The Growing Use of Life Insurance Policy Conversions to Fund Long Term Care

White Paper

Life Care Funding Group
888.670.7773
info@lifecarefunding.com
www.lifecarefunding.com

Issue Brief

The United States Supreme Court codified as law the legal right of property ownership for life insurance policies in 1911. The owner of a policy has the legally protected right to convert their asset from a life insurance policy into a long care benefit plan by accessing the private, secondary market. There is almost $30 trillion of in-force life insurance today in the United States. Comparatively, there is less than $10 trillion of home equity in the United States and the amount of in-force long term care insurance is measured only in the billions. At a time when LTCi sales should be exploding, the market instead has been suffering from significant disruption from rate increases on existing policies and major carriers such as MetLife ceasing to sell policies. Additionally, the economy's impact on the housing market has seriously dampened the ability of seniors to access home equity to pay for long term care, which for years was the primary source to fund long term care and part of a Medicaid spend down regimen, but that has not been the case since 2008. As for owners of life insurance; the middle class, "small face" policy owner with under $500,000 of death benefit cannot access the life settlement market as an option either.

With 10,000 Baby Boomers turning 65 every day, the United States has officially entered the "long term care funding crisis" era. New approaches to fund long term care must be developed, and converting life insurance policies is an option quickly gaining ground. Unfortunately, owners of life insurance policies are not aware of their legal rights and options, and millions of seniors are stranded with polices that have outlived their insurable interest, they can no longer afford, and are counted against them as a dis-qualifying asset for Medicaid eligibility. But, legislative leaders across the country are taking action with consumer protection disclosure laws and legislation to encourage consumers to convert their life insurance to pay for long term care as an alternative to abandoning their policies.

Life insurance is an unqualified asset for Medicaid eligibility, and billions worth of policies are regularly abandoned by uninformed seniors as they enter their "long term care years". Converting a life insurance policy into a long term care "Assurance Benefit" plan is a Medicaid qualified spend down of the policy, and it extends the time a person remains "private pay" before going onto Medicaid. States are under tremendous budget pressure to keep pace with exploding demand to cover long term care needs with tax payer money, and they are quickly realizing the savings that can be found for their beleaguered budgets by delaying entry onto Medicaid through the use of Medicaid qualified policy conversions.

The Assurance Benefit is not a long term care insurance policy, annuity, any form of hybrid life/LTCi policies, or an accelerated death benefit-- it is actually the exchange of a life insurance policy for a long term care benefit plan at the time that care needs to be paid. The Assurance Benefit is a unique financial option for seniors because there are no wait periods, no care limitations, no costs to apply, no requirement to be terminally ill, and there are no premium payments. Policy owners use their legal right to convert an in-force life insurance policy to enroll in the benefit plan and are able to immediately direct payments to cover their senior housing and long term care costs.

It is in the better interest of seniors and their family to convert a death benefit into a long term care benefit and then apply the maximum private market value of the policy towards their health care needs. If a policy can be converted into the means to cover the costs of long term care for an extended period, and keep the insured off of Medicaid that much longer, it is in their best interest and that of the state's tax payers. The Assurance Benefit policy conversion is a private sector solution that addresses the financial needs of the senior and can also help stressed state budgets by extending the spend down period for a senior before they would go onto Medicaid.

Introduction: The Medicaid Problem Grows

Medicaid was created on July 30th, 1965 as a part of President Lyndon Johnson's "Great Society". At that time the entire GDP of the United States was $791.1 billion, and no one could have predicted that by 2009 the U.S. would spend over $2 trillion on health care in a single year. Ironically, the last of the baby boom generation had been born by the time Medicare and Medicaid was first enacted, and on January 1, 2011, 10,000 Baby Boomers started turning 65 *every day* at a pace that will continue uninterrupted for twenty straight years. The combination of this demographic "Silver Tsunami" and a fractured U.S. economy could not have come at a worse time for the big three entitlement programs. Social Security, Medicare and Medicaid are all in the red and creating havoc for government budgets at the federal and state levels. According to Chairman Ben Bernanke, this has become the number one concern of the Federal Reserve about the U.S. economy.

