



# PERMANENT LIFE WITH LIVING BENEFITS (LONG-TERM CARE)

BROUGHT TO YOU BY THE VOLUNTARY BENEFITS SHOP

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## STAYING AHEAD OF THE LONG-TERM CARE CRISIS

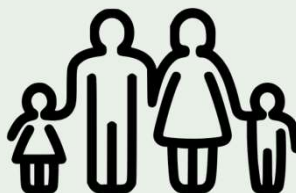
Changing demographics, shrinking stand-alone long-term care insurance options and new legislation have all culminated in what some are calling “the long-term care crisis.” To help combat this many employers are now offering hybrid life and long-term care programs as a voluntary benefit.

### Impending crisis: By the numbers



#### Changing demographics and the need

- By 2030 there will be more people over the age of 65 than under 18. **70% of those over 65** will need long-term care.
- 42% of households would feel adverse financial impacts within six months if a primary wage earner died. (2021 LIMRA Facts About Life)



#### The cost of care

- **The median annual cost for an in-home health aid is \$75,500** with even higher costs for nursing home care.
- Care in a nursing home was \$104,000 annually and a private room in a nursing home was \$116,800. (*Genworth 2023 Cost of Care Survey, January 2023*)



#### Shrinking stand-alone LTC options

- While there were more than 100 companies selling LTC insurance at the turn of the 21<sup>st</sup> century, **today fewer than ten sell** a meaningful number of policies.
- These plans often require rigorous underwriting that can exclude those who may need it most.

# THE LONG-TERM CARE DISCONNECT

70% of Americans over age 65 will need Long-Term Care Services (U.S. Department of Health and Human Services, 2021)

Average lifetime Long-Term Care costs are \$172,000 per person (SHRM HR-Magazine)

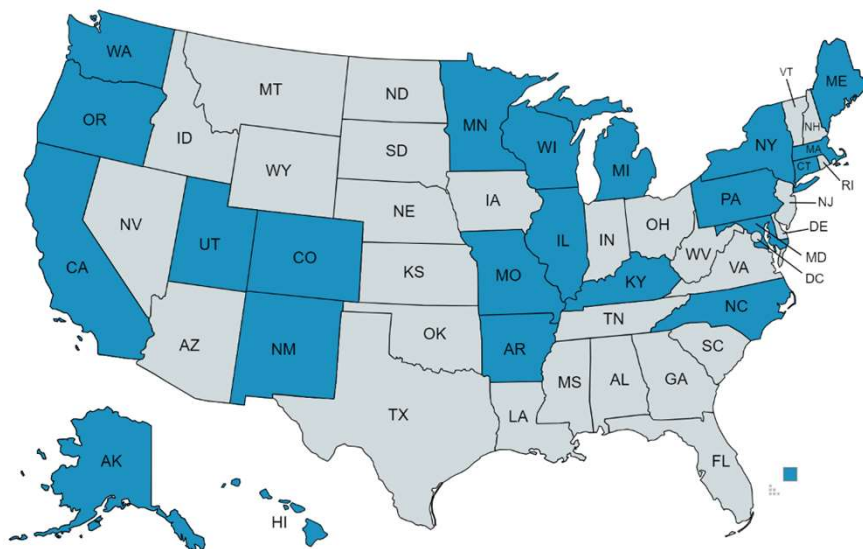
Many people believe that health insurance, Medicare, Medicaid or The Affordable Care Act will cover these costs

Only 32% of employers offer Long-Term Care insurance as an employee benefit (SHRM HR-Magazine)

Fewer than 1 in 30 Americans own a Long-Term Care insurance policy. Only about 7% of adults over age 50 have LTC (The American Prospect)

Long-Term Care is one of the most requested benefits by Executives

## UPCOMING LEGISLATION



**Today a growing number of states are looking at creating similar long-term care legislation including:**

Alaska  
Arkansas  
California  
Colorado  
Connecticut  
Hawaii

Illinois  
Kentucky  
**Maine**  
Maryland  
Massachusetts  
Michigan

Minnesota  
Missouri  
New York  
New Mexico  
North Carolina  
Oregon

Pennsylvania  
Utah

### Washington state legislation brings the challenge into focus

Washington state recently rolled out new legislation to help address the challenge of long-term care. Employees would pay a .58% payroll tax to fund a state-run LTC plan unless they could provide proof of qualifying long-term care coverage.

This state-run plan has several limitations such as:

- A low lifetime maximum benefit (up to \$100 per day, lifetime maximum of \$36,500)
- The benefit could only be utilized if one was living in the state of Washington

#### The results?

Thousands of employers scrambled to find an LTC solution, to help employees avoid the tax and receive a more benefit-rich option using employee funded, payroll deducted solutions.

