Day #2 Topics

• Senior Population Trends

• Long Term Care
  – Medicare & Medicaid
  – Long Term Care Options and Cost
  – Status of State of Alaska’s LTC Insurance

• What Can We Do Today to Help Ensure Our Future Retirement Benefits?
Alaska +65 Seniors = 1 in 12

U.S. Seniors = 1 in 7
Alaska +65 Seniors Increasing

Alaska Increased Over 50% in past 10 years.
Alaskans Age Profile 1977


Alaskans Age Profile 2009

Baby Boomers

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Division
Percentage Increase in Senior Population, 2001 - 2009, by Region

Older Alaskans by Region (2009)

- Anchorage: 40%
- SouthCentral: 24%
- Interior: 14%
- SouthEast: 13%
- SouthWest: 3%
- Bethel Area: 2%
- Northwest: 2%
- North Slope: 1%
- Aleutians: 1%

Class Comments and Questions?
Long Term Care

Long-Term Care Insurance: Do You Need It?
Video – LTC Insurance Primer

http://youtu.be/7ImELsGxNoI
Who Will Need LTC?

• **AGE**: 37% of 65 year olds will need LTC in either a Nursing Home or Assisted-Living Facility in the future

• **GENDER**: 1/3 of all men and 2/3 of all women over age 65 will need LTC
  – **Women outlive men by 5 years** on average and are more likely to need LTC

• **HEALTH**: Poor diet and exercise habits increase your chances of needing LTC
What is Long Term Care?

• A person needs Long Term Care when they require assistance with **two or more** of the Activities of Daily Living (ADL)
  – Dressing
  – Bathing
  – Eating
  – Transferring
  – Toileting
  – Continence

Source: State of Alaska Long Term Care Plan (2002)
Percent of Persons with Limitations in Activities of Daily Living by Age Group: 2009

- Bathing/Showering
- Dressing
- Eating
- Getting in/out of bed/chairs
- Walking
- Using toilet

Legend:
- Blue: 65-74
- Red: 75-84
- Green: 85 years and over
Medical Insurance: No LTC

• **Medical Insurance** will not cover LTC needs
  – **Won’t cover** daily living activities such as feeding and personal hygiene
  – **Won’t cover** cost of assisted living, adult day care, in-home care or nursing home care
Medicare: Short Term Care

• **Eligible** – 65 years and older
• **Home Care** – short term skilled nursing and therapy (not custodial care)
• **Skilled Nursing Facility** (remedial following a hospital stay) - **100% paid up to 20 days, partial paid up to 100 days**
• **Hospice Care** – Covers almost all costs for **six months’ care** (sometimes more) at home for terminal patients

• **Medicare does not pay for Senior Independent Living or Personal Care**
Medicaid: Limited Care

• Eligible – If you have low income and few assets
• Home Care – Personal and medical care (usually limited amount)
• Skilled Nursing Facility – Extensive coverage in Medicaid certified facilities, no time limit
• Personal Care Facility – Coverage in some states (unlimited duration)

• Medicaid does not pay for Senior Independent Living or Personal Care
Senior Care at Home

• Over **44 million** people are unpaid **family caregivers** in America

• **Home Health Agencies** – (Medicare/Medicaid) **1.3 million people** receive home health care services from 7,200 various agencies

• **Medicare only** covers cost of home health services deemed “**reasonable and necessary**” that are physician prescribed for homebound people
Senior Care in Nursing Homes

• Over 1 million Americans are staying in nursing homes
  – 60% stay 3 months or less
  – 50% stay 6 months or less
  – 10% stay up to 3 years
  – 9% stay 5 years or more (women dominate this group 3 to 1)
Long Term Care Insurance History

• LTC Insurance first introduced in the 1980s. Many insurance premiums were low and based on inaccurate assumptions
• About 50% of premiums have increased to cover actual nursing home costs
• Ten years ago about 10% of policy holders let their policies lapse; today about 1% lapse
• 100 Companies offer LTC Insurance today compared to 127 in 2001
Long Term Care Cost