2010–2011 National Average Annual Costs of Long Term Care

Skilled Nursing Facility (SNF): $83,585

Assisted Living Facility (ALF):............$39,516

Alzheimer's Unit: $85,045

Home Healthcare: $43,065

State budgets have been impacted particularly hard by shrinking tax dollars and growing Medicaid enrollment brought on by the economic crisis and an aging population. Over 10 million Americans now require long term care annually and Medicaid is the primary source of coverage. According to the Kaiser Family Foundation, Medicaid spent $427 billion in 2011, paying for 43% of all long term care services while only 31% was covered "private pay".

Private Market Solution: A $30 Trillion Funding Source

According to the National Association of Insurance Commisioners (NAIC), there is $27.2 trillion of in-force life insurance in the hands of 152 million Americans. That is a huge population of asset owners who for the most part do not understand their legal rights of ownership and the options available to them. The insurance industry makes immense profits from the fact that millions of these people are paying billions of dollars in premium payments for policies that in the end will be abandoned. Too few policy owners' understand their legal rights of ownership and do not possess the knowledge of how insurance works. When their original need for a policy has run its course, the vast majority of owners simply walk away from what may be one of the most valuable assets they own—for nothing in return.

Fast Fact:

152 million Americans own $27.2 trillion worth of life policies (that is almost triple the amount of home equity in the U.S. today)

Far too many life insurance policies owned by seniors will never pay a death benefit because they are allowed to either expire, lapse or are surrendered for cash value. The shame of this situation for the consumer is that there are numerous options for them to consider before abandoning a policy. Life insurance is legally recognized as personal property and the owner has the right to use their asset in a number of ways including converting the policy to a long term care benefit plan while still alive.

Conning and Company, the insurance industry research organization, released a white paper in 2009 as part of their *Strategic Research Series* and in it they analyzed the growing impact of Life Care Funding Group's use of life insurance policies to pay for long term care. In the paper they surmised, "*What is new is the concerted effort to integrate life insurance policies and long term care providers. This is a recent development involving – Life Care Funding Group. This new source of funds represents a potential alignment of long term care providers and state governments. Both state governments and the long term care industry are working to find a solution to the budgetary threat to Medicaid created as aging Baby Boomers impoverish themselves in order to have the state pay for long term care*".

Legislative and market activities across the country point to the growing realization that life insurance policies can be converted to help pay for long term care. A major challenge is that too few seniors realize their policy could be used for purposes other than a death benefit—but as Conning and Company predicted; word is spreading among policy owners, the long term care industry and law makers.

Consumer Rights: Converting Life Insurance to Pay Long Term Care

The Supreme Court case of *Grigbsy v. Russell* (1911) established a life insurance policy owner's right to transfer or convert the use of an insurance policy. Justice Oliver Wendell Holmes noted in his opinion that life insurance possessed all the ordinary characteristics of property, and therefore represented an asset that a policy owner could transfer without limitation. Wrote Holmes, "*Life insurance has become in our days one of the best recognized forms of investment and self-compelled saving.*" This opinion placed the ownership rights in a life insurance policy on the same legal footing as more traditional investment property such as real estate, stocks and bonds. As with these other types of personal property, a life insurance policy is an asset and can be converted to another use or transferred at the discretion of the policy owner.

Fast Fact:

The owner of a policy has the legal property ownership right to convert a policy based on its fair market value.

A policy owner's legal right to convert an existing life insurance policy into a long term care benefit plan, also known as an Assurance Benefit Plan, is not to be confused with a long term care insurance policy, accelerated death benefit (ADB) rider, annuity, or a hybrid life/LTCi product. This Assurance Benefit conversion option allows for the actual private, secondary market exchange of a life insurance policy for a long term care benefit plan at the time of care. Any form of life insurance can qualify for conversion: universal life, whole life, term life, and group life. The benefit plan will pay for any form of long term care: home health, assisted living, and nursing home care.

