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The Long, Winding Road

Understanding How Families Search for Long-Term Services and Supports (LTSS)

BY EILEEN J. TELL

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SPRING 2022

INSIDER'S NOTE

You will find that plan design is a theme of this quarter's *Digest* articles, with all of our contributing authors reinforcing the message that plan design should, first and foremost, revolve around a client's needs and circumstances, rather than trends, industry changes, preconceived notions, or assumptions.

Shawn Britt explains why changing HIPAA per diem rates, while sometimes confusing, really don't need to influence the planning process. Nor, as Kerry Peabody suggests, should we allow customer focus on getting "the best" coverage be the enemy of getting good, quality protection. Marc Glickman and Phyllis Shelton discuss the importance of understanding the cost of care and how it can influence your long-term care client conversations. Matt DiGangi updates us on current consumer attitudes about long-term care protection post pandemic.

These industry insider discussions are rounded out with a recap of a study led by Eileen Tell, that was designed to understand actual consumer experience when it comes to finding long-term care services and support for their loved ones.

Finally, don't miss our spotlight article on one of our new instructors, Shane Van Patten, CTLC®. We are so happy to have him as a part of our team.

It's all good reading designed to help you grow and broaden your long-term care conversations and practice. Enjoy! And welcome, spring!

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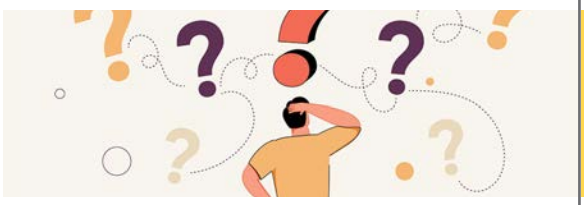

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CALL FOR SUBMISSIONS

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WHAT'S GOING ON WITH HIPAA?

(And why it may not matter.)

By Shawn Britt, CLU®, CLTC®

Each year, normally in early November, the IRS establishes a HIPAA per diem rate for the following year. It is used to calculate the tax-free benefit amount that that can be received from traditional long-term care (LTC) and linked benefit LTC policies, LTC riders on life insurance and annuities, and chronic illness riders. However, the announcement for 2022 proved unusual—the HIPAA per diem went down by $10. This is the first time ever the rate has been reduced since HIPAA's inception in 1997.

There has been confusion about why this happened, and whether this could have a current or future impact on LTC benefits—particularly when benefits are paid by an indemnity or cash indemnity benefit model. This article will discuss:

- What may have caused the HIPAA per diem to go down
- Why few 7702B LTC riders and linked benefit policies will be affected

A CHANGE IN FORMULA BRINGS CHANGES TO THE HIPAA PER DIEM

The Tax Cuts and Jobs Act (TCJA) implemented on January 1, 2018 brought about a change to how fixed dollar amounts such as the long-term care (LTC) HIPAA per diem would be indexed for inflation. Prior to 2018, the Consumer Price Index for all Urban Consumers (CPI-U) was used in calculating the HIPAA per diem each year. This formula measures the change in price of a fixed set of consumer products and services, and is thought to be a better indicator of inflation on goods and services.[1]

With the implementation of TCJA, the formula to index for inflation and determine the annual HIPAA per diem would now incorporate the Chained Consumer Price Index (C-CPI), often referred to as "Chained CPI" or "chained weighted inflation." This formula is based on changes in consumer preferences and product substitutions due to the changes in the price of goods.

C-CPI is better suited to measuring the cost of living because it focuses on the actual mix of goods and services consumers purchase—including less expensive substitutions, but it is a less accurate measure of inflation.[2] A portion of the C-CPI formula includes the medical component of the C-CPI[3].

While the cost of many items were impacted by high inflation in the last year (such as fuel and food), actual dollars spent on long-term care did not suffer the same impact.

This explanation is not the whole story, but it provides a partial picture for the reduction.

Back in 2018, while waiting for the HIPAA per diem rates to be announced based on the new formula, and again this year with the hiccup of a $10 a day reduction, there was talk that the effect on HIPAA could be harmful to policy owners of indemnity or cash indemnity LTC coverage. But this assumption is flawed.

HISTORICAL HIPAA PER DIEM RATES SINCE INCEPTION					
1997	$175	2006	$250	2014-2015	$330
1998	$180	2007	$260	2016	$340
1999 - 2000	$190	2008	$270	2017 - 2018	$360
2001	$200	2009	$280	2019	$370
2002	$210	2010	$290	2020	$380
2003	$220	2011	$300	2021	$400
2004	$230	2012	$310	2022	$390
2005	$240	2013	$320	---	---

The chart above illustrates there have been three instances when the HIPAA per diem remained the same from one year to the next. Also notice that in 2021, the HIPAA per diem increased for the first time by $20. Thus, consider that if the HIPAA per diem had only gone up by $10 in 2021, and remained the same in 2022—it's doubtful that many people would have been particularly concerned, for *the HIPAA per diem would still be exactly where it is today—at $390.*

