

MINUTES OF THE HOUSE KANSAS FUTURES COMMITTEE

The meeting was called to order by Chairman Carlos Mayans at 1:30 p.m. on March 20, 2001 in Room 526-S of the State Capitol.

All members were present except: Representative David Huff - excused  
Representative Mike O'Neal - excused

Committee staff present: April Holman, Legislative Research Department  
Lynne Holt, Legislative Research Department  
Amy Kramer, Legislative Research Department  
Lois Hedrick, Committee Secretary

Conferees appearing before the committee:  
David Landwehr, Senior Long Term Care Specialist, ACSIA Insurance  
Services, Wichita

Others attending: See attached list

The minutes of March 15, 2001 were distributed and approved.

“Benefits and Options of Long Term Care Insurance”

Mr. Landwehr indicated he is a graduate of the Institute for Estate Planning and for the past eight years has focused on long term care insurance to assist clients in preserving financial independence when long term health care becomes a requisite.

In his testimony, Mr. Landwehr answered questions he has received about the insurance (see *Long Term Care FAQ, Attachment 1*). Funding and quality of life issues, decided by the client, are the major choices in addressing the issue. Currently, nursing home care costs average between \$32,000 and \$85,000 a year, depending on location in our country. Many clients purchase long term care insurance; but there are others (who because of the desire for access, choice, control and independence) remain in their homes where family members or friends provide needed care. An example of costs is when home health aides are needed it is \$50 to \$60 a day for services given. He stated, “With the growing numbers of the aged in the next 10-20-30 years, long term care coverage must be considered by middle income Americans and, if possible, purchased at an early age to provide the benefits when they are needed.”

He stated each long term care policy is designed to the client’s decisions as to the:

- Amount of daily benefit
- Amount of coverage dedicated to nursing facility care, or an alternate care daily benefit, or for home and community care
- Minimum length of time benefits are to be available.

Other options are offered, such as survivorship benefits, waiver of premium in certain situations, long term benefits for Alzheimer’s, senility, Parkinson’s and dementia, and other conditions. Eligibility to receive benefits means that the insured must require substantial assistance in performing two or more of six everyday activities, known as “activities of daily living (validated by an assessment required by federal regulations), or if substantial supervisory assistance is required due to a cognitive loss.

Mr. Landwehr indicated that several companies offer long term care insurance policies to those age 18 through 84. Premium costs depend upon the health, age, and benefits chosen. (Page 2 of *Attachment 1* charts a cost comparison for coverage offered to a healthy client at various ages.) He noted it is important to research the companies offering such insurance and to compare costs and benefits. When asked if these kinds of companies may go bankrupt, he indicated they may, but the state of Kansas requires the Kansas Guaranty Association to indemnify those companies so policyholders do not lose coverage. Chairman

CONTINUATION SHEET

MINUTES OF THE HOUSE KANSAS FUTURES COMMITTEE at 1:30 p.m. on March 20, 2001 in Room 526-S of the State Capitol.

Mayans indicated one source to research the stability of companies is Best's *Guidance for Insurance* that may be found in public libraries.

The next meeting is scheduled for March 26, 2001.

KANSAS FUTURES COMMITTEE  
GUEST LIST  
MARCH 20, 2001

[PLEASE PRINT YOUR NAME]

[REPRESENTING]

David Landwehr

Landwehr Retirement Services

~~Henry~~

Spurlock Blossock's

Ernest Kutaly

AARP

Lindsey de la Torre

KDOA

A. Powell

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## Long Term Care FAQ

**Q: What is long term care?**

*Long term care is any type of care that a person needs whether at home or in a facility such as a nursing home or an assisted living community ...*

**Q: Why are most people unprepared for the cost of an average long term care stay?**

*The average stay today is 3 years and the average cost in the Wichita area (where I am based at, in other areas it will be different) is about \$3,300 a month or \$40,000 a year. Fewer than 20% of those that need long term care are able to cover the cost for just one spouse let alone both ... The reality is that most people cannot save enough.*