Assurance Benefit Examples

Example #1

Gender / Age	Female / 87
Policy Face Value	$65,000 (UL)
Monthly Assurance Benefit	**$1,115**
Funeral Benefit	$3,250
Benefit Duration	15 Months

Example #2

Gender / Age	Male / 77
Policy Face Value	$100,000 (UL)
Monthly Assurance Benefit	**$3,535**
Funeral Benefit	$5,000
Benefit Duration	12 Months

Example #3

Gender / Age	Male / 70
Policy Face Value	$250,000 (Term)
Monthly Assurance Benefit	**$10,000**
Funeral Benefit	$5,000
Benefit Duration	15 Months

The examples above are for illustrative purposes only and do not constitute a guarantee for other transactions.
Source: *Life Care Funding Group*

The Assurance Benefit plan is a private market funding option and is not issued by a carrier, not restricted to polices that contain a conversion or accelerated death benefit rider, and is not restricted to the issuing carrier. Unlike long term care insurance, there are no wait periods to receive Assurance Benefit payments. Once a policy is converted by the owner, the long term care benefit payments begin immediately and the enrollee is relieved of any responsibility to pay any more premiums. The Assurance Benefit plan is an irrevocable long term care funding account administered by a third party ensuring the funds are protected for the recipient of care, and the payments are made every month directly to the care provider. Every Assurance Benefit account also has the added protection for the enrollee of providing a final expense benefit to help cover funeral expenses. Lastly, if the insured should pass away before the benefit amount is exhausted, then any remaining balance is paid to the family or named beneficiary as a final lump sum payment.

The Assurance Benefit policy conversion meets the IRS standard for tax deductible status based on the use of funds dedicated to pay for long term care services. The Assurance Benefit also meets the HIPAA standards for *tax exempt* status based on the physical and cognitive impairments of enrollees.

A. Any tax implications for capital gains realized (e.g. through a policy conversion) would be offset by deductions based on spending the money for "the entire cost of maintenance in a nursing home or home for the aged" (sec. 1016 U.S. Master Tax Code 2008).

B. The Health Insurance Portability and Accountability Act (HIPAA) also carved out an exemption for chronically ill persons to receive benefits tax free, subject to certain limitations.

A chronically ill person is someone who has been certified by a physician in the past 12 months:

1. **to be unable to perform, as the result of the loss of functional capacity, at least two activities of daily living (eating, toileting, transferring, bathing, dressing, and continence) for at least 90 days; or**
2. **has a similar level of disability as defined by the Secretary of the Treasury; or**
3. **requires substantial supervision to protect the person from threats to health and safety due to severe cognitive impairment. For chronically ill persons, amounts paid with respect to a life insurance contract are excludable only if: 1) the payment is for actual costs of qualified long term care that are not defrayed by insurance payments or otherwise; and 2) payment is not made for expenses that are reimbursable under Medicare. In addition, payments made to chronically ill persons on a per diem, or other periodic basis, are excludable but only to the extent that they do not exceed $180 per day, indexed for inflation.**

The Assurance Benefit conversion option is designed to serve a large but ignored population. For the large population of middle market policy owners with "small face" polices under $500,000 of death benefit value; the viatical and life settlement market has no interest in policies of this size, and they tend to not underwrite people with an immediate need for long term care. The vast majority of these overlooked policy owners unfortunately end up either lapsing or surrendering their in-force life insurance because they can no longer afford to pay the premiums and/or they are on a Medicaid spend down path. Owners of small face policies with an immediate need for long term care are not candidates for a viatical, life settlement or annuity and it is too late for them to purchase a long term care insurance policy. As an alternative to policy lapse or surrender, the Assurance Benefit is an immediate option to use their policy to pay for long term care. The in-force life insurance policy can be converted to a long term care benefit plan in as little time as 30 days and then administered by a third party with payments made every month directly to the enrollee's choice of long term care provider: home health, assisted living, or nursing home.

Fast Fact:

Billions of dollars of life insurance policies are abandoned by seniors because they can no longer afford the premiums and/or they are on a Medicaid spend-down path.

For families with the need to pay for long term care, but are unable or unwilling to keep their life insurance policy in-force by maintaining premium payments, the Assurance Benefit conversion option is a much better choice than abandoning a policy. Policy owners use their legal right to convert an in-force life insurance policy to enroll in the benefit plan and are able to immediately fund their care through a guaranteed monthly payment stream for the entire benefit period. Providers of long term care services such as nursing homes, assisted living communities and home health agencies have been quick to embrace this alternative form of payment.

