private insurance to go with Medicare that is tailored to your specific circumstances, you may pay too much in premiums or out-of-pocket costs.
3. Plan for higher health care costs in retirement.
4. If you do not plan for higher health care costs in retirement, you could run out of money or not be able to get the care you need.

Medicare Review Worksheet

Coverage

- ☐ My plan covers all the health care services I need and use.
- ☐ My doctors and other health care providers are in my plan's network or accept my plan's terms and coverage.
- ☐ The specialist care I need, if applicable, is accessible and covered by my plan.
- ☐ My prescription medications are on my plan's formulary.
- ☐ My plan has enough to cover my changing health care needs.
- ☐ My plan works well with other coverage I have through my employer or union (if applicable).

Cost

- ☐ My monthly plan premiums, if applicable, fit my budget.
- ☐ I'm comfortable with my plan's deductibles, co-pays and co-insurance amounts.
- ☐ My overall out-of-pocket health care costs are in line with what I expect and what I am comfortable paying.
- ☐ My plan has a yearly limit on what I may have to pay out-of-pocket. (This feature is not available with Original Medicare.)

Convenience

- ☐ My doctor and pharmacy are easy for me to get to.
- ☐ It's easy for me to order refills of my prescription medications.
- ☐ I'm able to receive my prescription refills by mail, if I want to.
- ☐ My plan has online information and services that I can easily access, if I want to.
- ☐ I'm comfortable with the amount and type of paperwork I need to do with regard to my medical bills and my plan.

Satisfaction

- ☐ I'm happy with my Medicare plan overall.
- ☐ I would recommend my plan to a friend.

What Happens Next For Medicare?

Implementation Timeline of the Inflation Reduction Act

2023

- Requires drug companies to pay rebates if drug prices rise faster than inflation
- Limits insulin copays to $35/ month in Part D
- Reduces costs and improves coverage for adult vaccines in Part D

2024

- Eliminates 5% coinsurance for Part D catastrophic coverage
- Expands eligibility for Part D Low-Income Subsidy

2025

- Adds $2,000 out-of-pocket cap in Part D and other drug benefit changes

2026

- **Implements negotiated prices for certain high-cost drugs**

2024-2030: Limits Medicare Part D premium growth to no more than 6% per year

Source: Kaiser Family Foundation

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Where
to Search

Medicare. gov

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Where
to get more on Medicare?

CMS.gov
Centers for Medicare & Medicaid Services

Medicare & You

Your online connection to the "Medicare & You" handbook.

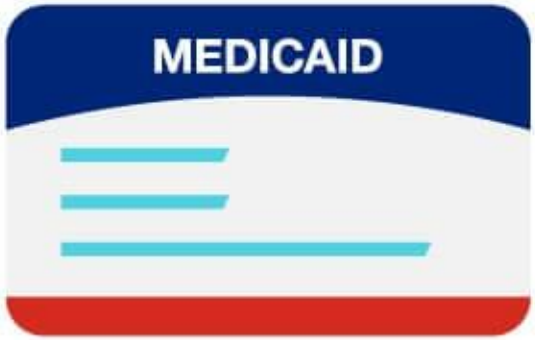
https://www.medicare.gov/medicare-and-you

