

Pending New York state long-term care payroll tax

Welcome and thanks for your valuable time!

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PENDING NEW YORK STATE LONG-TERM CARE PAYROLL TAX

BROUGHT TO YOU BY LAWLEY AND THE VOLUNTARY BENEFITS SHOP

PROPOSED LTC TRUST ACT IN NY AND HOW IT IMPACTS YOU

Proposed tax schedule options

	Tax of 0.5%	Tax of 0.75%	Tax of 1.0%
Taxable Income of \$50,000	\$250	\$375	\$500
Taxable Income of \$100,000	\$500	\$750	\$1,000
Taxable Income of \$250,000	\$1,250	\$1,875	\$2,500
Taxable Income of \$500,000	\$2,500	\$3,750	\$5,000

What: Payroll tax to fund a state-run long term care fund for anyone working in the state of NY

Why: Address the challenges of long-term care, including aging population, strain on programs like Medicaid and Medicare, and scarce LTC options

When: The effective date has not been determined as the proposed legislation has not yet passed

Options:

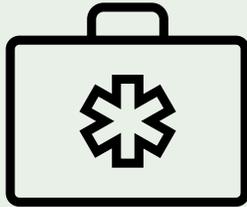
- Opt-in to the State-Funded LTC plan via tax (sample tax schedule, left)
- Secure Private LTC coverage for your employees to opt-out of the tax

Consider: Compare Costs, Compare Benefits, Prepare for Implementation

STAYING AHEAD OF THE LONG-TERM CARE CRISIS

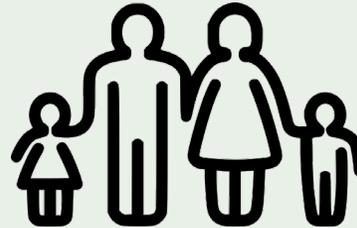
Changing demographics, shrinking stand-alone long-term care insurance options and new legislation have all culminated in what some are calling “the long-term care crisis.” To help combat this many employers are now offering hybrid life and long-term care programs as a voluntary benefit.

Impending crisis: By the numbers



Changing demographics and the need

- By 2030 there will be more people over the age of 65 than under 18. 70% of those over 65 will need long-term care.
- 42% of households would feel adverse financial impacts within six months if a primary wage earner died. (2021 LIMRA Facts About Life)



The cost of care

- The median annual cost for an in-home health aid is \$55,000 with even higher costs for nursing home care.
- Care in a nursing home was \$94,900 annually and a private room in a nursing home was \$108,405. (Genworth 2022 Cost of Care Survey, January 2022)



Shrinking stand-alone LTC options

- While there were more than 100 companies selling LTC insurance at the turn of the 21st century, today fewer than ten sell a meaningful number of policies.
- These plans often require rigorous underwriting that can exclude those who may need it most.

THE LONG-TERM CARE DISCONNECT

70% of Americans over age 65 will need Long-Term Care Services (U.S. Department of Health and Human Services, 2021)

Average lifetime Long-Term Care costs are \$172,000 per person (SHRM HR-Magazine)