State governments too are realizing that there is tremendous value to be found by converting life insurance policies to help pay for the costs of long term care.

Life insurance is an unqualified asset for Medicaid applicants and it has been standard practice to abandon a life insurance policy if it is within the legally required five year look back spend-down period. But now, by converting a life insurance policy instead of abandoning it, the policy owner's care can be covered as a private pay patient by the long term care benefit plan over an extended time frame. Instead of abandoning the policy and going immediately onto Medicaid, the life insurance asset is spent-down in a Medicaid compliant fashion—while preserving a portion of the death benefit for the family during the extended time period.

Medicaid Eligibility: Life Insurance is a Disqualifying Asset

Because a life insurance policy is legally recognized as an asset of the policy owner, it counts against them when qualifying for Medicaid. If a policy has anything more than a minimal amount of cash value (usually in the range of $2,000 or greater) it must be liquidated and that money spent towards cost of care before the owner will qualify for Medicaid. All state Medicaid applications specifically ask if the applicant owns life insurance and full policy details. Failure to disclose and comply is fraud.

Some states allow for a final expense policy to be kept or transferred to a funeral home (the funeral home would keep the entire death benefit). Medicaid recovery units have become much more forceful about looking for life insurance policy death benefits (declared or undeclared) that have paid out to families after the death of a Medicaid recipient. Medicaid budgets are now facing extreme pressure and asset recovery efforts can be very aggressive. Recovering the entire cost of care through legal action by going after the death benefit payment paid to the estate and/or surviving family is federally mandated by the Omnibus Budget Reconciliation Act (OBRA) of 1993.

This law requires each state to seek adjustment or recovery of amounts correctly paid by the state for people covered by Medicaid. The state must, at a minimum, seek recovery for services provided to a person of any age in a nursing facility, intermediate care facility for the mentally retarded, or other medical institution. States are required to seek recovery of payments from the individual's estate for nursing facility services, home and community-based services, and related hospital and prescription drug services.

Fast Fact:

Life insurance policies are an unqualified asset for Medicaid eligibility and the owners must either surrender the policy or be subject to costly recovery actions by the Medicaid department

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According to a Government Accounting Office (GAO) study in 2007, 38% of Medicaid applicants owned a life insurance policy that needed to be liquidated to qualify. When an individual applies for Medicaid, the State conducts a "look back" to find transfers of assets for 60 months prior to the date the individual is institutionalized or, if later, the date he or she applies for Medicaid. Transferring ownership of an asset for less than its fair market value would be a violation of Medicaid's asset transfer and look back requirements. A life insurance policy can be surrendered for its cash value to be spent down on care, or a policy can be converted for its fair market value and the full benefit of that conversion can be used to pay for long term care as a qualified spend down.

The owner of one or more policies has a variety of options to consider:

- **A policy with more than a minimal amount of cash value must be surrendered back to the insurance company with the proceeds spent down on care.**
- **A policy with no cash value does not need to be liquidated up-front but the death benefit will be subject to federally required Medicaid recovery efforts to return the amount of money spent on care.**

- **Many states will exempt a small "final expense" policy if the full death benefit value is assigned to a funeral home.**
- **Third-Party Assignment or Transfer of a life insurance policy for less than its fair market value is a violation of asset transfer rules if done within the 60 month look back period.**
- **A policy owner has the legal right to convert a life insurance policy into a long term care benefit plan at its fair market value and extend their spend down period by covering cost of care as private pay while preserving a portion of the death benefit until exhausted.**

The policy conversion option is considered a "qualified spend down" of a life insurance policy asset for Medicaid eligibility. By converting an existing life insurance policy to a long term care benefit plan, the owner is spending down the asset towards their cost of care in a Medicaid compliant manner while still preserving a portion of the death benefit. If the insured passes away while spending down via their benefit enrollment, any remaining death benefit would pay out to the designated beneficiary without being subject to Medicaid recovery. Enrollees able to now use non-Medicaid dollars are allowing themselves to access the best level of care and options by remaining a private pay patient for as long as possible. Conversion of a life insurance policy allows for maximum choice of care options, and preservation of a partial death benefit instead of 100% abandonment.

