Mastering Advanced Financial Screening

Presenter

Lynn Guastello
Consultant
A.V. Powell & Associates LLC
lynn.guastello@avpowell.com
404.845.0360. x574

A.V. POWELL & ASSOCIATES LLC
FORCAST USERS GROUP

Learning Objectives

1. Analyze FINAID summary reports to quantify the financial aid risk and potential reserve liability a prospective resident presents to the community's benevolence fund.

2. Navigate the new FINAID interface to calculate a prospective resident's long-term financial viability.

A.V. POWELL & ASSOCIATES LLC
FORCAST USERS GROUP

Why doesn’t net worth tell the ***whole*** story?

A.V. POWELL & ASSOCIATES LLC
FORCAST USERS GROUP

Which applicant represents greater financial risk to the community?

Prospect A

Net Worth

$2,000,000

Prospect B

Net Worth

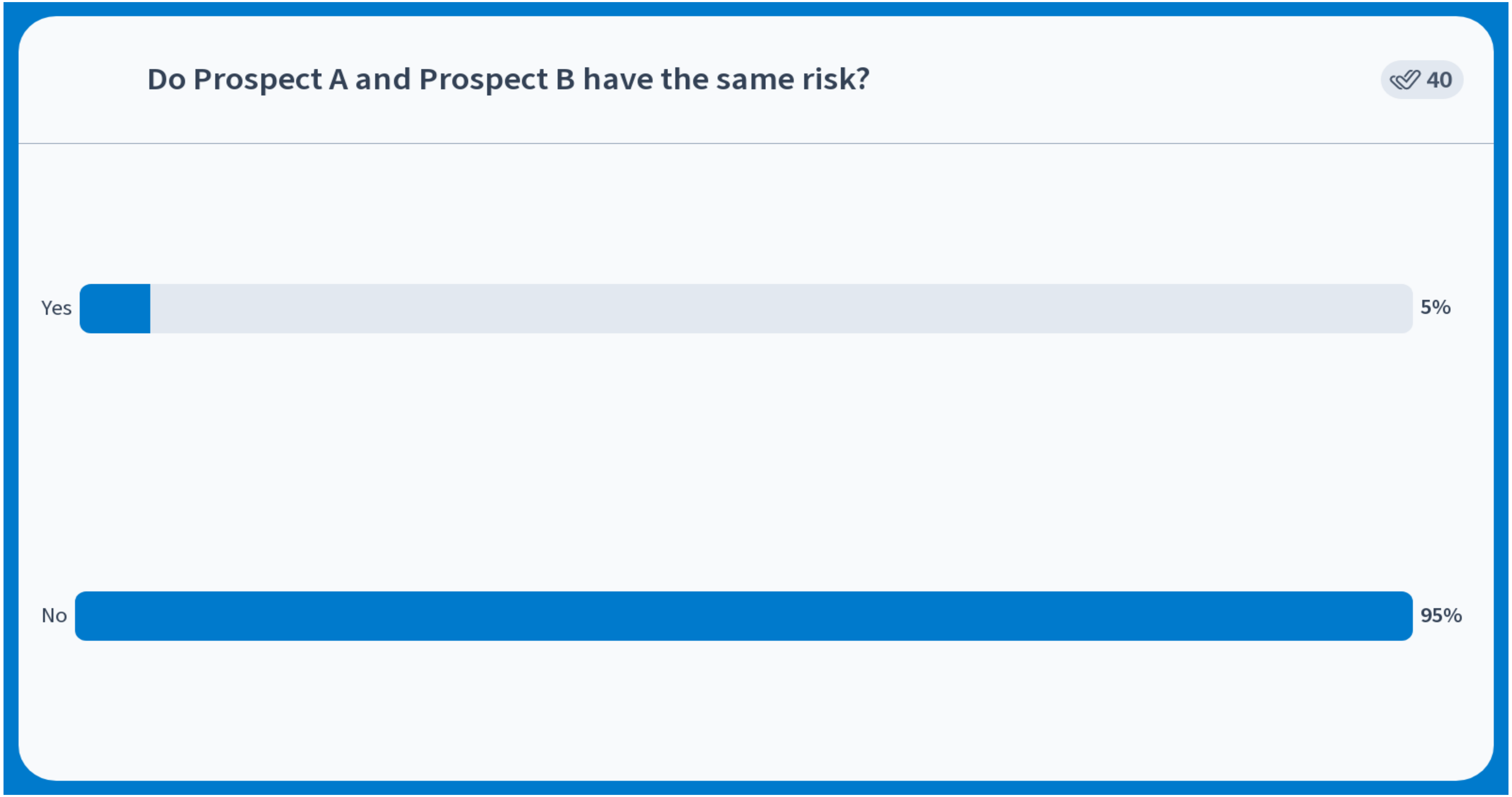
$2,000,000

A.V. POWELL & ASSOCIATES LLC
FORCAST USERS GROUP

Prospect Profiles

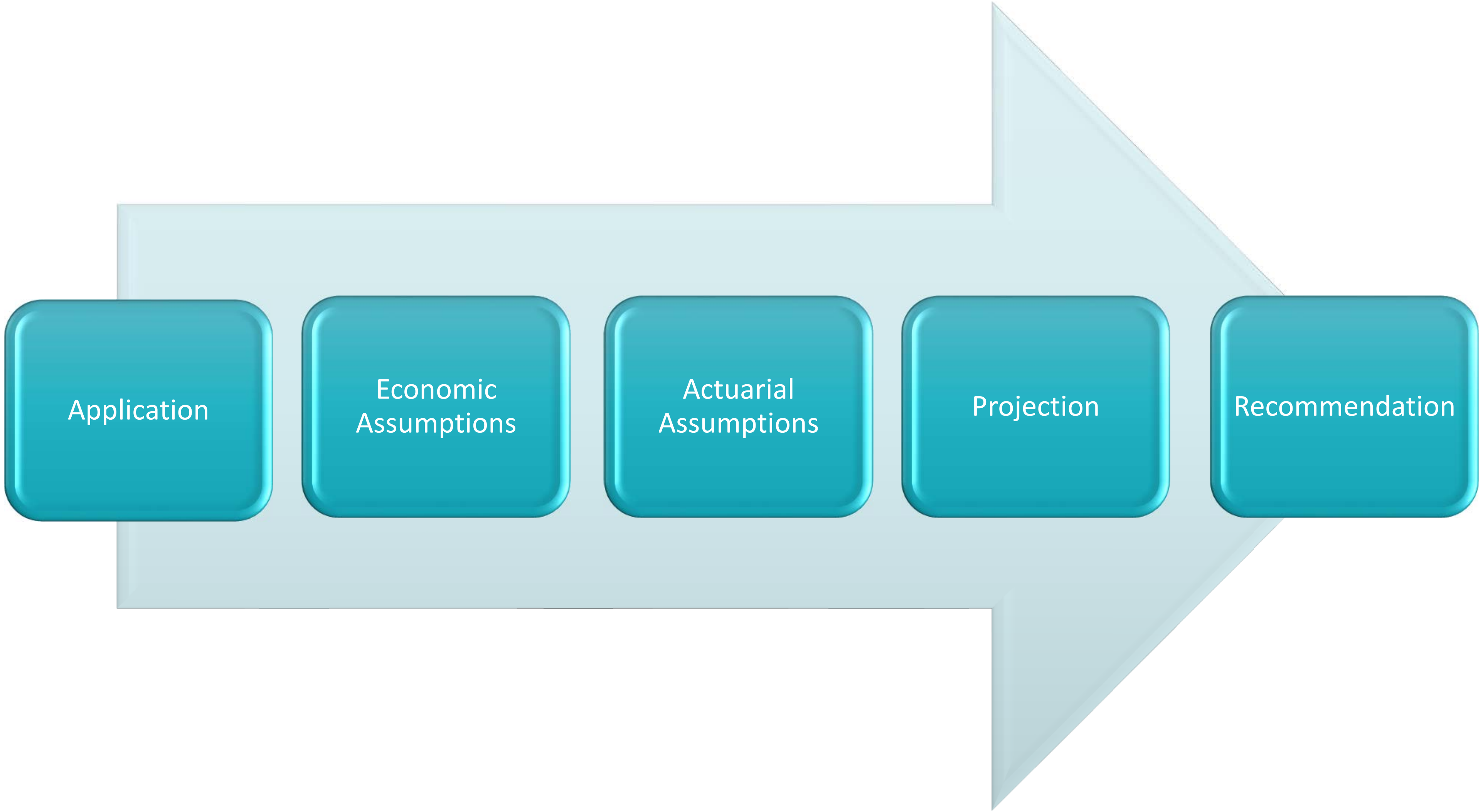
Prospect A	Prospect B
Male	Female
Age 77	Age 81
Single	Married
Low spending	High spending
Stocks/Bonds	Savings
IRA	Pension

