



# Understanding Long-Term Care Insurance

Policy Types, Qualification Standards,  
and Case Studies



Presented by:  
Jim Wolverton | *Senior Relationship Manager*

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Years of Experience



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# About Krause

Krause Financial is an attorney-led firm that provides asset preservation solutions for estate planning and elder law attorneys and their clients. Using our specialized insurance products, resources, and support, we help attorneys streamline the process of advising clients planning for long-term care.

## Our Mission:

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Empower legal professionals to navigate long-term care planning with confidence.

# Today's Goals

- 01 | **Identify** the basics of long-term care insurance, including how to purchase a policy and go on claim.
- 02 | **Explore** different types of LTCI policies.
- 03 | **Discuss** how LTCI can be used as part of the Medicaid planning process.



The image shows two women in a professional setting. One woman, with curly hair and a yellow jacket, is smiling and resting her chin on her hand. The other woman is partially visible on the left, looking towards the smiling woman. The background is a bright, modern office environment.

# The Basics

# What is Long-Term Care Insurance?

- Long-term care insurance (LTCI) provides coverage in the event of extended long-term care.
- Policies can cover the cost for a broad array of services to the insured in a variety of settings.
  - **Settings:** at home, assisted living facilities, nursing homes, hospice care
  - **Types of Care:** Traditional long-term care, respite care for caregivers, medical equipment, homemaker and chore services, adult day care, home modifications, hospice (if not of Medicare age)

# Where Do LTCI Policyholders Typically Receive Care?

Home Care and Adult Day Care: **38.7%**

Assisted Living Facilities: **35.3%**

Nursing Home: **26.0%**

Cost of a Home  
Health Aide

**\$6,483**

Cost of  
Assisted Living

**\$5,900**

Cost of a  
Nursing Home  
Semi-Private Room

**\$9,277**

# Policy Variables

- Those looking to purchase LTCI can customize their benefits and the cost of their premiums based on several factors:
  - **Elimination Period:** The calendar day waiting period before policy benefits begin
  - **Benefit Period:** Minimum amount of time the insurance will pay out benefits however you may receive benefits longer than the benefit period if full benefits are not paid out each month
  - **Maximum Monthly Benefit:** The initial maximum dollar amount the policy will pay each month
  - **Maximum Total Benefits/Pool of Money:** The initial maximum dollar amount payable over the life of the policy
  - **Inflation Protection:** Allows policy benefits to grow over time to keep up with the rising cost of long-term care services
  - **Single vs. Joint Policies:** A joint policy with a partner provides savings when compared to the same policy issued for individuals

# Purchasing a Policy

- Insurance agents work for insurance brokers who have contracted with insurance companies to sell LTCI.
- The client works with an insurance agent to assess which benefits are most important and then the agent helps guide them the most appropriate LTCI product and policy design based on current health and finances.
- Insurance companies and products are regulated and licensed through each state's department of insurance and are subject to state law.
- To help guide states, the National Association of Insurance Commissioners (NAIC) created long-term care insurance model acts and regulations to provide some uniformity and guidance for policies and carriers to follow.



# Application and Underwriting

# Applying for Long-Term Care Insurance

- Most LTCI applications will focus questions about age, health, medical history, family history and habits.
- **Misrepresentation on Application:** Most state law allows insurers to rescind policies based on how long the policy has been in place and the severity of a misrepresentation.
- **Pre-Existing Conditions:** One that you received medical advice or treatment or had symptoms within six months prior to making an application for insurance. There are no protections for pre-existing conditions for long-term care insurance.
- It is the insurer's choice to issue a policy and there is no right to long-term care insurance.
  - However, some states have created regulations around the definition of pre-existing conditions.

