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Talking to Clients About Informal Caregivers

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OCTOBER – DECEMBER 2019

INSIDER'S NOTE

It's been another exciting year at CLTC and I am so thankful to be a part of this organization and the long-term care industry. Looking ahead to 2020, expect great things as we continue to develop resources and tools for both our graduates and incoming CLTC members.

As 2019 comes to a close, I offer a big thank you to all of our graduates, Board of Advisor members, instructors, and staff for your continued support.

In this final issue of 2019:

- Jeffrey Levine addresses the best healthcare options for retirees. While the majority of us plan to retire at some point beyond the age of 65, there remains a sizable group who retires before the age of Medicare availability. Jeffrey explores a few health care coverage options.
- Shawn Britt reminds us why "sooner, rather than later" is the best mindset for purchasing long-term care insurance. You're never too young to purchase coverage, but you can be too old. Shawn explains why.
- Mark Glickman and Scott Olson team up to assuage consumers' top concern of buying LTC insurance: the expense. The need for long-term care coverage is greater than ever and there is strong evidence that modern LTCI policies will have more stable pricing than those of the past.
- Finally, Kerry Peabody discusses the pros and cons of informal caregivers. He explores various scenarios and discusses the value of long-term care insurance to cover costs of reputable, dependable and professional home care services.

We hope you enjoy the issue and we look forward to 2020 being the best year yet!

Kind Regards,

Amber Pate

Amber Pate, CLTC®
Executive Director

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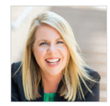

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Submit your article of 1,000-2,000 words to info@ltc-cltc.com!

FIGURING OUT THE BEST HEALTHCARE OPTION FOR RETIREES

By Jeffrey Levine, CPA/PFS, CFP®, CWS®, MSA

Given the skyrocketing cost of healthcare, as well as the increasing need for it as we age, it's not surprising that Baby Boomers' biggest worry is how they're going to afford their medical costs in retirement.

Thankfully, Medicare (which is available to individuals who paid—or have spouses who have paid—Medicare taxes for at least 10 years and are at 65 years of age or older) is the de facto option for healthcare for retirees. And it's actually quite affordable. Medicare taxes already cover between 77% and 99% of a Medicare recipient's premiums, such that they only have to pay the net remaining premium out of pocket.

> While the majority of individuals plan to retire at some point after reaching age 65, there is still a non-trivial number of individuals, whether by choice or by need, who retire before they are eligible for Medicare. This group needs health insurance coverage and cannot simply be added to their still-working spouse's employer-sponsored plan.

Fortunately, early retirees do have a few options as they consider the best way to obtain health coverage in early (pre-Medicare) retirement.

COBRA

For workers who retire from a company with greater than 20 employees, COBRA (Consolidated Omnibus Budget Reconciliation Act) coverage allows newly-separated employees (or employees who work so few hours that they're not eligible for their employer's health plan) to continue their existing insurance coverage at the same full-premium cost (plus an administrative fee that is usually capped at a maximum of 2% of the premium). COBRA coverage generally lasts only 18 months, and is typically used only to bridge short gaps before Medicare eligibility begins.

CONVERSION OF A GROUP HEALTH PLAN TO INDIVIDUAL COVERAGE

Another option for retirees looking to continue their coverage using the same health insurance provider is to "convert" the plan under the group to an individual plan…at least, as long as the plan allows for such a conversion. Again, though, this isn't always an ideal alternative, as there's no requirement that the terms (or cost) of such an individual policy are the same as their "old" group plan.

STATE-APPROVED HEALTH INSURANCE EXCHANGE

Meanwhile, retirees who, either due to eligibility or cost, decide that either COBRA coverage or a conversion policy isn't the right choice for them, may choose to simply purchase health insurance using their state-approved exchange created under the Affordable Care Act. While retirees cannot be denied coverage for a pre-existing medical condition, coverage can only be purchased during specific open enrollment periods, or within 60 days of the employer's plan termination. This means time is of the essence after retiring to make a decision.

Ultimately, the key point is simply to realize that while retirees may be understandably worried about their healthcare costs eating away at their life savings, the availability of Medicare ameliorates those concerns to a significant degree. Though for those who aren't yet eligible for Medicare, the issue of securing health insurance to bridge the gap until they reach age 65 becomes less clear, particularly for those whose budgets aren't exactly robust.

Regardless, the good news is that there *are* options, with coverage that is guaranteed (at least, if obtained timely). But the range of choices means it is necessary to conduct a thorough cost/benefit analysis when finding the best option between purchasing COBRA coverage, converting an existing group health plan to individual coverage, and/or purchasing insurance via a state-approved health insurance exchange.