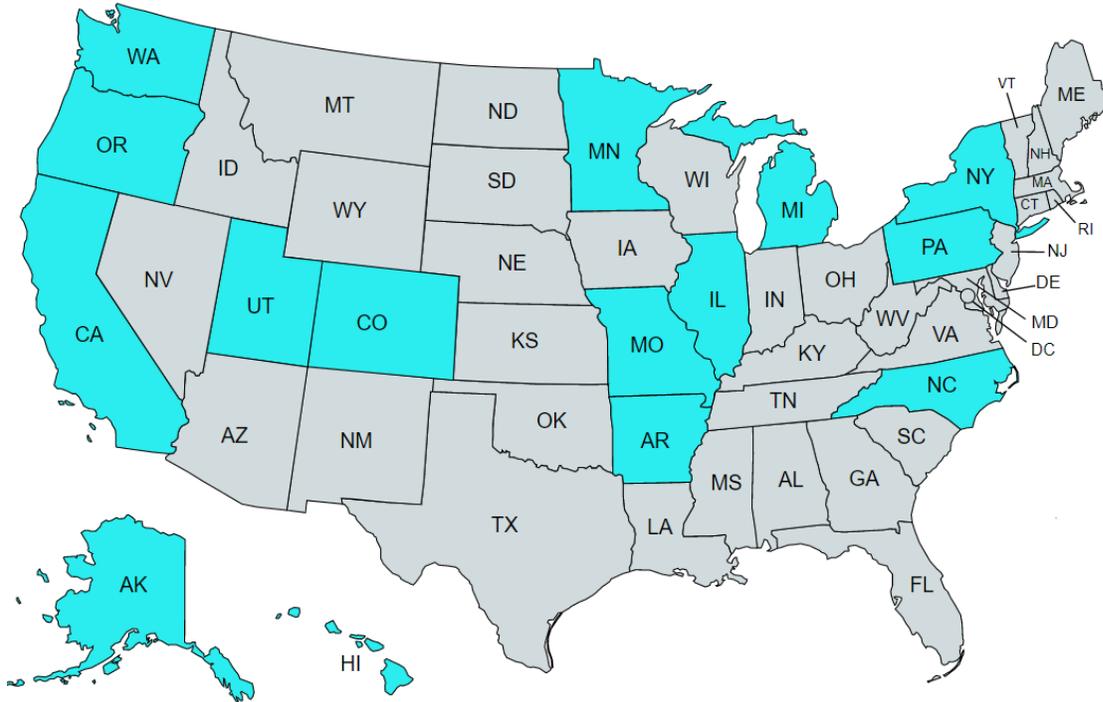
Many people believe that health insurance, Medicare, Medicaid or The Affordable Care Act will cover these costs

Only 32% of employers offer Long-Term Care insurance as an employee benefit (SHRM HR-Magazine)

Fewer than 1 in 30 Americans own a Long-Term Care insurance policy. Only about 7% of adults over age 50 have LTC (The American Prospect)

Long-Term Care is one of the most requested benefits by Executives

UPCOMING LEGISLATION



Today a growing number of states are looking at creating similar long-term care legislation including:

Alaska
Arkansas
California

Colorado
Hawaii
Illinois

Michigan
Minnesota
Missouri
New York

North Carolina
Oregon
Pennsylvania
Utah

Washington state legislation brings the challenge into focus

Washington state recently rolled out new legislation to help address the challenge of long-term care. Employees would pay a .58% payroll tax to fund a state-run LTC plan unless they could provide proof of qualifying long-term care coverage.

This state-run plan has several limitations such as:

- A low lifetime maximum benefit (up to \$100 per day, lifetime maximum of \$36,500)
- The benefit could only be utilized if one was living in the state of Washington

The results?

Thousands of employers scrambled to find an LTC solution, to help employees avoid the tax and receive a more benefit-rich option using employee funded, payroll deducted solutions.

[PA & NY - Set to Mirror WA LTC Tax - Shorter OPT Out Likely](#)

What's happening in New York?

- The “Long Term Care Trust Act” introduced in May 2022
- This version did not include an opt out for hybrid products
- Expected to be reintroduced at the start of the next session
- Life carriers are working with the Life Insurance Council of New York to include hybrid products



How it Works:

**Products may vary by state and carrier*

AT TIME OF DEATH

Benefit is paid to beneficiary at time of death.

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EXTENSION OF BENEFITS

When the initial death benefit is exhausted from using the Living Benefit Rider, the Extension of Benefits Rider will reload the LBR to the original face amount to be used for another 25 months. It will also provide a 25% paid up life insurance policy.



TERMINAL ILLNESS

If the policyholder is diagnosed with an illness where they are expected to pass away in the next 12 months, they can advance up to 75% of the death benefit to help with any costs.

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LIVING BENEFIT RIDER

If the policyholder cannot perform two or more activities of daily living, they can advance 4% of their death benefit per month for 25 months for care.

