LTCI - What you need to know

By Lynn Vincent

The plot was a little like a feel-good children s novel: The big kid on the block seemed intimidating, then turned out to be the best thing that ever happened to the neighborhood. That s how the Federal Long Term Care Insurance Program (FLTCIP) played last year in the world of insurance and financial advisors who sell long-term care insurance (LTCI).

When MetLife and John Hancock won a joint contract in December 2001 to provide LTCI group plans to federal workers, many advisors feared the combination of the heavy-hitting insurers and the nation s largest employer would represent unbeatable competition. After all, MetLife and Hancock s contract secured a captive audience of 20 million eligible workers and family members, each one a marketer s dream customer, complete with readily accessible touch-points such as pay stubs, employee newsletters and electronic bulletin boards.

And the marketing push was formidable. In 2002, the insurer team sent out more than a million LTCI enrollment kits. They drop-shipped educational material to 1,800 different locations, and conducted 2,000 face-to-face employee group meetings across the country. And between February 2002 and June 2002, the FLTCIP call center fielded 100,000 telephone calls.

Advisors who feared FLTCIP might dry up their business found instead that the program was a dam-buster, unleashing an unprecedented flood of positive publicity for long-term care products. U.S. government employees became more educated about LTCI, and advisors nationwide profited from the ripple effect, as awareness grew far beyond the federal flock. The ripples rolled so far, according to Roy Gosselin, assistant vice president of long-term care at MetLife, that many consumers began to initiate the long-term care conversation with non-FLTCIP advisors, agents and brokers.

LTCI sales increased 10 percent between 2000 and 2001, according to the Health Insurance Association of America s (HIAA) LTC Market Survey. And though 2002 numbers won t be available until later this year, the momentum generated by FLTCIP raises two questions: If you re not offering LTCI to your clients, should you be? And if you are, what do you need to know now to better serve clients and build your business?

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Why LTCI?

First questions first: Why should an advisor sell LTCI? It s simple, says Massachusetts-based author and long-term care specialist Marilee Driscoll. If an agent doesn t, his or her clients have to go somewhere else to get it, or get the information about it. ... It s still the hot topic that people want to hear about, and it s a natural product to cross-sell to existing clients, with no client acquisition costs.

Statistics may prove Driscoll s point:

- Nearly two-thirds of those surveyed by the GE Center for Financial Learning said that a parent, grandparent or other family member has needed long-term care services.
- As many as half of all Americans now in their 50s will need such care during their lifetime, according to a 2001 National Endowment for Financial Education (NEFE) study.
- The U.S. Census Bureau estimates that by 2060 as many as 24 million people will need long-term care services.

Younger consumers seem to be waking up to those numbers. According to Gosselin, the age of LTCI buyers has fallen from the mid-60s to the high 50s. Younger people are becoming more aware of the need for LTCI, and seeing that buying it is a good financial decision, he says.

To meet that need, insurers are now generating new products to reach younger markets. Some next-generation indemnity LTCI products behave like traditional disability insurance, and make LTCI an attractive option to consumers in their 50s, 40s and even 30s, says Houston-based advisor and LTCI specialist Honey Leveen, LUTCF, CLTC. When purchased at younger ages, LTCI is often so reasonable that a debate over choosing a limited or unlimited benefit period isn t necessary. Leveen adds that even more ritzy, full-featured LTCI policies can be very affordable at younger ages. Familiarizing a whole new generation with this relatively new insurance product will greatly expand your target market and, as a result, greatly expand your business, she says.

Rising rates

But the new LTCI generation may include a more demanding breed of consumer. Since many Baby Boomers have watched their retirement savings shrivel as of late, they re more cautious now about financial services products. Those same potential buyers have, over the past year, watched insurance carriers hike their parents and grandparents LTCI premiums.

Until recently, rate hikes had been confined to smaller, lesser-known carriers, according to Robert Davis, president of Long-Term Care Quote, a national resource center specializing in LTCI. But bigger players like Aegon, Fortis and Conseco have recently raised rates, too. As of January 2003, six of the 10 leading long-term care insurers had raised premiums, says Davis.

Although rate hikes were reportedly significant from 20 percent to as high as 80 percent the reason for consumers shock and awe has less to do with magnitude › than with the fact that products were likely sold with a high degree of comfort that rates were locked forever, says Guy Bertsch, vice president of core market development for UnumProvident in Chattanooga, Tenn. Unlike other kinds of insurance, [LTCI] rates are priced to be level-funded over the life of the policy.