A.V. POWELL
& ASSOCIATES LLC
FORCAST USERS GROUP



A.V. POWELL & ASSOCIATES LLC
FORCAST USERS GROUP

Financial Qualification Process



A.V. POWELL & ASSOCIATES LLC
FORCAST USERS GROUP

What Drives the Results?

A.V. POWELL & ASSOCIATES LLC
FORCAST USERS GROUP

Financial Application

- Estimated monthly expenses
- Assets
  - ✓ Real Estate Assets
  - ✓ Savings / CD's
  - ✓ Investments
- Income
  - ✓ Retirement Plans / Pensions
  - ✓ Traditional IRA's/Roth IRA's/401k's
  - ✓ Social Security
- Information on LTC policies

Actuarial Assumptions

- AVP Standard Decrements
- Customized Actuarial Decrements

Benevolence Policy

- Financial screening is managing liabilities
- Procedure for setting qualification guidelines

a. Assess community's financial resources
  - ✓ Actual reserves
  - ✓ Current resident liabilities
  - ✓ Annual benevolence fund-raising
  - ✓ Future aid "limit" not to exceed capabilities

b. Board or management approval of guidelines

c. Exceptions

A.V. POWELL & ASSOCIATES LLC
FORCAST USERS GROUP

Determining Annual Benevolence Acceptance

- Annually designate $100,000 for future benevolence liabilities
- Accept 50 new entrants each year
- Willing to accept 10 potentially requiring aid
- $100,000/10 = $10,000
- RED alert status should be set to >$10,000

A.V. POWELL
& ASSOCIATES LLC
FORCAST USERS GROUP

Prospect A

EDDIE, COUSIN (Male 77) ID=1
Expected Entry Date = 07/24/2026
(Number of Iterations = 2000)

	Average	50th Percentile	75th Percentile	95th Percentile
Total Subsidy	711,239	354,293	1,162,167	2,388,161
Present Value of Subsidy	398,728	224,496	687,959	1,246,088
Expected 1st Year of Subsidy	10	10	10	10
Expected Lifetime	12.3	12.5	17.5	22.5
Remaining Assets	135,664	0	0	0
Present Value of Remaining Assets	117,828	0	0	0

ALERT STATUS: RED

Probability of subsidy during lifetime: 64.5% (probability of $0 subsidy during lifetime: 35.5%)

A.V. POWELL & ASSOCIATES LLC FORCAST USERS GROUP

Prospect B

GRISWOLD, ELLEN (Female 81) ID=2
Expected Entry Date = 07/24/2026
(Number of Iterations = 2000)

	Average	50th Percentile	75th Percentile	95th Percentile
Total Subsidy	776,256	519,227	1,272,427	2,398,983
Present Value of Subsidy	507,209	395,465	818,964	1,359,990
Expected 1st Year of Subsidy	5	5	5	5
Expected Lifetime	11.7	11.5	15.5	21.5
Remaining Assets	399,790	203,661	0	0
Present Value of Remaining Assets	270,654	163,928	0	0

ALERT STATUS: RED

Probability of subsidy during lifetime: 82.3% (probability of $0 subsidy during lifetime: 17.7%)

