

The Big Insurance Secret seniors aren't supposed to know.... Life Insurance can pay for Assisted Living and Home Care

// By Chris Orestis //

“Many people who need Assisted Living or Home Care can't afford it, so they drop life insurance policies they've been carrying for years in order to qualify for Medicaid. A system that encourages people to abandon their policies to go onto public assistance is broken and has to change. Seniors and their families lose out from the fact that they have made premium payments for years on a policy that they will end up abandoning. The problem is they don't know it can be converted into a Long Term Care Benefit Plan. It's a secret that's been kept from seniors for decades: Your life insurance policy can be used to pay for all forms of senior care such as Home Care, Assisted Living and Nursing Home expenses. But here's the good news— it isn't a secret anymore.”

Turning a death benefit into a *living benefit*

Seniors and their families are already struggling with the costs of everyday living, if you add the costs of long term care to the picture it is a back breaking scenario for most Americans. Statistics show that the majority of people do not understand the various forms of long term care, the different means to pay for it, and most do not plan for long term care until they are hit by a health care crisis. Adding to the crisis is the fact that Baby Boomers are now reaching Social Security and Medicare age 65 at a rate of over 10,000 people a day, and 70% of them will need long term care services before they pass away. In fact, over 10 million people require long term care of some form every year.

Seniors have an overwhelming desire to remain independent, and do not want to become a burden on their family or a ward of the state by entering Medicaid. Unfortunately, the current system to fund long term care has evolved into one that encourages seniors to impoverish themselves and move towards Medicaid as quickly as possible. For the wealthy, long term care costs can be absorbed. For the poor and disabled, government subsidized care is available. But what about the majority of middle class Americans that need access to long term care today? One solution available to millions of people is to convert a life insurance policy into a Long Term Care Benefit Plan instead of abandoning it.

A Long Term Care Benefit Plan is a tangible and protected asset to pay for Senior Care — it is not a long-term care insurance policy or a policy loan. The Benefit Plan is a unique financial option for seniors because there are no waiting periods, no care limitations, and there are no costs or obligations to apply. Additionally, seniors are no longer responsible for premium payments. A policy owner has the legal right to enroll in the Benefit Plan and immediately begin directing monthly tax-free payments to the coverage of their choice of Home Care, Senior Housing, or Long Term Care. Converting a life insurance policy allows the senior to remain private pay — meaning they are not reliant on public assistance and can choose the form of care that *they* want.

The policy conversion option applies to any form of life insurance policy including universal, whole, term and group. The value of the conversion is not limited to cash value and in fact is based on the death benefit. This means the senior will receive a maximum amount of value toward their Long Term Care

Benefit Plan. The Benefit Plan is an irrevocable, FDIC insured benefit account administered by a third-party ensuring the funds are protected for the recipient of care. The Benefit Plan can be adjusted to meet the changing needs of the enrolled, and provides a final expense benefit to help cover funeral expenses. Lastly, if the insured should pass away before the benefit amount is exhausted, any remaining balance is paid to the family or named beneficiary as a final lump sum payment.

This program is endorsed by over 5,000 Assisted Living, Home Care and Nursing Home companies. National companies such as Emeritus Senior Living, Brookdale Senior Living, Visiting Angels, Genesis Healthcare, and Sunrise Senior Living all offer this program in their communities across the United States to families with life insurance policies that are looking for financial assistance.

New dangers have emerged for advisors and families

Unexpected and dangerous threats in the form of professional and personal liability have emerged in the wake of the growing LTC funding crisis. Law suits and mandated claw-back actions have been brought against families in attempts to recover monies spent on long term care. Insurance and legal advisors have also been sued by clients in response to fiduciary responsibility issues about options to fund long term care, or how to derive the highest value from a life insurance policy.

The federal and state governments are looking for alternatives in the private market to pay for long term care. Political leaders across the country understand that it is impossible for Medicare and Medicaid to keep pace with demand for long term care services. "Private Pay" has become the holy grail of long term care, and a powerful combination of industry leadership and political action is opening up access for the consumer to this new funding option. States are quickly realizing the savings that can be found for their beleaguered budgets by delaying entry onto Medicaid through the use of life insurance policy conversions into Long Term Care Benefit Plans.

State legislative leaders across the country are taking action with these consumer protection disclosure laws to encourage consumers to convert their life insurance to pay for long term care as an alternative to abandoning their policies. Policy owners exercise their legal right to convert an in-force life insurance policy into a Long Term Care Benefit Plan and direct tax-free payments to cover their senior housing and long term care costs. "I believe it could be a win for Medicaid service recipients, a win for the fiscal soundness for Medicaid, it could be a win for potential beneficiaries under life insurance policies and I think it could be a win for long-term care service providers," said Jack McRay, a spokesman for the Florida AARP during testimony before the Florida Legislature.

Conclusion

We have reached the point that we can no longer ignore the realities of an ever growing population that will require long term care, and the diminishing resources to pay for it. People need to arm themselves with information about their options to fund long term care if they are going to maintain dignity and quality in their lives. Government programs such as Medicare and Medicaid will become more difficult to access and the amount of coverage for long term care will continue to be reduced. Insurance, financial and legal advisors need to be aware of this option and how to incorporate it into a long term

care financial plan. Families with a life insurance policy that is abandoned, only to later discover it could have been used to pay for long term care, now have the legal precedence behind them to hold their advisor responsible.

Converting life insurance to pay for Senior Care is a big win for seniors and their families, providers of elder care services and for the tax payer of every state in the country. At a time when seniors and their families are struggling with how to afford the high costs of senior care, and state budgets are looking for ways to save money, converting a life insurance policy to pay for long term care instead of abandoning it for nothing in return makes much more sense.

About the author: Chris Orestis

Chris Orestis, nationally known senior health-care advocate and expert is CEO of Life Care Funding, which created the model for converting life insurance policies into a protected Long-Term Care Benefit Plan. His company has been providing care benefits to policy holders since 2007. A former life insurance industry lobbyist with a background in long-term care issues, he created the model to provide an option for middle-class people who are not wealthy enough to pay for long-term care, and not poor enough to qualify for Medicaid.