



AAFMAA®

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UNDERSTANDING LONG-TERM CARE

MARKETS

Millions Bought Insurance to Cover Retirement Health Costs. Now They Face an Awful Choice

Battered by losses, long-term-care insurers hit policyholders with steep rate increases that many never saw coming



David and Sally Wylie walk their dog, Finn, in Owls Head, Maine. The annual cost of their long-term-care insurance has jumped more than 90% in the past two years. PHOTO: SARAH RICE FOR THE WALL STREET JOURNAL

American Armed Forces Mutual Aid Association:

- Founded in 1879
- Non-profit, tax-exempt, member owned mutual association
- Open to all branches of the U.S. Armed Forces
- Life Insurance, Financial Planning, Investment Management, Trust Services and Mortgages
- Over 90,000 members





Disclaimer

This presentation and any material attached to it has been prepared for informational purposes only and is not legal, financial or tax advice and should not be relied on as such. You should consult with your own professional legal, financial, or tax advisor before taking any action that relates to the subject matter of this presentation or any attached material.

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Today's Agenda

- What is Long-Term Care?
- Is there a problem?
- What are my options?





Long-Term Care (LTC)

- Long term care (LTC) is care that you need if you can no longer perform everyday tasks (activities of daily living) by yourself due to a chronic illness, injury, disability or the aging process.
- Activities of Daily Living (ADL):
 - Bathing
 - Dressing
 - Transferring
 - Eating
 - Toileting
 - Continence



LTC is NOT hospital, doctor, or rehabilitation care (Those are provided by Medicare, VA, Health Insurance)



What is the need?

- Nearly 41% of LTC is provided to people under age 65
- About 70% of people turning age 65 will need long term care services at some point in their lives





Who Provides Long Term Care?

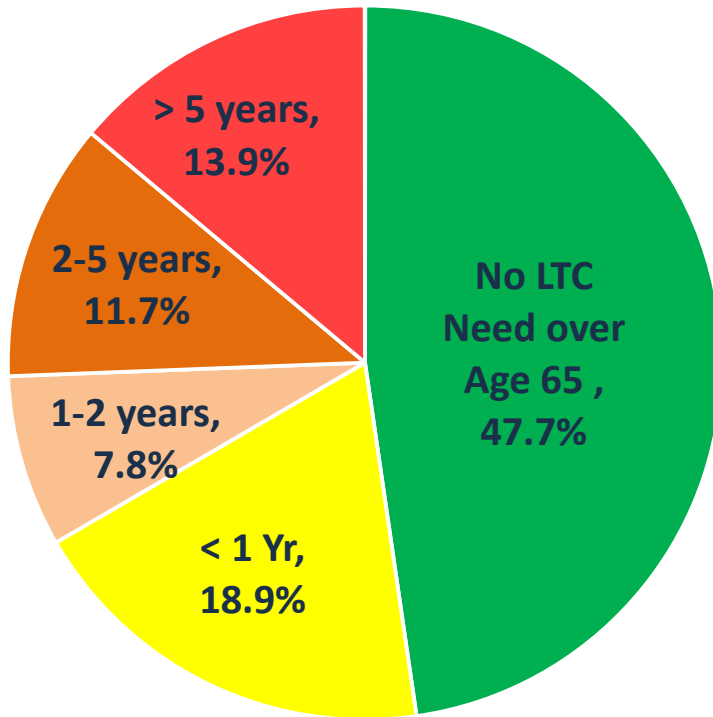


“The value of family caregiving exceeds the total value of all paid LTSS. Family caregiving was estimated to be worth \$450 billion ... as compared to \$211 billion in spending on all paid caregiving.” -- LTC Commission



How Long is “Long” in LTC?

Projected LTC Need for 65 year olds



	Average years	Average years, given any need
Men	1.5	3.2
Women	2.5	4.4



What does LTC cost?

- Heavily dependent on location
- National averages:
 - Home health aide \$21/hour
 - Adult day care center \$79/day
 - Assisted living facility \$3,922/month
 - Nursing home (semiprivate room) \$251/day
 - Nursing home (private room) \$282/day
- Home care: 6 hrs/day, 5 days/week = \$32,760/year
- Semi-private nursing home room = \$91,615/year



Why so much (national) attention?

BUSINESS

The Bad Bet That Insurers Can't Shake

GE disclosed \$6.2 billion charge related to billions of dollars of coverage for long-term care policies



By *Leslie Scism*

Jan. 16, 2018 7:08 p.m. ET

GE sold much of its financial-services operations after the 2008 financial crisis. PHOTO: JOHN MINCHILLO/ASSOCIATED PRESS

9 COMMENTS

General Electric Co.'s GE -2.05% ▼ looming \$6.2 billion charge in its GE Capital unit is one of the biggest yet in a corner of the insurance industry that has reeled from pricing miscalculations made decades ago. About 7.3 million of the policies are in consumers' hands, some with generous lifetime benefits.



Why so much (national) attention?

- Many planned on or rely on LTC insurance for LTC costs
- **Rising premiums** → WSJ example faced 90% premium increase
 - Aging population (more
 - Cost for elderly medicine more expensive than for young
 - Costs of care rising
- **Providers dropping out** of market





What are my options?

- Family care providers
- Self-funding through financial planning
- Long-term Care insurance
- VA Geriatrics and Extended Care
- Accelerated benefits option as part of life insurance policy (or as a policy rider)





LTC Care Insurance Characteristics

- Daily benefit, lifetime benefit
- Medical certification/recertification of inability to meet specified number of Activities of Daily Living (ADL)
- Waiting periods, on average 90 – 120 days
- Inflation protection options
- Future purchase options





Department of Veterans Affairs

Veteran Geriatric Care:

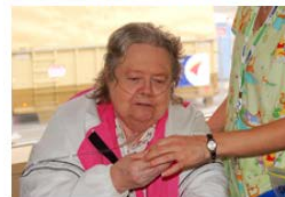
- Eligibility based on clinical need and availability
- Generally, for 70% + disability
- Part of VA Health Care System
- State & community dependent
- For veteran only, not spouse

Source: <https://www.va.gov/GERIATRICS/>

Community Living Centers



Community Nursing Homes



State Veterans Homes



Adult Day Health Care



Home Based Primary Care



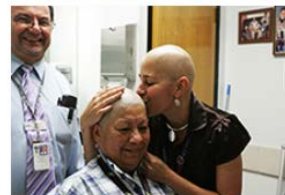
Homemaker and Home Health Aide Care



Hospice Care



Palliative Care



Respite Care



Community Residential Care



Medical Foster Homes



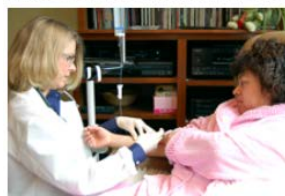
Adult Family Homes



Assisted Living



Skilled Home Health Care



Telehealth Care



Veteran-Directed Care





LTC Settlement Option Example

- AAFMAA Value Added Whole Life or Wealth Builder policy, over age 60, in force two or more years
- Doctor certifies inability to perform two or more ADLs;
- AAFMAA pays 2% of death benefit for up to 50 months
- Unused benefit paid to beneficiary
- Annual re-certification by doctor

Great Life Insurance – with Long Term Care Settlement Option built in



This is an illustration. See policy terms and conditions. Full terms and conditions of policy apply.



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QUESTIONS AND DISCUSSION



Takeaways

- There are multiple options for addressing Long-term care needs
- These include self-funding through prudent planning, LTC insurance, and accelerated death benefits in a life insurance policy
- LTC insurance costs are rising
- You don't necessarily need LTC insurance, but you do need a plan!





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