

# WASHINGTON STATE WAS FIRST, WHO IS NEXT?

As federal solutions for Long-Term Care (LTC) financing elude lawmakers, states are taking the lead in protecting their state budgets from the exorbitant costs of Medicaid-related Long-Term Care costs. Washington State is first to do so with its LTC Trust Act, currently slated to go into effect in January 2022. While some key components are being worked out, this will be a law that impacts every W-2 employee (tax payor) in the state of Washington. Other states are considering similar solutions to this massive problem and the devastating effects that caregiving brings to those who do not have a way to pay for LTC.

## The Facts

Governor Jay Inslee, (D) WA, signed House Bill 1087 into law in 2019, thus creating the Long-Term Care Trust Act, the nation's first publicly-funded Long-Term Care benefit for eligible residents. The Trust Act is due to be funded by a mandatory 0.58% payroll tax on all W-2 wage earners without cap on their income and remuneration. The only way to avoid this tax is to opt out by providing evidence of ownership of private LTC Insurance by July 24, 2021 (estimated).

The reasons for the Trust Act are to protect Washington's taxpayers from the future, rising costs of Long-Term Care that imperil the State's Medicaid program and will save an estimated \$470 million a year, or \$4 billion by 2052.

The LTC benefit is modest at best, with a benefit that may be of value to those who would end up using Medicaid to fund their LTC costs. It provides a lifetime Long-Term Care benefit of \$36,500 at \$100 a day. This is a maximum of 365 days which could be exhausted before the end of the year. There is an

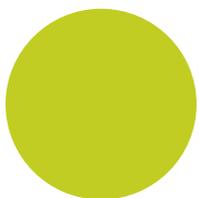
annually adjusted inflation component at a rate not to exceed Washington's Consumer Price Index (CPI). The benefits are not portable.

The Trust Act benefit translates into an estimated 4 hours/day of home care based on Genworth's Cost-of-Care Survey for Washington state, and in the Seattle metro area, LTC costs average \$6,700 a month for home care, \$7,000 for Assisted Living, and nearly \$12,000 for a private room in a nursing home. Accessing the benefits is challenging with vesting contingent upon a taxpayer contributing for 5 consecutive years of the past 10 to be eligible, excluding those close to retirement. Catastrophic LTC events like Alzheimer's & Dementia can last years and a recent RBC Centura study found these costs can average over \$500,000.\*

This is nowhere near enough to meet the needs of an aging population, many of whom require care from loved ones. Typically, working caregivers who are not paid to do this work and are facing financial, physical, and emotional costs. The sandwich generation, those middle-aged adults who are often caring for their aging parents and children, are most impacted. Employers are feeling the effects of this in lost productivity amongst its most skilled and well-compensated employees, and the Trust Act creates another set of challenges with HR in evidencing the employee has private Long-Term Care insurance (LTCi).

## Headache or Opportunity

As an LTC specialist who works as the Director of LTC Solutions for AHT Insurance, a Baldwin Risk Partner, I work with our team of Commercial Insurance Advisors specializing in all areas of risk management.



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With our Seattle office directly impacted by the Trust Act, I've been tasked with communicating the ins and outs of the Trust Act with its changes and moving deadlines to my colleagues, so they can advise their clients.

It was not until the February legislative session that the July 24th opt-out date was identified, creating a sense of urgency among my colleagues and everyone in Washington State that is a W-2 employee. As is customary, some people in the insurance industry used this as a way of ginning up fear to drive business their way.

My approach is holistic and, as a team, we have created sound and nuanced education to help calm the waters and create actionable solutions based on a market analysis and the specific needs of the client. My opinions of the Trust Act and its many deficiencies are irrelevant. My job is to help educate clients and the public about the importance of planning before a crisis strikes and find practical solutions on their timelines. Yes, I try to motivate clients to move forward with planning, but I do not rush decisions. The Trust Act has created a sense among many that they have to buy LTCi now just to avoid a tax. Their need for LTC is likely more nuanced and the odds of them needing care will not go away.

