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Identifying LTCi prospects

It's not should you buy, It's why haven't you, and when will you?

by Ross Schriftman,
RHU, LUTCF, CBC

Ross Schriftman is affiliated with Kistler Tiffany Benefits, Wayne, Penn. He can be reached at rfs270@aol.com

Virtually every public policy maker has expressed support for the goal of getting more Americans to plan for long term care. And yet, when they develop public awareness campaigns good intentions are trumped by an effort that misses the point. The latest example is the U.S Health and Human Service's campaign entitled "Own Your Future."

Instead of getting Americans to understand what happens if they do not buy long term care insurance, just like so many other similar efforts, the focus in the brochure is on who should buy and who should not buy. The public is told that if you don't fit into a certain asset and income category, this is not a product for you.

Furthermore, in the brochure there is no mention about the impending Medicaid crisis, only a slight explanation of the restrictions within the program as far as what services are available and no mention of how you pay for care if you are not in Medicaid and you don't have long term care insurance. It does, however, include this curious and remarkable statement. "One of the advantages of getting help from your family for long term care needs is that it may lower the cost."

To whom does it lower the cost? If a family member is earning $75,000 as a government official and has to quit his job to take care of a sick mother, what is the true cost? A few years ago a study prepared by MetLife and LifePlans, Inc. calculated the long-range costs of family members caring for loved ones. When adding up lost earnings, the time value of money, lost productivity and lost opportunities the total cost over a lifetime of care giving was about $656,000. This doesn't even take into account the emotional and physical costs to the caregiver. In a 2000 study, The National Family Caregivers Association estimates that more than 54 million Americans spend some time caring for a family member every year. You can see how enormous this problem is.

Unfortunately, the government's public awareness campaigns are doomed to failure until they refocus their efforts on what happens if someone doesn't purchase long term care insurance and then they need care. What are their options? Who will care for them? Who will pay for the care? Where will their care be given? What burdens will their lack of planning put on their family, their community and their society? What responsibilities do they have to themselves and their families to plan and plan now? Until the government changes their focus they are wasting our tax dollars on these campaigns.

Without scaring people we all need to focus on the true cost of the long term care crisis facing our nation. People will get it if it is explained in concise terms. Here are two remarkable numbers. The outpouring of worldwide support for the victims of the recent Tsunamis is expected to be about $1 billion. This amount is the total of both government and individual support from all nations. The earthquake and the resulting tidal waves is probably the greatest natural disaster of our time. Two weeks before the disaster, the Commonwealth of Pennsylvania finally got "relief" from the federal government for an already approved Medicaid waiver. The amount is $1 billion and will cover just the shortage that nursing homes are experiencing in Pennsylvania's Medicaid program currently. One state, one year, one shortage problem. This hopefully will put into perspective the enormity of our long term care funding crisis.

There are only two groups of people who are excused from buying long term care insurance. They are those who are too sick and those who don't have the money to pay the premiums.

For the sick, there is still an option. There are medically underwritten annuities where the payouts are larger due to the person's shorter life expectancy. Of course the ability to purchase depends on having the funds to start the program in the first place.

As far as the "no money" group, it is actually smaller than it may appear. I know an insurance agent who pays for his mother's long term care insurance policy. He and his mom agreed that she did not want to go on welfare and be placed into a Medicaid facility if they could prevent this. He pays for the policy for her. She doesn't have the income or assets to pay the premiums. He wants to make sure she gets professional help if she needs care and she has already used home care benefits from the policy. They both prefer that she be cared at home if possible. This agent is me.

Family members if approached correctly and helped to understand the value will do the same for their parents as I did. Therefore, the "no money" group would only be those poor Americans who truly need the help Medicaid was designed to provide. If family members can afford to pay for insurance, it is much less expensive than providing the care themselves, despite what the government public awareness brochure states.

At the other end of the economic scale, wealthy people are told by, not only the government, but by some of their professional advisors that they don't need to bother purchasing long term care insurance. They can self insure. I have never heard an advisor tell a wealthy client that they should cancel their homeowners or car insurance or business liability insurance because they have enough money to cover this risk themselves. And yet, the chances of needing care are far more likely than any of the other perils I have mentioned. Purchasing long term care insurance by a wealthy client is a smart, effective way to transfer his or her risk to an insurance company and continue to enjoy the assets they have accumulated.

We must do a 180 degree turn in public awareness of this crisis. We owe this to ourselves, our society and to future generations. I urge people to contact their elected officials and get them to honestly address this crisis before it's too late. ▲