<b>Section D</b>		<b>HEALTH INSURABILITY QUESTIONS</b>	
<p>If you answer "Yes" to any of the questions in this Section D, we are unable to accept this application or offer you Long-Term Care Insurance. Do not continue.</p>			
		<b>Applicant A</b> <b>Yes</b> <input type="checkbox"/> <b>No</b> <input type="checkbox"/>	
<b>1</b> Do you currently use any of the following?..... <ul style="list-style-type: none"> <li>• quad cane</li> <li>• walker</li> <li>• wheelchair</li> <li>• electric scooter</li> <li>• stairlift</li> <li>• hospital bed</li> <li>• respirator</li> <li>• nebulizer</li> <li>• oxygen</li> </ul>		<input type="checkbox"/> <input type="checkbox"/>	
<b>2</b> Within the past 6 months have you been confined to, used, or been advised to have, any of the following?..... <ul style="list-style-type: none"> <li>• residential care, assisted living or adult day care facility services</li> <li>• nursing home or home health care services</li> </ul>		<input type="checkbox"/> <input type="checkbox"/>	
<b>3</b> Do you require the assistance or supervision of another person or a device of any kind for any of the following?..... <ul style="list-style-type: none"> <li>• bathing</li> <li>• toileting</li> <li>• dressing</li> <li>• eating</li> <li>• medication management</li> <li>• getting in and out of a chair or bed</li> <li>• your inability to control your bowel or bladder</li> </ul>		<input type="checkbox"/> <input type="checkbox"/>	
<b>4</b> Have you ever been diagnosed as having, or received medical advice or medical care by a member of the medical profession for any of the following?..... <ul style="list-style-type: none"> <li>• Alzheimer's Disease</li> <li>• Huntington's Chorea</li> <li>• Parkinson's Disease</li> <li>• Dementia</li> <li>• Chronic Hepatitis</li> <li>• Systemic Lupus</li> <li>• Memory Loss</li> <li>• Cirrhosis</li> <li>• Multiple Sclerosis (MS)</li> <li>• Mild Cognitive Impairment</li> <li>• Hydrocephalus</li> <li>• Muscular Dystrophy</li> <li>• Organic Brain Syndrome</li> <li>• Multiple Myeloma</li> <li>• Myasthenia Gravis</li> <li>• Schizophrenia</li> <li>• Psychosis</li> <li>• Scleroderma</li> <li>• Intellectual Developmental Disorder</li> <li>• Organ Transplant</li> <li>• Paralysis</li> <li>• Connective Tissue Disease</li> <li>• Amyotrophic Lateral Sclerosis (ALS, Lou Gehrig's Disease)</li> <li>• Kidney Failure or received Dialysis</li> </ul>		<input type="checkbox"/> <input type="checkbox"/>	

<b>2</b>	In the past 5 years have you been diagnosed with, treated for, had testing for, or consulted with a medical professional for conditions or diagnosis not listed above? .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>3</b>	Do you have, for your use, a handicap parking sticker or handicap license plate? .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>4</b>	In the past 3 years has a medical professional referred you to a specialist for additional consultation, testing, or surgery? .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>5</b>	<b>Are you scheduled for a visit with a medical professional within the next 6 months?</b> .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>6</b>	Have you been seen by your physician, health care provider or any specialist more than three times in the past 12 months? .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>7</b>	Have you received inpatient or outpatient treatment at a hospital, surgical center, or rehabilitation facility in the past 12 months? .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>8</b>	What is your height? .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>9</b>	What is your weight? .....	<input type="checkbox"/>	<input type="checkbox"/>	<b>lbs</b>	<b>lbs</b>
<b>10</b>	Have you had an unplanned weight change in the past 12 months? .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>11</b>	In the past 5 years have you received treatment from a medical professional for a head injury or concussion? .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>12</b>	In the past 5 years have you received treatment from a medical professional for falls or fractures? .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Applicant A**

**1** To the best of your knowledge has your biological mother, father, or sibling been **formally** diagnosed by a member of the medical profession with Alzheimer's Disease or other form of dementia?  Yes  No  
 If "Yes,"  
 Relationship? \_\_\_\_\_  
 Diagnosis date? \_\_\_\_\_

**2** Have you been hospitalized or had surgery in the past 3 years?  Yes  No  
 If "Yes,"  
 Why? \_\_\_\_\_  
 When? \_\_\_\_\_

**3** Have you been advised by a member of the medical profession in the last 5 years to have surgery which has not yet been completed?  Yes  No  
 If "Yes,"  
 Why? \_\_\_\_\_  
 When? \_\_\_\_\_

