

WHY THIS MATTERS

Healthcare Planning

TFP

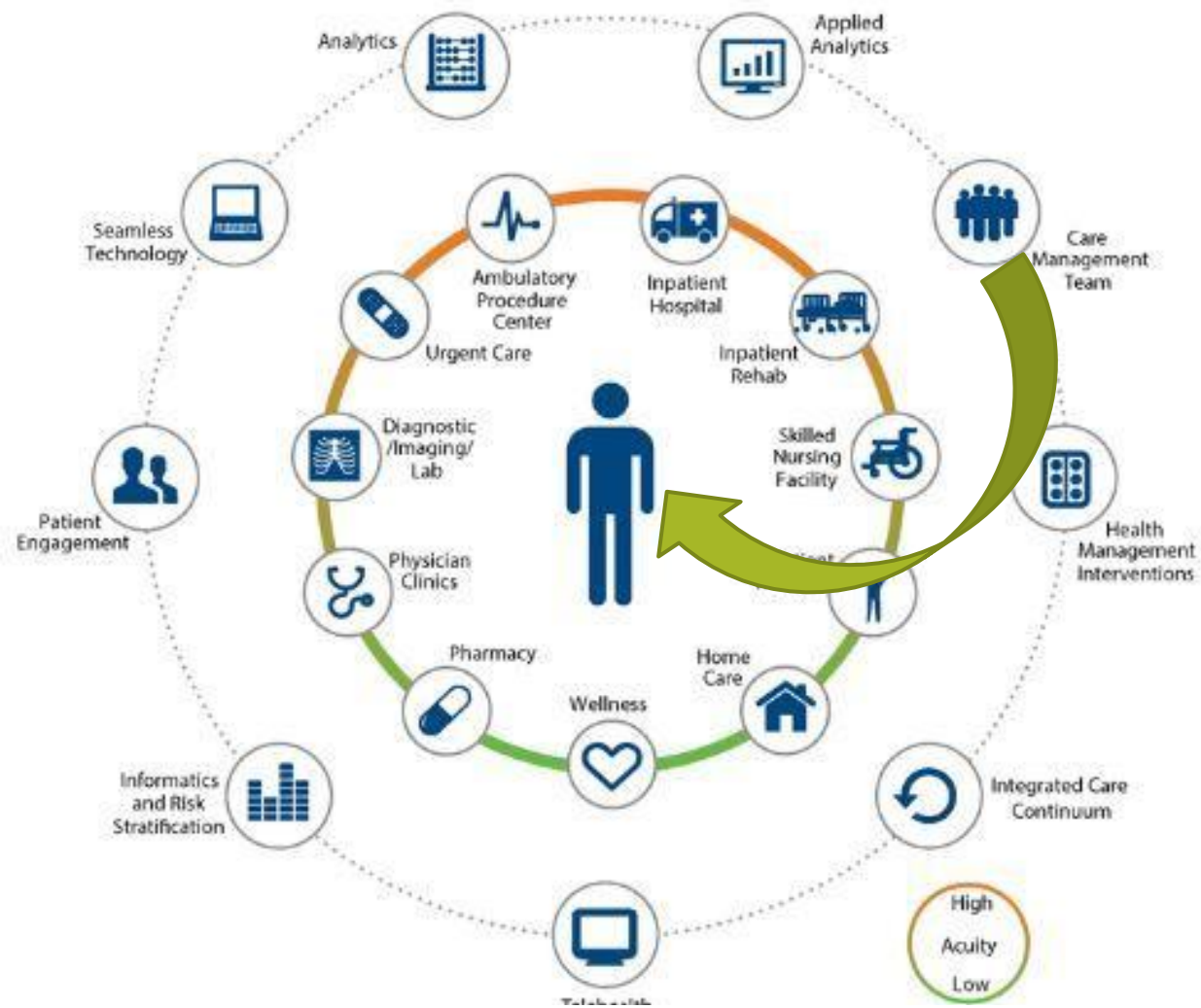
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What's New?

- Never before as advisors have we been in a position to influence 7 generations at once; many of us know a newborn and many of us know someone who is over 100-years-old.
- Many of us will live 30 years longer than our grandparents did.
- Planning in a 7 generation world requires broad perspective and new thinking.

So What?

- For many Americans the most significant threat to wealth is no longer estate taxation; it is the cost of custodial and long-term care in a population that is living past age 100 (with physical and/or mental challenges).