**Q: What are the options?**

*There are basically three options:*

- 1. Those who are rich (w/more than \$1,000,000 to \$1,500,000 in liquid assets outside of real estate), can "self insure"*
- 2. For those who are poor (broke with less than \$2,500 in assets and very sick) Medicaid or medical welfare will cover the cost of long term care*
- 3. For those caught in the middle, private long term care insurance is the most viable option*

**Q: What is long term care insurance?**

*Long term care insurance covers a person against the costs of home health care, community-based care (assisted living, etc) and of course nursing home care. It works in conjunction with Medicare or private health insurance.*

**Q: Will Medicare cover me?**

*Not for very long... For those that qualify, Medicare will pay up to 100 days of LTC. The average length of a covered stay in 1996 was 27 days. Besides, do you want to rely on the government? Remember also that they pay the full amount for only the first 20 days, after which you pay the first \$81.50 a day.*

**Q: What are the odds that a person will need LTC?**

*According to a recent study published in the New England Journal of Medicine:*

- o For a man over 65, the odds are 1:3 or 33% that he will need LTC in his life,*
- o For a woman over 65, the odds are 1:2 or 50% that she will need LTC in her life*

*Women are more likely to need LTC because they live longer.*

**Q: Nursing home costs are high today, will they continue to go up?**

*No one knows for sure, but it is a safe bet that long term care costs will be more in the future than today. The following table highlights how much long term care could cost in the future if it only goes up by 5% per year...*

Future Nursing Home Costs Based On 5% Growth			
Year	Nursing Home Cost per Year	Year	Nursing Home Cost per Year
1	\$36,000	16	\$74,844
2	\$37,800	17	\$78,586
3	\$39,690	18	\$82,517
4	\$41,681	19	\$86,638
5	\$43,760	20	\$90,972
6	\$45,953	21	\$95,521
7	\$48,245	22	\$100,296
8	\$50,652	23	\$105,310
9	\$53,185	24	\$110,578
10	\$55,843	25	\$116,109
11	\$58,640	26	\$121,918
12	\$61,576	27	\$128,003
13	\$64,651	28	\$134,404
14	\$67,889	29	\$141,120
15	\$71,278	30	\$148,176



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ACSIA Insurance Services

# What is Estate Planning?

“I want to control my property while I am alive and well, care for myself and my loved ones if I become disabled, and be able to give what I have to whom I want, the way I want, and when I want, and, if I can, I want to save every last tax dollar, attorney fee, and court cost possible.”<sup>1</sup>