IRS GUIDELINES FOR TAX FREE LTC BENEFITS

LTC benefits may be received tax free, cumulative of all benefits paid to an insured, regardless of who owns the policies as either: *the greater of the HIPAA per diem in the year of claim or actual qualifying LTC expenses incurred.* Thus, any amount of LTC benefits received in the year of claim that are equal to or less than the HIPAA per diem will be tax free with no need to justify expenses. *Additionally, any amount received that exceeds the HIPAA per diem, but does not exceed actual qualifying expenses, will also be tax free.*

WHY VERY FEW LTC POLICIES WILL BE AFFECTED

When you look at the breakdown of LTC benefit amounts issued, it turns out this is of little concern to most owners of indemnity or cash indemnity LTC coverage. Looking at figures from a major insurer of LTC riders on life insurance and linked benefit policies, here is the approximate breakdown:[5]

- 87% of life insurance policies with LTC riders were issued with LTC benefits equal to or less than the 2022 HIPAA per diem amount.
    - With time, some of the remaining 13% of policies will also fall within the HIPAA per diem in the year a claim is filed. How many of these LTC rider benefits will eventually fall within the HIPAA per diem is unknown, since the commencement of LTC claims on these policies cannot be predicted.
- 99% of linked benefit policies were issued with LTC benefits equal to or less than the 2022 HIPAA per diem amount.

- If the policy has inflation on it, has an LTC benefit at issue near HIPAA limits, and the inflation benefit grows faster than the HIPAA per diem – then yes, it is possible for such LTC benefits to surpass the HIPAA per diem at time of claim. Even so, that leads us to the next point to consider.

CASH INDEMNITY VS. REIMBURSEMENT

There are those who might argue that reimbursement plans are better because LTC benefits are not tied to the HIPAA per diem. But LTC benefits available to be paid with a reimbursement policy *are* tied to what the contract says is covered, and limited to the lesser of qualifying expenses incurred or the issued amount of coverage. Any LTC expenses not covered under the policy will have to be paid for out-of-pocket. However, for some policy owners this benefit model may meet their individualized needs.

With cash indemnity benefits, the insurance company places no restrictions on how LTC benefits are used, providing more freedom in care choices and in use of funds to pay for expenses that would not be covered by a reimbursement plan.

Moreover, many carriers of cash indemnity LTC (7702B) coverage now pay LTC benefits up to 2 times the HIPAA per diem, or place no HIPAA cap on LTC benefits paid. These improved policy features provide more access to needed LTC benefits from the small percentage of policies with benefits that will exceed the HIPAA per diem at time of claim. And for those same few policies, LTC benefits can still be received tax free simply by limiting the amount of benefits the policy owner takes from their policy for qualifying LTC expenses—which will keep benefits received within the IRS tax free limits.[6]

After taking a closer look at the circumstances surrounding the changes in the HIPAA per diem calculations, there is really little to worry about for most owners of cash indemnity LTC coverage.

SUMMARY

The choice of long-term care coverage should be based around an individual's or couple's planning needs, and which benefit model may work best for their individual situation—not around a blip in the HIPAA per diem. Fortunately, there is an abundance of quality LTC insurance solutions today that can be incorporated into a client's overall planning strategy.

SHAWN BRITT, CLU® , CLTC®

Shawn is Director of LTC Initiatives for Advanced Consulting Group at Nationwide Financial. She has been engaged in the life insurance and LTC industry for over 20 years. Shawn has been a major influence in promoting the need for long-term care and development of Nationwide's LTC product solutions.

1 Investopedia: "Chain-Weighted CPI Definition", by Will Kenton; updated Sept. 02, 2021
2 Investopedia: "Consumer Price Index for All Urban Consumers (CPI-U)", by Will Kenton; updated Jan.15, 2022
3 FRED Economic Data
4 A tax professional should be consulted to help determine which of the insured's expenditures would be considered a qualifying long-term care expense for purposes of the IRS formula for tax-free benefits.
5 Actuarial figures from a major insurance company
6 Supra, Note 4

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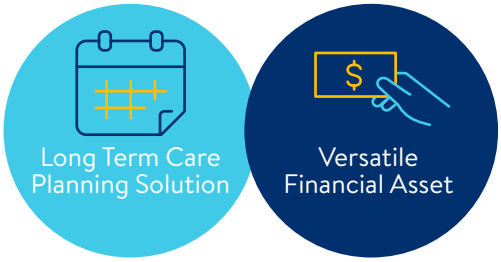