6 Activities of Daily Living (ADL's)

Bathing

Dressing

Toileting

Maintaining Continence

Transferring

Eating

****The trigger for Long Term Care is the inability to perform 2 of the 6 ADL's****

How it Works Example:

\$100,000 Life Insurance Policy with Living Benefit Rider

**Products may vary by state and carrier*

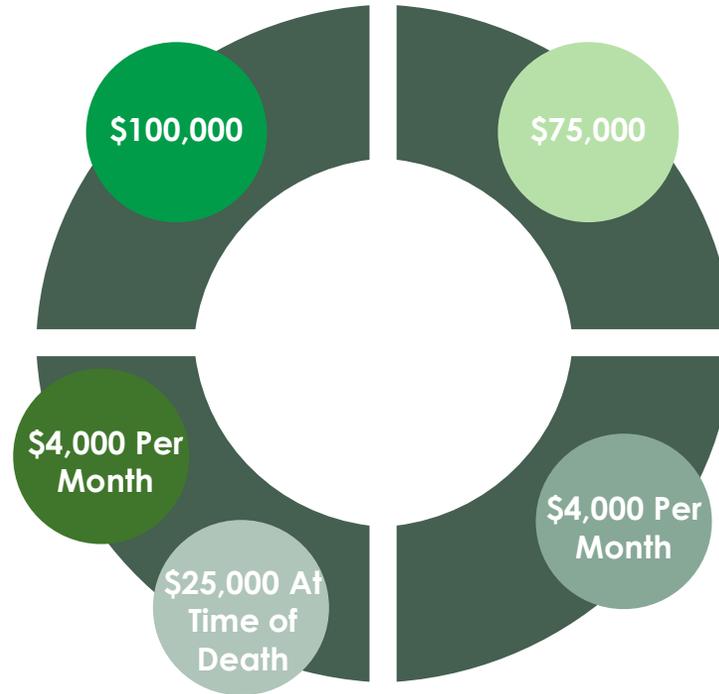
AT TIME OF DEATH

Beneficiary is paid the \$100,000 death benefit

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EXTENSION OF BENEFITS

Once the original death benefit is exhausted, the Extension of Benefits Rider will provide LBR coverage for another 25 months at \$4,000 per month, as well as a \$25,000 Life Policy.



TERMINAL ILLNESS

Policyholder will receive up to \$75,000 to pay for care, treatment and other costs while they are alive. The balance of the policy benefit is paid to the beneficiary upon death.

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LIVING BENEFIT RIDER

If the policyholder cannot perform two or more activities of daily living, they will receive \$4,000 per month up to 25 months. Benefits are paid after a 90-day elimination period

6 Activities of Daily Living (ADL's)

Bathing

Dressing

Toileting

Maintaining Continence

Transferring

Eating

****The trigger for Long Term Care is the inability to perform 2 of the 6 ADL's****

SAMPLE UNDERWRITING OFFER

Enrollee	Guaranteed Issue	Conditional Guaranteed Issue (2 health questions)	Simplified Issue (4 health questions)
Employee	\$150,000	\$200,000	\$500,000
Spouse	\$15,000	\$25,000	\$100,000
Child or Grandchildren	\$25,000	N/A	N/A

