



# LTC News

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**“The IRS allows for an unlimited gift tax exclusion for medical expenses.”**

## Underwriting Corner: Cognitive Awareness

By Debbie Kocsis

One of the conditions we as agents must be very aware of is a person's cognitive ability. Although an individual is in good health, their mind may be on the decline. Over time, as with our body, our mind can also deteriorate. We find that we can't remember things as well as we used to. For some people, it is much more than the occasional forgetfulness and could be a sign of Dementia or even Alzheimer's Disease.

Memory problems are not looked upon favorably by an insurance company. An insurance company will pay a claim longer for someone with a cognitive illness as opposed to a physical illness. Even though a person's mind deteriorates, the body may work perfectly allowing the person to live indefinitely with their cognitive illness. For this rea-

son, an insurance company looks very closely at medical records for any indication of memory loss and also performs a cognitive screening test for those clients at a higher risk, usually age 70 and older.

When meeting with a potential client who is age 70 or older, you need to make them aware of the fact that someone may come to their home to perform a cognitive screening test. The test is usually administered by a retired nurse and will include questions such as who the current president is, what calendar year it is, etc. There will also be a word recall test. The nurse will give your client a list of about 10 words and possibly ask that the words be used in a sentence. After about 10 or 15 minutes, the nurse will ask your client to recall as many of those words that he

can. The results of this test will determine whether the insurance company will approve or decline your client. The passing score differs from company to company, but the number of correct usually needs to be five or more. If your client does not pass the word recall portion of the test, an insurance company will not offer coverage, and the test cannot be performed again with the hopes of your client doing better. Therefore, please be sure to emphasize the importance of this test to your client.

Make your clients aware of the test they may be asked to complete. It may help them in being better prepared and therefore produce a more favorable result. In the long run, it could mean the difference of an approval or a decline.

## Solving Estate Tax Problems With LTC Insurance

by David Miller

Do any of your clients have a potential estate tax problem? Are they maxed out on their annual gifting? Are they wanting to get as much money out of their estates from taxes?

Allow me to illustrate...

Ms. Smith is a 76 year old widow with two sons. She has a rather large estate. She has been gifting the maximum allowable amounts each year to family members. She has life insurance to help cover the estate taxes but the estate is still growing. What else can she do? The IRS allows for an unlimited gift tax exclusion for medical expenses. This is in

addition to the \$10,000 gift. Qualified long-term care insurance is included in the term "medical expenses".

Ms. Smith buys a single premium, qualified LTC policy on her two sons and their wives. She must make the check payable directly to the insurance company. The idea is to get as much money out of her estate, so she maximizes the benefits in order to drive the premium.

All four insureds purchase \$250 per day, 100% Home Care, 5% compound inflation, 30 day elimination period, lifetime benefit. The total sin-

gle premium equals \$287,000. So, everybody is a winner in this example.

Ms. Smith wins because she gets even more money out of her estate instead of giving it to Uncle Sam. The kids win because they have a paid up LTC policy and Ms. Smith's grandchildren win because there is a full return of premium at the death of the surviving spouse.

If you would like to read the actual IRS code on this exclusion, please call Ohio Long-Term Care Brokers and we will be happy to fax or email it to you.

## Press Presents Agents With Golden Opportunity

By George Sherman

The press has traditionally written about topics related to nursing homes. However, recent reportage on LTC has dramatically shifted in content from the past. Previously, newspapers focused on the problems encountered by individual elderly patients in nursing homes. People who physically suffered from inadequate care were a prime story line. For example, patients with bedsores, who were improperly medicated, or who wandered, were common fare for those following LTC in the press. Even a worst-case scenario, a fire in a nursing home, tended to jade readers due to its predictable appearance in the press.

### The media gets the message

The media has found a new angle, one which focuses not on the plight of the individual patient, but on that of the nursing home itself. The story now is not about the problems experienced by individual patients, but about the systematic crisis facing the facilities caring for those patients. The bankruptcies of seven major nursing home chains have sent a loud and clear message

to the press: the new story about nursing homes is their financial condition and woefully inadequate public financing that threatens their survival. This shift in focus is both a challenge and an opportunity for LTC insurance agents.