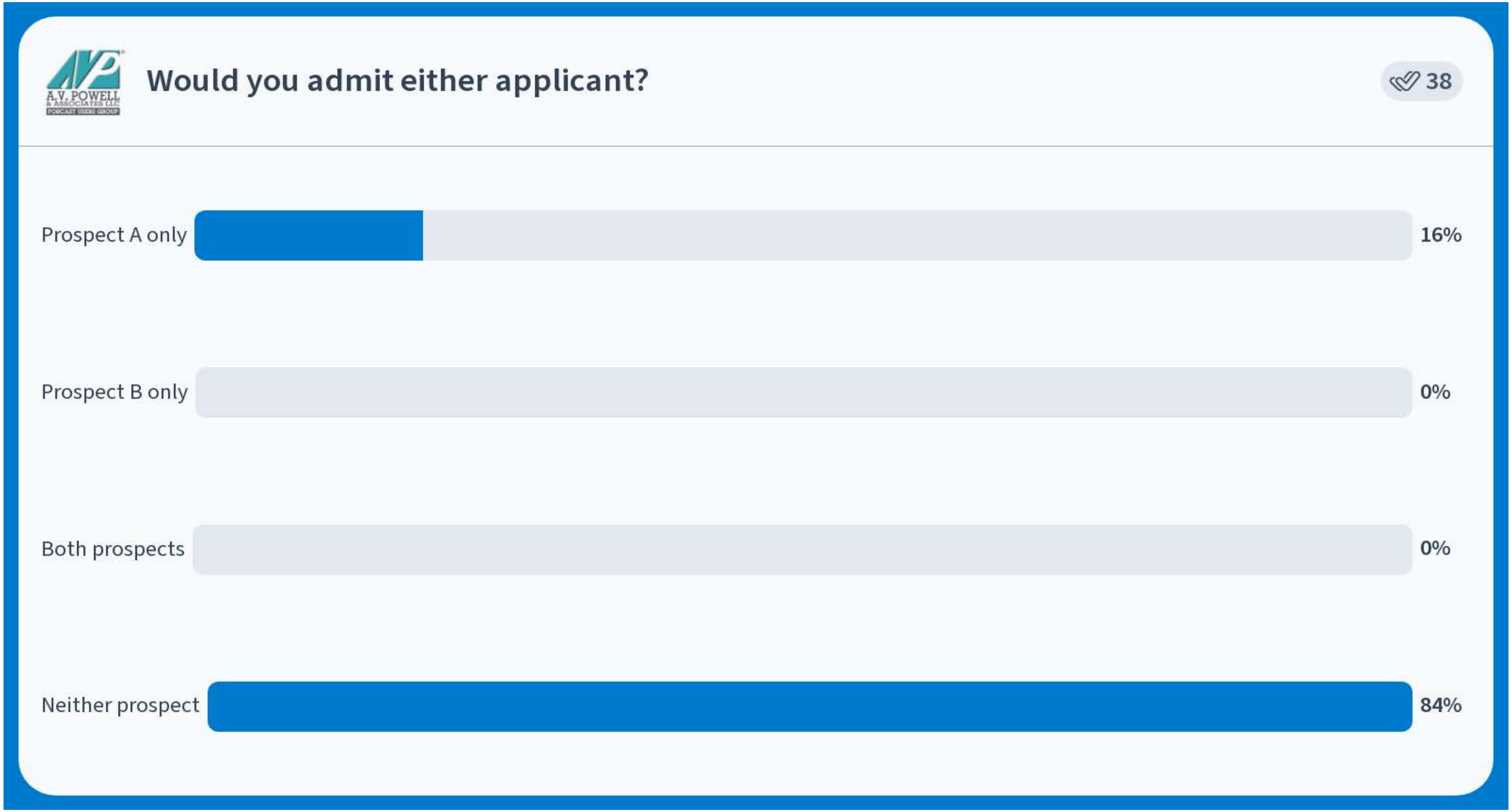
A.V. POWELL & ASSOCIATES LLC
FORCAST USERS GROUP

Same Net Worth. Different Financial Exposure.

	Prospect A: Cousin Eddie	Prospect B: Ellen Griswold
Probability of Subsidy	64.5%	82.3%
Expected 1st Year of Subsidy	10	5
PV of Subsidy	687,959	818,964

Small differences in demographics and actuarial assumptions
can meaningfully change a community's expected financial exposure.

