

# An Introduction to Long-Term Care

Your resource for information  
and available options



ICC21-PRES  
5-21-PRES

Brighthouse Life Insurance Company

# Agenda

- What is long-term care?
- Popular types, costs, and ways to pay for care
- Hybrid life insurance and long-term care (LTC) vs. traditional LTC
- Claims payments: Indemnity vs. reimbursement
- Managing long-term care needs
- Long-term care: A case study

# Long-Term Care (LTC)

- Someone with a long physical illness, disability, or cognitive impairment (such as Alzheimer's disease) may need help with activities of daily living
- Long-term care focuses on individualized and coordinated services that maximize the quality of life
- LTC is different from medical care because it generally helps you to live as you are instead of improving or correcting medical problems



---

**56%**

of the U.S. population turning 65 today are expected to require long-term care.<sup>1</sup>

---

<sup>1</sup> Projections of Risk of Needing Long-Term Services and Supports at Ages 65 and Older. Urban Institute and U.S. Department of Health and Human Services, January 2021.

# Activities of Daily Living

The need for long-term care can arise from various causes, including diseases, disabling chronic conditions, injury, developmental disabilities, and severe mental illness.

For LTC insurance coverage to begin, an individual must be unable to perform two of the six activities of daily living (ADLs) without assistance.<sup>1,2</sup>

- 1 Bathing**  
Washing oneself by sponge bath or in the bathtub or shower.
- 2 Continence**  
Maintaining control of bowel or bladder functions, or related personal hygiene practices like managing the care of a catheter or colostomy bag.
- 3 Dressing**  
Dressing and undressing, including braces and prosthetics.
- 4 Eating**  
Getting food into the body from a plate and/or feeding device.
- 5 Toileting**  
Getting to and from the toilet and performing related personal hygiene.
- 6 Transferring**  
Moving into or out of a bed, chair, or wheelchair.

---

<sup>1</sup> [What is Long-Term Care?](#) LongTermCare.gov, February 18, 2020.

<sup>2</sup> To be eligible for benefits, the insured must be a chronically ill individual with qualified long-term care services provided pursuant to a plan of care prescribed by a licensed health care practitioner/physician.

# Popular Care Services



## Adult day care

Care given during the day at a community-based center for adults who need help or supervision during the day, including help with personal care, but don't need round-the-clock care.



## Assisted living facility

A residential living arrangement that provides personal care and health services for people who need some help with activities of daily living, but don't need the level of care that nursing homes give.



## Home health care

Care received at an individual's place of residence.



## Hospice care

Care for a person who isn't expected to live very long, so the care is designed to reduce pain and discomfort.



## Respite care

Care a third party gives for a few hours to several days to relieve family caregivers and give them an occasional break from daily caregiving responsibilities.



## Skilled care

Daily nursing and rehabilitative care that can be done only by, or under the supervision of, skilled medical personnel. This care is typically needed 24 hours a day, must follow a plan of care, and must be ordered by a licensed medical practitioner (physician in most states).

---

[A Shopper's Guide to Long-Term Care Insurance](#). National Association of Insurance Commissioners, 2019.



# We are living longer than ever.

On average, someone age 65 today can expect to live to **age 84.0 for men** and **age 86.6 for women**.

---

[Retirement & Survivors Benefits: Life Expectancy Calculator](#). Social Security Administration, as of March 4, 2021.



The LTC insurance industry paid \$11 billion in claims in 2019.

**This is an increase of  
\$2.35 billion since 2016.**

---

[Long-Term Care Insurance Claims Paid \(2019\)](#). American Association for Long-Term Care Insurance, 2020.



52.1%

of long-term care  
insurance claims  
start in the home.

---

[Most Long-Term Care Insurance Claims Begin At Home](#). American Association for Long-Term Care Insurance, April 2018.



# \$298,000

The average lifetime cost of long-term care expenses for people over age 65.