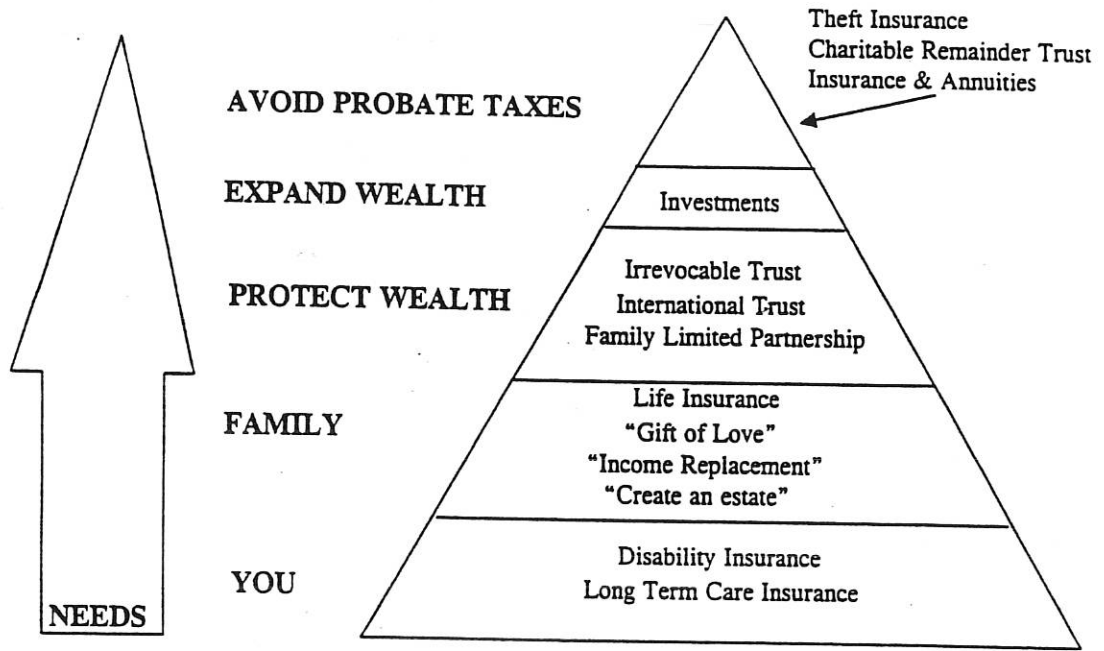
David Landwehr **945-4827**

Cathy Parsons **733-1820**

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<sup>1</sup> This is the definition of the National Network of Estate Planning Attorneys. I totally agree with this definition.

# PLANNING PYRAMID



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## Landwehr Retirement Services

David Landwehr 945-4827

Cathy Parsons 733-1820

# SIX KEY REASONS

## Burden

I don't want to be a burden to my spouse, my children, my family, friends or loved ones. I don't want them to go through this emotional or financial responsibility.

Least Important      1 \_2 \_3 \_4 \_5 \_      Most Important

## Access and Choice to Quality Care

I want to be able to choose (or have my family choose for me) a quality assisted living or care home where I can live and be treated with dignity and excellent care.

Least Important      1 \_2 \_3 \_4 \_5 \_      Most Important

## Aversion to Welfare

I don't want to be dependent on the government for care. That's being on welfare "Medicaid", having to go to whatever nursing home that may have a "vendor bed".

Least Important      1 \_2 \_3 \_4 \_5 \_      Most Important

## Asset Protection

I don't want my assets (Home, Life Savings, Investments & Retirement Money) to be wiped out and spent for the cost of nursing home or care that I can get at home.

Least Important      1 \_2 \_3 \_4 \_5 \_      Most Important

## Control and Independence

I want to control my choices and independence. I want to have a choice in where I live, what kind of surroundings I can have, and what kind of care I will receive.

Least Important      1 \_2 \_3 \_4 \_5 \_      Most Important

## Peace of Mind

I want to be able to go to bed at night knowing I have taken care of protecting myself and my family from the devastating burden & high cost of long term care.

Least Important      1 \_2 \_3 \_4 \_5 \_      Most Important

Name \_\_\_\_\_ My #1 reason \_\_\_\_\_



# BHarry Crosby

Author of Long-Term Care Insurance ... The Complete Guide

## STOCKS VS. LTC INSURANCE

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### PLANNERS & GAMBLERS

An article by Henry Well published in Money could lead to the loss of dignity to many seniors, and to many children and spouses. Money is a respected source for financial advice for people of all ages. When they include articles that advocate investing and self-insuring for long-term care insurance I must take issue.

Not too many years ago, investment advisors were telling their clients to invest their savings and avoid long term care insurance. Today, however, mainstream investment advisors are recommending that their clients purchase coverage for long term care, although there still remain a few skeptics who prefer that their clients gamble on good health and hope for instant death. After visiting with over 4,000 seniors who were seeking ways to protect themselves against the high cost of long term care I can tell you that this risk is real and represents a gamble that people who like to plan ahead and stay in control do not want to take.

