

# *Marketing & Distribution*

## **Long-Term Care Planning for People Who Failed to Plan**

### *Panelists*

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### *Producer/Moderator*

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**17th Annual Intercompany Long Term Care Insurance Conference**

# Today's Discussion



- **“The Call”**
- **The Market for People Who Failed to Plan**
- **Common Options**
- **Opportunity for Financial Professionals**
- **Creating the connection**
- **Regulatory Challenges & Opportunities**
- **“Answer That Call!”**



# The Call

# I Have A Client Who Needs Long-Term Care Now!



- **85 year old widower**
- **Recent stroke & diabetes**
- **Financial and personal resources include:**
  - *\$100,000 in liquid (cash) assets*
  - *Currently lives in his own home*
  - *\$150,000 life insurance policy*
  - *No long-term care insurance*
  - *Two adult children, both living in other states*
- **Need for care is NOW!**
  - *Has identified an assisted living facility*
    - Annual cost -- \$45,000
- **What advice can you give to this client/family/elder lawyer or care community administrator?**



# Who is the Customer?

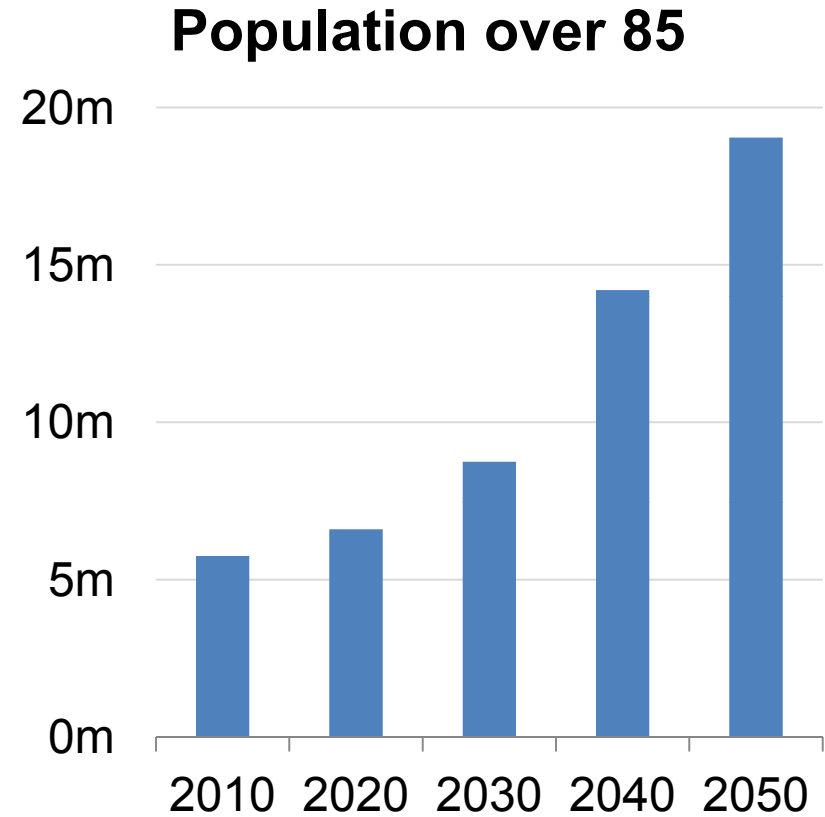
# LTC Recipients: Large and Growing Market



Care Setting	Annual Spend	Annual New Entrants	Self Fund
Assisted Living	\$50b	300,000	\$30b
Skilled Nursing <sup>1</sup>	\$55b	250,000	\$10b
Home Health <sup>1</sup>	\$40b	300,000	\$5b
<b>TOTAL</b>	<b>\$145b</b>	<b>850,000</b>	<b>\$45b</b>