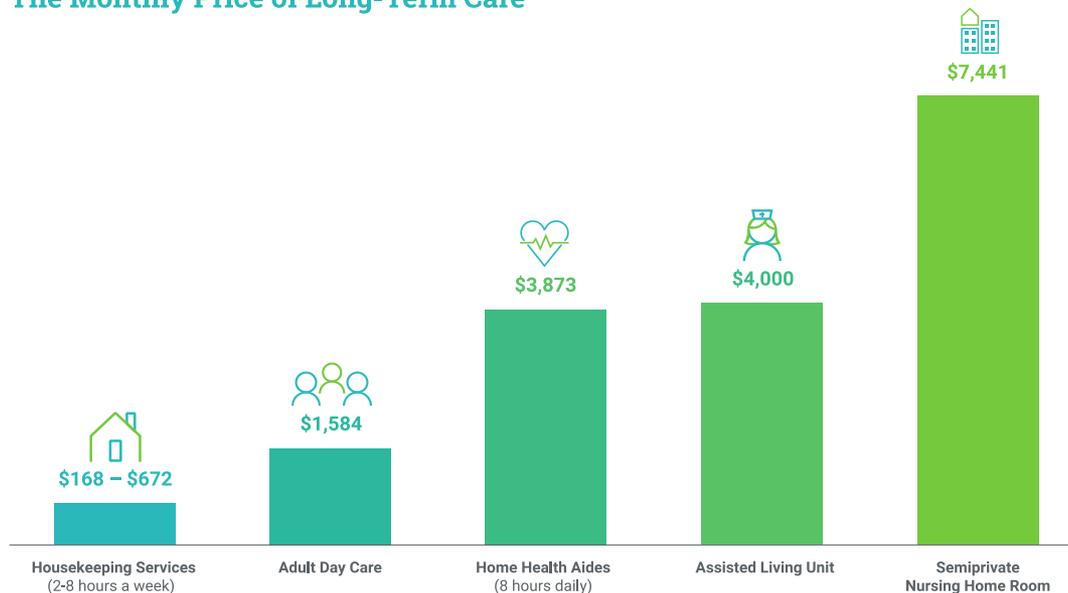
---

Projections of Risk of Needing Long-Term Services and Supports At Ages 65 and Older. U.S Department of Health and Human Services, February 1, 2021

# Costs for Care

Using national averages, one month of care can cost anywhere from \$168 for about 2 hours of housekeeping services to over \$7,400 per month for around-the-clock care in a nursing facility.

## The Monthly Price of Long-Term Care<sup>1</sup>



## How do these compare to other household costs?

**\$1,110**

Median monthly mortgage payment of U.S. homeowners<sup>2</sup>

**\$1,808**

Average monthly cost for child care in the U.S.<sup>3</sup>

**\$568**

Average monthly payment for a new vehicle loan in the U.S.<sup>4</sup>

<sup>1</sup> [Senior Care Costs / Aging Care Calculator](#). PayingForSeniorCare.com, August 22, 2020.

<sup>2</sup> [What Is the Average Monthly Mortgage Payment?](#) The Balance, July 29, 2020.

<sup>3</sup> [The US and the High Price of Child Care](#). Child Care Aware® of America, 2019.

<sup>4</sup> [Automotive Industry Insights Finance Market Report, Q2 2020](#). Experian, 2020.

# Paying for Care

As long-term care costs continue to rise, it's smart to consider the following when determining how to pay for those expenses.

- **Medicaid**
- **Medicare**
- **Traditional LTC Insurance**
- **Family**
- **Self-Fund (Out of Pocket)**
- **Hybrid Life Insurance with LTC Coverage**

# Hybrid Life + LTC vs. Traditional LTC

## Key Differences<sup>1</sup>

Generally, most hybrid and traditional policies are structured as shown below.