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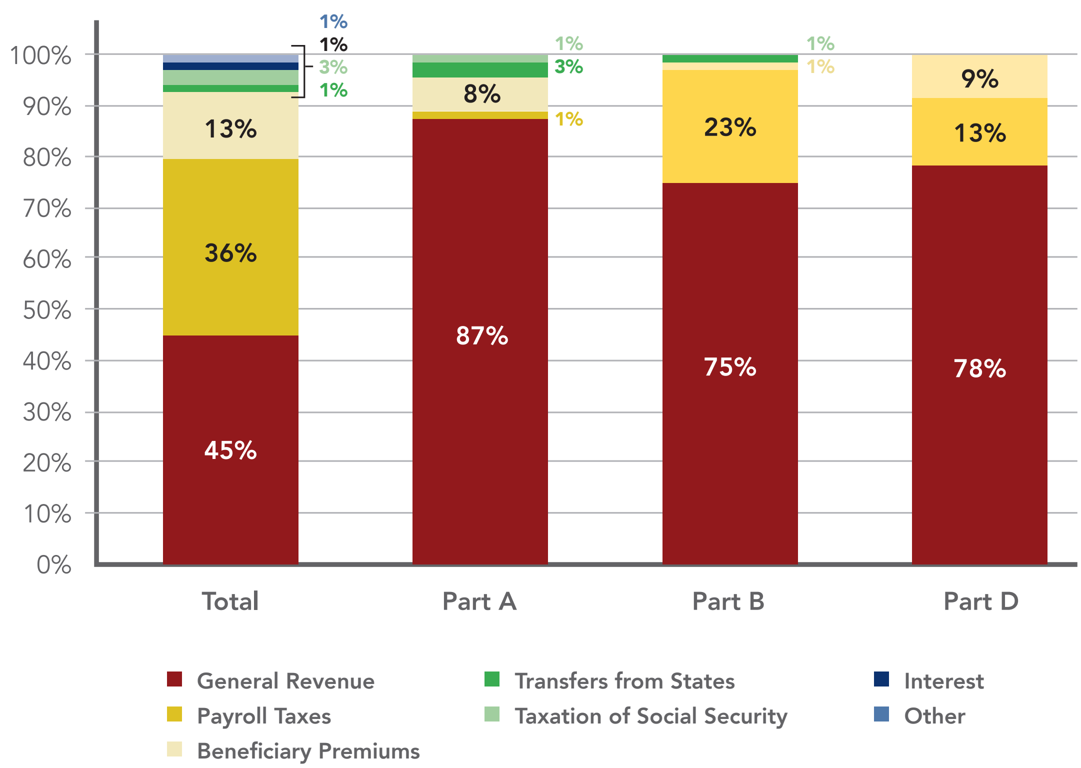
SOURCES OF REVENUE FOR FUNDING MEDICARE PAYMENTS



Source: 2017 Annual Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund

The LTC Waiting Game Is Riskier Than You May Think

By Shawn Britt, CLU®, CLTC®

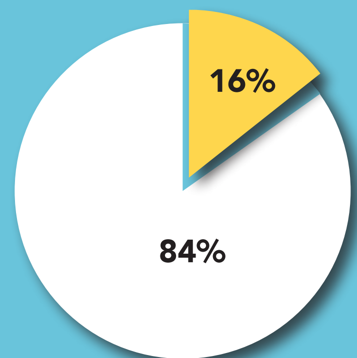
How many times have you heard a client proclaim that "we don't need to talk about long-term care yet." Even some advisors are under the impression that long-term care discussions can wait until the client "is older" or has retired. But waiting to purchase long-term care (LTC) coverage brings with it a greater risk of decline than ever before.

Once thought to be for "older consumers," the good news is that LTC coverage has been attracting younger buyers since the year 2000. The change in the average age of a person purchasing LTC coverage barely moved between 1990 (age 68) and 2000 (age 67)[1]; but as Baby Boomers started nearing retirement, the purchasing age began to move downward and is now a decade lower at age 56[2].

One reason behind people purchasing LTC coverage at a younger age may be the change in demographics. America is more transient than in the past and people are less likely to be able to depend on family for their care needs.

Another reason may be that the LTC industry has listened to consumer concerns, and now provides more attractive options for LTC coverage. The expansion of product offerings includes combo policies placed on financial products like life insurance with premium and benefit guarantees that also protect premiums paid even if the policy is not used. The popularity of these products has caused a shift in sales. At one time traditional LTC policies dominated the marketplace—but that has changed—and today consumers have moved to a preference for combo LTC policies. In fact, only about 16% of today's sales are for traditional LTC insurance—while the remaining 84% of sales are for combo policies[2], meaning LTC (or chronic illness) coverage that is combined in some manner with life insurance.

2017 LTC SALES[1]



Traditional LTC Policies: **70,000 Sold**

Combo Policies: **260,000 Sold**

LESSONS LEARNED IMPACT DECLINE RATES

Insurance companies have also utilized all the lessons learned from decades of claims experience to better underwrite and avoid risks that can impact an insurance company's bottom line. While the percentage of LTC applicants that are declined has held steady for persons age 70 and older, the percentage of declines for younger applicants is increasing at a significant rate.