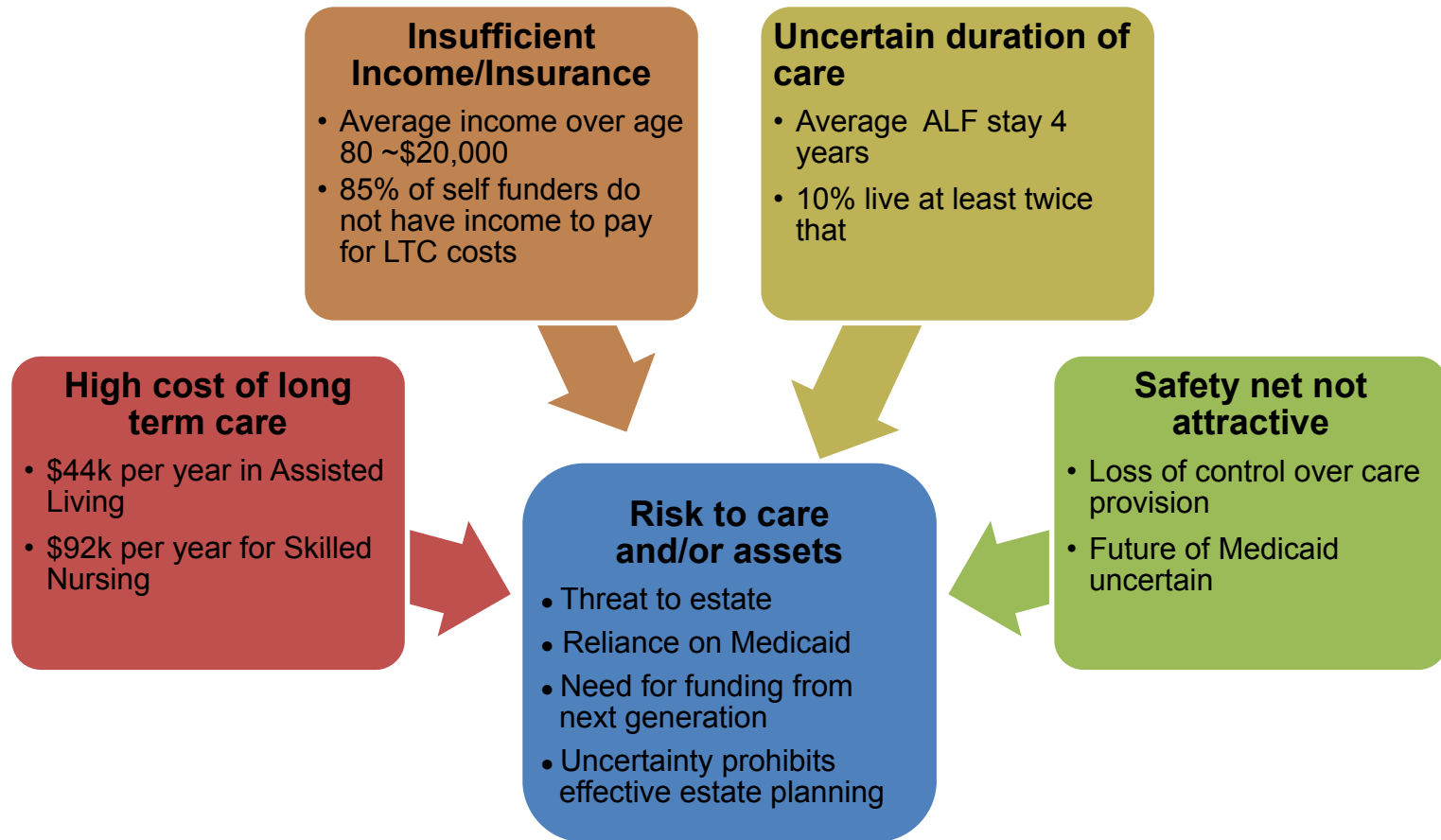
<sup>1</sup>Long-term episodes only.

SOURCE: Willis Towers Watson analysis of incidence/duration for US care stays.