## How it Works:

*\*Products may vary by state and carrier*

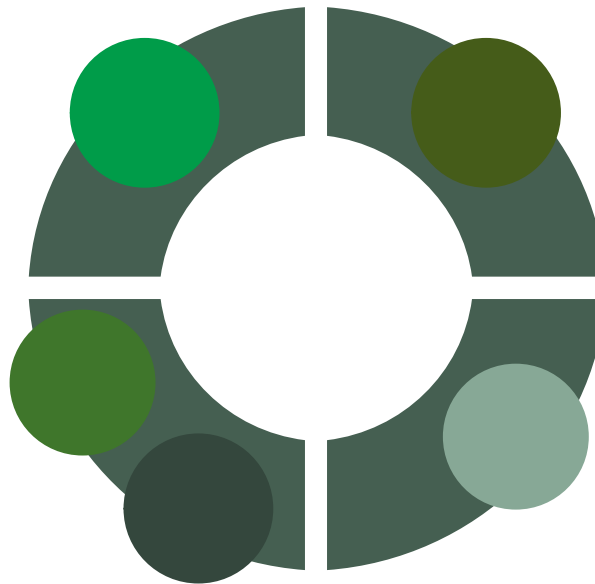
### AT TIME OF DEATH

Benefit is paid to beneficiary at time of death.

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### EXTENSION OF BENEFITS

When the initial death benefit is exhausted from using the Living Benefit Rider, the **Extension of Benefits Rider will reload** the LBR to the original face amount to be used for **4% for another 25 months**. It will **also restore the original death benefit** of \$100,000.



### TERMINAL ILLNESS

If the policyholder is diagnosed with an illness where they are expected to pass away in the next 12 months, they can advance up to 75% of the death benefit to help with any costs.

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### LIVING BENEFIT RIDER

If the policyholder **cannot perform two or more activities of daily living**, they can **advance 4% of their death benefit per month for 25 months for care**.

**6 Activities of Daily Living (ADL's)**

Bathing

Dressing

Toileting

Maintaining Continence

Transferring

Eating



**\*\*The trigger for Long Term Care is the inability to perform 2 of the 6 ADL's or Severe Cognitive Impairment\*\***

## How it Works Example:

### \$100,000 Life Insurance Policy with Living Benefit Rider

*\*Products may vary by state and carrier*

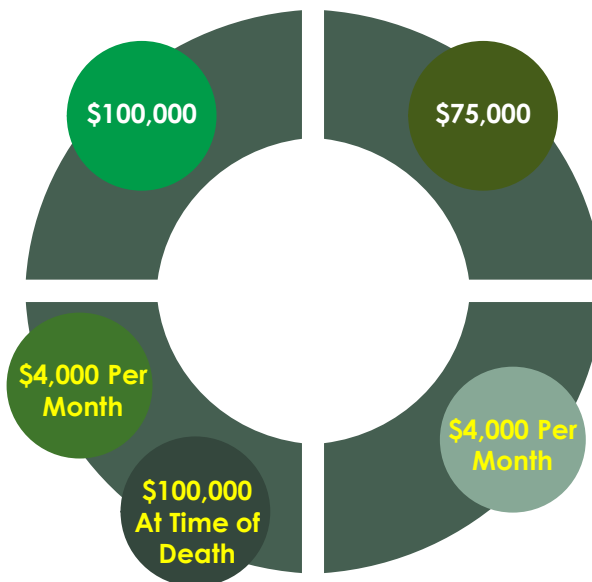
#### AT TIME OF DEATH

Beneficiary is paid the \$100,000 death benefit

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#### EXTENSION OF BENEFITS with FULL RESTORATION

Once the original death benefit is exhausted, the Extension of Benefits Rider will provide LBR coverage for another 25 months at \$4,000 per month, as well as restoring the original \$100,000 Life Policy.



#### TERMINAL ILLNESS

Policyholder will receive up to \$75,000 to pay for care, treatment and other costs while they are alive. The balance of the policy benefit is paid to the beneficiary upon death.

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#### LIVING BENEFIT RIDER

If the policyholder cannot perform two or more activities of daily living, they will receive \$4,000 per month up to 25 months. Benefits are paid after a 90-day elimination period

**Base Plan/LTC:**  
**\$100,000**

**Extension of Benefits:**  
**\$100,000**

**Benefit Restoration:**  
**\$100,000**

**Total Value: \$300,000**

**\*\*Full utilization of the Extension and Restoration riders can TRIPLE product value\*\***



## WHY ARE HYBRIDS SO APPEALING?

Hybrid Life with Long-Term Care	Stand-alone Long-Term Insurance
<ul style="list-style-type: none"><li>• 100% of policyholders receive a benefit – either from life insurance or long-term care</li><li>• Offers guaranteed acceptance underwriting</li><li>• Are typically more affordable and have level premiums</li><li>• Accumulate cash value over time</li><li>• Plan is an indemnity product and pays benefits regardless of the cost of service</li><li>• Potential to pay claims during informal care</li><li>• Portable</li></ul>	<ul style="list-style-type: none"><li>• Only pays if long-term care is needed</li><li>• Likely will require medical underwriting and family medical history review</li><li>• Typically have higher costs and are subject to premium increases</li><li>• Do not typically accumulate cash value</li></ul>





## SAMPLE UNDERWRITING OFFER

Enrollee	Guaranteed Issue	Conditional Guaranteed Issue (2 health questions)	Simplified Issue (4 health questions)
Employee	\$150,000	\$200,000	\$500,000
Spouse	\$15,000	\$25,000	\$100,000
Child or Grandchildren	\$25,000	N/A	N/A

*\*Underwriting may vary upon number of employees and carriers*