Over the period between the years 2000 and 2017, LTC applicant declines have seen a noticeable up tick. Application declines for people between ages 60 and 69 saw an increase of approximately 30%. Declines for people between ages 50 and 59 saw over a 50% increase—and declines for applicants age 50 and younger rose nearly 300%[4].

Thus, while the average age of LTC applicants has gotten younger, the risk of waiting to apply for LTC coverage has increased. The increasing decline rates for applicants under the age of 70 makes it more important than ever for individuals to start LTC planning as soon as possible.

The following chart illustrates the increase in applicant decline rates for LTC coverage since 2007; most notably, the decline rates for applicants under age 50, which is now one in five applicants.[4]

purchase "a year or two from now." Unfortunately, some of those people saw their health shift unexpectedly, and were left ineligible.

You are never too young to purchase LTC coverage (assuming you are age eligible), but you can be too old.

LTC coverage is paid for with money—but in the end, age and health are what buy it. The old adage "time is money" is certainly true concerning a delay in purchasing LTC coverage. The policy will not get less expensive with time. And a person's general health will not improve with time. There is really no advantage to waiting. Clients waiting to purchase LTC coverage "until later" face a double-edged risk. Those same risks await people whose advisors are waiting for their client to reach "the right age" to discuss LTC.

- Waiting will likely result in paying a higher price for the policy.
- There is also an increased risk that the applicant won't qualify for a policy at all.

Paying LTC expenses out of pocket will generally cost more than having LTC coverage help pay for LTC expenses. So why do people resist purchasing LTC coverage? There are many reasons and excuses why

DECLINE RATES FOR LTC APPLICANTS 2007–2017

	2007[1]	2012[3]	2014[3]	2017[4]	Diff. 2007-2017
Below Age 50	7%	12%	14%	20%	Up 286%
Ages 50-59	14%	17%	21%	22%	Up 57%
Ages 60-69	23%	25%	27%	30%	Up 30%
Ages 70-79	45%	44%	45%	44%	Down 2%

WHEN IS THE BEST TIME (OR AGE) TO BUY LTC COVERAGE?

The best time is *now*. I have heard people say they want to "wait" to purchase LTC coverage because they don't want to pay premiums for 30 or 40 years. Or, that they will be in a better financial position to

people delay or just refuse to purchase LTC coverage and some of them align with gender or affluence.

Among them are:

- "I won't need it so it's a waste of money." (Healthy male objection)

- “The premium may increase to a point I can’t afford it.” (Middle class objection)
- “I don’t want the policy I can afford, and I can’t afford the policy I want.” (Middle class objection)
- “I don’t want to take a large distribution from my portfolio to pay for the policy.” (Affluent objection)
- "I can afford to pay for care myself if I need it." (Affluent and high net worth objection)

We have learned through CLTC® that we should discuss with clients the consequences of not having a LTC plan and funding in place. But it still helps if the funding plan we approach our clients with can overcome client excuses—and today’s combo policies can handle most of the objections shown above.

LINKED BENEFIT LTC POLICIES: NOW MORE AFFORDABLE AND MORE AVAILABLE THAN EVER

Linked benefit LTC policies appeal to people wanting coverage specifically for LTC—with the features of traditional LTC policies without some of the risk that comes with such a purchase. One of the most appreciated features are that the LTC premiums and benefits are guaranteed. In addition, if the policy is not used, a death benefit will return at least the premium paid or more. But originally, these policies were thought to be only for more affluent clients due to the way they were funded. Single premiums were originally required then expanded to offering premium payment schedules of up to 10 years. But these policies were still financially out of reach to many consumers.

TODAY’S LINKED BENEFIT LTC POLICIES

With the growing popularity of linked benefit policies, more requests came to further expand affordability and availability. Linked benefit policies use the “buckets” approach—where the first bucket supplies LTC benefits (generally for two years) if needed, or a death benefit equal to or more than premiums paid if LTC is not needed. The second bucket extends the LTC benefits another one to six years (varies by company) depending on what the applicant chooses. Today, linked benefit policies include the following improvements:

- Some companies offer policies that can be purchased with a pay to age 65 and pay to age 100 premium schedules. This has broadened the opportunity for people to purchase linked benefit coverage who don't have the financial capacity or desire to purchase a policy with single payment or short-term premium schedule.

- Age restrictions have also loosened. Linked benefit policies—once limited to a minimum issue age of 40—are now available for individuals as young as age 30. When you consider the recent lowering of issue ages and expansion of premium schedules, linked benefit LTC coverage is now more affordable as well as available to a broader number of people.

