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# Mid-Market Conundrums

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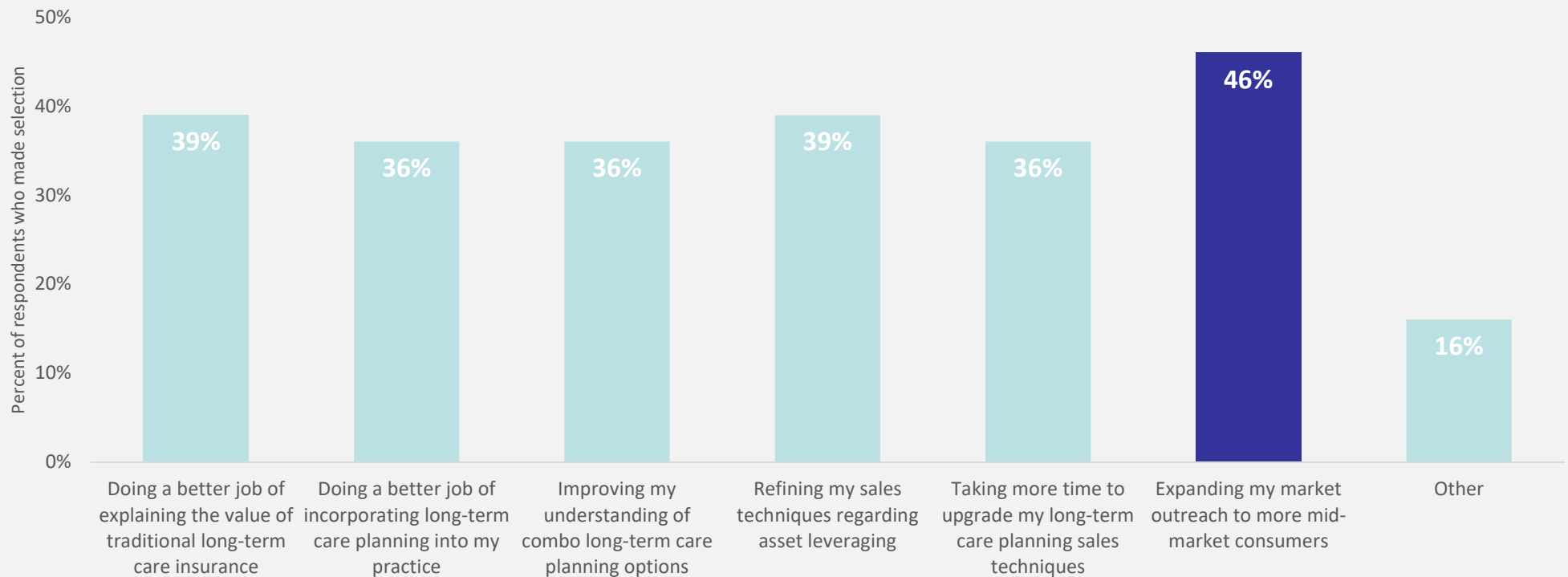
# Today's Topics

- Future Sales Growth Expectations
- Defining the Mid-Market
- Current State & Federal proposals to create government run long-term care insurance
- Medicaid Enhancement
- American Academy of Actuaries
- Society of Actuaries Think Tank
- Role of advocacy and How it Influences Public Policy
- Private Sector Solutions and What Could they Look Like?
- Q & A



# Future Sales Growth

I believe my future LTC sales growth will be a result of: (Select all that apply)





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# Poll Question 1

Approximately, what is the average annual income for a 65 year old individual?

- A. 95,000
- B. 85,000
- C. 75,000
- D. 65,000





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## Poll Question 2

Approximately, what is the **median** annual income for a 65 year old individual?