### The challenge for LTC agents

First of all agents should become aware of this development and what it means to their business. In a nutshell, thanks to the media, people are getting the message that public financing, rather than an entitlement blessing, is the root cause of a national institutional crisis for LTC. Agents serious about the LTC insurance business will take the time to learn the facts. They will be able to answer the following questions: What are the main reasons why this financing crisis is currently hitting the nursing-home industry? What is government doing to help? Is government assistance sufficient to do the job? What does this mean for the future of LTC and of LTC insurance? What does this mean for the consumer? Another challenge to LTC agents

is to take advantage of what the press is saying, and to take it the next step: inform consumers what these developments personally mean to them.

### Carpe diem

We have yet to see the press apply its coverage of the crisis in nursing homes and the threat to the future of LTC to its readers. This is a golden opportunity for agents. Marketers of LTC insurance should follow local coverage, and follow up in their prospecting. Informed agents can point out to consumers that financing is the crux of the crisis in LTC, and that, while individuals are virtually powerless to change the system, they can safeguard their own future. Agents can also help prospects understand that more LTC providers such as Manor Care will cater to private payers. It is also imperative that agents point out the power of the private dollar to change the profile of the entire LTC industry.

The media is handing LTC agents an unparalleled opportunity to educate consumers and increase their business.

Source: LTC News & Comment, Apr 2000

## Ohio Long Term Care Brokers Shirt Contest

Have you met with Bob or Denise and noticed the snazzy new shirt they've been wearing? Perhaps you've stopped by the office on a Friday and noticed Shannon wearing one. I bet your wondering how you can get one of these great

Ohio Long Term Care Brokers shirts. It's simple. All you have to do is arrange for a joint meeting with any work-site group to discuss long term care insurance benefits. You automatically qualify to get one of our quality-made, 100%

cotton white golf shirts with the Ohio Long Term Care Brokers logo embroidered on the front. So if you'd like a quality shirt from one of your favorite agencies, get moving because supplies are limited.

## The Dramatic Evolution of Long-Term Care Part 2

by George Sherman

Every aspect of LTC has changed over the last ten years. In the last issue we looked at the evolution of the legislative and regulatory environments of LTC.

### LTC insurance products have evolved exponentially

In the late eighties LTC products could be classified as nursing-home-only plans. No home care, no alternative residential care, no adult day care, no care management. Policies were simple indemnity plans. Carriers that offered an op-

tional 5% simple, not compound, inflator thought of themselves as innovative. Of course, the average premium, reflecting the bare bones benefit structure, was about \$900 per year ten years ago.

Compare that price with today's freight: almost \$1,900 per year. But what a difference in benefits! Home care, assisted living, managed care, alternative plans of care, adult day care, remodeling of one's home, bed reservations, and 5% compound inflation.

The dramatic evolution of LTC policies is witness to the education of the carriers themselves of the true nature of LTC. In the early years insurers modeled their products on the medical, the indemnity, model. Over the years, under pressures from consumer advocates, and by listening to experts in LTC, carriers revised their thinking to more effectively address the social nature of LTC.

Look for Part 3 in the January issue of LTC News.

Source: www.mrltc.com

**“The new story about nursing homes is their financial condition and woefully inadequate public financing that threatens their survival.”**

## LONG TERM CARE QUIZ

**HOW MUCH DO YOU REALLY KNOW ABOUT LONG-TERM CARE? THIS 10-QUESTION QUIZ WILL TEST YOUR KNOWLEDGE AND OPEN YOUR EYES.**

1. The average cost of a one-year stay in a nursing home is less than \$30,000. **T F**
2. Only old people need long-term care. **T F**
3. Medicare is a primary financier for long-term care. **T F**
4. Medicare supplements cover long-term care services not financed by Medicare. **T F**
5. Individuals must spend down their assets before qualifying for Medicaid. **T F**
6. My health insurance covers long-term care expense. **T F**
7. If I need long-term care, the government, my church, the VA or charity will pay. **T F**
8. Most long-term care services are provided in a nursing home. **T F**
9. Even if I need long-term care, it will only be when I'm old and only for a short time. **T F**
10. Long-term care insurance is tax deductible. **T F**

*Look for the answers in the next issue of LTC Consumer News.*

**“The average premium, reflecting the bare bones benefit structure, was about \$900 per year ten years ago.”**