Long term care providers prefer private pay patients over Medicaid recipients. A new report released by the American Health Care Association (AHCA) indicates that due to major state budget deficits and adjustments to Medicare and Medicaid reimbursements, long-term care facilities will see historically low Medicaid reimbursements. It is estimated that unreimbursed Medicaid funds to nursing homes exceeded $6.3 billion in 2011 – a $19.55 shortfall per patient, per day on average. An individual with the ability to sustain themselves as a private pay patient will have more care and housing options to choose from.

In addition to the policy owner and the long term care provider, there are also advantages for state governments and their maxed out Medicaid budgets. Policy owners that convert their life policies instead of allowing them to lapse or be surrendered represent an opportunity to extend the spend down period of their asset. By converting a policy to its present day value based on the death benefit, as opposed to minimal cash surrender value or wait for federally mandated recovery efforts to be initiated against the estate, tax payers will be saving considerable money. This represents an opportunity to extend the time a person remains private pay by many months, or years, before they go onto Medicaid—if ever at all.

Legislative Action: Focus on use of Life Insurance to pay for Long Term Care

The National Conference of Insurance Legislators (NCOIL) understood the implications of billions of dollars of life insurance policies in the hands of seniors being discarded when they unanimously passed the *Life Insurance Consumer Disclosure Model Act* in November, 2010. This consumer protection law requires that life insurance companies inform policy holders above the age of 60, or with a terminal or chronic condition, of approved alternatives to the lapse or surrender of a life insurance policy including "conversion to a long term care benefit plan".

NCOIL declared that final passage of the *Life Insurance Consumer Disclosure Model Law* is intended to be "a strong stand for life insurance policy owners and would empower consumers through education about their options." NCOIL President Rob Damron (KY), upon unanimous passage said, "It is imperative that policy holders understand that they have alternatives to merely lapsing or surrendering their policy." California, Connecticut, Kentucky, Maine, New Hampshire, Oregon, Washington State, Virginia and Wisconsin already have passed or are now considering life insurance consumer disclosure laws for their states.

Fast Fact:

NCOIL passed the *Life Insurance Consumer Disclosure Model Law* unanimously in November, 2010 requiring insurance companies to notify policy owners of alternatives to abandonment of a life insurance policy. "Conversion to a Long Term Care Benefit Plan" is one of the required disclosure options in the Model Law.

New York State also passed a law that is an example of the growing national trend of using life insurance policies as a means to pay for long term care. The bill, signed into law on Dec. 14, 2010, allows those who have been residents of a nursing home for at least three months to apply the proceeds of an existing accelerated death benefit (ADB) rider toward their costs of housing and care. The bill does not provide for payment toward assisted living, home health care, or other forms of senior housing and care.

The goal of this law, first introduced into the New York Assembly in 2008, is to offset the costs of New York's Medicaid program paying for a nursing home stay by extending the spend-down period of a life insurance policy if it has an accelerated death benefit rider. The bill's author, State Sen. Jeff Klein, cited the high costs of New York's Medicaid program paying for a nursing home stay as the driving force behind the new law's passage. He stated that New York's Medicaid program spends more than $23 billion on long term care, and that this new law could save the state approximately $1 billion over the next five years.

In 2011, the state of Connecticut introduced study bill SB-1153, as "an act establishing a task force to study life insurance policy and annuity conversions and the provision of certain notifications by life insurance companies". The study bill has been referred to the Joint Committee on Insurance and Real Estate Law for consideration as a means to help Connecticut deal with an out of control Medicaid budget through the conversion of life insurance policies and annuities to pay for long term care.

In 2012, the state of Hawaii also introduced a study bill, SB-2455 to "establish a task force to assess and make recommendations regarding the use of viatical settlements and accelerated death benefits as means of funding long-term care". The bill specifically declares, *"The legislature finds that although the cost of long-term care services is rising, more individuals have term life insurance policies, which end when people leave their job or retire, instead of private long-term care insurance. Factors such as cost, convenience, and desire to protect growing families, may motivate individuals to buy life insurance over long-term care insurance. The legislature also finds that according to the American Council of Life Insurers, Hawaii had more than 709,000 in-force life insurance policies in 2009, compared to 77,344 individuals covered by long-term care insurance in 2010. Approximately only five per cent of the State's population has long-term care insurance. The legislature further finds that despite the infrequent use of viatical settlements and accelerated death benefits in life insurance policies, these options should be studied as possible solutions and assessed for their potential as funding sources for long-term care services"*.