Do I wish that the Trust Act allowed for a better opt-out process that would allow those affected to not feel compelled to move with an artificial sense of urgency? Yes, I do. LTC should be a part of everyone's planning over time and be based on education and awareness, not an arbitrary deadline. I also wish the legislature had engaged with LTC specialists and Insurance Groups like NAIFA and WAHU at the beginning of this process.

Industry peers of mine, as well as organizations like AHIP, NAIFA, ACLI, and WAHU, have all sought a place at the table in Olympia to extend the exemption, which would lead to more residents purchasing private LTC insurance and, in turn, provide the state more savings. This is currently being considered in session.

The opportunities here are abundant, as every W-2 wage earner is now forced to consider LTC planning and the LTC Industry is poised to offer a wide range of products and solutions to meet the needs of the individual or group LTCi customer. As advisors, we all



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have a duty to work together to make this planning easy to understand and implement. Every Commercial, Employee Benefits, Personal Lines, and other specialist has clients they work with to protect what matters most, their homes, possessions, businesses, employees, and more. As insurance agents, it is incumbent upon us to go further and examine the very real and costly risks of LTC and have the conversation that leads to the best solution.

The headaches are often for those business owners or HR Directors who are suddenly faced with a barrage of questions from their employees as to the fact and fiction of the Trust Act and how to distinguish the two. Ideally, every business owner is working with their Employee Benefits team to educate their employees about the importance of LTC planning and a LTC specialist is an integral part of this process.

However, let me posit a bigger headache and one that could have professional consequences. What if as an advisor, whether a financial planner, Commercial, Employee Benefits, or other commercial insurance

specialist, you do not have the conversation and your client ends up needing LTC? Imagine if your clients' spouse or children ask the question, why didn't you protect Mom/Dad from this risk? You've protected their home/car/boat/retirement, but you never discussed LTC?

### COVID-19 & the New Reality

These conversations happen and can lead to a lost client or worse. The good news is that by partnering with a LTC specialist, you can protect your clients from the risks that so many people are not prepared for. COVID-19 has exposed so many realities in our lives, including the fact that many were not prepared for a crisis. Our already fragile healthcare system was not prepared for the pandemic and many adults were faced with their own mortality and vulnerability.

More people today are caregivers and COVID-19 has changed a lot about how consumers think about care. Genworth's recent survey found that 1 in 3 became caregivers during the pandemic, 24% are less confident of their financial futures, 3 out of 4 adults are now more willing to prioritize saving for the future, and 1 out of 3 Americans have recently acted in being better prepared financially regarding how they'd pay for future care.\*\*

Conversations about planning are more common than ever as we all have learned that everything can change in an instant and that our health is so fragile. There are 41.8 million family caregivers in the US today and of those, 6 in 10 report that they are working a full-time job. Of these, 61% report work related impacts from caregiving, such as taking a leave of absence, missing work, or leaving their jobs completely. Women account for most of this disruption, and estimates are that over 2 million women will not return to the work force due to COVID-19.^

I spoke with Larry Nisenson, the SVP & COO of

Genworth's Life Insurance Segment, who has also worked on CareScout's Caregiving Support Services, which helps provide expert support and guidance for those navigating the caregiving system.

I asked Larry about how employers and employees can communicate about caregiving and the best ways that employers can create a caring culture that incorporates caregiving resources into their benefits.



"It's vital that companies survey and listen to their employees on what COVID related support they need. When we speak with companies and caregivers, there is a clear disconnect between them and this is causing unnecessary stress. COVID has increased the number of unpaid caregiver to over 100 million and they are struggling with mental and physical illness, significant financial strain and being emotionally overwhelmed. Employers can and must, help ease this burden"

*Larry Nisenson, SVP & COO of Genworth's Life Insurance Segment*

Larry is correct and a further way to build awareness about the costs of caregiving is to incorporate Group LTCi. Tom Riekse, Managing Director of LTCI Partners - a national brokerage firm specializing exclusively in LTC solutions, had this to say about today's LTC market.