SOURCE: US Census 2008 National Projections

# Majority of Recipients Face Significant Risk



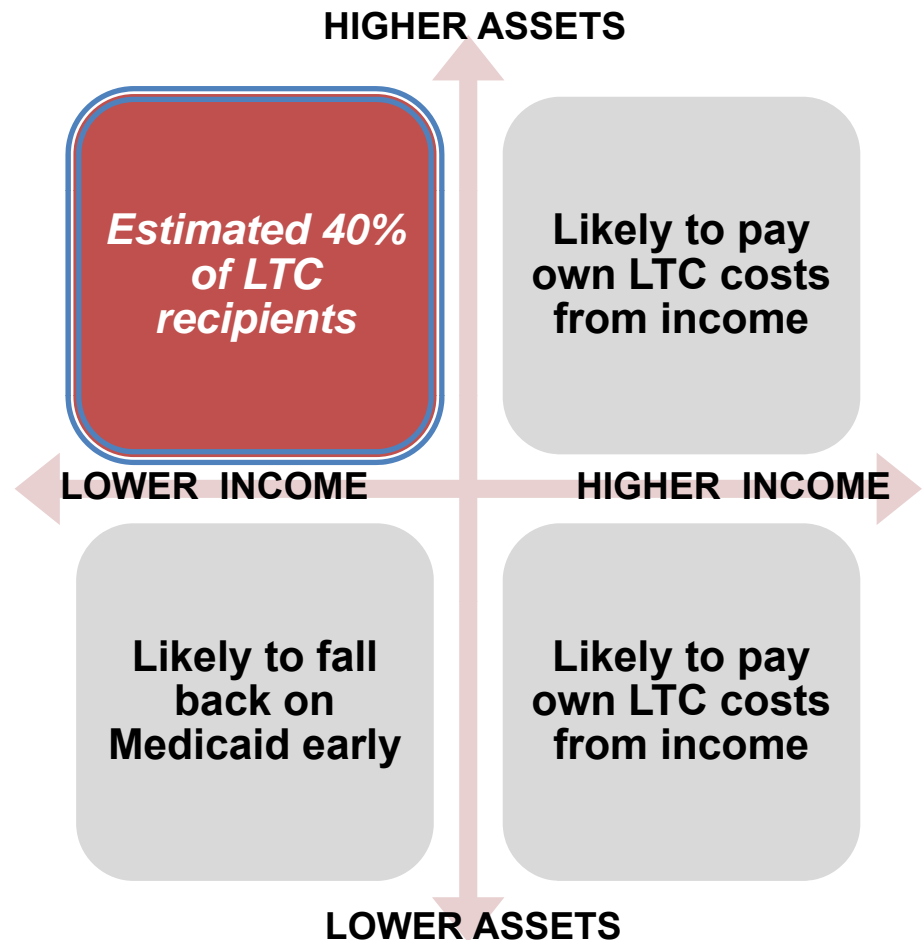
~85% of care residents cannot afford LTC fees from income / insurance.

# Sizeable Subset Could Fund Average Stay



Analysis of national income and asset data suggests 40% of LTC recipients:

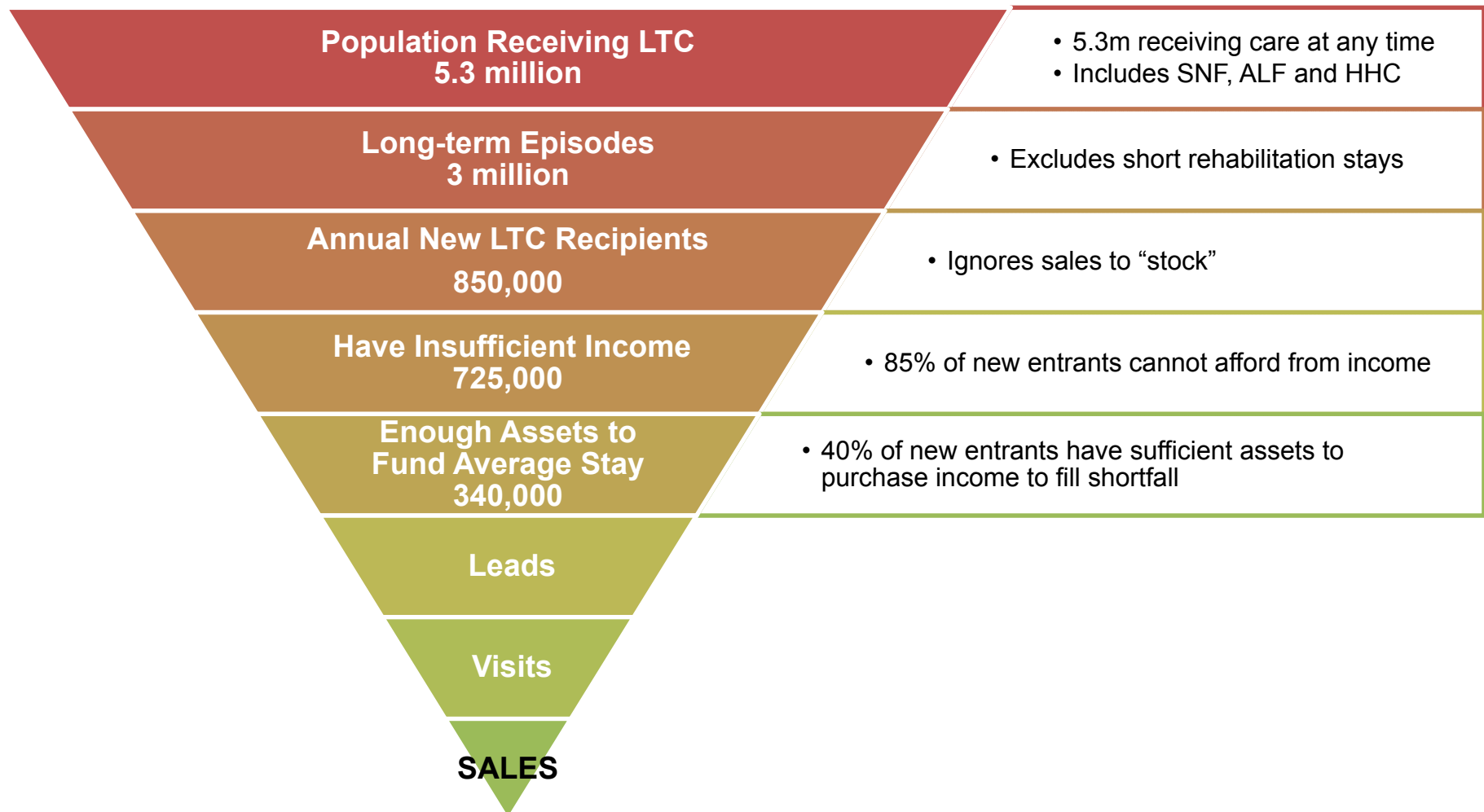
1. Have insufficient income to pay for their LTC costs on an extended basis (\$33k shortfall per year).
2. Have sufficient assets to fund the income shortfall for the average stay in care (\$133,000).
3. Have no LTCL insurance.