For the 2012 Florida legislative session, a bicameral bill was introduced in both the House and the Senate bringing these individual private market concepts together for the first time as a proposed law. HB-1055 would require use of an existing accelerated death benefit (ADB) rider to pay for nursing home care as in New York; would require the Consumer Disclosure requirements of the NCOIL Model Law; and would require policy conversions as an extended spend down for a Medicaid eligibility requirement. The goal of the sponsors of this consumer protection bill is to give policy owners as much information as possible about their legal rights of ownership. They also see a responsibility to save tax payers money by delaying the need of a person going onto Medicaid through the ability to access the fair market value of their asset and remaining a private pay patient for as long as possible.

With the introduction of HB1055 in 2012, the Florida legislature has taken the consumer disclosure protections first introduced by NCOIL a little over a year ago to its next logical steps. According to an economic impact study released in January, 2012 by The Center for Economic Forecasting and Analysis (CEFA), the cost saving implications of private market policy conversions for Florida tax payers and the state Medicaid budget through passage of HB1055 was measured for "scored".

According to the CEFA study entitled, Conversion of Life Insurance Policies to Long Term Care Benefit Plans in Florida: *"The objective of this research project is to examine the impacts of the objective of House Bill 1055, specifically the opportunities for utilizing life-insurance policy assets as an available means whereby private funding may pay for long-term health care needs. Medicaid expenses on long-term health care services for residents may be offset by… $157.4 million on conversion of their life-insurance policies into long-term health care benefit plans per year."*

Fast Fact:

Florida estimated over $150 million in annual Medicaid budget savings through Assurance Benefit policy conversions

The bill would require: a) use of an accelerated death benefit (ADB) rider, if present, to pay for nursing home care, b) required disclosure to the consumer of the National Conference of Insurance Legislators (NCOIL) Model Law, (which deals amongst others with unclaimed property policies), and c) policy conversions as an extended spend down Medicaid eligibility requirement. The objectives of the sponsors of the bill are two-fold, namely;

- ***To protect consumers by giving policy owners as much information as possible about their legal rights on life-insurance policy ownership; and***
- ***To save taxpayers money by utilizing the value of life-insurance policies and to delay the need for a citizen becoming dependent on Medicaid.***

In Florida, all Medicaid applicants are specifically asked if they own life-insurance policies, and if so, they have to disclose the full policy details. A failure to disclose and comply is fraud. A life-insurance policy is legally recognized as an asset of the policy owner (with all rights of personal property ownership) and it counts against the owner when qualifying for Medicaid. If a policy has more than a minimal amount of cash value it must be liquidated and that money is to be spent towards cost of care before the owner will qualify for Medicaid."

According to the Florida Legislature's Office of Program Policy Analyses and Government Accountability: *"A life-insurance policy can be surrendered for its cash value to be spent down on care, or a policy can be converted for its fair market value and the full benefit of that conversion can be used to pay for long-term care as a qualified spend down. The owner of one or more policies has a variety of options to consider:*

- ***A policy with more than a minimal amount of cash value must be surrendered back to the insurance company with the proceeds spent down on care.***
- ***A policy with no cash value does not need to be liquidated but the death benefit will be subject to federally required Medicaid recovery efforts to return the amount of money spent on care.***
- ***Many states will exempt a small "final expense" policy if the full death benefit value is assigned to a funeral home."***

It is common sense that the best interest of policy holders is to make decisions with full disclosure of their rights and options. In today's stressed economic environment, policy owners need to understand that a life insurance policy is more than just a death benefit. It is a legally recognized asset that can help them in a number of ways, and simply walking away from a policy is their worst possible option. Expect more legislative action like this to be introduced throughout the country.