	Hybrid	Traditional
<b>Premium frequency<sup>2</sup></b>	Fixed amount, paid in one payment or a few installments	Premiums are paid for 10+ years
<b>Potential for premium rate increases?<sup>3</sup></b>	No	Yes
<b>Care benefits</b>	Monthly amount for long-term care costs within the benefit period selected	Monthly amount for long-term care costs
<b>Benefit guarantee?</b>	Yes, after the premiums are paid <sup>4</sup>	Yes, as long as the premiums are paid
<b>Life insurance death benefit?</b>	Yes	No
<b>Cash value?</b>	Yes	No
<b>Return of premium clause</b>	Some policies may include this clause	Some policies may include this clause
<b>Indemnity or reimbursement?</b>	Either	Reimbursement

<sup>1</sup> It is important to compare specific policies and their provisions carefully, including the amounts of coverage provided and any lifetime maximums that may apply to such benefits.

<sup>2</sup> There may be some limited premium pay traditional policies available in the marketplace, but other policies may require ongoing premium payments.

<sup>3</sup> Assumes that the hybrid insurance contract is filed to not allow premium increases, but that the traditional policy can increase premiums potentially on a class basis.

<sup>4</sup> Assumes that the hybrid policy includes a lapse prevention benefit, which prevents the policy from lapsing for nonpayment of premium if the premium specified under the lapse prevention benefit provision is paid.

# Cash indemnity vs. Reimbursement

Generally, most cash indemnity and reimbursement benefits are structured as shown below. Both processes require that an individual be chronically ill and receiving qualified long-term care services.

## Cash indemnity

Cash indemnity benefits set a monthly benefit amount and will **pay that full monthly benefit amount** once you qualify for LTC benefits.



## Reimbursement

Reimbursement benefits **will pay to reimburse you only for the long-term care expenses you have incurred** once you qualify to draw benefits.



# Managing Long-Term Care Needs

Should you experience a long-term care event, you and your family may need help managing your finances and care preferences.

## Three Roles to Consider:



### Power of attorney

Makes legal and financial decisions and acts on your behalf



### Health care surrogate/agent

Makes health care decisions in the event you are unable and has legal access to your medical records



### Legal guardian

Has legal authority to care for your personal and property interests if you should need it

## People in these roles can:

- Help protect you or your family's assets
- Give you and your family peace of mind
- Clarify who can make decisions if you can't make them on your own
- Help you navigate medical decisions

# Hypothetical Case Study: Long-Term Care Planning

## Financial Overview

Mary is a healthy 60-year-old with three grown children. As she is close to retirement, she wants to add another layer of protection to her retirement portfolio.

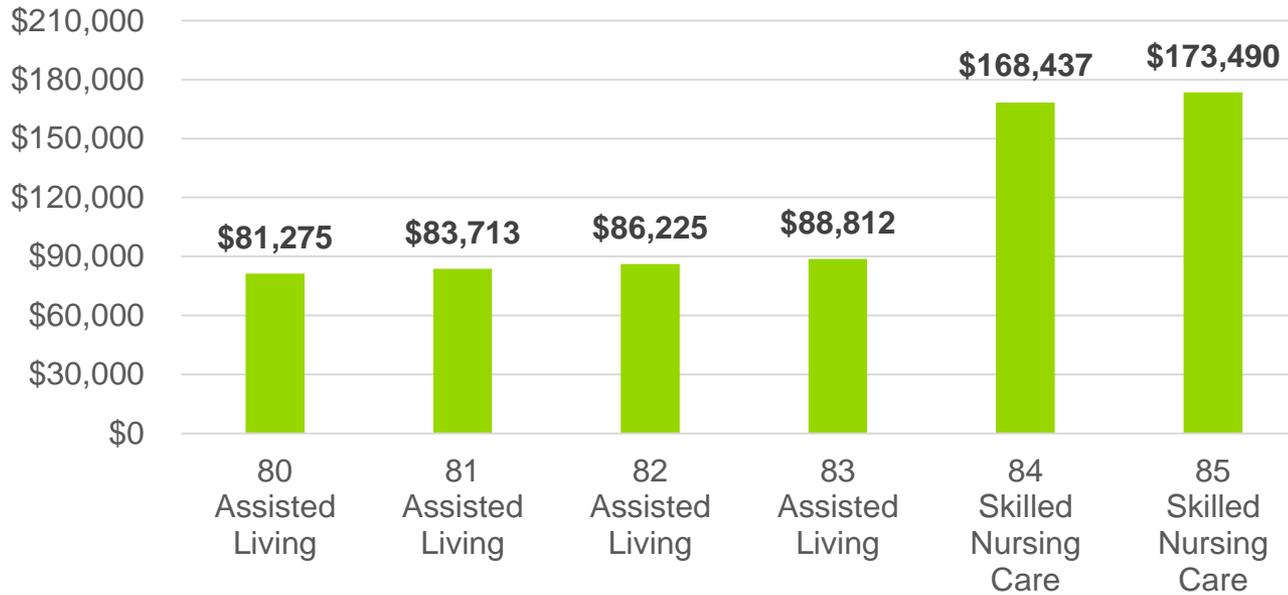
Mary understands how important it is to have a plan in place for long-term care costs if the need arises, as her mother unexpectedly needed long-term care six years ago.