Henry Well, in his article concluded that he would, "prefer to add the premium cost to an investment portfolio that [he] could use in sickness and in health." This kind of logic makes sense if you assume that both you and your client will die without ever needing anyone to help take care of you. However, if you assume that you will need care someday for an extended period of time, long-term care insurance is a "no brainer". A 50 year old today could buy a policy that would provide protection over the next 35 years for a level premium of \$862.80 and yes, if he invested that money and received a 7% return instead he would end up with an additional \$57,323 at death at 80 assuming that the death came quickly ... no Parkinson's, no strokes, no Alzheimer's, no debilitating arthritis, just death without lingering. If, on the other hand, thirty years later at age 80 this gambler had a stroke or Alzheimer's and needed care for six years he could be forced to pay as much as \$175,000 a year assuming the cost of care continued to rise 5% a year on average starting at \$120 a day. The policy that the 50-year-old could have purchased could have paid the entire bill. From a financial standpoint, if you knew that you or someone you were advising were going to need an extended period of care when they got old, even the dumbest advisor or counselor would advise the purchase of this coverage. **No one would save \$862.80 a year in premiums and choose to spend \$1,050,000 for care.**

So what is the point? The point is that if you know that you are going to die without needing care, then invest your money in mutual funds and die leaving a greater inheritance. If you know you

are going to need long-term care for a while, then purchase long term care insurance and protect your assets

Now, you see the problem. No one knows how any of us are going to live those last few years before we die. Those of us who are still healthy have the option of planning ahead and purchasing coverage to protect ourselves against the emotional and financial trauma associated with the cost and stress of long-term care. Long-term care insurance is for planners. It is not for the gamblers.

Here is what we are finding. Wealthy to middle class Americans are beginning to recognize that there is a reasonably good chance that they will linger before dying and that saving and investing what would have been the premiums, in hopes that they will never need extended care, is not worth the gamble. After all, the people we help (average new client is around 67 yr. old) are really not excited about making a few more dollars in mutual funds and stocks, but they are concerned that they might die spending all, or if not a large part of, the money they saved over their lifetimes. Does the average 75 year old American really care if he/she dies leaving \$200,000 or \$250,000 to the children? Are they concerned about losing it all and not having a plan in case they linger? Are they concerned about having a plan in place that would facilitate a home care stay instead of a nursing home stay?

Last year over 500,000 Americans decided they would rather have a plan (long-term care insurance) than gamble on good health and hope for sudden death. According to the New England Journal of Medicine Study in 1990, about 43% of those who turned 65 in that year would end up in a nursing home for some length of time. The record shows that many, many more will want and need care at home. **The questions really is, "Do you want to save a few more thousand dollars and gamble a lot or would you rather (hopefully) waste a few thousand dollars to insure that, if the time comes, and you need someone to take care of you, you will have a plan in place that provides access to quality care at home or in a facility without relying on the family to crisis manage your long-term care situation.**

No one knows the right answer for you. All of my clients and my parents hope they waste their money on long-term care insurance. I hope they do, too, but the record shows that a predictable percentage will need help and when the time comes many will be unprepared and engage in Crisis Management. Long-term care insurance or crisis management, which would you prefer?