**Underwriting may vary upon number of employees and carriers*

	Transamerica		Trustmark	Allstate		Chubb	
Plan Type	Universal Life		Universal Life	Universal Life	Whole Life		Term Life (to age 120)
Guaranteed Issue	OFFER 1 - E - \$150,000 S - \$25,000 C - \$25,000 Child Term Rider - \$20,000	OFFER 2 - E - \$200,000 S - \$50,000 C - \$25,000 Child Term Rider - \$20,000	E - \$125,000 S - \$15,000 C - \$15.08-\$20.50 Monthly Premium Money Buy	E - \$200,000 S - \$75,000 Working Spouse S - \$10,000 Non-Working Spouse C - \$20,000	E - \$200,000 S - \$75,000 Working Spouse S - \$10,000 Non-Working Spouse C - \$20,000	E - \$150,000 S - \$25,000 C - \$25,000	
CGI OR MGI?	E - \$200,000 S - \$25,000 C - \$25,000		MGI: E - \$150,000 S - \$15,000 C - \$15.08-\$20.50 Monthly Premium Money Buy	N/A		N/A	
Maximum Benefit	E - \$500,000 S - \$100,000 C - \$25,000	E - \$300,000 S - \$300,000 C - \$15.08-\$20.50 Monthly Premium Money Buy	E - \$250,000 S - \$150,000 C - \$20,000	E - \$250,000 S - \$150,000 C - \$20,000	E - \$250,000 S - \$150,000 C - \$20,000	E \$150,000 S - \$75,000 C - \$25,000	
Eligible Ages	E - 16-80 S - 16-65 C - Under 26	E - 18-75 S - 18-75 C - Under 23	E - 18-70 GI 71-80 SI S - 18-70 GI 71-80 SI C - Under 18 GI 19-24 SI	E - 18-70 GI 71-80 SI S - 18-70 GI 71-80 SI C - Under 18 GI 19-24 SI	E - 18-70 GI 71-80 SI S - 18-70 GI 71-80 SI C - Under 18 GI 19-24 SI	E - 19-70 GI 71-80 SI S - 19-60 61-70 SI C - 15 days-25	
Accelerated Death Benefit Amount	75%		75%	75%	75%	50%	
Type of Living Benefits Rider	LBR		LTC	LTC	LTC	LTC	
Living Benefits for Long Term Care Rider Percentage	4%		4%	4%	4%	4%	
Does Plan Cover Informal Care	Yes, Just inability to perform 2 of the 6 ADL's		No, Must be certified Care Giver	No, Must be certified Care Giver	No, Must be certified Care Giver	No, Must be certified Care Giver	
Living Benefits for Long Term Care Rider Benefit Duration Period	25 months, with additional 25 months extension (total 50)	25 months, with additional 25 months extension (total 50)	25 months, with additional 25 months extension (total 50)	25 months, with additional 25 months extension (total 50)	25 months, with additional 25 months extension (total 50)	OFFER 1 - 25 months	OFFER 2 - 75 months
Living Benefits for Long Term Care Rider Elimination Period	90 Days		90 Days	90 Days	90 Days	90 Days	
Trigger for Living Benefits for Long Term Care	Loss of 2 out of 6 ADL's or cognitive impairment		Loss of 2 out of 6 ADL's or cognitive impairment, must have cost incurred	Loss of 2 out of 6 ADL's or cognitive impairment, must have cost incurred	Loss of 2 out of 6 ADL's or cognitive impairment, must have cost incurred	Loss of 2 out of 6 ADL's or cognitive impairment, must have cost incurred	
Does the Condition need to be expected to be permanent?	Yes		No	No	No	No	
Death Benefit Restoration	25% Paid-Up Life Insurance Benefit Restores		100% Life Insurance Face Amount Restores if death occurs before age 70	No	No	50% Life Insurance Face Amount Restores	
Benefit Reduction	None		2/3 at 70	None	None	Possible up to 50% at age 70 or after 25 years, whichever is later	
Included Riders	Accelerated Death Benefit for Terminal Condition, Accelerated Death Benefit for Chronic Care Ext of Benefits (provides additional 25 months), Waiver of Monthly Deductions for Layoff or Strike		Long Term Care, Death Benefit Restoration, Extension of LTC (provides additional 25 months)	Accelerated Death Benefit for Long Term Care Rider, Extension of Benefits for Long Term Care Rider, Accelerated Death Benefit for Terminal Illness or Condition,	Accelerated Death Benefit for Long Term Care Rider, Extension of Benefits for Long Term Care Rider, Accelerated Death Benefit for Terminal Illness or Condition,	Accelerated Death Benefit for Terminal Illness, Accelerated Death Benefit for LTC, Ext for Benefits for LTC (provides additional 25 months), Restoration of Death Benefits	
Guaranteed Cash-Value Interest Rate	3%		3%	4%	3%	No Cash Value	
Min Participation	OFFER 1 - 10 Apps	OFFER 2 - 10%	10 Apps	10 Apps	5 Apps	10 Apps	

