

SELLING LONG-TERM CARE INSURANCE

When selling LTC Insurance, the two most common objections are it's too expensive or I want to think about it. Usually, the underlying reason for these objections is that the prospect is confused about the need and or how the policy works. Often both of these objections will not even arise if a clear and simple presentation is made covering the following points.

What is Long-Term Care?

Long-term care is the kind of care needed by persons requiring assistance or supervision with the everyday activities of daily living due to physical or cognitive impairments. Things like bathing, dressing, toileting, etc.

Where Can I Receive It?

Care can be provided at home, an adult day care center, an assisted living facility, or a nursing home. More than 80% of care today is received outside of a nursing home.

Who Needs Long-Term Care?

About 22% of people age 65 and older still living in their own home, currently have some sort of long-term care need. The chance of spending at least some time in a nursing home after age 65 is around 43% and the chance of needing home health care is more than 70%. Contrast those numbers with the 5 out of 1000 who will have a house fire or the 70 out of 1000 who will have an auto accident.

What Does it Cost?

The cost of long-term care is enormous. Although various published cost surveys seem to come up with different results, it is probably safe to say that a year in a nursing home now averages \$60,000 and can exceed \$100,000, depending on the area and facility. Home care can cost that much or more. In fact, home care expenses can run \$170 per day or more for a single shift. However, based on how the actual cost of care has inflated over the past 20 years, it will cost \$240,000 per year, 30 years from now. At that point, just a 5 year period of care would cost \$1,200,000. It is important for people to understand the future costs and that that is what the policy provides, with a compound inflation option and a sensible initial daily benefit.

Who Pays for Long-Term Care?

People with assets usually end up paying for long-term care out of their own pockets.

Government programs cover much less than most people think.

Medicare pays only 14% of all long-term care costs, according to 2001 data from the Office of National Health Statistics. Certain conditions apply and for those who qualify, coverage is typically for short-term skilled care.

Medicare does not pay for custodial care. Medicaid pays a large portion of long-term care expenses for those who have spent down their assets to the state-required

level (\$2200) or less in most states.) Even then it may not cover most care at home, where many people would prefer to receive care.

Long-Term Care Insurance

The most popular coverage is a comprehensive plan that covers Home care, Adult daycare, Assisted Living and Nursing Home.

There are four basic choices made to build a plan: the maximum daily benefit, the benefit period, the elimination period and the inflation option.

Maximum Daily Benefit

This is the maximum daily amount the policy will pay when you are receiving care. Many policies use a weekly or monthly benefit for home care, which gives greater flexibility.

Benefit Period

The length of time you want your policy to pay benefits. Typically, 2,3,4,5,6 years or Unlimited.

Maximum Lifetime Benefit

This is the total amount the policy will pay during your lifetime for all benefits provided by the policy. This is figured by multiplying the maximum daily benefit by the benefit period. For example:
5 years = 1825 days
1825 x \$150 max daily benefit = \$273,750 max lifetime benefit. This is your "pool of money" you can use for any type of care covered by your policy. The daily benefit chosen should be adequate for your area.

Inflation Option

Options are available to increase the value of the policy over time. This could be an automatic 5% compound or simple annual increase in the daily benefit. Both the daily maximum and the maximum lifetime benefit increase with the option. At 5% compound, \$273,750 would inflate to approximately \$548,000 in 15 years and \$1,100,000 in 30 years.

Elimination Period

For most policies, this is the number of days of paid care that you are required to pay for before the policy provides benefits. Some policies use calendar days with no paid care needed.

The most common choices are 30 or 90 days. Most policies have only one elimination period per lifetime.

Benefit Eligibility

Generally, you become eligible for benefits when a licensed health care practitioner certifies that you need substantial assistance with two activities of daily living for a period expected to last 90 days – or when you need substantial supervision due to a cognitive impairment. The activities of daily living are bathing, continence, dressing, transferring, toileting, and eating.

The Cost of Waiting

If you decide that long-term care insurance is the right decision to protect your assets and your family's financial future, the best time to buy is now. Buying at a younger age means a lower premium. Even though you pay that lower premium for more years, the cumulative lifetime premiums are much less.

In addition, you avoid the risk of developing a condition that would make you uninsurable later.

Tax Benefits

Tax breaks are available to purchasers of Tax Qualified long-term care insurance policies under certain conditions. Benefits received at claim time are income tax free regardless of whether an individual or a business paid the premium.

Some or all of the premiums for these policies may be tax deductible depending on the business entity involved. Most LTC carriers publish excellent guides to the tax deductibility of LTC insurance. Needless to say, it makes a much easier sale if the premium can be deducted as a business expense.

Premium Discounts

Sales under an endorsed or sponsored group plan are often eligible for discounted premiums. Plans can be established for employees of a company or members of an association. In addition, select family members are also eligible for the discount. Employee plans can be fully or partially employer paid or voluntary. Combine the discount with a business deduction and you have an even easier sale. Throw in a 10-pay option as well and you have a very attractive package for a business owner.

What To Do Now

Go out and get your share of a rapidly expanding market.

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