A.V. POWELL & ASSOCIATES LLC
FORCAST USERS GROUP


Would you admit either applicant?
38
Prospect A only
16%
Prospect B only
0%
Both prospects
0%
Neither prospect
84%

Financial Screening of a Couple

GRISWOLD, ELLEN (Female 81) and GRISWOLD, CLARK (Male 75) ID=3
Expected Entry Date = 07/24/2026
(Number of Iterations = 2000)

	Average	50th Percentile	75th Percentile	95th Percentile
Total Subsidy	8,101	0	0	0
Present Value of Subsidy	3,335	0	0	0
Expected 1st Year of Subsidy	22	NA	NA	NA
Expected Lifetime	16.5	16.5	20.5	25.5
Remaining Assets	3,438,336	3,614,031	2,831,345	1,691,931
Present Value of Remaining Assets	1,827,001	1,878,669	1,552,862	781,984

ALERT STATUS: GREEN

Probability of subsidy during lifetime: 0.9% (probability of $0 subsidy during lifetime: 99.2%)

A.V. POWELL & ASSOCIATES LLC
FORCAST USERS GROUP

Using FINAID to Develop Prequalification Guidelines

1) Create hypothetical applicant profiles by age and marital status.
2) Run FINAID based on the community's current assumptions.
3) Identify the net worth associated with the desired level of financial risk.
4) Use those results to establish preliminary prequalification guidelines.

*Prequalification guidelines should not replace an applicant specific financial analysis!

A.V. POWELL & ASSOCIATES LLC FORCAST USERS GROUP

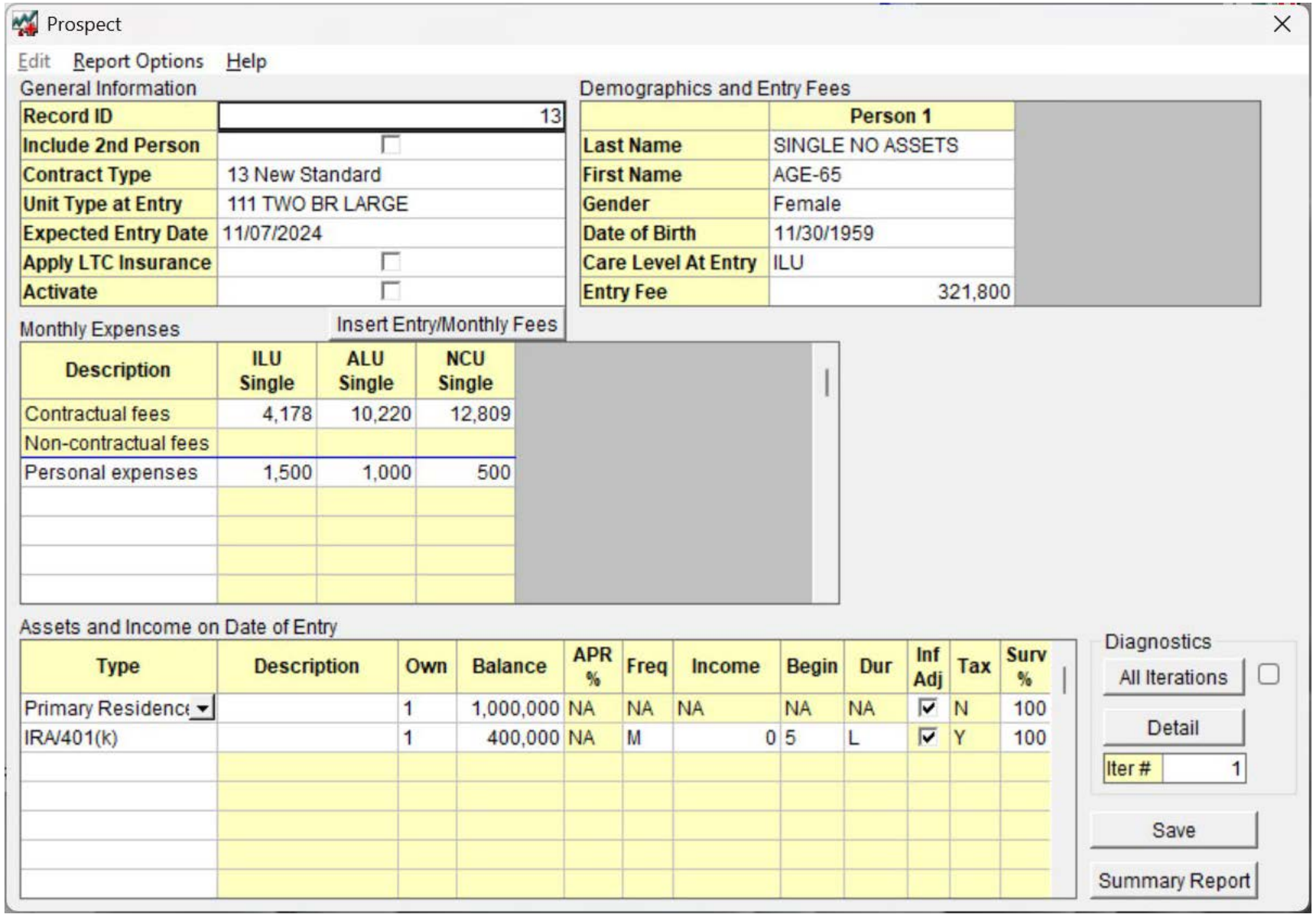
Illustrative Pre-Qualification Net Worth Guide