**4** Have you received physical, occupational, speech therapy or cardiac rehabilitation in the past 12 months?  Yes  No  
 If "Yes,"  
 Why? \_\_\_\_\_  
 Date of last therapy? \_\_\_\_\_  
 Has a member of the medical profession advised that additional therapy will be needed?  Yes  No

**5** Have you ever been diagnosed, treated, tested positive for, or been given medical advice by a member of the medical profession for sleep apnea?  Yes  No  
 If "Yes,"  
 Do you use CPAP, BiPAP, or a dental device?  Yes  No  
 If "Yes," How often do you use it? \_\_\_\_\_  
 If "No," Explain \_\_\_\_\_

**6** Have you used insulin in the past 6 months?  Yes  No  
 If "Yes,"  
 Units used each day? \_\_\_\_\_  
 Year insulin was first prescribed? \_\_\_\_\_

**7** In the last 12 months, have you used any form of tobacco or any form of nicotine replacement/cessation product (such as nicotine gum, patch, spray, e-cigarette, vapor, etc.)?  Yes  No  
 If "Yes," date last used? \_\_\_\_\_

**8** During the last 10 years, have you ever used unlawful drugs (excluding marijuana), or used prescription medications other than as prescribed by your doctor?....  Yes  No  
 If "Yes,"  
 Substance? \_\_\_\_\_  
 Date last used? \_\_\_\_\_

**9** Do you use recreational marijuana? .....  Yes  No  
 If "Yes,"  
 Frequency of use? \_\_\_\_\_  
 Method of ingestion? \_\_\_\_\_

**10** Have you ever received medical treatment, counseling or been hospitalized for drug use? .....  Yes  No  
 If "Yes," date last treatment, consultation or hospitalization? \_\_\_\_\_

**11** Do you regularly consume 4 or more alcoholic beverages per day, or do you drink 5 or more drinks per day, 1 or more days per week? .....  Yes  No

**12** Have you ever received medical treatment, counseling or been hospitalized for alcohol use? .....  Yes  No  
 If "Yes,"  
 Month and year of treatment, consultation or hospitalization? \_\_\_\_\_  
 Month and year you last consumed alcohol? \_\_\_\_\_

# Age Considerations

- The older the applicant, the greater the chance the application will be denied.
- Initial premium costs also increase based on age of the applicant. Once a premium is locked in, it will stay level unless the insurer raises rates for everyone with that type of policy. However, the initial premium will be higher the older the applicant.
- The National Council on Aging recommends buying a policy **between 50 – 65 years old.**

**Ages 40–49 = 62% approval**

**Ages 50–59 = 46% approval**

**Ages 60–69 = 38% approval**

**In your 50s, premiums typically increase 2-4% each year**

**In your 60s, premiums typically increase 6-8% each year**

# Underwriting and Health Class

- Insurance companies that sell long term care insurance will perform **underwriting** for each application, which involves evaluating an applicant's current and past health before issuing a policy.
- In addition to determining eligibility for a policy, this process will also determine the client's **health class**, which affects their premium (the healthier the client, the lower the cost).
  - Health class options are usually Preferred, Standard/Select, or Class 1 (the lowest rating).
- Underwriting can include reviewing medical records, in-person interviews with a nurse, genetic testing, cognitive testing, prescription drug reports, and other testing.
  - Policy issuance can be delayed if the applicant does not follow through with the required steps.

- If you are age 64 or younger, the interview will be conducted over the telephone and take approximately 30-45 minutes to complete. It may be completed at the time of the initial call if both you and an interviewer are available. If that time is not convenient, another time can be scheduled. Please make sure that the interview time is convenient for you and that you will be free of distractions.
- If you are age 65 or older or you have certain medical conditions, a nurse will come to your home to meet with you in person. This will take approximately one hour. A nurse will contact you to schedule the interview at your convenience. (Home means your primary residence, owned vacation home or owned 2nd residence.)