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ACSIA Insurance Services

## ACSIA INSURANCE SERVICES

FOR: \_\_\_\_\_

Option one

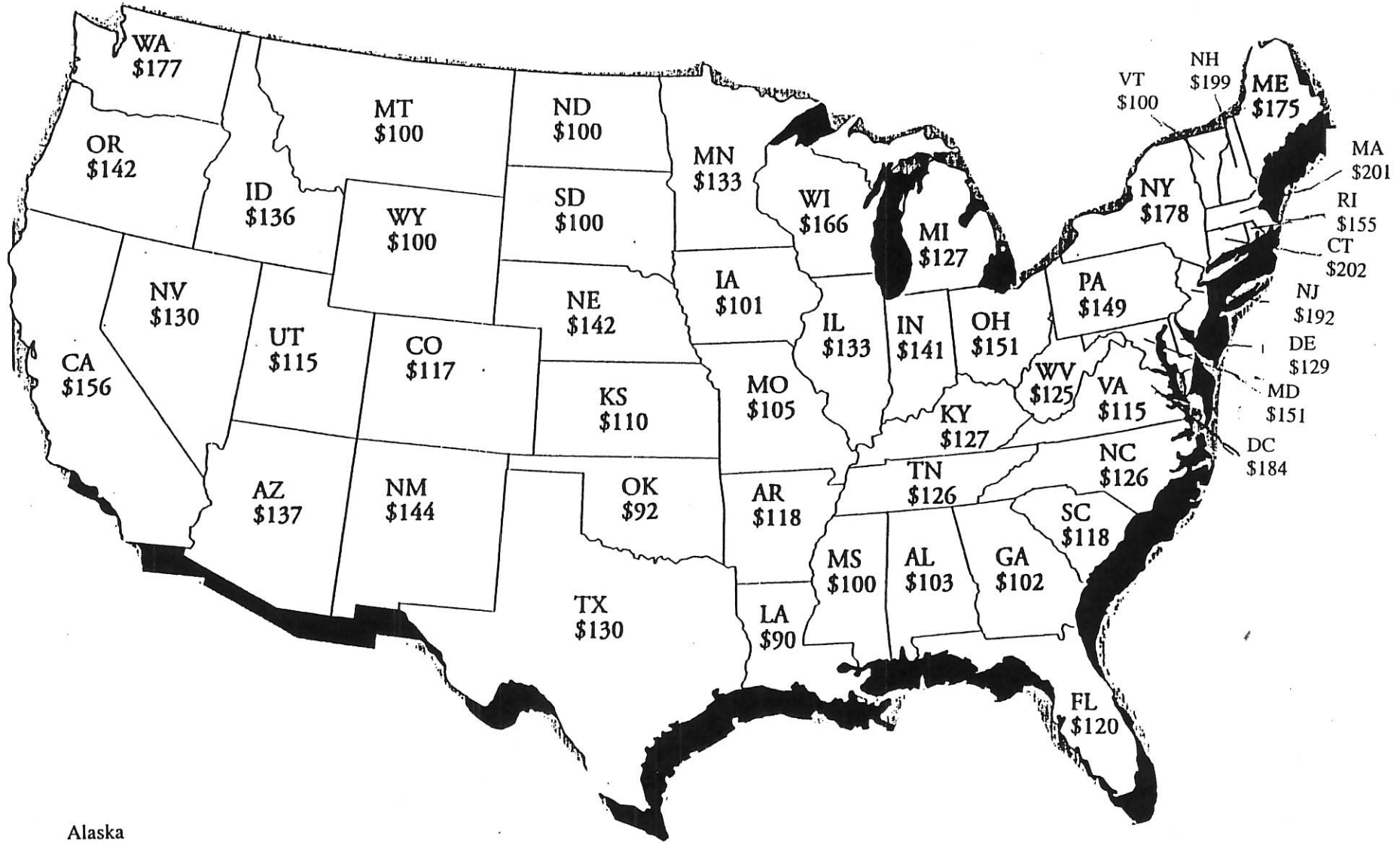
Option Two

Option Three

	Option one		Option Two		Option Three	
	YRS	YRS	YRS	YRS	YRS	YRS
Benefit Years						
Pool Amount	\$	\$	\$	\$	\$	\$
Facility (NH & ALF)	\$	\$	\$	\$	\$	\$
HHC Daily \$	\$	\$	\$	\$	\$	\$
Deductible Period	Days	Days	Days	Days	Days	Days
Inflation Protection						
Optional Benefits						
Spouse Discount	\$	\$	\$	\$	\$	\$
Annual Payment	\$	\$	\$	\$	\$	\$
A, SA, Q, M - Mode	\$	\$	\$	\$	\$	\$

Company Quoted: \_\_\_\_\_

# Average Costs for Daily Nursing Home Care \*



Alaska  
\$413

Hawaii  
\$127

# Don't wind up short on long-term care

WASHINGTON POST WRITERS GROUP

If you have ears to hear, listen to what the government is telling you about nursing-home care. You cannot expect continued expansion in the programs that pay the bills.