1. Fees + personal expenses
   a. $4,178 + $1,500 for ILU 1st person
   b. $1,215 + $1,500 for ILU 2nd person
   c. $10,220 + $1,000 for ALU
   d. $12,809 + $500 for SNF
2. Entry fee
   a. $321,800 for 1st person
   b. $15,000 for 2nd person

Entry Age	Min Net Worth	
	Single Life Expectancy	Couple Last Survivor
65	$1,800,683 22.3 yrs	$2,628,207 26.7 yrs
75	1,453,373 15.3 yrs	2,108,090 18.3 yrs
85	1,113,578 9.5 yrs	1,563,043 11.3 yrs

A.V. POWELL
& ASSOCIATES LLC
FORCAST USERS GROUP

Pre-Qualification Screening



Prospect

Edit Report Options Help

General Information

Record ID	13
Include 2nd Person	☐
Contract Type	13 New Standard
Unit Type at Entry	111 TWO BR LARGE
Expected Entry Date	11/07/2024
Apply LTC Insurance	☐
Activate	☐

Demographics and Entry Fees

	Person 1
Last Name	SINGLE NO ASSETS
First Name	AGE-65
Gender	Female
Date of Birth	11/30/1959
Care Level At Entry	ILU
Entry Fee	321,800

Monthly Expenses

Insert Entry/Monthly Fees

Description	ILU Single	ALU Single	NCU Single
Contractual fees	4,178	10,220	12,809
Non-contractual fees			
Personal expenses	1,500	1,000	500

Assets and Income on Date of Entry

Type	Description	Own	Balance	APR %	Freq	Income	Begin	Dur	Inf Adj	Tax	Surv %
Primary Residence		1	1,000,000	NA	NA	NA	NA	NA	☑	N	100
IRA/401(k)		1	400,000	NA	M	0	5	L	☑	Y	100

Diagnostics

All Iterations ☐

Detail

Iter # 1

Save

Summary Report

How does financial screening support risk management?

- ✓ Evaluates risk
- ✓ Supports admission decisions
- ✓ Mitigates future subsidy risk
- ✓ Supports long-term planning

Financial screening is one of the community's first opportunities to understand and manage long-term financial risk.

A.V. POWELL & ASSOCIATES LLC FORCAST USERS GROUP

Coming Soon: FINAID 7

- ✓ Cloud compatibility
- ✓ Faster
- ✓ Multiple users

The Road Ahead

- Look beyond net worth
- Understand what drives the projection
- Interpret the results
- Support risk management

Questions & Answers