# Sample Application Language Regarding Underwriting

# Sample Quote Comparison

Male	Age 45	Age 55	Age 65
Health Class	Preferred	Standard	Standard
Monthly Benefit	\$3,000	\$3,000	\$3,000
Total Benefit Amount	\$110,000	\$110,000	\$110,000
Inflation Rider	3% Compound	3% Compound	3% Compound
Monthly Premium	\$93.14	\$132.50	\$188.04
Monthly Benefit Age 80	\$8,442	\$6,281	\$4,674
Total Benefit Amount Age 80	\$309,525	\$230,316	\$171,376



# Going on Claim

# Triggering Policy Benefits

- Benefits triggers will be defined terms within the insurance policy to determine if and when benefits will be paid on behalf of the insured.
- Usually defined in terms of needing help due to **cognitive impairment** or with two **Activities of Daily Living** (ADLs) and that their condition will last 90 days or more.
- Claims paperwork is generally filed with a claims representative from the carrier who will review and certify based on medical records and an assessment.
- A plan of care is created that lays out approved reimbursable expenses and the **elimination period** begins.

## Activities of Daily Living

- ✓ Bathing
- ✓ Dressing
- ✓ Transferring (moving to and from bed or a chair)
- ✓ Eating
- ✓ Caring for incontinence

# Sample Language

## **ELIGIBILITY FOR THE PAYMENT OF BENEFITS**

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To be eligible for the payment of benefits under all provisions of your policy, you must meet the following requirements:

- (a) You must be *chronically ill*; and
- (b) We must receive a written *plan of care* from a *licensed health care practitioner* prescribing *qualified long-term care services*.

***Chronically ill*** means:

- (a) you are unable to perform at least two *activities of daily living* without *substantial assistance* from another person who is physically present with you, for a period that is expected to last at least 90 consecutive days due to a loss of functional capacity; or
- (b) you require *substantial supervision* to protect yourself from threats to health and safety due to a *severe cognitive impairment*.

# Elimination Period

- An elimination period is the amount of time must pass after the benefits are triggered before the insurance company will pay.
- Most policies allow you to choose an elimination period of **30, 60 or 90 days** when you purchase the policy.
- During the elimination period, the insured is responsible for paying for their care. Medicare may pay during this time if coordinated properly.
- A rider may be added **Waiver of Elimination Period for Home Healthcare** to receive care at home during the elimination period.

# Sample Language

**Your Elimination Period:** [0, 30, 60, 90, 180 or 365] [calendar days]  
[180-day and 365-day eliminations not available in VT]

**Elimination period** means the initial number of calendar days that you must be *chronically ill* before we will pay benefits under your policy. The *elimination period* begins on the first day you are *chronically ill* and receive a *covered service*. Subsequent days on which you are *chronically ill* will be used to satisfy the *elimination period*, even if you do not receive a *covered service* on those days. If you cease to be *chronically ill* during the *elimination period*, the *elimination period* will stop. The *elimination period* will resume on the next date that you are *chronically ill* and receive a *covered service*.

The length of the *elimination period* is shown on the policy schedule. Your policy's *elimination period* must be satisfied only once in your lifetime. Any days for which *Medicare* pays benefits for *qualified long-term care services* can be used to satisfy the *elimination period*. The *elimination period* applies to all benefits unless otherwise stated in a specific benefit provision.

# How Benefits Are Paid

- **Reimbursement:** Most policies pay your actual costs of expenses up to a pre-set daily limit which is determined when the policy is purchased up to the maximum monthly benefit limit.
  - **Example:** Mary goes into the nursing home. The nursing home can bill her insurance company directly or Mary can pay the bill then submit the receipts for reimbursement.
- **Cash Disability/Indemnity:** Pays a pre-set cash amount for each day you meet the benefits trigger regardless of the actual expenses accrued.
  - Caution: some policies will base the maximum per diem payment on the HIPAA limit per Section 7702B of the Internal Revenue Code which could restrict coverage amount ([2024 - \\$410 per day](#)).
  - **Example:** John goes into the nursing home and his policy states he receives \$300 per day. He receives \$9,000 per month regardless of the cost it actually requires him to stay at the nursing home.
  - Inflation protection can be added to ensure the limits increase annually (usually 3%).