- An added bonus is that policies are available that carve out "separately identifiable premiums" to pay for the LTC portions of the policy. This can make the LTC premiums HSA eligible or tax deductible as a medical expense, just as traditional LTC insurance policies. Keep in mind that the life insurance premium will not qualify for HSA eligibility or a tax deduction; and please note that only some insurance companies offer this policy structure, so it is important to refer to the contract for policy details.

TODAY'S LTC RIDERS ON LIFE INSURANCE

These products are for people who still have life insurance needs, but also have LTC concerns. The LTC rider allows for the death benefit to be accelerated by a specified percentage that is paid each month. The policy can do double duty—as family protection now, and then transitioning to LTC coverage later on when life insurance needs decline or have vanished.

These policies can also be helpful for people looking for legacy protection/enhancement. The LTC rider benefits can help protect assets from depletion if the policy is needed for LTC expenses; or add to the legacy for heirs by paying a leveraged death benefit if LTC is not needed. These policies have also become more attractive than the original versions that were available in the past. Enhancements include the following:

- Once paying a standard 2% per month of the specified death benefit, some insurance companies offer more monthly benefit elections (chosen at application) and include choices from 1% to 5% (varies by insurance company).

- LTC Riders can be added to a variety of base life insurance policies, including ones that offer premium and benefit guarantees—allowing the consumer to choose a base life insurance policy that best meets their specific needs.

- LTC indemnity benefits were once limited to a maximum monthly benefit of the HIPAA per diem amount—which could be problematic for some people with LTC rider specified amounts exceeding $600,000 or more who lived in parts of the country where LTC expenses could far exceed the annual per diem limit, or for those with expensive LTC needs.

  Today, some companies have expanded the limits on large monthly benefits and now allow maximum LTC benefits received to be: the lesser of the elected percentage or up to two times the HIPAA per diem. Of course, one must remember that IRS guidelines allow for tax free benefits to be the greater of the HIPAA per diem in the year of claim or actual LTC expenses incurred. Fortunately, you can usually request less benefit and receive only what you need to help avoid a taxable event.

DON'T LET AGE AND HEALTH GET AWAY

There is no better time than now to purchase LTC coverage. Today's policies come with the type of guarantees that consumers are looking for and policies that can meet a variety of planning needs. Life insurance with a LTC rider can be used for insurance needs now and LTC later; and linked benefit LTC coverage is now available to more consumers and is more affordable than ever before.

1. The SCAN Foundation: Long-Term Care Insurance Buyers Profiles (Spring 2011, historical reference)
2. *Forbes*: "Sales of Traditional Long-Term Care Insurance Policies Continues to Fall," Howard Gleckman (July 3, 2019)
3. The American Association of Long-Term Care Insurance (January 2016, historical reference)
4. American Association for Long-Term Care Insurance study of data from leading traditional LTC insurers. (April 2018)

SHAWN BRITT
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Shawn is Director of LTC Initiatives for Advanced Consulting Group at Nationwide Financial. She has been engaged in the life insurance and LTC industry for over 20 years. Shawn has been a major influence in promoting the need for long-term care and development of Nationwide's LTC product solutions.

LTC INSURANCE IS
TOO LEGIT TO QUIT

By Marc Glickman, FSA, MAAA, LTCP, CLTC® and Scott Olson, CLTC®

True or false: the number one reason consumers are not buying traditional long term care insurance today is because it is *too expensive*.

Answer: FALSE.

> The number one reason consumers are not buying traditional LTC insurance today **is because they are afraid it will become too expensive.**

The legitimacy of the LTCI market is being challenged. Advisors are hesitant to recommend traditional solutions even though there is consensus that the need for LTCI continues to out-pace the protection purchased. There is no doubt about the benefits provided. Claims satisfaction rates are extremely high and customers continue to retain their policies more often than any other insurance product. There is also government support for new product purchases.

LTCI enjoys a myriad of tax-favorable purchasing options as well as benefit enhancements from the state partnership programs. Traditional LTCI remains the least expensive way to access these rich benefits. The challenge for advisors is addressing the concerns about the stability of prices into the future because the continuing noise about rate increases from legacy products drowns out all of the positives.

Most advisors are aware that modern LTCI products have dramatically sounder pricing than the prior legacy products. However, these advisors seek product guarantees and hard evidence having been burnt by prior expectations. There is good news. Product guarantees have re-emerged in the form of new single-pay and 10-pay traditional LTCI plans as well as lifetime benefit periods being offered once again. Evidence has also accumulated showing that modern lifetime-pay plans will be much more price stable than any prior product generation. The evidence comes from two LTCI paradigm shifts that differentiate modern price stable LTCI products from legacy LTCI products.

The first paradigm shift has been increasingly sound pricing to address a variety of possible future economic and demographic scenarios. The Society of Actuaries (SOA) recently published a pricing study[1] showing that the underlying actuarial pricing assumptions for modern products has been effectively de-risked. For new products, both the likelihood and magnitude of possible future rate increases are under control.

