



LONG TERM CARE ASSOCIATES

W H I T E P A P E R

Long Term Care Insurance

The Rewards Are Worth the Effort

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Robert Forman is President of [Long Term Care Associates, Inc.](#), one of the largest independent marketers of long term care insurance in the United States. With more than 500 agent relationships through a career and brokerage network, LTCA is one of the most distinguished organizations of its kind. Mr. Forman's career includes more than 25 years of experience in the long term care industry, having previously served as President of Long Term Preferred Care, a subsidiary of the publicly-traded Cendant group of companies. Since joining LTCA in 2003 Mr. Forman has built upon its 34-year history by strategically increasing the carrier portfolio to include [Genworth, John Hancock and MetLife](#), the three leading providers of long term care insurance, and expanding the [affinity marketing channel](#) to reach 5 million members of organizations such as credit unions, associations, fraternal organizations, municipalities and employer groups.

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O v e r v i e w

The Long Term Care Issue

Who's going to take care of me when I am old?

It's a question that haunts many of us. The prospect of growing old and not being able to take care of ourselves, of sacrificing our freedom and depending on others for our basic needs is extremely distressing. So distressing, in fact, that many of us simply refuse to think about it, let alone plan for the possibility.

But more and more Americans have realized that, without an adequate plan, [long term care expenses](#) can pose a major threat to financial security. Moreover, the emotional issues involved in caring for a relative who needs long term care can be devastating for the entire family.

Credit unions, too, have recognized that long term care insurance is a critical component of an overall financial plan for their members. Since a major source of funding for long term care is personal assets such as savings, CDs, mutual funds and managed investment accounts, many financial institutions are taking a closer look at long term care insurance as an asset protection product.

This report will provide a general overview of the long term care issue, what it is, why it has become such a critical social concern, and then discuss why financial institutions should consider offering long term care insurance to their members.

What is long term care?

[Long term care services](#) are for people who are unable to perform the basic Activities of Daily Living (ADLs) without assistance. These activities include bathing, eating, dressing, bathroom use and hygiene, and moving from a bed to a chair.

If a person requires help with ADLs due to a chronic condition (i.e., one that is not getting better), these long term care services fall into the category of unskilled or custodial care, which means they can be provided by persons without professional skills or training. Traditional health insurance does not cover unskilled care.

Who pays for long term care?

Many Americans expect government entitlement programs – [Medicare and Medicaid](#) – to cover all long term care expenses. Unfortunately, these agencies do not cover long term care of this nature. Medicare pays for doctor visits, emergencies and short-term illnesses, but not for unskilled long term care services.

Medicaid, on the other hand, is a program designed for the poor. To qualify, participants are required to spend down their assets until they meet federal poverty guidelines. Furthermore, dependence on Medicaid can limit access and

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choices for care. By default, Medicaid becomes the nation's long term care system when people exhaust their life savings and other assets to pay for care. Two out of three nursing home residents depend on Medicaid to finance their stay^j.

In recent years, the government has sent a clear message to everyone that each of us must take responsibility for the cost of our own long term care. Consider the option to extend [tax benefits to people who buy qualified long term care policies](#). While federal activity garners news coverage, state action bears a constant watch as well. At least 18 Governors have sponsored "[Own Your Future](#)" campaigns in their states, sending letters targeted to constituents ages 45 – 70, encouraging responsible LTC planning. Typical is WA Governor Christine Gregoire's letter rallying for participation in the program, "I'm using the information, myself, to learn about long-term care options for me and members of my family."

How much does long term care cost?

According to the [2008 Genworth Financial Cost-of-Care Survey](#) the average cost for a private room in a nursing home is now \$76,460 nationally. Home care is less expensive, but it still adds up. According to the Mature Market Institute, the average Home Health Care claim lasted 312 days in 2007, with care provided by Home Health Aides reaching \$19/hour.ⁱⁱ

Who needs long term care?

7 out of 10 Americans turning 65 will need some long term care services, while 1 in 5 will require more than five years of care.ⁱⁱⁱ And although we are in a population boom due to the age wave of Baby Boomers—the first of whom will turn 65 in 2011—the truth is that 40% of LTC services are now received by Americans under the age of 65.