- A. 85,000
- B. 75,000
- C. 65,000
- D. 55,000

**"JEOPARDY!"**

Words and Music by  
MERV GRIFFIN

♩ = 130

The musical score is written in bass clef with a 4/4 time signature. It consists of three staves of music. The first staff contains measures 1 through 3, the second staff contains measures 4 through 6, and the third staff contains measures 7 through 9. Chord symbols are placed above the notes: C(add9), Dm7, F, G(sus), G, C, Am, Dm7, G, C(add9), Am, Dm7, Em7, F, C/E, F, C/G, G, C, Eb, and Cm7. The score ends with a double bar line and a key signature change to two flats.



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# Defining the Mid-Market

## Activities of Daily Living:

- Dressing
- Bathing
- Transferring
- Eating
- Toileting
- Continence



Severe Cognitive Impairment



# Defining the Mid-Market

## What was the average and median income by age in 2020?

In this chart I've listed the median and average income by age, plus the top 1% by age. For completeness, it also includes the 25%, 75%, and 90% income by age breakpoints.

Age	Average	25%	50%	75%	90%	99%
60	\$76,205.24	\$29,232.00	\$50,517.00	\$89,200.00	\$155,001.00	\$510,000.00
61	\$74,589.16	\$30,000.00	\$52,006.00	\$90,300.00	\$151,500.00	\$314,000.00
62	\$79,062.50	\$30,004.00	\$52,500.00	\$90,203.00	\$152,718.00	\$500,001.00
63	\$76,812.37	\$30,000.00	\$50,760.00	\$90,063.00	\$157,995.00	\$443,175.00
64	\$80,326.20	\$29,232.00	\$50,050.00	\$91,320.00	\$167,000.00	\$500,074.00
65	\$86,932.04	\$30,905.00	\$55,600.00	\$101,050.00	\$175,445.00	\$565,707.00
66	\$74,346.57	\$31,905.00	\$54,270.00	\$89,122.00	\$147,034.00	\$335,000.00
67	\$79,212.00	\$32,340.00	\$51,000.00	\$90,636.00	\$155,110.00	\$523,752.00
68	\$81,059.23	\$31,245.00	\$57,000.00	\$97,113.00	\$159,268.00	\$423,481.00
69	\$79,342.86	\$31,936.00	\$51,226.00	\$97,092.00	\$160,870.00	\$344,700.00
70	\$80,420.36	\$32,200.00	\$53,354.00	\$89,260.00	\$160,000.00	\$363,088.00



# Defining the Mid-Market

What was the average and median net worth by age in 2020?

In this chart I've listed the median and average net worth by age, plus the top 1% by age. For completeness, it also includes the 25%, 75%, and 90% net worth by age breakpoints.

Age	Average Net Worth	Median Net Worth	25%	75%	90%
60-64	\$1,187,730	\$228,833	\$48,565	\$735,348	\$1,995,238
65-69	\$1,250,679	\$271,805	\$44,125	\$808,183	\$1,939,467
70-74	\$1,173,653	\$258,531	\$70,081	\$816,274	\$1,966,166
75-79	\$945,480	\$272,976	\$83,500	\$611,857	\$1,541,480





# Defining the Middle Market

## The Cost of Care Varies – Why is this important?

### What Care Costs - 2020 Study

	Daily Rates			Monthly Costs		
	Lowest	Average	Highest	Lowest	Average	Highest
Home Health Aide (6 hours / day)	\$ 126	\$ 156	\$ 186	\$ 3,833	\$ 4,745	\$ 5,658
Assisted Living Facility	116	158	262	3,519	4,800	7,979
Nursing Home Care Semi-Private Room	192	273	444	5,840	8,304	13,505
Adult Day Care Daily	67	91	147	2,038	2,768	4,471

Source: LTCG 2020 Cost of Care Study



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# Government “Solutions”

- The WISH Act: WISH Act: Well-Being Insurance for Seniors to be at Home
  - To be proposed in 2021/2022
- WA State Long-Term Care Trust: 36,000 of coverage for 58 BP of tax on all income
  - Currently in implementation mode but with challenges
- CA has started their discussions – but quite inclusive.
- Other states: IL, MN, OR, HI...
- Medicaid – HCBS Access Act of 2021