The logic behind this is intuitive. The single biggest factor that drove the underpricing of legacy products was the assumption that a small percentage of people would drop their policy each year. New pricing for today's products assumes that virtually nobody will drop their policies. By definition, this past pain point will not cause a future rate increase. Similarly, expected investment rates are now priced in using today's record low rates making it much more likely that rate stability could actually improve from increasing rates years from now.

The second paradigm shift has been regulatory protections requiring price stability. This effectively began with policies issued after 2004 with the implementation of LTCI rate stability regulations that incentivize LTCI companies to price policies more responsibly. With the passage of time, there is now accumulated evidence that modern policies sold after rate stability regulations (Post-RS) have outperformed policies sold prior to rate stability regulations (Pre-RS). Public rate increase data shows that over 90 percent of rate increase filings have occurred on Pre-RS policies.

It is important for advisors to understand how modern LTCI products differ from legacy products, so they do not quit on the product at a time when the protection is needed the most and is safest for the consumer to buy. Advisors need to encourage consumers who are wise enough to plan for this need to get asset protection while still young and healthy enough to qualify.

Paradigm Shift #1: PRICING RATE STABILITY

Consumers' caution about LTCI is understandable in light of the rate increases that are now occurring on legacy products. The SOA pricing study analyzed pricing assumptions from legacy policies sold in 2000 (pre-RS), modern policies sold in 2007 (post-RS), and the latest generation pricing assumptions used in 2014. The pricing of policies sold today is more conservative across every major pricing assumption:

1. **Lapse Rates:** The biggest reason that companies needed rate increases on legacy policies is because everyone held on to their policies. LTCI struggled under the weight of its own popularity! Companies now use a lapse assumption of less than one percent per

AVERAGE INDUSTRY PRICING ASSUMPTIONS ON NEW PRODUCTS

Year	Pricing Lapse Rate	Pricing Interest Rate	Likelihood of Rate Increase
2000	2.8%	6.4%	40% Chance
2007	1.1%	5.9%	30% Chance
2014	0.7%	4.6%	10% Chance

year, leaving no room for this assumption to cause a rate increase.

2. **Investment Returns:** The second biggest reason that companies have needed rate increases is continually decreasing interest rates. Interest rates are now running into a fundamental economic floor such that it is much more likely to trend up rather than down.

3. **Claim Rates:** Claim assumptions were more aggressive during the 1990s as companies sought to maximize market share. Since then, companies have shifted emphasis to creating a profitable product line. Today, claim assumptions are very conservative estimates of actual experience, with an additional margin for error required by regulation.

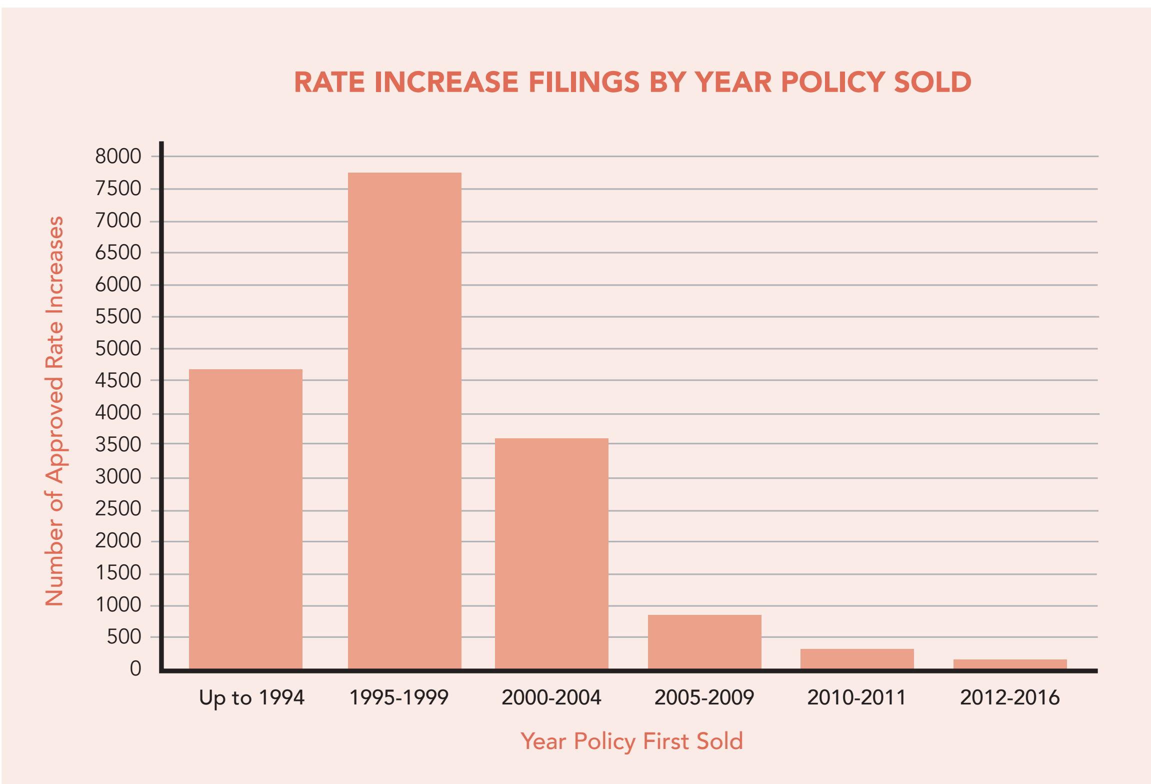
4. **Increased Confidence:** There is 16 times more policy data and 70 times more claims data available now as compared to 15 years ago. This lowers the variability of future results and increases confidence in price stability.