Her mother spent four years in an assisted living facility before transferring to a nursing home. Mary wants to estimate her potential costs should she experience a long-term care event in the future.

**The following slide shows projected future long-term care costs and how much money Mary would need to invest now in the market to self-fund against those costs.**

# Case Study: Long-Term Care Planning (cont.)

## Annual Cost of Care



**60-year-old female with an LTC need starting at age 80**

**\$681,952**

Cumulative LTC costs

**\$311,234\***

Amount needed to invest at age 60  
to pay for cumulative LTC costs

[Senior Care Costs / Aging Care Calculator](#). [PayingForSeniorCare.com](#), August 22, 2020.

\* Assumes 3% inflation on LTC costs and a net 4% rate of return.

**Work with your  
financial professional  
to build a strategy that  
can help you prepare  
for the possibility of a  
long-term care event.**



Not available in all states.

This form is a client-facing presentation provided by Brighthouse Financial. It is being used for the purpose of soliciting insurance.

Long-term care (LTC) benefits provided by riders to the policy are intended to provide qualified long-term care insurance under Internal Revenue Code Section 7702B(b). Although benefits paid under a rider are intended to be income tax free as accident and health benefits under a qualified long-term care insurance contract, benefits may be taxable in certain circumstances. For example, benefits may be taxable when the aggregate LTC benefits payments received under a rider and other policies or riders exceed the Internal Revenue Code section 7702B(d)(2) per diem limitation. You should consult with an attorney or qualified tax professional before purchasing a hybrid life insurance policy with LTC riders and when exercising any right to receive LTC benefits under any rider included with the policy. The policy's death benefit and policy values will be reduced as a result of any LTC ADBR payment.

All policy values will be reduced and any LTC rider will be terminated if an Accelerated Death Benefit Payment is made under the policy. Receipt of accelerated death benefits may affect eligibility for public assistance programs and may be taxable. You should consult a tax professional to determine the current tax consequences before requesting any Accelerated Death Benefit Payment.

Any discussion of taxes is for general information purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax, or accounting advice. Clients should confer with their qualified legal, tax, and accounting professionals as appropriate.

Brighthouse Financial life insurance policies contain charges, limitations, exclusions, termination provisions, and terms for keeping them in force. Contact your financial professional for costs and complete details.

Life insurance products are issued by Brighthouse Life Insurance Company, Charlotte, NC 28277 ("Brighthouse Financial").

Brighthouse Financial® and its design are registered trademarks of Brighthouse Financial, Inc. and/or its affiliates.

• Not a Deposit • Not FDIC Insured • Not Insured by Any Federal Government Agency  
• Not Guaranteed by Any Bank or Credit Union • May Lose Value

Brighthouse Life Insurance Company  
11225 North Community House Road  
Charlotte, NC 28277  
brighthousefinancial.com

2102 CLRM569676-2  
© 2021 BRIGHTHOUSE FINANCIAL, INC. 3500150.1[03/19/2023]