The premium increases have made consumers more discerning, Bertsch says. He expects potential LTCI buyers to perform more due diligence, carefully probing a carrier s claims-payment practices, rate-increase history, financial ratings and the overall quality of its underwriting. This is where the advisor has a lot of influence, he says, noting than an informed advisor can steer clients toward conservative underwriters. In the past, a lot of brokers were happy to place clients with any carrier that would take them. Now that LTCI premium increases have damaged some client-advisor relationships, brokers are running away from some carriers in droves, Bertsch says.

And carriers know it. Marilee Driscoll attended the Society of Actuaries long-term care conference in January 2003. Rate integrity and stability was the No. 1 buzz in the halls and breakout sessions, she says. In response, insurers now are pushing limited-pay policies, or policies that allow the insured to lock in guaranteed level premiums for up to 20 years. Driscoll believes this trend will continue as consumer trepidation over rate increases grows.

Still, potential buyers have grown less skittish about LTCI overall. By 2010, almost half of the U. S. workforce will be involved in caring for an elderly parent, according to NEFE. Jim Thornburgh, J.D., LLM, vice president of advanced sales at Innovative Solutions Insurance Services in Los Angeles, says the positive publicity surrounding FLTCIP has removed the stigma of purchasing LTCI. For younger workers, purchasing LTCI is no longer about putting mom and dad in a nursing home for next 30 years, Thornburgh says.

The new employee benefit

That attitude shift has helped turn LTCI into the new employee benefit. Employers are now adding LTCI available to workers and their families to their benefits packages.

Bertsch notes that as rising medical costs cause employers to shift more of the burden for health care to the employee, many company owners are trying to boost morale by subsidizing LTCI expenses. It s a win-win: Employees opt-in through payroll deduction, and employers write off premium payments as a tax deduction.

The net cost to the employer is still less [than paying health insurance premiums], Bertsch explains. But employees feel like they ve gotten something in return, and the employer has also offered a great benefit.

To tap into the LTCI benefit market, advisors should know everything they need to know to talk to people over their kitchen tables and they should be able to talk to employers about how long-term care issues affect worker attendance and productivity. For example, companies lose an estimated $29 billion a year in employee productivity due to workers problems with long-term care, according to LifeCare, a human resources management advisory firm based in Shelton, Conn.

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Clear up the confusion

But insurance advisor and elder-care specialist Bob O Toole reminds advisors that just because we understand both the value of LTCI and the consequences to those who don t have it, we can t assume that members of a sponsored group will get that message.

That s because LTCI remains a very confusing product to the consumer, O Toole says. With benefits ranging from home and respite care to residential living and hospice care, the crazy mix of services is complicated for clients to figure out. Even if you re in the field, it s complicated. O Toole, a founding member of the National Association of Professional Geriatric Care Managers, became a licensed insurance agent and LTCI specialist for precisely that reason.

A 2000 survey of insurance buyers and nonbuyers conducted by Life Plans, Inc. for HIAA, highlighted consumer perceptions of LTCI. Among nonbuyers:

- Twenty-five percent believe Medicare will pay for their long-term care; twenty-two percent believe Medicaid will pay.
- Twenty percent don t know who pays for long-term care.
- Thirty-four percent said they don t think they will ever need services.
- Fifty-eight percent said they were waiting for better policies.

Such misconceptions double the burden on advisors. First, they have to help client-employers get the word out on new LTCI benefits. Second, they have to educate employees. Though he hates to use the worn phrase, O Toole urges advisors to think outside the box when attacking the problem to reach higher than direct mail, worksite posters and splashy launch seminars.

There must be a commitment from the plan sponsor to allow the broker or the insurer ongoing access to the employees/members, O Toole says.

Lack of awareness isn t the only hurdle advisors face with group LTCI plans. Innovative Solutions Thornburgh points out another challenge: A lot of our producers will go out and quote a large employer or association. But it s very competitive with lots of brokers involved. It s also very time-consuming. I d rather go out and see six small companies, and do executive carve-out plans, than go out and do one very large group case.

Unlike large group plans that benefit rank-and-file workers, executive carve-out programs benefit only the business owner, his or her spouse, and a handful of highly compensated employees. Thornburgh notes that it is easier to put such plans in place than to implement large group plans. Employers love them for at least three reasons:

- They provide perks for key workers.
- Employers can maximize tax benefits by selecting accelerated payoff options.
- The business owner and spouse can retire with fully paid LTCI coverage using corporate dollars.

Get smart

Whether selling LTCI plans in the boardroom or across the kitchen table, LTCI specialist Honey Leveen suggests that a less experienced advisor work with a more seasoned advisor, and perhaps acquire specialized certifications in long-term care available through LUTC.