Phone: 800-633-4227 – Best time: Mornings

Her Retirement®

Medicare vs Medicaid

Generally for people who are 65 & older, or who have a qualifying disability

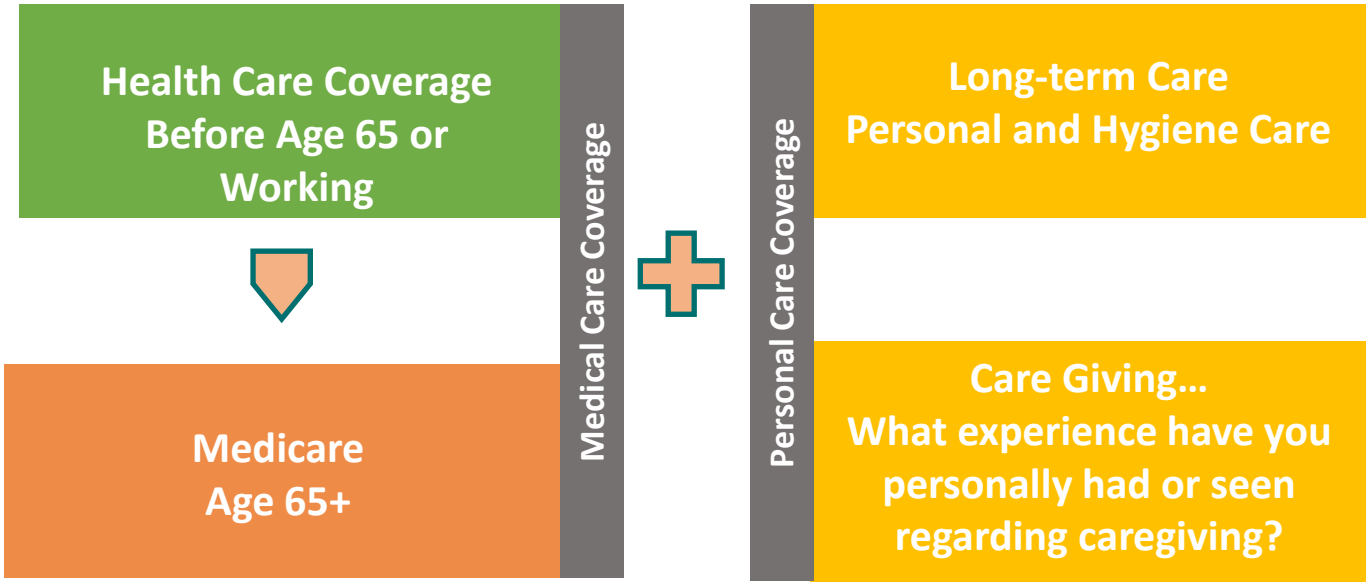


For individuals, families, and children with limited income & resources

Her Retirement®

LONG TERM CARE

Healthcare Choices Today and in Retirement



Providing for Personal Care

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

- 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.

The Cost of Waiting

No one knows when the need for long-term care services will arise. It may be smart to buy a policy when you're young and in good health.

- The cost is based on your age, so it may never be more affordable
- A change in your health may leave you unable to purchase a policy at any price

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	OR	Inability to perform <u>two</u> Activities of Daily Living (ADLs)
Lack of memory, orientation, person, place or time, abstract reasoning or judgment relating to safety (Alzheimer's would qualify)		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-$15,000/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]

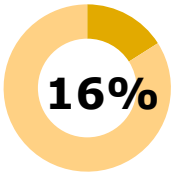
Nearly 17% of the U.S. adult population provides unpaid care to an adult over the age of 50. **More than 75**% of these caregivers are women.

[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.

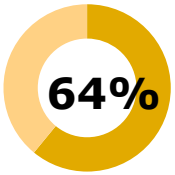
- Who will care for you when you can't care for yourself?
- Private health insurance won’t pay for long-term care.
- Health insurance really only pays for doctor and hospital bills.
- Medicare will cover skilled care for periods up to 100 days, but only if certain requirements are met.
- Medicaid? You'd 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



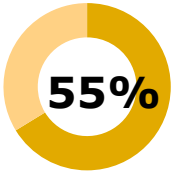
Think that Medicare pays for long-term care.[1]

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]



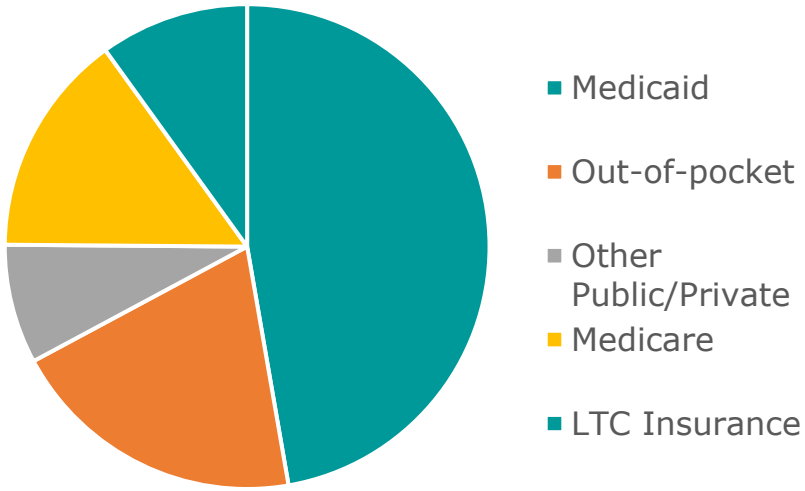
Don't know that the Affordable Care Act doesn't cover long-term care.[1]