# Traditional Long-Term Care Insurance

# Traditional Long-Term Care Insurance

- Traditional Long Term Care Insurance works similar to home or automobile insurance where premiums are paid for as long as the policy is in effect and then claims are made if services are needed.
- Premiums can be raised on a class of policies if approved by the state's department of insurance over the life of the policy.
- Traditional LTCI policies are generally reimbursement policies with daily and monthly limits for covered services.
- Most carriers offer an option to add a refund of premium to refund some or all of your premiums minus any claims paid when you pass away to your named beneficiaries.

# Average Premium Cost and Benefits

## LTCI Policy Statistics

Average Annual Premium  
**\$3,618**

Average Benefit Period  
**3 Years**

Average Max. Monthly Benefit  
**\$5,028**

Average Issue Age  
**55-64**

# Traditional LTCI Example



## Meet Daniel

He is planning for retirement and wants to ensure his children are not responsible for providing him care in the future.

**Daniel's Age:**

56

**Daniel's Health:**

Fair

## His Policy

**Monthly Benefit:**

\$4,000

**Maximum Benefit:**

\$165,000 or 3 years

**Inflation Rider:**

3% compound

**Elimination Period:**

90 days

**Annual Premium:**

\$2,248

# Traditional LTCI Example: 25 Years Later



## Daniel

Daniel now requires long-term care. Due to the inflation rider, his policy benefits have grown.

**Daniel's Age:**  
81

**Daniel's Health:**  
Poor

## His Policy

**Monthly Benefit:**  
\$9,148

**Maximum Benefit:**  
\$335,411 or 3 years

**Elimination Period:**  
90 days

**Premium Paid to Date:**  
\$56,200

# State Partnership Policies

- These are qualified, traditional LTCI policies defined under IRC §7702(B) that **incentivize people to purchase private coverage** before relying on public benefits.
- Should they consume their benefits and apply for Medicaid, the amount of benefits paid on their behalf **will be exempt resource** in addition to the regular resource individual or community spouse resource allowances on a dollar-for-dollar basis.
- Caveat—the exemption of these assets for **estate recovery** varies from state to state.
- **Nearly all states** have a partnership program (except for Alaska, D.C., Hawaii, Massachusetts, Mississippi, Utah, and Vermont).

## Policy Requirements

Must be a traditional policy

Must have inflation protection

Must have been issued after the state adopted its partnership program

# Ohio Partnership for Long-Term Care Insurance (LTC4Me)

**Ohio Administrative Code Rule 5160:1-6-02.2 (B)(2)** - "Qualified long-term care partnership" (QLTCP) means the program established under section [5164.86](#) of the Revised Code, under which an individual's assets or resources are disregarded in eligibility determinations and at estate recovery in the amount of insurance benefit payments made to or on behalf of the individual who is a beneficiary of a QLTCP policy.

**Ohio Administrative Code Rule 5160:1-6-02.2 (D)** - Upon the request for, or renewal of, a determination of eligibility for medicaid payment of long-term care (LTC) services, an individual's resources shall be disregarded up to the dollar amount of insurance benefit payments made to or on behalf of the individual who is a beneficiary of a QLTCP policy.



# Hybrid Long-Term Care Insurance

# Hybrid Long-Term Care Insurance

- Hybrid LTCI (also known as asset-based, life combination, or linked-benefit) **consists of a life insurance or annuity contract** with long-term care benefits attached.
- These policies may have a more streamlined or simplified underwriting process, but many of the traditional underwriting principles still apply.
- The hybrid policies generally are issued as:
  - Life insurance with acceleration of death benefits rider; or
  - Life insurance with a long-term care rider

# Life Insurance with Acceleration of Death Benefits Rider

- These are life insurance policies that allow some or all of the death benefit to be accelerated for long-term care expenses, sometimes referred to as **Accelerated Death Benefits** (ADBs).
- Benefits paid by the insurance company to cover long-term care expenses reduce the death benefits and cash value of the life insurance policy.
- These policies tend to have lower premiums than life insurance with a long-term care rider.
- The premiums can be paid in lump sum, over time or annually.

