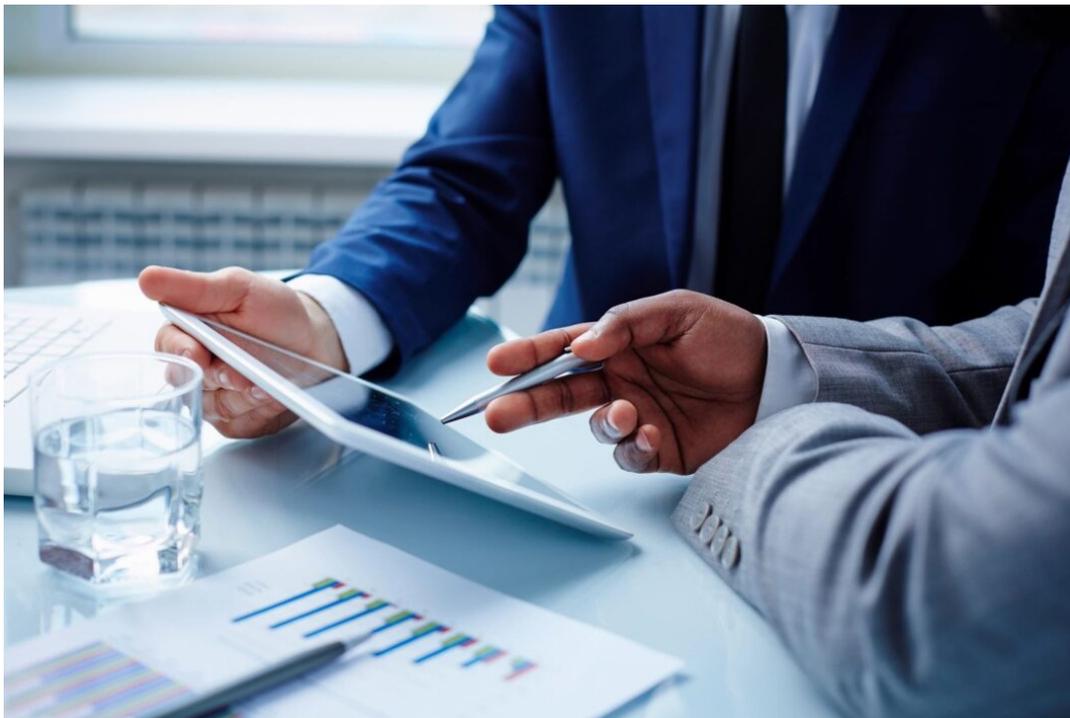


Why LTCI Fails

By **Stephen A. Moses** - March 1, 2021



Congratulations to Carroll Golden, the Limited and Extended Care Planning Center, and NAIFA, for presenting LTC Impact Week, nine hours of online training for LTCI producers Zoomed over three days in November, 2020. Well done; keep it coming.

But two shortcomings struck me about this otherwise excellent program. Low attendance—under 200—and parochialism—it never emerged from the LTCI silo to consider the broader economic and public policy context in which private LTCI is marketed and sold.

Why the low attendance? In fact, why do so few people sell LTCI? That's easy. It's a hard way to make a living. The business mostly attracts people who are passionate about long term care because of a personal, usually wrenching family experience. I've called LTCI producers "AMGs," altruistic, masochistic geniuses.

But why is LTCI hard to sell? That question takes us immediately out of the LTCI market silo into the larger economic and policy domains. The conventional answer is that the public is in denial about long term care.

But that tells us nothing. If long term care is such a big risk and cost, as all

agents are trained to believe and say, why is it so hard to get people to take the risk seriously before it's too late to insure?

Well, maybe it has something to do with the fact that government has paid for most high-cost long term care since 1965. After all, upwards of 90 percent of the biggest long term care expenditures come from sources other than personal asset spend down—mostly government.

But to this observation, agents object: "No, that can't be the problem. My prospects and clients don't want Medicaid. They've heard it's no good and leads straight to a nursing home. They resent the idea they'd ever rely on public assistance."

All right, let's analyze that objection. LTCI prospects and clients are a very narrow sample of all potential buyers. In fact, I think LTCI producers only get to see and talk to about one in ten of the people who could, should and would buy the product if they really believed they needed it.

So why don't consumers believe they need long term care insurance?

Don't blame LTCI carriers, distributors or producers. They've warned everyone for decades that if they don't buy the product and need long term care they'll be wiped out financially.

Don't blame government. It's been telling the same scary story, implemented tax incentives at the state and federal levels, and widely promoted the Own Your Future campaign.