5. **Likelihood of Future Rate Increases:** The SOA pricing study forecasted the chance of a rate increase for each generation of product pricing. The study concluded that for the latest generation product pricing there is less than a 10 percent chance that LTCI products issued today will ever need a rate increase. Furthermore, if a rate increase were to occur, the average amount of the increase is likely to be only 10 percent.

Paradigm Shift #2:
REGULATORY RATE STABILITY

The National Association of Insurance Commissioners passed the Rate Stabilization Model Act in 2001, and 41 states have adopted a variation of this Act. The first new rate stabilized products were offered for sale between 2004 and 2006 depending on the insurance company. As the name implies, companies are required to price more conservatively and are penalized should a rate increase be needed. The direct result is more conservative pricing across the industry to help protect consumers from large future rate increases. The following are all consumer protections for policies filed under Rate Stability Regulations:

1. **Consumer Value:** Rate increases cannot make the price of the in-force policy higher than the rates for applicants of new policies.



2. **Company Penalty:** There is a significant penalty associated with future rate increases, so insurers are motivated from the start to price each policy form very conservatively. The formula requires the company to pay out at least 58 percent of the initial premium as benefits. Any rate increase amount must provide at least 85 percent of the increased premium as benefits. This makes it difficult for a company to profit from the rate increase.

3. **Margin for Error:** Pre-RS, insurance companies were prohibited from pricing in any "margin for adverse experience." Post-RS requires the use of the most current actuarial assumptions and must include an additional margin for error.

4. **Certification:** As part of the premium increase approval process, a qualified actuary must certify that no future premium increases are anticipated for the remaining life of that policy form, even if future experience is moderately adverse.

We recently reviewed rate increase data across all states and companies, which was published by the California Department of Insurance in December, 2016. We reviewed 22 different companies and their subsidiaries selling both pre-RS and post-RS, which together encompass 88 percent of all in-force LTCI policies. In those states which have enacted the Rate Stabilization regulation, over 91 percent of the rate increases have been on policies that were sold pre-RS. This includes by definition all policies issued prior to 2004. Less than nine percent of the rate increase approvals have been on policies sold Post-RS.

Also, we reviewed the cumulative percentage amount of the rate increases. The average, cumulative rate increase for policies sold pre-RS was more than double that for policies sold post-RS. Virtually all of the largest companies have had pre-RS rate increases, but only a few have had post-RS rate increases. This data suggests that policyholders have been better protected by the Rate Stabilization regulation. It is important to note that self-funded government programs, such as the Federal LTCI Program or CalPERS, are not subject to Rate Stabilization regulations and can change premiums at the discretion of the self-funding entity.

There is strong evidence that modern LTCI policies will have more stable pricing than legacy LTCI policies. We expect rate increases on pre-RS LTCI products to continue. Policies sold in the earliest years of post-RS will likely need modest rate increases that should be less disruptive for consumers. The latest generation of policies are unlikely to have a rate increase based on the SOA pricing study, but if they do, the rate increase will likely be small. Companies are now motivated to create stable blocks and profitable business. This follows the path of individual disability insurance, which also faced parallel issues 20 years ago, but has since rebounded.

This paradigm shift in LTCI comes just in time, as the need is now greater than ever. Advisors would be well-advised not to quit on LTCI now that the product has been legitimized and the opportunity to offer the product is the greatest.[1]

Reference:

1. https://www.soa.org/Files/Sections/ltc-pricing-project.pdf

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Scott is a personal producer and agent trainer. He has specialized in LTCI since 1995 and serves on the editorial board of the CLTC. Scott has been quoted in leading publications including: *The New York Times*, *U.S. News & World Report*, *Business Week*, and *Huffington Post*. Olson's new book, *The Simple Solution: How the Long-Term Care Partnership Program Can Protect Your Life's Savings*, will be published Spring, 2017.