THE CURRENT MODEL

What is the Challenge?

- Aging populations + Increasing healthcare needs
 - 81 million Americans
- Increasing costs of healthcare services
 - \$3.2 trillion spent on medical care¹
 - US spends **more** on healthcare than other industrialized nations;
- Outpacing inflation



¹ McKinsey Global Institutes, 2008

Leading Cause of Personal Bankruptcies is...

Medical expenses

*"A recent Harvard University study showed that medical expenses account for approximately 62 percent of personal bankruptcies in the US. Interestingly, the study also showed that 72 percent of those who filed for bankruptcy due to medical expenses had some type of health insurance, thus debunking the myth that only the uninsured face financial catastrophes due to medical-related expenses."*¹

¹ http://www.huffingtonpost.com/simple-thrifty-living/top-10-reasons-people-go-_b_6887642.html

Phases of “Retirement”

Active – can last into late
70s – early 80s

Passive – typically 10 to 15
years

Final – last 3 to 5 years

Difficult Conversation Topics

- **Aging is not a choice, but you can choose...**
 - Where to live
 - Housing types
 - Who is there
 - Routine assistance
 - Treatment plan
 - Medical
 - End of Life
- **Who pays for it?**
 - *What are we buying?*



Designing a Plan

- **Administration**
 - Who is making decisions/planning?
 - How are the decisions made?
 - What is a fiduciary?
- **Operations**
 - Who is “executing the plan”?
 - Resources – What are my (and my family’s) personal cost/benefits analysis for these options?
 - Time
 - Money
 - *What is caregiver fatigue?*
- **What about Plan B?**

Healthcare Costs – and who pays the bills?

- **Healthcare costs rising 5-7% annually; SS increases 2% annually**
 - 5.5 million current Alzheimer's diagnoses-\$250B in caregiving costs
 - By 2050, will be 16 million-\$1.1T in caregiving costs
- **Medicare only covers about 51% of the average couple's healthcare costs**
 - This doesn't include caregiving costs
 - Caveat
- *How does the other 49% get paid?*
- *Who is paying for caregivers?*

Caveat – *The world keeps changing*

- Non-skilled in-home care services will be allowed as a supplemental benefit for Medicare Advantage (MA) plans in 2019, the Centers for Medicare & Medicaid Services (CMS) announced in a final rule issued Monday (4/23/18).
- The benefit marks the first time CMS has allowed supplemental benefits that include daily maintenance in Medicare Advantage. Under the new definition, the agency will allow supplemental benefits if they compensate for physical impairments, diminish the impact of injuries or health conditions, and/or reduce avoidable emergency room utilization.

Cost considerations (*it's expensive*)



- **What are typical costs of care? i.e. out of pocket expenses**
 - Assistance with Activities of Daily Living
 - Housing and Transportation
 - Alternative or additional therapies, equipment, drugs, etc.
 - Care Management
- **Other sunk costs**
 - Travel
 - Time from Work/Family
 - Legal

Care Coordination

- Average patient costs of those with uncoordinated care were **75% higher** than patients with coordinated care
- Studies show enhanced care coordination could **reduce** 35% of costs



Care coordination results in better care at lower cost, particularly for populations with multiple health and social needs

How to Mitigate the Crisis?

Conflict of interest - who will be in charge of medical issues; financial and is there a conflict in the role/responsibility

Pre-death will contests

Guardianship/conservatorship planning challenges

Caregiver children and caregiver contracts

Planning and Dementia

The “Prince Charles Syndrome”

When the oldest generation is competent (Queen Elizabeth); is there a “lost generation” who spent their entire lives waiting for something that may never happen?

What are the financial expectations/consequences of this? (intentional financial planning matters).

What are the family system consequences of this?

The Right Advisory Team

- Health
- Financial
- Legal

Financial Plan

- How much cash?
- Health insurance benefits
 - What does Medicare really pay for?
- What types of payment vehicles?

Legal Plan

- Current (within 3-5 years) medical, durable POAs
 - Include at least 3 potential agents
- Advance directives for health/care options
 - Five Wishes/Age Your Way

For a Viable Care Plan, the needs are...

- *Thank you* -



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Health Advocacy Services

- Should Include:
 - Comprehensive care management;
 - Care coordination and health promotion;
 - Comprehensive transitional care;
 - Patient and family support;
 - Referral to community and social support services;
 - The use of health information technology to support these services

Health advocates **connect, coordinate, and integrate** the many services and supports