SAMPLE MONTHLY RATE COMPARISON

**Rates based on a \$50,000
benefit amount*

Age	Transamerica	Trustmark	Allstate - UL	Allstate - WL	Chubb	Chubb - 75-month LTC
Non-Tobacco						
20	\$23.17	\$23.22	\$21.47	\$27.30	\$21.92	\$22.75
25	\$28.15	\$25.09	\$24.18	\$27.30	\$24.29	\$25.04
30	\$34.32	\$28.79	\$30.42	\$34.21	\$28.71	\$29.87
35	\$42.40	\$34.74	\$35.63	\$44.00	\$35.71	\$37.00
40	\$55.28	\$43.55	\$46.92	\$58.00	\$46.62	\$47.91
45	\$71.83	\$56.52	\$56.71	\$76.71	\$60.71	\$62.12
50	\$98.73	\$71.60	\$77.30	\$103.38	\$85.83	\$85.70
55	\$132.66	\$96.17	\$96.18	\$143.92	\$116.83	\$114.25
60	\$187.85	\$130.42	\$140.15	\$206.79	\$171.20	\$166.49
65	\$261.80	\$264.30	\$193.92	\$299.34	\$256.82	\$247.49
Tobacco						
20	\$30.86	\$31.17	\$36.26	\$45.21	\$28.79	\$29.00
25	\$37.30	\$34.19	\$43.72	\$45.21	\$32.87	\$32.92
30	\$46.59	\$39.80	\$52.00	\$56.50	\$38.75	\$39.42
35	\$58.37	\$48.38	\$63.46	\$70.71	\$47.66	\$48.96
40	\$75.46	\$63.49	\$78.13	\$91.25	\$61.87	\$62.66
45	\$96.84	\$85.97	\$99.55	\$119.25	\$83.41	\$84.16
50	\$130.19	\$116.02	\$131.80	\$156.59	\$115.91	\$116.45
55	\$173.36	\$165.19	\$177.42	\$209.21	\$159.99	\$158.29
60	\$234.42	\$228.26	\$245.96	\$282.92	\$230.62	\$227.45
65	\$317.74	\$371.35	\$346.55	\$378.63	\$342.07	\$335.69



SAMPLE CLIENT PROFILES

Number of Employees	Industry	Number of Enrollees
1,100	Healthcare Network	420
650	Defense Technology Firm	151
400	Financial Services Firm	75
350	Interstate Trucking Company	104
220	Law Firm	82
210	Toll Road Operation	70
160	Business Consulting Firm	45
75	HVAC Company	27
23	Engineering Consulting Firm	10

EMPLOYEE ENGAGEMENT

Employee communication via email, text and ringless voicemail

Digital postcards

Employee resource center

Live and recorded webinars

Digital Postcard / Employee Resource Examples – *Click below links to see examples*

- <https://flimp.live/VBS-Transamerica-Universal-Life>

DATES**ACTION ITEM****STEP ONE**

- Review carrier proposals and make a recommendation

STEP TWO

Project kickoff call to –

- Complete carrier set-up
- Confirm timeline
- Review communication options
- Review billing process

STEP THREE

- Finalize employee communications

STEP FOUR

- Employee communications, education and enrollments begin

STEP FIVE

- Enrollment ends
- Enrollment data provided to the carriers and client

STEP SIX

- Coverage begins
- Payroll deductions begin

Questions

- We will continue to keep you updated on any legislative updates as they develop
- Reach out to your Lawley Account Team to coordinate a one-on-one discussion or to obtain specific proposals and rates for your organization

Thank You for your time!

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