

Planning long term

How long-term care insurance can benefit you in your golden years

Many Americans do not financially plan in advance for their long-term health care needs. Others mistakenly assume that Medicare or standard traditional health insurance policies will cover the expense of long-term care provided through such services as nursing home facilities or assisted living residence.

The cost of these services, which average more than \$65,000 annually, can be one of the single biggest risks to retirement assets and income. Because of this, many employers are offering their employees long-term care insurance.

Long-term care insurance can help employees retain assets set aside for retirement, while helping them remain independent by allowing them to pay for their own care instead of burdening their families.

"More and more financial advisers are viewing long-term care insurance as one component of asset protection when developing long-term financial plans," says Nancy Pokorny, vice president of business development at the Council of Smaller Enterprises (COSE).

Smart Business spoke with Pokorny about long-term care and why it's so important to the futures of you and your employees.

What is long-term care?

Long-term care is the service and support required if individuals are no longer able to care for themselves. One may need long-term care if he or she has an extended physical illness, a disability or a cognitive impairment. Care can be provided in a nursing home, assisted living facility, adult day care center or at home. Long-term care differs from traditional medical care because it may not help to improve or correct medical ailments.

Are there any tax advantages to providing long-term care insurance?

Yes. And in many cases, businesses can experience a 'tax-free trifecta.' Depending on how your business is organized and how the long-term care insurance plan is structured, you may find that premiums are tax deductible, premiums are not considered imputed income, and benefits are not taxable at the time of the claim. Additionally, premi-



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ums for business owners may be paid through the business, creating significant savings for business owners.

What should employers consider when offering a long-term care insurance program?

One of the first questions to ask is whether to offer a group policy or individual policies. Since long-term care insurance is a key component of asset protection, individual employee needs may vary greatly. And, if the employer is not going to contribute to the coverage financially, it may be more advantageous to facilitate the offering of long-term care insurance as a nonsponsored voluntary benefit, rather than being faced with the additional burden of compliance with ERISA regulations. This part of the research by employers should be conducted thoroughly and with a knowledgeable adviser, because under certain conditions, even voluntary benefit offerings can fall under the ERISA umbrella.

Another consideration is deciding which insurance carriers' products to review. When

long-term care insurance was first offered, insurance carriers had little information regarding the best ways to set rates and design benefits. Some carriers guessed right, and others guessed wrong. As a result, over the last couple of decades, the market has flushed out the marginal carriers and several strong, financially sound carriers have emerged in this field. When researching a long-term care program, be sure to work with financially sound carriers that have a history of offering long-term care products.

What steps should an employer take when shopping for long-term care insurance?

First and foremost, speak to a long-term care specialist who comes highly recommended by one of your most trusted advisers, and consult with a tax specialist who can help you determine ways to maximize the tax benefits of offering a long-term care plan. Additionally, check with insurance rating services to verify the insurance company you are considering is financially secure, and contact the state government's office on aging or insurance department for additional information and regulations specific to the state in which you are considering offering benefits.

What is the Ohio Partnership for Long Term Care Insurance?

The Ohio Partnership for Long Term Care Insurance is a partnership between the state of Ohio and private insurance companies. It was created to encourage Ohioans to plan for their long-term health care needs. If you purchase a qualified partnership policy, you will gain coverage for long-term care services. You also will be allowed to keep more of your assets if you ever need to apply for Medicaid's long-term care services. Ohioans without a partnership policy who need Medicaid long-term care services must deplete almost all of their assets to qualify for the Medicaid program. <<

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