Take the plight of actor Christopher Reeve, who was paralyzed from the neck down at age 42 in a horse-riding accident. Sadly, his story reveals that any one of us could require long term care at some point in our lives. Two American icons of strength, Charlton Heston and Ronald Reagan, heightened our nation's awareness of the need for long term care as they shared with us their painful, slow journeys to sunset. The reality is apparent now more than ever, for all of us.

Why is long term care such a critical issue now?

There are several reasons why long term care has become such a social dilemma over the past few decades. The most obvious reason is that people are living longer, and the health problems that often require long term care are frequently exacerbated by advanced age. The National Institute on Aging estimates that 4.5 million Americans have Alzheimer's disease^{iv}. Respiratory conditions grow more severe as we age; chronic obstructive pulmonary disease (COPD) affects 600 million persons worldwide^v. As people live longer, it logically follows that we will see more and more chronic, age-related conditions.

Fifty years ago, families generally lived closer together and were able to take care of elderly loved ones. But today, families are often spread across the country, making it difficult if not impossible to rely on relatives as potential informal caregivers.

The changing social dynamics of the family are also partly to blame for the rise of the long term care crisis. Women are now working outside the home in increasing numbers, and they can no longer fulfill the role of primary caregiver as they often did in the past.

Did you know?

For every 1,000 people

5 will have a house fire.
Average loss: \$3,428

70 will have an auto accident.
Average loss: \$3,000

600 will need long term care.
Avg cost: \$76,460 per year.

Certainly, some families are trying to cover all the bases. According to one national organization of retirees, 44% of the 76 million Boomers are trapped in the "sandwich generation" scenario, juggling the costs of educating children, supporting aging parents and saving for their own retirement^{vi}.

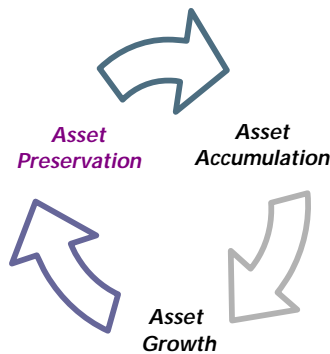
In summary, people are living longer than ever before, the social fabric of our families has changed, and we have not, as a nation, devised a realistic solution for this complicated issue. As a matter of fact, the government programs which have historically served as a backstop for lack of planning and paid for the lion's share of long term care costs cannot be sustained. The nation is at a critical juncture where the government recognizes that programs which are trillions of dollars in debt can no longer shoulder the LTCi burden, and are steering the conversation toward private market solutions.

Credit Unions and Long Term Care Insurance

A profile of who's buying and why.

Industry experts have long recognized that financial institutions have the potential to own a huge piece of the long term care insurance market. As Jesse Slome, executive director of the American Association for Long Term Care Insurance, recently told *American Banker*, financial institutions already possess all the components necessary for success in selling long term care insurance. Financial institutions have access to the members, they have the trust of the members, and they have a financial relationship with the members, said Slome.

Overall, financial institutions have been taking on insurance product lines with caution. However, statistics show that more and more banks are selling or planning to sell long term care insurance. In a 300-bank survey published by the Association of Banks-in-Insurance, 29 percent of the banks surveyed said they were already selling long term care insurance, 14 percent said they planned to start selling within a year, 10 percent within two years, and 13 percent were undecided. The remaining 34 percent revealed no plans to sell LTC within the next two years.



As public awareness of the long term care dilemma grows, more and more of your customers will look to you for advice on how to cover this expense in their retirement plans.

Senior boom equals big market for LTCi

Part of the reason that credit unions and banks are embracing this product is that growing awareness of the problem has revealed a strong market for long term care insurance, especially among the Baby Boomers (the generation of Americans born between 1946 and 1964).