"The LTC Insurance market continues to evolve. In addition to well-known traditional types of coverage, increasingly carriers are combining life insurance products with LTC coverage. This creates a natural mortality/morbidity hedge for the carriers offering these plans. Today's plans have lots of options and price points, including some great group offerings."

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## The Road Ahead: Who is Next with a State LTC Plan and How to Prepare

The biggest lesson from Washington State's LTC Trust Act is that legislative change is very slow until it is not. The framework on the Trust Act moved quickly in February when the opt-out date was established for July of this year, prompting a great deal of activity among advisors, tax-payers, HR teams and business owners. Other states that are considering legislative action in the absence of federal action include Minnesota, California, Michigan, Illinois, and New York. There are some federal proposals that are more focused on tax credits for caregivers, like President Biden's plan. Senator Amy Klobuchar, (D) MN, has a plan that focuses on providing resources for family caregivers. And Senator Pat Toomey, (R) PA, has a plan that provides tax credits and access to retirement plans to pay for LTCi without penalties.

While all these plans are in the early stages, they warrant attention because the WA State LTC Trust Act has created a framework for a bill that, despite its many flaws, was passed into law. Politics aside, LTC and caregiving is a bipartisan issue. While we cannot control what the state does short of being involved on a legislative level, and we cannot control when and if we need LTC care, we can control planning for LTC.

Planning involves a conversation with trusted advisors and should focus on more than a will or trust. Have you considered an advanced medical directive, where you want to receive care, who will act on your behalf if you are incapacitated, how you'll pay for LTC? It may sound daunting but really is not. Cathy Sikorski, Esq., a friend and colleague of mine, is working on her fourth book about caregiving and planning. Her advice is "Advisors must recognize that LTC planning can no longer be an after-thought brought up by your clients. You have to begin the conversation today with your client and their team of experts to create a plan to protect their future."

I work every day with clients and advisors, all who are grappling with where to begin when it comes to LTC planning. I help uncover their concerns and desires

regarding LTC through a conversation focused on them. As the WA State Trust Act has uncovered, we all have a lot more to do in educating the public about why LTC planning is so important and to dispel myths about LTC. No, Medicare does not pay for LTC except in limited cases for brief periods. Yes, the LTC Industry is strong, it paid out \$10 billion in benefits last year ^^ and with many carriers and products for individuals or groups, there are lots of choices.

Whether or not your state is forcing the issue, approach LTC planning today, when you are healthy and in control. LTC insurance is affordable and there are many different types, whether you purchase it individually or through your employer. The importance of working with a specialist is evidenced by the rush of info, good and bad, occurring in WA today as a result of the Trust Act.

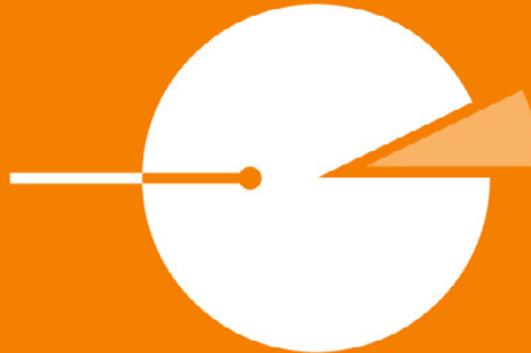
Planning for LTC need not be rushed due to a state's payroll tax. Planning should be holistic and based on someone's stage in life, as most people are planning for their children's education, their retirement, and LTC fits into timelines differently.

Lock in your health, protect your assets, preserve your independence, and let your loved ones be companions rather than caregivers by implementing a LTC plan today using affordable and flexible LTCi.