• A couple over 65 years old can expect to spend $85,000 on LTC during a lifetime
• 11% of us will incur LTC costs of $100,000 to $250,000

• Rules of Thumb:
  – If you have few assets? Medicaid foots the bill.
  – If you have $250,000 to $1.5 million in assets (excluding your home)? Should buy LTC Insurance
  – If you have over $2 million in assets? Probably can pay for care directly - don’t need to buy LTC insurance
## Alaska State LTC Insurance Plans

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Bronze</th>
<th>Silver</th>
<th>Gold</th>
<th>Platinum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lifetime Maximum</td>
<td>$200,000 (HH is limited to $50,000)*</td>
<td>$400,000</td>
<td>$300,000</td>
<td>$300,000</td>
</tr>
<tr>
<td>Inflation Protection</td>
<td>None</td>
<td>None</td>
<td>5% Simple until attained age 85</td>
<td>5% Compound until attained age 85</td>
</tr>
<tr>
<td>Elimination Period</td>
<td>90 Day</td>
<td>90 Day</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit Trigger</td>
<td>2 of 5 ADLs</td>
<td>2 of 6 ADLs or cognitively impaired</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nursing Home Daily Benefit</td>
<td>$125 in-state $75 out-of-state</td>
<td></td>
<td>$200</td>
<td></td>
</tr>
<tr>
<td>Assisted Living Facility Daily Benefit</td>
<td>If approved</td>
<td></td>
<td>$150 (75% of NH)</td>
<td></td>
</tr>
<tr>
<td>Home Health Care Daily Benefit</td>
<td>$75 in-state $40 out-of-state</td>
<td></td>
<td>$125 (62.5% of NH)</td>
<td></td>
</tr>
<tr>
<td>Hospice Daily Benefit</td>
<td>Not covered</td>
<td></td>
<td>$125 (62.5% of NH)</td>
<td></td>
</tr>
<tr>
<td>Respite Benefit</td>
<td>Not covered</td>
<td></td>
<td>Up to $200 daily Up to 14 days per calendar year</td>
<td></td>
</tr>
</tbody>
</table>

Source: State of Alaska Long Term Care Plan (2002)
State LTC Plan Participation

<table>
<thead>
<tr>
<th>Plan</th>
<th>Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bronze</td>
<td>8,201</td>
</tr>
<tr>
<td>Silver</td>
<td>8,103</td>
</tr>
<tr>
<td>Gold</td>
<td>4,512</td>
</tr>
<tr>
<td>Platinum</td>
<td>1,889</td>
</tr>
<tr>
<td>Total</td>
<td>22,705</td>
</tr>
</tbody>
</table>

Source: Univita Health, Inc. - Actuarial Valuation of the State of Alaska Long Term Care Program as of 6/30/2009
LTC Insurance - Annual Premium

- Bronze
- Silver
- Gold
- Platinum

Source: State of Alaska Retirement & Benefits website
## Estimated Senior Care Cost (2013)

<table>
<thead>
<tr>
<th>Service</th>
<th>Fairbanks</th>
<th>Anchorage</th>
<th>US Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Health Care</td>
<td>$ 25/hour</td>
<td>$ 26/hour</td>
<td>$ 19/hour</td>
</tr>
<tr>
<td>Adult Day Health Care</td>
<td>$ 116/day</td>
<td>$ 99/day</td>
<td>$65/day</td>
</tr>
<tr>
<td>Assisted Living Facility (1 bedroom)</td>
<td>$ 6,500/mo.</td>
<td>$ 6,000/mo.</td>
<td>$ 3,450/mo.</td>
</tr>
<tr>
<td>Nursing Home Care (Private Room)</td>
<td>$645/day</td>
<td>$ 452/day</td>
<td>$ 230/day</td>
</tr>
</tbody>
</table>

Source: Genworth Financial, Inc. Cost of Care Survey 2013
Fairbanks Area Senior Care