The baby boom generation, estimated at 76 million people, is uniquely affected by the growing dilemma of long term care. Boomers are turning 50 at a rate of one every eight seconds, according to estimates by the U.S. Census Bureau. As Boomers age and look to the government for assistance, the current system—which was not designed to provide the unskilled care services that define long term care—threatens to buckle and collapse under the unprecedented numbers.

Some financial institutions now selling long term care coverage reportedly saw the handwriting on the wall when their older customers began cashing in certificates of deposit to pay for long term care.

The Boomers' retirement years coincide with tremendous medical advances that have granted Americans longer and longer lives. On the other hand, while this generation will retire with what are likely to be the largest nest eggs in history, they may risk losing their hard-earned savings if they fail to plan for the long term care that their longer lives may warrant.

Offering LTC will help retain key members

If your credit union has the demographics—a large member base ages 50 or older with share accounts or investments exceeding \$50,000 each—then long term care insurance should definitely be a part of your offering to them.

Some financial institutions now selling long term care coverage reportedly saw the handwriting on the wall when their older customers began cashing in certificates of deposit to pay for nursing home care. Soon, these institutions realized that by offering long term care insurance, they could accomplish a dual mission: meet a critical need for these customers and keep those deposits in house.

How many of your members currently have their retirement savings—or a portion of them—in your credit union? How many have purchased annuities or CDs for this purpose? These customers represent an excellent cross-sell opportunity for long term care insurance. Many of them are simply unaware of the threat that a catastrophic long term care event can pose to their financial retirement plans. This is a valuable opportunity for your institution to step up to the challenge and provide the kind of product solutions that your customers have grown to trust—and to expect.

Recognizing the potential that financial institutions have in the long term care insurance market, some insurers are now developing products specifically designed with credit union members in mind.

Simplified sales process helps overcome hurdles

Witness the 2004 roll-out of prescription drug services under the Medicare banner. Acceptance and enrollment started off slowly and at best rose to a marginal interest of 'testing the water'. Why? Because candidates for coverage couldn't understand how, or if, it would benefit them. They didn't trust their (perceived) limited ability to sift through the contractual wording and make an informed decision.

LTCi is routinely met with the same hesitancy. Faced with a myriad of choices and competitive suitors, people are overwhelmed with options. LTCi sales people—even the veterans—agree that LTCi is the most difficult financial product to sell today.

For financial institutions, the greatest obstacle to selling long term care insurance has been the complexity of the product. Educating consumers about the need for long term care protection is a huge part of the sale. The education process often makes the procedure time-consuming, and most financial institutions are not equipped for this type of sale.

Recognizing the potential that financial institutions have in the long term care industry, some insurers are now developing products specifically designed for sale in retail banks and credit unions.

Putting LTCi in your product line

As awareness of the long term care issue continues to grow, more and more of your members will start asking about long term care. Including such an important product in your member benefits portfolio may well influence some members' decisions to choose your credit union as their primary financial institution. Higher-income credit union members have higher expectations for service. They expect faster loan approval, access to higher credit limits, lower

rates and more knowledgeable officers. Shouldn't you have the answers to their LTCi questions, too? If you don't, you can bet that someone else will.

The fastest and most convenient way to [add long term care insurance to your product portfolio](#) is to work with a specialist who is licensed to sell through a [variety of insurers](#). Even with a simplified application design, long term care is still a complex product, and the importance of working with an expert cannot be overstated. In particular, a seasoned LTCi marketer who understands the dynamics of credit union relationships is an exceptional asset who will help to ensure both that your members receive the sound advice they need and that your institution retains this valued piece of business.

ⁱ <http://www.cms.hhs.gov/NationalHealthExpendData/downloads/tables.pdf>, Table 9

ⁱⁱ MetLife Mature Market Survey of Adult Day Services and Home Care Costs, September 2007

ⁱⁱⁱ "The Current Public-Private Partnership, Long-Term Care Financing: Policy Options for the Future". Georgetown University Long-Term Care Financing Project, June 2007.

^{iv} Alzheimer's Association, available online (www.alz.org)

^v Patient Health International, available online (www.patienthealthinternational.com)

^{vi} "Are you stuck in the sandwich generation?"