SOURCE: Willis Towers Watson modelling based on national income/asset data for 85+



# Market for Point of Care Products



# Snapshot of the Market



How many people over 65 are currently receiving care?	<b>5.2 Million<sup>1</sup></b>
What % of people over 65 have an LTCI policy?	<b>10%<sup>2</sup></b>
How much is spent on care each year?	<b>\$208 Billion<sup>3</sup></b>
What % of Assisted Living costs does Medicaid pay each year?	<b>7%<sup>4</sup></b>
What is the average caregiver's out-of-pocket spend on care for loved one?	<b>\$10,000<sup>5</sup></b>
... and how many work hours per week do they lose?	<b>7 hours<sup>5</sup></b>
... and what is their average lost income opportunity per year?	<b>30%<sup>5</sup></b>

1. Family Caregiver Alliance, National Center on Caregiving, Feb, 2015
2. "The Market for Long-Term Care Insurance," The National Bureau of Economic Research, [www.nber.org](http://www.nber.org), accessed Feb. 2017
3. "Who Pays for Long Term Care?" Feb, 2016, The Scan Foundation
4. Family Caregiver Alliance, National Center on Caregiving, Feb, 2015
5. Genworth Beyond Dollars Study, 7/2015



# Common Options

# Private Pay Funding Options



- Cash & Investments
- Traditional or Linked LTCi
- VA Aide and Attendance
- Reverse Mortgage
- Loans
- Life Settlements
- Medically Underwritten SPIA
- LTC Benefit Plan



# Leveraging Options to Enhance Cash Flow



- Individual can enroll “settled” funds into a tax-free *Long Term Care Benefit Plan* designed to make monthly payments to any form of care they choose.
- *Medically Underwritten Immediate Annuity* will provide a guaranteed income stream to help cover retirement and long term care expenses for life.
  - These options are designed to address immediate need to fund retirement living and senior care expenses
  - The older and more impaired their health condition, the more they will get when settling their policy and enrolling in either the Benefit Plan or the Annuity
  - Individual who qualifies to convert a life insurance policy into a *Long Term Care Benefit Plan* or *Medically Underwritten Immediate Annuity* would be too old or sick to buy long term care insurance.