The Medicaid program is being shaved. It will still be there to help nursing-home patients who run out of money, but your benefits may be limited.

What's more, Congress will keep cracking down on middle-class people who hide their assets in order to go on Medicaid earlier than they should. Over the long run, you're going to have to cover these expenses yourself—through personal savings, a reverse mortgage against your home, or with long-term-care insurance.

Nursing-home costs are running from around \$30,000 to \$80,000 a year.

You may luck out and never pay these high expenses. Only one person in three who turned 65 in 1990 will spend time in a nursing home, not counting the patients who stay three months or less, according to the National Association of Insurance Commissioners.

One patient in four will stay a year. About one out of 10 will stay five years or more, with the cost much higher for women

## Jane Bryant Quinn ON PERSONAL FINANCE



than men. If you're considering long-term-care insurance—either individual coverage or a policy offered through your employer—here are some of the options to evaluate:

■ **Your age:** The younger you are, the cheaper the insurance is. If you buy at 50 and hold for 35 years (to age 85), you'll pay one-third less than if you buy at 75 and hold for just 10 years, even counting what that early money could have earned if it were invested elsewhere, says Stephen Moses of LTC Inc. in Seattle, which designs and sells long-term-care policies.

A typical price for a 50-year-old with a benefit worth \$150 a day is \$500 to \$1,000 a year, depending on the type of policy you buy. That price is supposed to stay level for life. At 70, a new buyer might pay \$3,500 to \$5,000 a year, assuming he or she was in tiptop health.

One hitch: If the policies aren't profitable, the insurer could (with the state regulator's

permission) raise the price on a particular class of policies. So your premiums aren't guaranteed.

■ **How much coverage you need:** At a minimum, insure for the difference between how much you can afford to pay and what the nursing home costs. If you could pay \$50 a day and the nursing home costs \$120, you might buy a policy worth \$70 a day. Many people insure for the entire daily cost.

■ **How long you need coverage:** A five-year benefit costs about 15 to 20 percent more than a three-year benefit. But that's money well spent, just in case you're one of the unlucky 10 percent who will stay that long. A lifetime benefit costs 25 to 50 percent more.

You can lower the cost by accepting a long upfront waiting period before benefits begin. A 100-day wait saves 5 to 10 percent over the cost of a policy with a 20-day wait, depending on your age, says Guy Bertsch, a risk manager for UNUM Life Insurance Co. of America.

■ **Your coverage:** You want comprehensive care. The policy should click in if you're suffering from Alzheimer's or a similar brain disease, or if you're unable to perform at least two of the following activities: bathing, dressing, toileting, continence, eating and transferring (for example, from your bed to a

chair).

Some policies cover only five of those activities—perhaps leaving out bathing. Yet the ability to bathe yourself is often the thing that goes first. Cheaper policies may pay only if you're unable to perform three of those activities.

■ **A home-care option:** Some nursing-home policies offer a rider for specified amounts of home or community care. Others give you a pot of benefits for use in any qualified setting—your own home, adult day care or a nursing home.

If your budget is limited, buy only nursing-home coverage, which insures you against catastrophic costs. Don't try to save money by buying only home-care insurance, Moses says. Those policies don't cover enough, and you may wind up in a nursing home anyway.

■ **An inflation option:** Younger buyers should choose this to preserve the future value of their benefits. Older buyers—say, in their late 70s—can probably do without.

**A reliable company:** You need a high-rated insurer, committed to long-term-care coverage. Some that fit the bill: Aegon USA, GE Capital Assurance, John Hancock, MetLife, Travelers Life & Annuity and UNUM.