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# WISH Act Impact

SCF Data	Age	Average	25%	50%	75%	90%	Top 1%
Income	65	\$86,932	\$30,905	\$55,600	\$101,050	\$175,445	\$565,707
Net Worth	60-64	\$1,187,730	\$48,565	\$228,833	\$735,348	\$1,995,238	\$14,629,637
	65-69	\$1,250,679	\$44,125	\$271,805	\$808,183	\$1,939,467	\$16,439,046
WISH Act Waiting Period			12 months	20 months	40 months	52 month	5 years
Cost of 4 hours a day - Home Health Aid			\$37,960	\$62,400	\$126,533	\$164,493	\$189,800
Cost of 2 hours a day - LPN			\$100,740	\$165,600	\$335,800	\$436,540	\$503,700
Cost of a semi-private room			\$99,645	\$163,800	\$332,150	\$431,795	\$498,225
Cost of a private room			\$113,880	\$187,200	\$379,600	\$493,480	\$569,400



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# Medicaid Enhancement

- Increases in the federal matching rate for Medicaid HCBS.
  - States options for use of increased federal funds to supplement their current spending on HCBS and/or enhance their HCBS programs.
  - A KFF report states that Medicaid HCBS spending overtook institutional spending in 2013 and was more than **57% in 2018**.
  - Many states are enhancing the financial eligibility rules to encourage HCBS.
- HCBS Access Act of 2021
- Clearly Medicaid payment schedule reforms are also necessary

Question: If Medicaid can be reformed to be HCBS dominant in all states, if it can reduce the financial impoverishment requirements, and if it can pay a fair reimbursement to providers, is the WISH Act necessary? How can private insurance collaborate with such Medicaid reform?



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# American Academy of Actuaries

## Essential Criteria for Long-Term Care Financing Reform Proposals

- Level of coverage
- Comprehensiveness of benefits
- Quality of care benchmarking and monitoring
- Understandability and choice
- Affordability
- Risk management and cost control
- Financial soundness and sustainability

Source: [https://www.actuary.org/sites/default/files/files/publications/Essential\\_Criteria\\_for\\_Long-Term\\_Care\\_Financing\\_Reform\\_Proposals\\_112916.pdf](https://www.actuary.org/sites/default/files/files/publications/Essential_Criteria_for_Long-Term_Care_Financing_Reform_Proposals_112916.pdf)

Watch out for the new issue brief “LTC FINANCING REFORM PROPOSALS THAT INVOLVE PUBLIC PROGRAMS”



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# Society of Actuaries Think Tank

The SOA Think Tank has been a recurring group studying how to bring Long-Term Care solutions to the majority of Americans. Currently we are focused on Middle Mass Solutions and will be starting this summer with four focus groups:

1. Aging in Place in the Future
  - Focus on how care will be received/delivered by the middle market
2. Middle Market Financing Options for LTC Solutions
  - Focus upon the financial means to address LTC risk
3. The Plight of the Middle Market
  - Focus is on the likely care costs and identifying what is truly catastrophic
4. Overcoming Obstacles to Enable Real LTC Solutions for the Middle Market
  - Focus will be on public/private solutioning



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# Advocacy

- The role of NAIFA in advocating for what works
- Public/Private collaboration
- Key is to identify what public approach will both encourage individual responsibility but also support informal care.
  - Why support informal care?
  - What about Partnership?
  - Medicare?



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# Private Sector Role?

- What has worked for the Middle Market?
- Can Hybrid be useful for the Middle Market? Why? How?
- What is a catastrophic LTC experience?
- What are the priorities of Middle Market clients?
- How can advisors reach the Middle Market with today's product lineup?
- What does a public/private collaboration look like?





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# Questions & Answers



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