Talking to Clients About **Informal Caregivers**

Kerry Peabody, CLU®, CLTC®

Clients often ask if the LTC policy I'm proposing will pay for informal caregivers and are concerned when they find out that this type of care usually is not covered. An informal caregiver is usually a family member, friend or perhaps a neighbor, and can either be paid or unpaid. When you hire an informal caregiver, it's often going to cost less than similar services from a licensed home health care agency. Some LTC insurance policies will pay for informal caregivers, but even then, unless the caregiver is a close, trusted family member, I usually recommend against using them, because the risks may outweigh the savings. Your client will ask, "What risks?"

Let's consider this:

Your father is 87 and lives alone about an hour away. He's in pretty good health, but getting frail, and his balance isn't what it used to be. He's really not safe getting up in the morning, getting in and out of the shower, dressing, etc.

For the past several months, you've been leaving for your father's house at 5:00 every morning, getting him up at 6:00, helping him get started for the day, and then getting to your office at 9:00. You know you cannot keep this up, so you decide it's time to hire some help. You call a few local home care agencies, and discover that this type of care costs $25-$30 per hour, and agencies charge for a minimum two or three hours per visit, or as much as $90 per day. Even if you spend weekends with him, that could cost as much as $1,800 per month. You may think that sounds a bit expensive... but read on.

You mention your dilemma to a coworker while you're having coffee, and she tells you that her niece, Meghan, lives in your dad's town, and she's looking for part-time work. She's going to school, and has a pretty flexible schedule. "Interesting," you say, "give me her number."

After meeting Meghan, you decide she seems dependable and sincere, so you offer her the job. She agrees to be there in the mornings for anywhere from one to three hours to help your father with his daily needs, and to take him to appointments when needed. And, she's only going to charge you $15 an hour. That's going to save you hundreds of dollars per month. So far, this sounds like a great idea.

Now, let's walk through a few scenarios:

SCENARIO #1

It's 6:20 AM on a Wednesday. The phone rings. It's Meghan, and her car won't start. Dad's expecting her at 8:00. He has a 9:00 doctor's appointment and Meghan was supposed to take him. Guess what… either Dad's going to miss that important doctor's visit, or you're going to miss at least half-a-day of work. Which will it be?

> If you were working with a reputable, well-established home care agency, you'd simply call them, and the agency would manage getting a caregiver to take Meghan's place. But, you're the only backup available in this situation, so it looks like you'll be driving to Dad's this morning.

SCENARIO #2

You pay Meghan $12,500 over the course of the first year she works for you. When reviewing your taxes, your CPA sees that you've tried to take a deduction for those expenses. She asks you where all of the necessary employment-related documentation is located.

> Have you been withholding income taxes and paying the Social Security and Medicare taxes? Unemployment taxes? Have you issued Meghan a W-2 or 1099? Have you provided her with workers compensation coverage? (If not, see #5 below.)

SCENARIO #3

You're visiting Dad on a Saturday, and he asks you to take him to the bank or an ATM; he needs some cash. You know he had $60 in his wallet the previous Sunday, and he's only been out once this week, to the grocery store, where he bought a half-gallon of milk, a dozen eggs, and a loaf of bread. There's only $14 left in his wallet. This is the second time this has happened.

> Meghan seems to be a very nice girl, but let's face it, until a couple of months ago you didn't know her from a hole in the ground. You really have no idea what her history is. Any reputable home care agency is going to do a background check on the caregivers they hire.

SCENARIO #4

Meghan is helping Dad step out of the shower. Her phone rings, and she takes her hand off of him just for a moment to silence it. Dad slips, hits his head on the shower handle as he falls, and

cuts himself badly. He also breaks his hip, and suffers a hairline fracture in his left leg. Meghan frantically dials 911 while your father is writhing in pain on the bathroom floor.

> Was Meghan trained on how to do this, or did you just assume that it was such a routine task that it didn't require any special knowledge? Now, Dad's seriously injured and it almost certainly could have been avoided. Your father is going to need to undergo extensive treatment and recovery. A reputable agency will ensure that any caregiver assigned is properly trained.
>
> According to the CDC, falls are the leading cause of fatal and non-fatal injuries in Americans 65 and older. The older the person, the less likely it is that, if they survive the fall, they'll ever regain their mobility and independence.)

SCENARIO #5

Meghan is helping Dad step out of the shower. He stumbles and puts his weight on her, and her foot slips in a puddle of water. Dad catches himself on the grab bar, but Meghan falls. She hits her right eye on the flush tank on the way down, shattering the socket. She's bleeding profusely, crying, and in horrible pain. Dad hurries to the phone to dial 911.