• Home Personal Care Assistance (PCA)
  – ResCare = $25/hour (all services)
  – Immediate Care = $18/hour (chores)
    = $24/hour (hands on care)
  – FRA Senior Services = Up to $13.50/hour (Income based)
  – FMH CNA Nurse = $90 to $210 per visit

• Assisted Living Facility (private room)
  – Wild Iris Comfort Care = $ 5,550/month
  – Fairbanks Pioneer Home
    • Level #2 (for ADLs) = $ 4,260/month
    • Level #3 (24/7 Care) = $ 6,170/month

• Nursing Home
  – Denali Center = $ 645/day ($19,350/month)
U.S. Nursing Home Costs

All Over the Map: The Annual Price for a Semi-Private Room in a Nursing Facility

- $80K to $90K/Year
- $70K to $80K/Year
- $45K to $60K/Year
- $200K to $274K/Year

* Alaska’s annual price is the highest and more than double No. 2 Connecticut, which is $135,050. Note: for precise data, see Genworth’s map: http://tinyurl.com/br6eumn.

Source: Genworth.
## State LTC Insurance Claims (2011-2012)

<table>
<thead>
<tr>
<th>Age</th>
<th>Claim Payments</th>
<th># of Paid Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;60</td>
<td>$1,077,000</td>
<td>5</td>
</tr>
<tr>
<td>60-64</td>
<td>$1,211,000</td>
<td>12</td>
</tr>
<tr>
<td>65-69</td>
<td>$1,582,000</td>
<td>12</td>
</tr>
<tr>
<td>70-74</td>
<td>$1,986,000</td>
<td>15</td>
</tr>
<tr>
<td>75-79</td>
<td>$3,043,000</td>
<td>30</td>
</tr>
<tr>
<td>80-84</td>
<td>$3,440,000</td>
<td>32</td>
</tr>
<tr>
<td>85-89</td>
<td>$3,321,000</td>
<td>38</td>
</tr>
<tr>
<td>90+</td>
<td>$741,000</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>$16,402,000</td>
<td>154</td>
</tr>
</tbody>
</table>

The bar chart represents the number of LTC claims paid by age of insured.
Average State LTC Insurance Claim (2011-2012)

Source: Univita Health, Inc. - Actuarial Valuation of the State of Alaska Long Term Care Program as of 6/30/2009
LTC Insurance Past Performance

• 50% of policies lapse before benefits paid
• People who entered nursing home – 50% never collected on their LTC policies
• No benefits paid to many who bought nursing home coverage but instead had home care or entered a residential facility
• Benefits paid by LTC insurance were far below the actual cost of care
State LTC Insurance – Claims Problems

• **Limited Access to In-State LTC**: Few LTC facilities or services in Alaska and even less meet the State’s LTC insurance requirements
  
  – **Home Health Care**: LTC Plan requires a “Licensed Home Health Agency” (very few in Alaska). On a “case-by-case basis” the State is authorizing “Agency Based Personal Care Assistance” if licensed agencies aren’t available.

• **Delayed Insurance Payments**: Univita required specific Power of Attorney causing delayed claims payments

State Administration recently opened an **Ombudsman office** to help Retirees with LTC concerns.
The State Ombudsman Can:

• Investigate and resolve complaints.
• Visit facilities to meet with residents and evaluate conditions.
• Ensure that residents are receiving legal, financial, social, medical, rehabilitative and other services to which they are entitled.
• Act as mediator between residents, family members, facility staff, and long term care service providers.
• Provide information to the public about long term care facilities and programs.
• Assist with the establishment of resident and family councils.
• Represent residents' interests before local, state, and federal government by working to change laws, regulations and policies that affect those who live in long term care settings.

Phone (800) 730-6393
State LTC Insurance – Future?