# Sample Language

## IMPACT OF BENEFIT PAYMENTS ON THE POLICY

**Death Benefit Proceeds.** Benefit Payments made by Us prior to receiving written notice of an Insured's death will reduce the Death Benefit Proceeds payable under the Policy. Death Benefit Proceeds are paid in accordance with the terms of the Policy to which this Rider is attached.

**Face Amount.** Benefit Payments from this Rider will reduce the Policy's Face Amount. The reduction to the Face Amount is equal to:

- A) The Face Amount prior to the Benefit Payment multiplied by the result of;
- B) The Benefit Payment; divided by
- C) The AOB Balance before the Benefit Payment.

**Cash Value.** Benefit Payments from this Rider will reduce the Cash Value of the Policy. The reduction to the Cash Value is equal to:

- A) The Cash Value prior to the Benefit Payment multiplied by the result of;
- B) The Benefit Payment; divided by
- C) The AOB Balance before the Benefit Payment.

# Life Insurance with a Long-Term Care Rider

- A life insurance policy with a long-term care rider pays a sum of money as a death benefit and if needed, the death benefit amount can be accessed to pay the costs of long-term care.
- The amount accessible for long-term care is selected when the policy and rider are issued.
- The initial premium is generally a lump sum investment that **grows and has cash value**.
  - Generally, these policies have a minimum face amount of \$30,000 - \$50,000.

# Residual Death Benefit Language

## Example:

If no long-term care benefits are received, the guaranteed benefit equals the stated death benefit amount when the policy is issued. If benefits are received for long-term care, the policy will provide the greater of the remaining death benefit or the amount specified by the residual death benefit.

Residual death benefit: 10% of base face amount

# Hybrid LTCI Example



## Meet Valerie

She wishes to secure her financial future as she plans for retirement after her husband has been diagnosed with Parkinson's Disease.

### Valerie's Age:

63

### Valerie's Health:

Good

Valerie also owns an existing life insurance policy she will use to fund her hybrid policy.

## Her Policy

### Monthly Benefit:

\$5,121

### Maximum Benefit:

\$257,067 or 4 years

### Inflation Rider:

3% compound

### Death Benefit:

\$122,892 or \$12,289\*

### One-Time Premium:

\$100,000

\*If all LTCI benefits are used, the Valerie's beneficiary will receive \$12,289. If no benefits are used, they will receive \$122,892.

# Hybrid LTCI Example: 17 Years Later



## Meet Valerie

Valerie is now entering an assisted living facility for help with dressing and bathing due to osteoporosis and arthritis.

### Valerie's Age:

80

### Valerie's Health:

Poor

Valerie used an existing life insurance to fund her hybrid policy.

## Her Policy

### Monthly Benefit:

\$8,463

### Maximum Benefit:

\$424,893 or 4 years

### Inflation Rider:

3% compound

### Death Benefit:

\$122,892 or \$12,289\*

### Premium Paid to Date:

\$100,000

\*If all LTCI benefits are used, the Valerie's beneficiary will receive \$12,289. If no benefits are used, they will receive \$122,892.

# Chronic Illness Riders

- These riders provide less comprehensive coverage than a long-term care rider, but are very popular due to lower premiums.
- Typically classified under **IRS Code 101g** are referred to as “Accelerated Death Benefit for Chronic Illness”.
- Require a physician to certify that the insured **permanently** cannot perform at least two of the six activities of daily living or has a **permanent** severe cognitive impairment requiring substantial supervision.
- The insured is then eligible to file a claim after 90-day waiting period, which is more restrictive than LTC riders require.

# Annuity with Long-Term Care Benefits

- This type of hybrid policy allows clients that have **deferred, non-qualified annuities** to convert them into an annuity with long-term care benefits.
- The deferred annuity is transferred into via **1035 Exchange**.
- Benefits are paid under the **Pension Protection Act of 2006**, Section 844(b), gains are **tax-free** if used for LTC expenses.
- If LTC benefits are not paid out during the policyholder's lifetime, the beneficiaries would pay the tax on capital gain as with the original annuity.
- Underwriting is more forgiving than with a traditional policy and available to clients up to age 87 years old.
- Not available in all states (CT, MT, NY, VT excluded).