Don't blame the media. Articles touting the importance of long term care planning and the risks of going bare are everywhere nowadays.

You might wonder, in light of such widespread publicity and promotion, how stupid can the American public be? They still ignore long term care risk and cost despite this constant drumbeat of warnings.

Whoa. Back up. Before you impugn consumers' judgment, consider some economic realities that also influence their decision making.

Consumers tend to ignore warnings about long term care risk and cost because they don't hear many tragic stories of catastrophic long term care

expenditures. That's because Medicaid pays for most expensive long term care.

So, does this mean the problem with low LTCI take up is that people know Medicaid will pay and so they count on it instead of preparing with private insurance?

Assuredly not! What's going on is much more nuanced. Think of it in two steps, like this:

Step One: When people are still young enough, healthy enough, and prosperous enough to plan for long term care and purchase private insurance, they hear the pervasive buzz that they need protection against long term care risk and cost. But they have other priorities.

They have house and car payments. They're saving for retirement. They're putting kids through college, and so on. At this stage their level of concern about health in the distant future does not reach the threshold to impel them to consider, much less buy, LTCI. Long term care is a back-of-the-brain concern.

At this time of their lives, most people don't know who pays for long term care and they don't care. They do have a vague sense that someone must pay because you don't see Alzheimer's patients dying in the gutter. It's much easier not to think about this bothersome subject in spite of the constant reminders. But then ...

Step Two: Decades go by, health deteriorates, activities of daily living get harder to manage, cognitive impairment imposes. The need for long term care becomes imminent. All of a sudden, finding and paying for long term care is a front-of-the-brain issue.

The same people who evaded the issue earlier (or more likely their adult children because the elders are now impaired) begin to research long term care seriously. They get no help from Social Security or Medicare, but they find lots of information on how to qualify for Medicaid.

Medicaid financial eligibility rules are very generous. Income usually isn't an obstacle because personal medical and long term care expenses are deducted before eligibility is determined. Most large assets are exempt and other assets

are easily converted to exempt status.

Medicaid eligibility rules are also very elastic, expandable to allow even people with higher incomes and net worth to qualify with the help of Medicaid planning attorneys, whose ads are everywhere online.

People learn lots of negative information about Medicaid, such as the fact it's welfare, pays too little to ensure quality care, and usually means nursing home care. But by the time they learn this, high long term care costs aren't just a vague risk off in the distant future. They're now!

When infirm elders, or, again, more likely their adult children, are staring at thousands of dollars per month for long term care, the prospect of dodging those expenses makes Medicaid look far less undesirable. People adapt. If they're affluent, they employ "key money" to buy their way into the nicest facilities by paying privately for a while, and then, after a few months, they flip the legal switch to get Medicaid.

Such people don't talk about how they solved the long term care problem. They're not proud of it. So the word doesn't get out. But the damage is done. Another generation is desensitized to long term care risk and cost and the crisis of long term care financing continues.

That's why the public remains in denial about long term care risk and cost despite the omnipresent warnings. That's why LTCI is hard to sell. That's why long term care service and financing problems are self-perpetuating.

And that's why nothing will change until we break the cycle by changing Medicaid eligibility rules either to exclude middle class and affluent people entirely or to require them to pre-pay or repay Medicaid for their care from their home equity. Only then will they perceive sufficient reason to plan early and insure for long term care.

In the meantime, LTCI carriers, distributors and producers should realize there is more to selling this product than getting sales and marketing right. They have to confront the broader economic and public policy context in which sales and marketing take place.



Stephen A. Moses



425-891-3640 smoses@centerltc.com

Stephen A. Moses is president of the Center for Long-Term Care (www.centerltc.com). The Center promotes universal access to top-quality long term care by encouraging private financing as an alternative to Medicaid dependency for most Americans. Previously, Mr. Moses was president of the Center for Long Term Care Financing (1998-2005), director of research for LTC, Inc., (1989-98), a senior analyst for the Inspector General of the U.S. Department of Health and Human Services (1987-89), a Medicaid state representative for the Health Care Financing Administration (1978-87), a HHS Departmental Management Intern (1975-78), and a Peace Corps Volunteer in Venezuela (1968-1970). He is widely recognized as an expert and innovator in the field of long term care.

He completed the "2008 National Long Term Care Consciousness Tour" traveling for a year and 28,028 miles while living in an Airstream trailer dubbed the "Silver Bullet of Long Term Care." The LTC Tour promoted responsible long term care planning and rational long term care public policy.

Moses can be reached at the Center for Long-Term Care Reform, 2212 Queen Anne Avenue North, #110, Seattle, WA 98109