> Oh boy. The good news is that your father is upset, but okay. The bad news...Meghan's not. She's going to have a lot of medical expenses, at least one very complex surgery, a lot of pain and suffering, and a long period of recovery. She won't be going to school. She won't be working. And she doesn't have any insurance.
>
> You—her informal, under-the-table employer—are suddenly in a very tight spot. This could cost you everything you have, depending in large part upon the lawyer she hires. Conversely, a home care agency will provide employees with the appropriate workers compensation coverage, and will be insured in the event of something like this happens.

CONCLUSION

Hiring an informal caregiver seems, at first glance, to be an attractive and economical alternative to using a professional, licensed home care agency or an independent, licensed and insured professional. But, I usually try to dissuade my clients from this, even if their long-term care insurance will pay for them. (Some policies' main selling point is the ability to use informal caregivers.) If it's not a close family member, someone they know that they can trust, it may not be worth the money they save.

Instead, encourage your clients to find a good, reputable home care agency in your area. They'll provide quality, dependable caregivers, and do all the scheduling and employment work so the client—or their family—doesn't have to worry about it.

KERRY PEABODY
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Kerry is a Long-Term Care Insurance Specialist with Clark Insurance in Portland, ME. He has been involved with LTCI for more than 20 years. This includes four years as an LTC medical underwriter for UNUM, then another four years as a National Sales Director training agents around the country on LTC need and products. For the past 15 years, he's been working directly with consumers, helping families and small business owners protect themselves against the staggering emotional, physical and financial impact that an extended long term care event can have.

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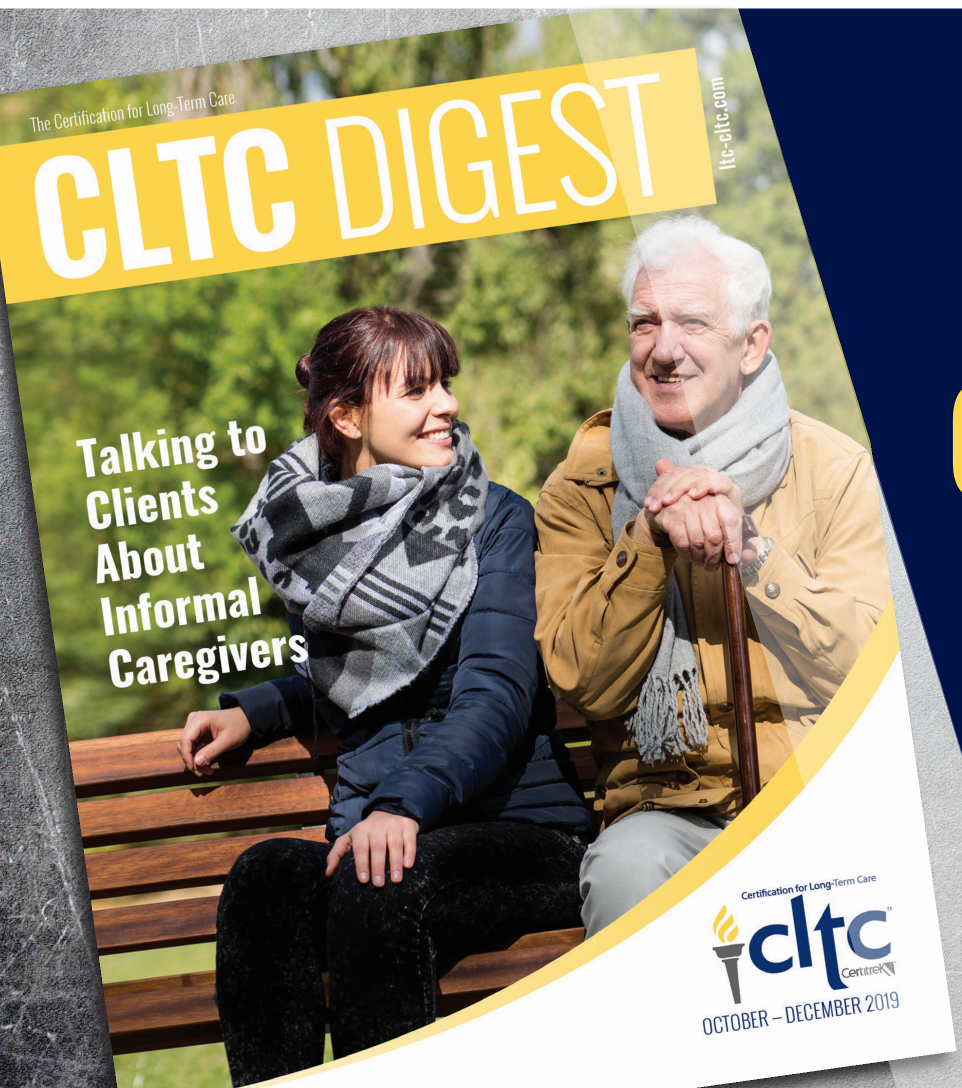

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