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

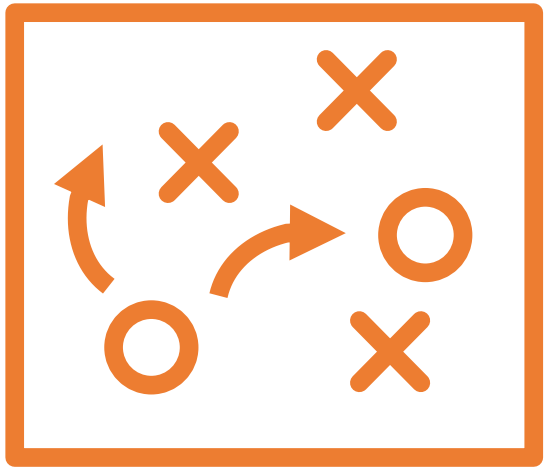
Varies by state guidelines[2]

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

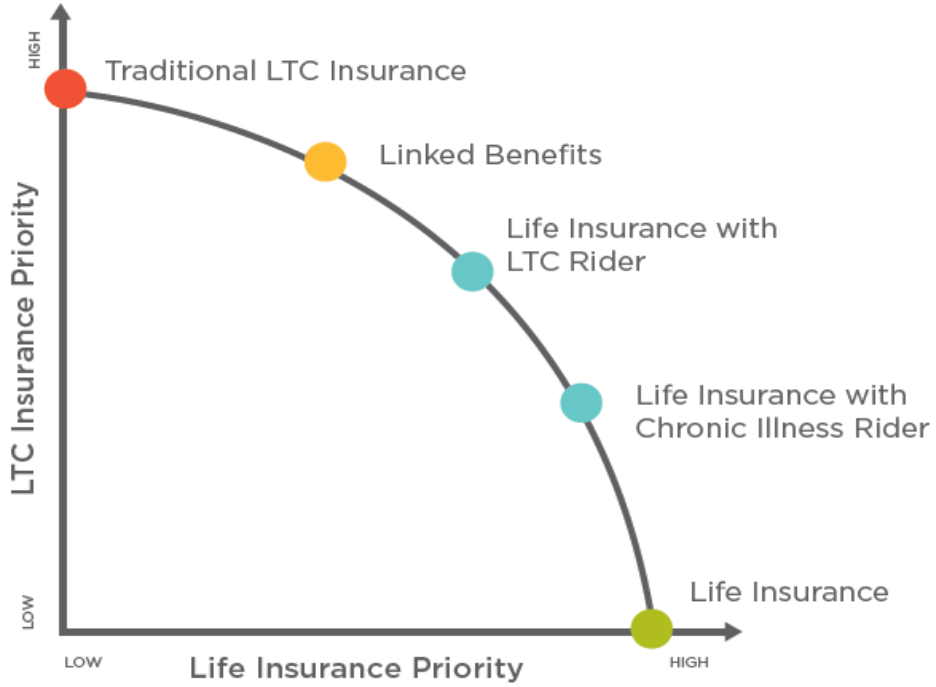
- Cost of liquidating qualified funds to pay for care
- Assets that are difficult to convert without severe tax or market liability
- Loss of investment opportunity on funds liquidated to pay for care
- Lack of care coordination benefit

How to be prepared for the risk

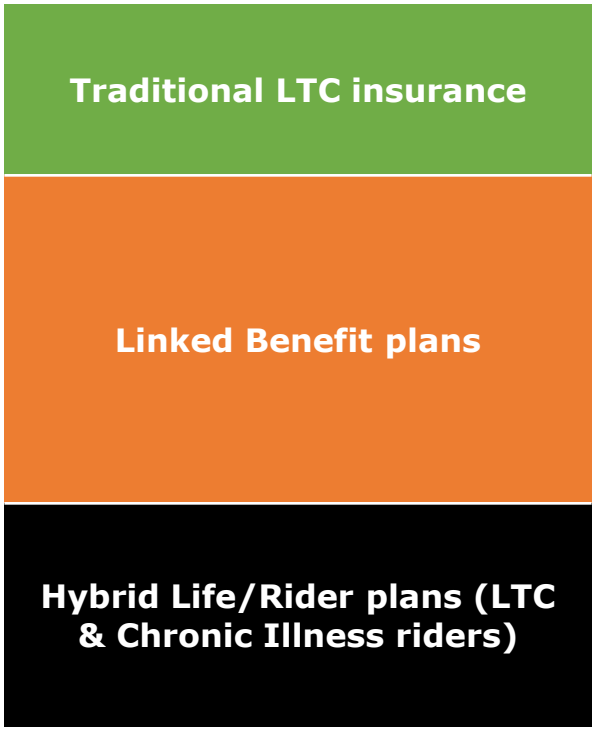


- Develop a strategy and fund a plan to cover this risk
- Since your health insurance or Medicare doesn't pay for this type of care—what are your options?