# Opportunities for Financial Professionals

# Red Ocean vs. Blue Ocean Opportunity



## Red Ocean

- Compete in **existing** market space
- **Beat** the competition
- Exploit **existing** demand
- **Make** the value-cost trade-off
- Align the system of activities with **choice of differentiation OR low cost**

*Cutthroat competition, seek to take market share*

## Blue Ocean

- Create **uncontested** market space
- Make the competition **irrelevant**
- Create and capture **new** demand
- **Break** the value-cost trade off
- Align the system of activities in **pursuit of differentiation AND low cost**

*Untainted by competition, seek to create and define market*

From Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant. W. Chan Kim and Renée Mauborgne, Harvard Review Press, 2005, Rev. 2013

# Is It Too Late to Plan?



*Absolutely Not, and Everyone Benefits...*

## **Family: Care Recipient**

- Control: care setting, provider
- Stability: reduced risk of forced move
- Certainty: ability to pay

## **Family Members**

- Reduced stress
- Focus on quality of care, quality time
- Preserve/protect assets

## **Care Providers**

- Earlier move-ins: families with plan do not need to prolong care decisions
- Increase private payers
- Fewer financial exits
- Increased occupancy rates (key net income driver or stability marker in NFP)
- Financial professional access for differentiation in Red Ocean

## **Financial Professional**

- Blue Ocean
- Prospecting from existing book
- Pivot sales: across generations
- Solutions for all stages of care journey
- Multiple potential referral sources:
  - Care providers
  - Elder law attorneys
  - Sr. Real Estate Specialists
- Incremental revenue

## **United States**

- Increase private payers = reduced strain on Medicaid, entitlement programs
- Employment: stable revenue results in stable job market
- Quality of care: financially strong market drives competition and better care





# Creating the Connection to People in Need

# Distribution Challenges



- **The market is unlike anything we've approached before**
  - *It's new! It's a revelation!*
- **The audience goes beyond the care recipient**
  - *The Care Recipient is usually not the financial decision maker*
- **The need is immediate and time sensitive**
- **Funding strategies are limited and relatively finite**
- **Planning strategies exist in a strictly regulated consumer protection environment**

# Fiduciary Layering



- **Leveraging assets requires risk**
- **The burden of understanding and approving risk falls most heavily on the heirs**
- **The potential for substantial loss is very real**
  - *It must be clearly understood and accepted by all concerned*
- **A successful relationship between client need and access to financial services requires a high level of Trust.**

# Creating a Private Army



- **Where are the agents/advisers when you need one?**
- **Qualifications**
  - *Experienced with errors and omissions coverage*
  - *Professional Certification Training including*
    - **LTC, Annuity AML , State Required Life Settlement**
  - *Product Certification to include medically underwritten SPIA and Life Settlements used exclusively for care giving expense*
  - *The trained ability to recommend or refer multiple solutions*
    - **Reverse Mortgages, Veterans Assistance or Bridge Loans**
  - *Ongoing training and monitoring*

# The Commitment of a Volunteer



- **Status as a trusted advisor is dependent on respect and adherence to a code of conduct concerning their relationship with established vendors**
  - *Care communities & elder law specialists*
- **An ongoing commitment to attend regularly scheduled marketing and sales training**
- **A commitment to ongoing contact with assigned care communities and professional advice sources**
- **A written commitment that corollary traditional sales will be placed with the sponsoring BGA**



# The Opportunity Is “HUGE”



# Regulatory Challenges

# Appealing Solutions / Uncharted Territory



- **Insurance solutions currently regulated as:**
  - **Substandard annuities**
  - **Life settlement products**
  - **Not subject to long-term care regulations**
- **NAIC LTC Innovation Subgroup:**
  - **Made aware of solutions during 2016 information gathering sessions**
  - **Positive reaction overall**
  - **Concerns about proper disclosures during sales process**
  - **Stigma associated with life settlement products**
  - **Willing to work with industry to address concerns**



# Alarming Liabilities



- OBRA '93 / DRA (Mandates to recover \$)
- Filial Responsibility Laws (28 states)
  - *Health Care & Retirement Corporation of America v. Pittas* (Pa. Super. Ct.)
  - *Larry Grill et al v. Lincoln National Life Insurance Company* (California Central District Court)
- Reverse Mortgage & DOL Fiduciary Rules
  - Power of Attorney Issues
  - Families *and* Advisors are being held liable for poor financial planning and





# Answering the Call With Solutions that Make Sense

# Private Pay Allows for Choice & Dignity



*Home  
Health  
Care*

*Assisted  
Living*

*Private Duty  
Home Health  
Care*

*Skilled  
Nursing and  
Hospice*

*Memory or  
Behavioral  
Care*



# Questions & Answers

Thank You