SINCE 1956

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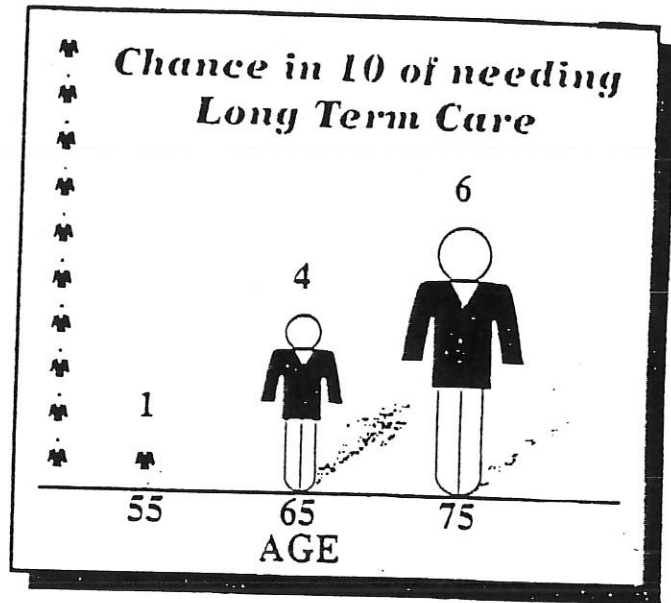
ACSLA Insurance Services



# Long Term Care

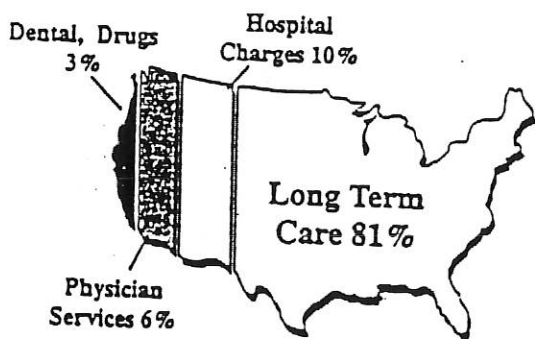
## The facts speak for themselves.

- ◆ "Seven out of ten couples (more than one-half the women and almost one-third the men) turning 65 this year, will require the use of a nursing home."
- ◆ "Medicare and private Medigap insurance covered less than 3% of nursing home care."
- ◆ "One million people deplete their savings and are impoverished each year in the United States trying to pay the high cost of nursing home or home care."
- ◆ "Long Term Care can be very expensive. Recent figures indicate that a year in a nursing home costs an average of \$25,000. Depending on where you live it could cost more than that." → 1989!!



- ◆ "The patient must divest himself of all assets, to qualify for long term care through Medicaid . . . . Any source of income, such as pensions, are applied towards expenses, leaving recipients an allowance — in most states, 83 cents a day."

Based on National averages, the costs for Health Care in your remaining life will break down as follows:



Elderly with over \$2,000 in annual out-of-pocket expense.

For those who require Long Term Care the average need is 2 1/2 years.

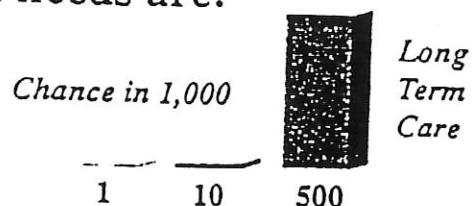
The average Nursing Home stay can cost \$2,000 per month or more resulting in a total bill of \$60,000 or greater depending on the area.

When it comes to most Health Insurance coupled with Medicare only about 3% of expenses are covered.

For the remainder of the expenses associated with Long Term Care 97% of the costs will be your responsibility.

Your Chances in 1,000 for additional financial needs are:

Home Owner Catastrophe	1	in	1,000
Automobile Collision	10	in	1,000
Long Term Care Needs	500	in	1,000



1. Federal Government's Agency for Health Care Policy & Research (reported in The Wall Street Journal, April, 1990) 2. AARP Brochure on Long-Term Care, December, 1988 3. Claude Pepper, Geauga (OH) Times Leader, April 2, 1989 4. HIAA Consumer's Guide to Long Term Care Insurance, 1989 5. Insight Magazine, January, 1988