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 Insurance
How Does It Work?

3 Types of Coverage

Traditional "Stand Alone" LTC policy

- Purchase a maximum daily benefit (i.e. $150 per day benefit x 365 days = $54,750)
  - Min $125/day benefit protects a home in MA
- Determine a contract term (i.e. 3yr, 5 yr or lifetime benefit)
  - Purchasing a maximum benefit amount (i.e. $54,750 x 5 yr benefit = $273,750 pool of money)
  - Can extend the term beyond 5 years (i.e. $100/day utilized can provide 7.5 yrs of benefit)
- COLA Increases – Can purchase 1%,2% or 3% inflation rider to increase benefit annually
- Payments are made annually, semi-annually, quarterly or monthly

Long-Term Care Insurance
How Does It Work?

3 Types of Coverage

Linked Benefit

- Purchase an annuity with an LTC benefit
  - Lump-sum purchase payment
  - Receive 2-3 times multiple of the annuity premium payment for LTC purposes
  - Must satisfy 2/6 ADL's to qualify for LTC benefits
- Typically receive a 1-3% compounded return on annuity value
- Typically receive a Death benefit of 125% - 200%
- Must qualify medically

Long-Term Care Insurance
How Does It Work?

3 Types of Coverage

Hybrid - Life Insurance with LTC Rider

- Purchase a cash value life insurance policy with a LTC benefit Rider
- Annual premium payments
- Must qualify medically
- The Death benefit can be utilized if a LTC need
- Must satisfy 2/6 ADL's and qualify for LTC benefits

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

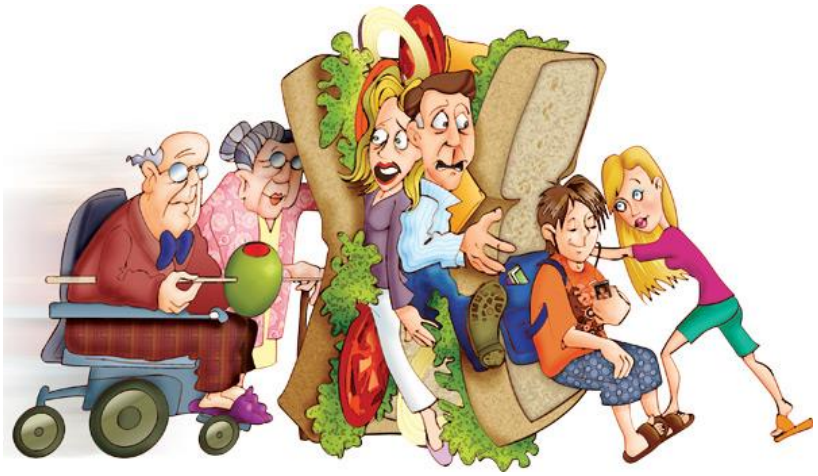
Why should you plan for long-term care?

- 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

...it's about living!

Elder Care Law Attorney

Coordinating an LTC Policy with a well thought out plan can be the most effective method to protect your retirement outcome and ultimately your estate

- Revocable Living Trust – Assets placed in the trust will bypass probate cost and delay associated with probate
- Does not protect assets from LTC cost and Medicaid spend-down
  - In Massachusetts you are allowed to keep $2,000 when applying for Medicaid . Over this amount must spend-down on care.
  - Community Spouse is allowed to keep 50% of their assets up to $123,600. in countable assets.

Family Assets, Massachusetts Medicaid Nursing Home Eligibility Information & Rules For 2018 (updated January 21, 2018)

Consult a qualified Elder Care Law attorney for complete legal advice as this is not complete and comprehensive advice and only meant for informational purposes

Long-Term Care Planning Checklist

- ❑ Explore services and costs in your area
- ❑ Assess your finances
- ❑ Talk to your family about your plans
- ❑ Compare options with the help of a qualified financial professional
- ❑ Prepare health-care directives and discuss with a qualified Attorney

Her Retirement®

Peace of Mind

PRICELESS

Take-Aways from Class

1. Healthcare is a HUGE expense in retirement
2. We don't want to be a burden on our families
3. Medicare is a complex maze
4. Understand all your options
5. Get help choosing the best plan for you and your family
6. You can change plans each year as your needs change
7. Beware of IRMAA
8. Many people will need long term care services
9. Medicare does not pay for long term care
10. There are several options for paying for long term care