# LTCI and Medicaid Planning



## A traditional policy providing benefits for five years covers the lookback period.

- The client engages in proactive Medicaid planning and transfers assets to an irrevocable trust with goal to wait out five-year lookback period to apply for benefits (no penalty period would be assessed for transfers).
- A traditional policy with no cash value will provide protection in the event the client needs long-term care before the lookback period expires, or needs care in a non-Medicaid approved setting.



# Lookback Period Example

- Bob, 60 years old, comes in to engage your office because he just took care of his parents who needed long term care and wants to have a plan in place for himself should he need that type of care.
- You explain the lack of protection a basic estate plan provides should he need long-term care in the future. He understands the risk and ready to make transfers to an irrevocable trust now.
- You also recommend a traditional LTCI policy with five years protection and he purchases the same.



# Example, Three Years Later

- Bob, three years later, has an unexpected stroke but does not need nursing home level of care right away and is comfortable at home.
- Having professionals assist him at home with care and housekeeping would be beneficial to his quality of life and lift the burden off his loved ones.
- Bob triggers insurance benefits to pay for home health care. He stays comfortably and safely at home for five years at which time his needs increase so moving to a nursing home will provide the level of care he needs.
- The lookback period for transfers to the irrevocable trust has passed and he will not receive a penalty should he apply for Medicaid benefits (and he could receive an increase in countable assets and exemption from estate recovery if the policy was a state partnership policy).



## Using a hybrid policy as part of a proactive plan.

- A client has liquid assets (over \$50,000) available to invest in a life insurance policy or has an existing insurance policy to which they can add an LTC acceleration of death benefits or an LTC rider.
- They can then transfer additional assets (the home) to an irrevocable trust and use the hybrid policy to cover any gap in the lookback period should it be needed prior to applying for Medicaid benefits.



# Hybrid Example

- Jerry, 65 years old, is in good health but has a family history of dementia and recently was the caretaker for his parents. He doesn't want his kids to have to worry about his care should he have a similar diagnosis.
- He wants to engage your office in proactive Medicaid planning. He owns a home, has a life insurance policy, and \$300,000 in liquid resources. His goal is to leave a legacy for his kids while ensuring they're not responsible for his cost of his care.
- You review his current life insurance policy and work with an agent to convert the policy to a hybrid long-term care policy using a 1035 exchange and add an additional lump sum premium of \$100,000 to increase his maximum benefit.
- Jerry transfers \$100,000 and his home to an irrevocable trust specifically designed for Medicaid planning.



# Example, Two Years Later

- Two years later, Jerry is diagnosed with Alzheimer's which his doctor thinks he can slow the cognitive decline with medication, diet and exercise to extend his life expectancy.
- Jerry triggers his insurance policy to have a caretaker come into his home daily as well as homemaker support until his policy benefits and the cash value of the policy are exhausted after three years.
- Jerry and his family ultimately decide the best move for his safety and care is to move him into a nursing home.
- He engages your firm to help with a spend-down plan for his remaining assets, applies for Medicaid benefits and immediately qualifies for benefits while ensuring his home and \$100,000 pass on to his children through the irrevocable trust.

# In Conclusion

- There are many different options for long-term care insurance that can be customized to meet your clients specific care and estate planning goals.
- Talking to clients earlier about these options will allow them to lock in better benefit rates and coverage.
- Coupling long-term care insurance and estate planning gives your clients control over **who, where, and how to pay for their long-term care.**
- You can bring value to your clients by helping guide them through the various insurance products based on their goals, assets and estate plans.

# Contact Us

Schedule a call with us to learn how LTCI can fit into your practice and how to work with Krause.

*Scan the QR code or visit*  
***[krausefinancial.com/ltdi-call](http://krausefinancial.com/ltdi-call)***





# Questions



Thank You!

Visit **[krausefinancial.com](http://krausefinancial.com)**  
for more information.