



**HONEY
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Where Will Care Take Place In Future Years?

The majority of care for the ill will not take place at home 10 years from now.

This statement is sure to be inflammatory to many. Regardless of your opinion on the issue, it is essential that advisors have a wide range of knowledge about different care options and trends in order to make the correct long term care insurance recommendations to clients.

Statistics from numerous sources confirm that currently 80 percent of people needing care are in home and community-based settings—not in nursing homes.¹ As we look to the next decade, we *must* consider where care will take place, because the answer to that question plays a critical role in how we advise our clients correctly today.

A wide-scale transition toward purchase of LTCI by the broad American public is underway. Finally the public is coming to terms with the fact that the government cannot and will not pay for care and that the odds of needing care are high. Advisors have cause to be excited about this. Ten to fifteen years ago the public was by and large unaware of the existence of LTCI. People would insist that LTCI was paid for by Medicare or health insurance or that they wouldn't wind up needing care at all.

The tides have turned. A December 2002 survey by Allianz Life Insurance Company found that 60 percent of respondents realize that Medicare is not likely to cover care costs, even if they cannot afford to insure themselves. Events like the kickoff of the federal LTCI program and last year's enactment of the Medicare Prescription

Drug Improvement and Modernization Act of 2003 (DIMA), which introduced health savings accounts, are only two recent events out of several that are helping to increase the overall trend of purchasing LTCI.

Currently, about 45 percent of all nursing home stays are paid by Medicaid. Only 10.3 percent are paid by private insurance.² Medicaid (welfare) pays for care when a middle-class consumer becomes impoverished. It is encouraging to note that approximately 10 years ago Medicaid paid for approximately 50 percent of nursing home care and that private insurance paid for approximately 3 percent of care. Clearly the purchase of LTCI is on the rise.

While there is still transition within the LTCI industry, many carriers are firmly committed to the product and plan to stay in the market. More LTCI producers are not only committed to LTCI but are passionate about it. Clients who purchase LTCI feel strongly about their decision, too. There are many firsthand stories from real people who have claimed and collected from their LTCI. The product is here to stay and these are very exciting times for those involved.

Imagine how LTCI will be perceived in the future as the above trends continue. A few years from now, LTCI may well be considered an essential purchase—just as medical insurance and Medicare supplements are today. The majority rather than the minority of Americans will have LTCI. When this occurs, doctors, home healthcare agencies, and all types of facilities will be

(Continued on page 50)

Leveen

(Continued from page 46)

familiar with LTCI and what it pays for. The public will come to depend on LTCI, just as they do health insurance today. When care is chosen, the policyholder will simply present an LTCI identification card in much the same way as a health insurance card is used upon admission to the hospital or doctor's office.

It is important to note that the statistic confirming that 80 percent of care occurs at home does not differentiate between people who do and do not own LTCI. It is safe to assume that most of the people surveyed do not own LTCI since statistically so few do.

Will cultural transitions affect how LTCI is used? Women continue to flock to the workplace, birthrates are down, parenthood is often postponed, and there is an increase in single-parent households.

A survey released in April 2004 by the

National Alliance for Caregiving and AARP reported that 52 percent of caregivers provide more than eight hours of care per week and a whopping 17 percent provide more than 40 hours of care per week. The survey also found that levels of physical strain, emotional stress and financial burden are markedly increased for caregivers. In addition, about 44.4 million Americans in 22.9 million households provide unpaid care for someone 18 or older. In short, one of every five Americans cares for an adult. Caregiving responsibilities cost people in dollars and shattered dreams.

It is known who is giving care now. What is not clear is who willingly chooses to give care. Who would have opted to be a caregiver if paid (formal) care had been easily accessible due to its affordability? How much lower would these figures be if LTCI were as common as inforce health insurance?

The majority of care today is still defined as informal and usually done by family and friends who do not get paid. This is how care has been given throughout history, except for care in nursing homes or paid home healthcare.

A very exciting new tool which is freely available on the Internet will help to increase public awareness of LTCI and illustrate the prevalence of unpaid (informal) care. Long Term Care Counselor (LTCC) is an interactive and easy-to-use website provided by the government. It has been designed to provide factual information only. To access this tool, go to www.medicare.gov and then point to "long term care" on the left column and click on the menu item entitled "What is Long Term Care." When this page appears, scroll to the bottom and click on the "Long Term Care Counselor" (LTCC) planning tool and take the survey.

The LTCC planning tool will determine the actual probability of someone needing long term care, based on individual input to several questions. The LTCC gives odds of needing both informal (unpaid, given by family and friends) and formal (paid) care.

When a healthy 51-year-old female answered the questions, the survey tool predicted she would need 624 days of assisted living and/or nursing home care (residential facility care). In addition, prior to entering a residential care facility, this same person was predicted to need 2,107 hours of informal care and 454 hours of formal care in the home and community. This is a ratio of 4.6 hours of informal care for every hour of formal care. Presumably the LTCC does not differentiate between those who own LTCI and those who do not.

As the number of people who own LTCI policies increases, it is logical that more and more of the home and community care reported to be informal will become formal, reimbursed by LTCI. There should also be an increase in the selection of assisted living as well. The shift away from informal care toward formal care should dovetail with the cultural changes outlined above.

Assisted living is a true innovation in
(Continued on page 54)

Leveen

(Continued from page 50)

caregiving. It is so new that an average length of stay has not yet been documented. Ownership of LTCI makes it accessible and affordable. On the surface, assisted living communities often look just like apartment complexes. Residents treat the assisted living facility as a new down-sized home and can move in when they first start needing help with their activities of daily living. They have their own apartments (which offers them privacy) and they can bring their own furniture and belongings. At a time when ambulating and keeping a private home maintained is often a mental or physical challenge, the smaller assisted living apartment may actually afford its resident a feeling of greater mastery and independence.

Three meals a day are provided in a dining room that typically has a menu and wait staff, and individual dietary needs and preferences are addressed. There is maid service and assistance with activities of daily living. Various activities and ample opportunities to socialize are available and because eating is a social activity, assisted living residents have more incentive to get up and about each day. Furniture and

fixtures are modified for easier and safer access by the disabled.

As new LTCI policies are placed and the public continues to learn about the advantages of assisted living, its popularity will continue to grow.

By educating clients, advisors should emphasize the connection between the proceeds collected from LTCI and the ability to have quick and ready access to such desirable care options as assisted living. LTCI policies should be thought of in terms of being nursing home avoidance policies. The purchase of LTCI should become less about avoiding bankruptcy and the high odds of needing care and more about having access to the finest options possible, being empowered, conserving dignity and independence, and being considerate of those we love.

Regardless of personal preferences, much care, perhaps even the majority of care, will take place in assisted living facilities in years to come. Advisors need to be aware of what tomorrow's options might be. They need to be able to describe adeptly what assisted living is and why it is different from home health care, independent liv-

ing communities and nursing homes.

With emotions cast aside and objective learning taking place, advisors should see assisted living continue to gain the popularity it deserves as a setting for care. Popular choices for receiving care today may not be the same tomorrow: advise accordingly. 🌐

1. "Long-Term Care: An Overview," testimony before Senate Committee on Finance, March 27, 2001, statement of Carol O'Shaughnessy, specialist in social legislation, Congressional Research Service.

2. Centers for Medicare and Medicaid, Office of the Actuary, National Statistics Group, 2001.