Conclusion: Consumer Information and Choice is Consumer Protection

Too often seniors who have owned a life insurance policy for many years, which is about to lapse or be surrendered for minimal value, will have contacted their life insurance company to ask about their options. The life insurance company will inform them that they really only have two options if they don't pay their premium: surrender the policy for its cash value (if it has any) or let it lapse. Most people that receive a lapse notice have no cash value because it has already been drained by the insurance company to cover any unpaid premium payments. That typically leaves the final option of "pay or go away". The number of seniors that allow this to happen to a policy after paying premiums, sometimes for decades, is scandalously high.

Fast Fact:

A policy can be converted to a private market long term care benefit account locking up the funds to only be spent on long term care services with the funds being issued monthly by a benefit administrator to the provider of long term care.

On November 19, 2010, during testimony at NCOIL's annual meeting to consider passing the Consumer Disclosure Model Law, Life Care Funding Group offered the following observation:

"The intersection of a growing senior and Baby Boomer population and economic bust is creating a crisis for how seniors will fund their retirements and eventually long term care expenses. Our case workers hear from seniors and their families every day who have been paying premiums for years and are getting ready to abandon their policy. These are middle class Americans without insurance expertise and the typical size of their policy is well under $500,000. This disclosure law will help consumers understand they have a number of options to consider before discarding a policy, including converting their policy into a long term care benefit plan that holds the potential to address their financial shortfalls."

Families with the need to pay for long term care that are unable or unwilling to keep their life insurance policy in-force by maintaining premium payments, or are planning to abandon as part of a Medicaid spend down regimen, the Assurance Benefit conversion option is a much better choice.

Epilogue

Life Care Funding Group introduced the "Life Care Assurance Benefit" in 2010 as a tool to help families pay for long term care. Today, over 4,000 assisted living and nursing home communities around the United States offer the Assurance Benefit to families as an option to pay for long term care.

The Assurance Benefit allows the owner of an in-force life insurance policy to convert their death benefit into a long term care benefit plan to help cover the costs of Senior Living and Long Term Care. The Assurance Benefit is a regulated transaction complying with the same standards as any other secondary market transaction for a life insurance policy. The Assurance Benefit is the exchange of a life insurance policy for a long term care benefit plan at the time that care needs to be paid. The long term care benefit account is set up as an irrevocable trust and administered by a third party benefit administrator. The entire amount of the benefit account is guaranteed and a final expense funeral benefit is also provided. Policy owners use their legal right to convert an in-force life insurance policy to enroll in the benefit plan and are able to immediately direct payments to cover their senior housing and long term care costs.

Author Biography

Chris Orestis is a 15 year veteran of both the insurance and long term care industries. His career began with senior positions on a number of political campaigns before working in 1993 and 1994 for both the White House and the Senate Majority Leader on Capitol Hill. From that point, he spent the next several years representing the health and life insurance industry as Vice President and Senior Vice President respectively for the Health Insurance Association of America (HIAA) and the American Council of Life Insurers (ACLI). In 1999, he was awarded the Robert R. Neal Medal by HIAA for distinction and service to the industry. Chris is co-founder of Life Care Funding Group (LCFG) founded in 2007. He is an acknowledged national expert on insurance and long term care issues, and is a frequent speaker, featured columnist and Contributing Editor to a number of industry publications, including: *National Underwriter, Insurance News Net, Agent's Sales Journal, Life Insurance Selling, Senior Market Advisor, On the Risk, Society of Actuaries, HealthDecisions, ProducersWEB, ISIS*, and *InsureIntell*. Chris was named to the Advisory Board of the 3in4 Need More Association for 2012. Chris has been published on insurance and long term care funding issues over 50 times and his Blog on senior living and long term care funding issues (www.lifecarefunding.com/blog) with thousands of readers every month has become one of the more popular forums on the internet.

Life Care Funding Group

Founded in 2007, Life Care Funding Group (LCFG) assists people in need of funds to cover the costs of senior housing and long term care. LCFG specializes in converting the death benefit of an in-force life insurance policy into a long term care benefit to cover the costs of skilled nursing home care, assisted living, home health care, and hospice.

Thousands of assisted living communities, nursing homes, retirement communities, home healthcare providers and senior care advisors offer the LCFG program to families' every day. LCFG's national education campaign has brought awareness about this important financial option to millions of people across the United States. National publications such as Kiplinger's, The Wall Street Journal, and The New York Times have all published stories about the importance of Funding Solutions for Senior Living.

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