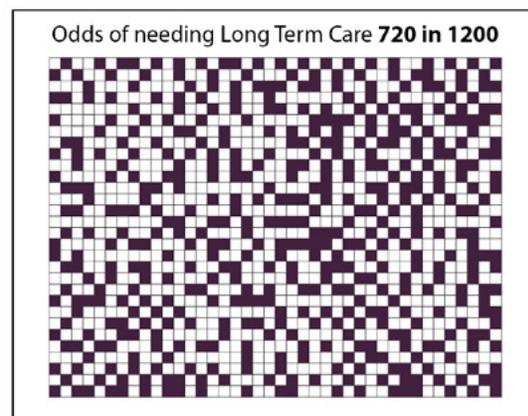
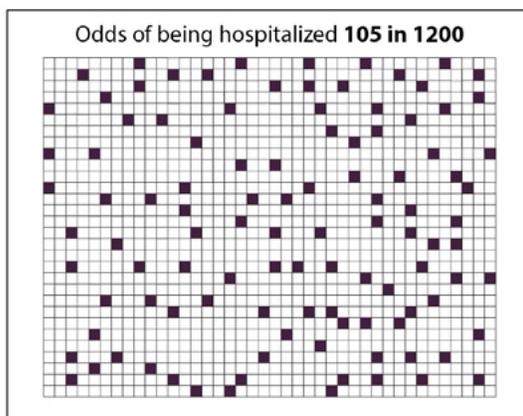
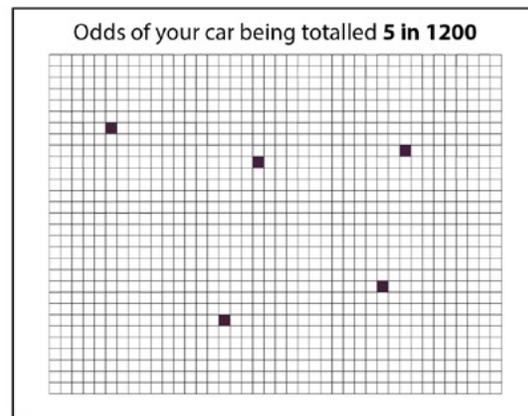
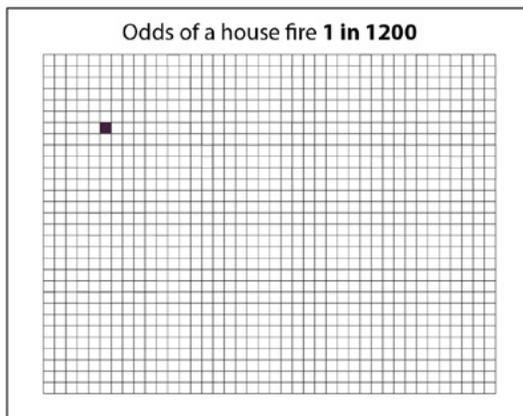
*This material has been prepared for informational purposes only. BRP Group, Inc. and its affiliates, do not provide tax, legal or accounting advice. Please consult with your own tax, legal or accounting professionals before engaging in any transaction. \*RBC Centura Caregiving & Dementia\* | \*\*Genworth's COVID-19 Consumer Sentiment Survey, 2020 | AARP/NAC 2020, \*\*McKinsey Covid Response Study | ^^ AALTCI*

# 90% of caregiver employees feel that they lack company support in some areas\*

Caregiver  
Employees



Findings of an online survey of 1,815 employee respondents conducted by Voya Financial in partnership with Lieberman Research Worldwide during the period of December 7, 2018 – January 14, 2019. [L](#)



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Seattle Area, WA

## Monthly Cost

2020

2050

### Home Health Care

Homemaker Services

\$6,670

\$16,190

Homemaker Health Aide

\$6,673

\$16,197

*Based on annual rate divided by 12 months (assumes 44 hours per week).*

### Adult Day Health Care

Adult Day Health Care

\$2,027

\$4,920

*Based on annual rate divided by 12 months.*

### Assisted Living Facility

Private, One Bedroom

\$6,750

\$16,384

*As reported, monthly rate, private, one bedroom.*

### Nursing Home Care

Semi-Private Room

\$10,624

\$25,787

Private Room

\$11,954

\$29,015

*Based on annual rate divided by 12 months.*

The information shown above is based on a specific scenario generated by the [Genworth 2020 Cost of Care](#). Future years are calculated by assuming an annual 3% growth rate. For more information and location comparison, visit [genworth.com/costofcare](http://genworth.com/costofcare).