• The Bronze Plan originally limited Home Health Care (HHC) benefits to a $50,000 lifetime maximum

• The State recently expanded the Bronze Plan’s HHC benefits up to the $200,000 lifetime maximum (without changing the Bronze premium)

• The **2012 LTC Actuarial Report** expects future LTC claims to exceed the Plans’ future premium payments (*future premium increase?*)

• Next year the State plans to solicit proposals for an alternate LTC Insurance Plan to Univita
State LTC Insurance **Funded** (2009)

### Table 1
**State of Alaska Long Term Care Program**

**Summary of Actuarial Values as of June 30, 2009**

*(in thousands of dollars)*

<table>
<thead>
<tr>
<th>Present Value of future:</th>
<th>@5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collected premiums</td>
<td>$209,494,425</td>
</tr>
<tr>
<td>Paid claims</td>
<td>351,571,252</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>10,246,253</td>
</tr>
<tr>
<td>Net Cash Flow</td>
<td>$(152,323,080)</td>
</tr>
</tbody>
</table>

**Comparison to Total Assets**

| Total Assets                             | $155,621,380         |
| Surplus(Deficit)                          | 3,298,300            |
| As a % of future premiums                 | 1.6%                 |

Source: Univita Health, Inc. - Actuarial Valuation of the State of Alaska Long Term Care Program as of 6/30/2009
State LTC Insurance **Under Funded** (2012)

Table 1  
State of Alaska  
Long Term Care Program  
Summary of Actuarial Values as of May 31, 2012  
(in thousands of dollars)

<table>
<thead>
<tr>
<th>Present Value of future:</th>
<th>@4%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collected premiums</td>
<td>$255,668,628</td>
</tr>
<tr>
<td>Paid claims</td>
<td>570,351,176</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>12,199,954</td>
</tr>
<tr>
<td>Net Cash Flow</td>
<td>$(326,882,501)</td>
</tr>
</tbody>
</table>

**Comparison to Total Assets**

| Total Assets (as of 4/30/12)     | $256,007,618    |
| Surplus/(Deficit)                | $(70,874,883)   |
| As a % of future premiums        | (27.7%)         |

Source: Univita Health, Inc. - Actuarial Valuation of the State of Alaska Long Term Care Program as of 5/31/2012
Class Comments and Questions?
What Can We Do to Ensure Our Future Benefits?
Critical Must Do Checklist

• **Get Involved** – Join and actively support your public retiree organizations (RPEA, AKREA)

• **Stay Informed** - on the status of your future retirement benefits

• **Contact your Legislators and Governor** about our LTC Insurance concerns, and recommend that retirees participate in the management decisions next year in the selection of the Contractor for our 100% retiree funded LTC Insurance

Your involvement today is critical to ensuring your future LTC Insurance benefits
Organizations and State Contact List

• Governor Sean Parnell
  – www.gov.state.ak.us
  – Email: governor@gov.state.ak.us
  – Phone:(907)465-3500

• Alaska Retirement Management Board
  – www.treasury.dor.alaska.gov/dnn/armb/

• State Long Term Care Ombudsman
  – www.akoltco.org

• Retired Public Employees Association (RPEA)
  – www.rpea.apea-aft.org

• Alaska Retired Educators Association (AKREA)
  – www.akrea.org
LTC Documents & Services - Websites

• Alaska Dept. of Administration – Retirement & Benefits
  – Alaska Retirement Management Board
    • http://doa.alaska.gov/drb/boards/index.html
  – AlaskaCare and Long Term Care Booklets
    • http://doa.alaska.gov/drb/alaskaCare/retiree/pubs/booklets.html
  – Long-Term Care Plan Index (Actuarial Reports, FAQ, etc.)
    • http://doa.alaska.gov/drb/alaskaCare/retiree/plans/ltc/index.html

• Alaska Dept. of Health & Social Services – Agency List
  • http://dhss.alaska.gov/dsds/Pages/pca/default.aspx
  • http://dhss.alaska.gov/dsds/Documents/grantservices/PDFs/AB_and_CD_PCA_Agencies.pdf