Note to Self (Younger Self)

1. Open an HSA
   - The HSA contribution limits for 2023 are $3,850 for self-only coverage and $7,750 for family coverage. Those 55 and older can contribute an additional $1,000
2. Consider a reverse mortgage to self-fund a long-term care incident

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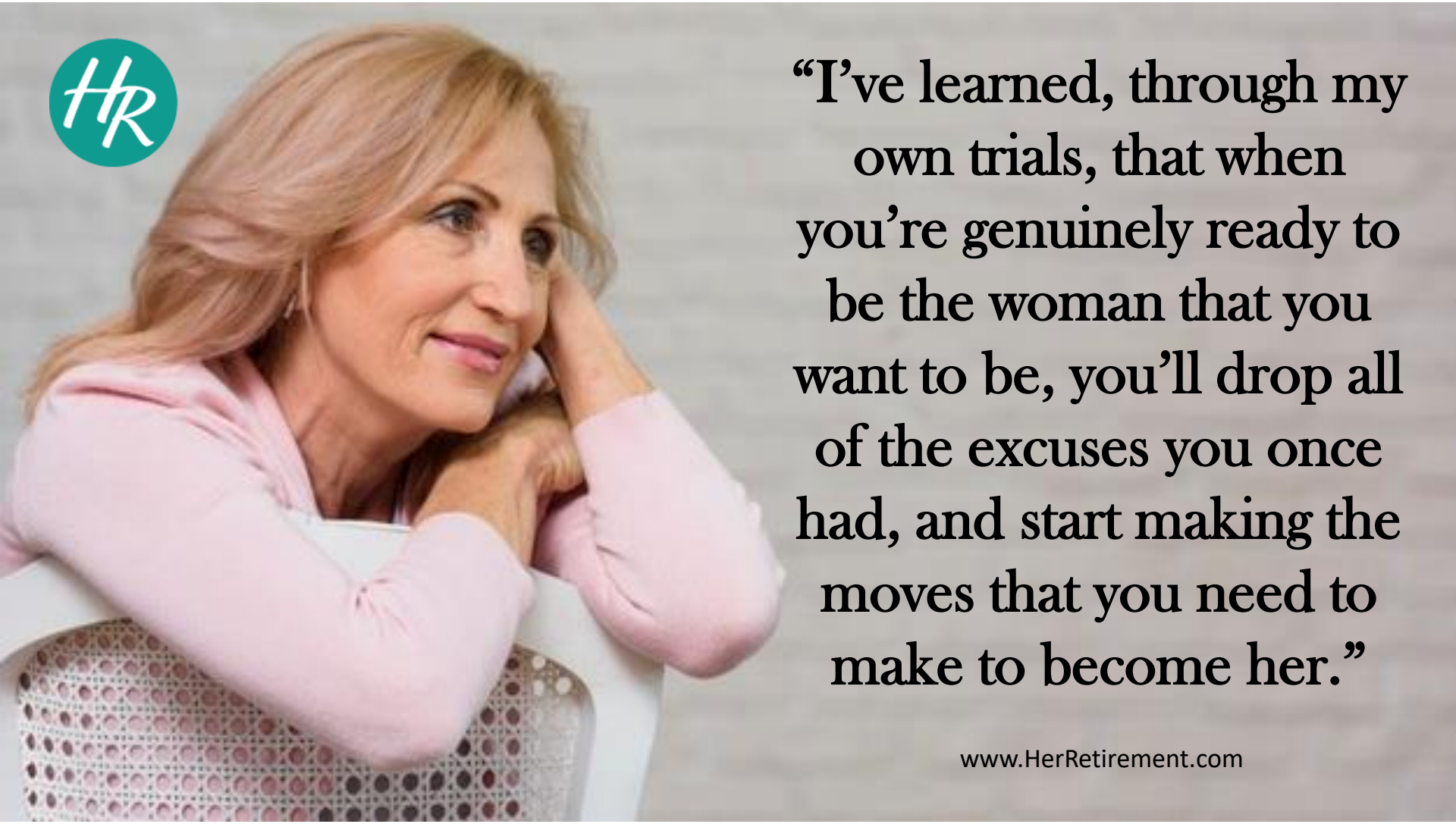
Remember, at Her Retirement we can connect you to your financial planning & longevity planning team

Her Retirement®



Thank you watching Class 6

If you'd like to chat about any healthcare or long term care needs, reach out to me. I can help you Get Her Done.