Lynn Vincent is a frequent contributor to Advisor Today.

- The Federal Long Term Care Insurance Program has opened up the market for advisors not squeezed them out of it.
- LTCI is a hot product. If you don t sell it to your clients, they will find another advisor who will.
- The up-and-coming LTCI clients Baby Boomers who have seen their savings shrink as the stock market contracted are more discerning about product offerings than their parents are.
- Many employers are looking to offer employees and their families LTCI as a new employee benefit.
- LTCI is a confusing product for clients and advisors. Becoming knowledgeable in long-term care through classes or acquiring specialized certification or designations is a smart move.

LTCI SALES TIPS

By Lynn Vincent

Are you new at offering long-term care insurance, or thinking of adding it to your product lines? Three LTCI specialists offer tips on selling and serving clients well.

Get out in the trenches.
Thirteen-year LTCI veteran advisor Honey Leveen, LUTCF, CLTC, suggests advisors visit as many assisted living facilities as possible, and invest time learning about different care options and prices. My experience is that the public is hungry for knowledge about where care is being given today and what their options will be. Leveen says. There s general confusion about the kind of care Medicare pays for and whether Medicare coverage duplicates LTCI coverage. You need to be adept at describing the differences between nursing homes, adult day care, personal care homes, assisted living, hospice and independent living arrangements. An LTCI policy is often essentially a passport to access assisted living, which many potential clients and even advisors may still be unaware of.

Don t sell nursing home insurance.
Jim Thornburgh, J.D., LLM, vice president of advanced sales at Innovative Solutions Insurance Services in Los Angeles, has this advice: Don t say to a client, Here s some insurance in case you need to go to a nursing home. Instead, he says, present LTCI products in terms of levels of care, which typically begin at home the place where most people want to stay. Thornburgh suggests first showing clients how the policy covers the cost of having someone come in to do homemaking chores, therapy or food preparation. Then progress from there, saying, At some point, you may need round-the-clock help, and it may become cost-prohibitive to have someone come to your home. Even though it s not what you want now, you may need to move someday to some type of residential facility.

 Present it as a progression, says Thornburgh.   Buy this for when you need care at home, then if you need residential care someday, you ll have it.

Help clients afford coverage.

LTCI can be pricey. And since Congress failed again to make long-term care an above-the-line tax deduction, consumers are becoming more aware of the expense. But if LTCI is right for a client, a good advisor can help that client find a way to buy it. Prioritizing goals, giving a snapshot of a client s current objectives and financial condition, and recommending viable solutions is what I do every day, says Julie A. DeLiso, CFP, of MetLife Financial Services.

After she presented a seminar on long-term care, one couple expressed strong concern and a desire to buy LTCI. But at first glance, it appeared the husband, 67, and the wife, 50-something, couldn t afford the premium. Still, they were extremely motivated to buy, and wanted a solution. So DeLiso began the financial planning process and learned that the couple held a large mortgage with a balloon payment. After a comprehensive analysis of assets, she recommended that they refinance their home. The couple obtained a new mortgage, without the balloon payment, and freed up $700 a month enough to cover the LTCI they needed.

Educate yourself about LTCI.

Before you incorporate LTCI sales into your practice, advises Leveen, get educated. She notes that LUTC now offers a course in LTCI. Certifications include Certified in Long Term Care (CLTC), Long Term Care Planner (LTCP) and Certified Senior Advisor (CSA). NAIFA s conference, the Association of Health Insurance Advisors (AHIA), offers its members a discount on these certifications. (For more information, call 703-770-8200.)

In addition, the LTCP two-day classroom review course and exam will be offered as a preconference event at the NAIFA Convention and Career Conference this September in Kansas City, Mo. (Sept. 11-12 for the review, and Sept. 13 for the exam). To register for the LTCP designation program and review course, you can go to www.naifa.org/convention 2003/registration or call AHIA at 703-770-8200.

Have a good time.

And while you re at it, Leveen says, Have a good time. There are two annual national LTCI conferences [American Association for Long-Term Care Insurance (www.aaltci.org) and the National LTC Insurance Forum (www.ltcforum.com)] that are geared to producers, and they re both worthwhile and fun. Another conference to consider is hosted by the Long Term Care Insurance Educational Foundation (www.ltcedfoundation.org). It provides a nonpartisan forum for educating attendees about the evolving LTCI market, discussing the impact of state and federal legislative policies on the marketplace, and fostering the development of public-private partnerships to finance the nation s long-term care bill.