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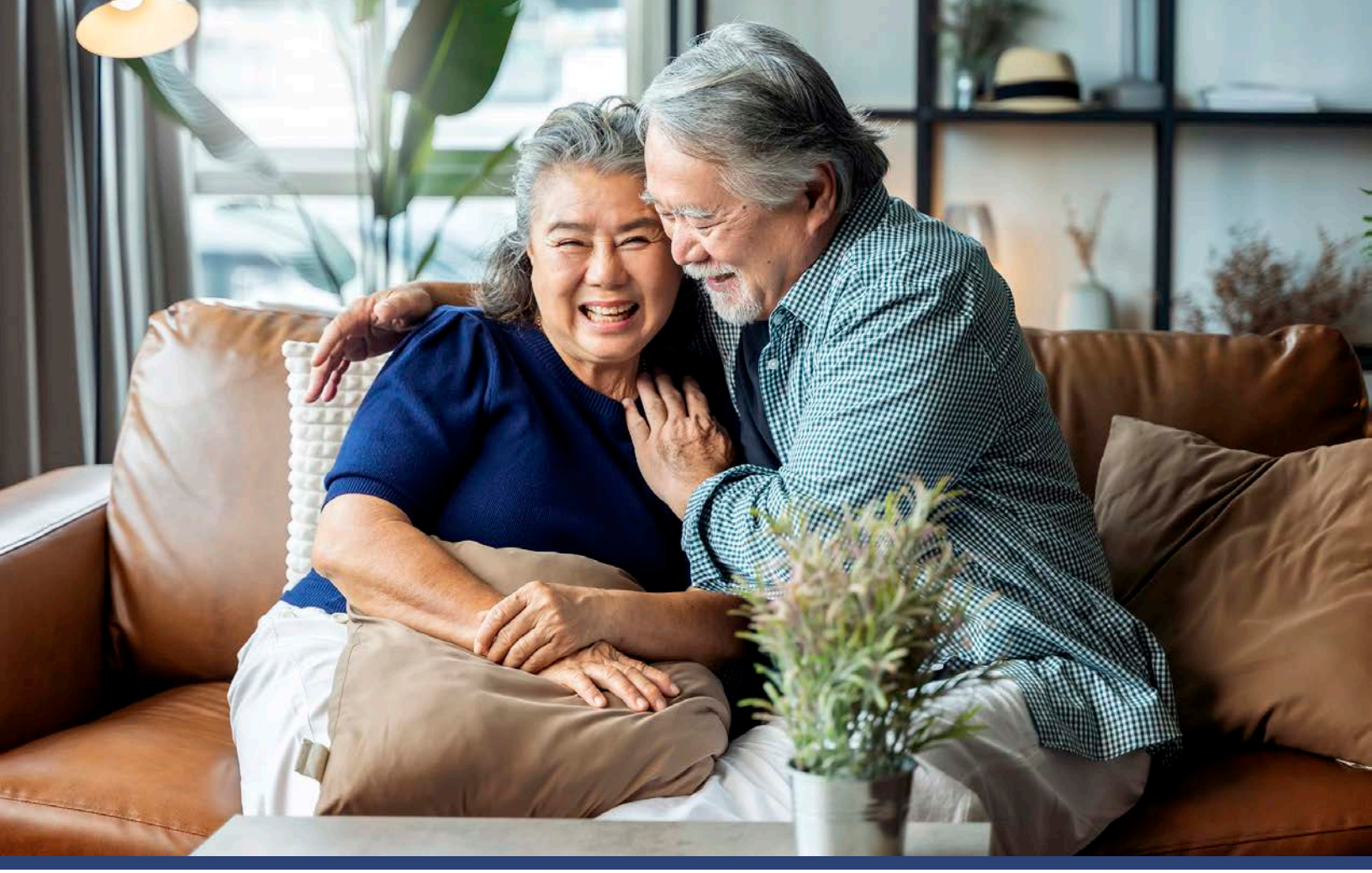


NOBODY TALKS ABOUT THIS LONG-TERM CARE INSURANCE BENEFIT

By Kerry Peabody, CLU®, CLTC®, RICP

There's a benefit to long-term care insurance that nobody has talked to you about. I've never seen it mentioned in a product brochure, or in a PowerPoint presentation. I've never heard a client ask for it. Even amongst insurance agents, I'm sure only the very, very experienced LTC agents will bring this up. I usually find myself talking about it when my clients ask about how long their benefits would last if they went on claim.

Very few of my clients buy a "lifetime" or unlimited benefit pool. Usually, because of pricing, they're going to purchase a three- or four-year benefit period, and with couples, we'll usually add a shared care rider. Let's assume we don't. Let's assume that Bob and Carol are buying LTC insurance, but their budget is tight, so we can't really add on shared care, and we certainly can't buy lifetime benefits. No, instead they're each buying a good, solid, daily maximum benefit amount, with a three-year benefit period.

At times, a client is so worried about a care event spanning years and years that they almost feel as if buying a three-year benefit period is pointless. That's unfortunate.

In part, the industry is to blame for this, because for a long time, what were then ridiculously inexpensive lifetime benefit plans were sold as the only way to go —and anything less was just a waste of time. There are still agents out there who insist lifetime benefits are

necessary, even if they end up offering a minuscule daily benefit to make the lifetime benefit pool affordable.

> Having an unlimited benefit pool doesn't do you much good if the benefits are trickling out at $100 a day—
> **you'll go broke while you're on claim.**

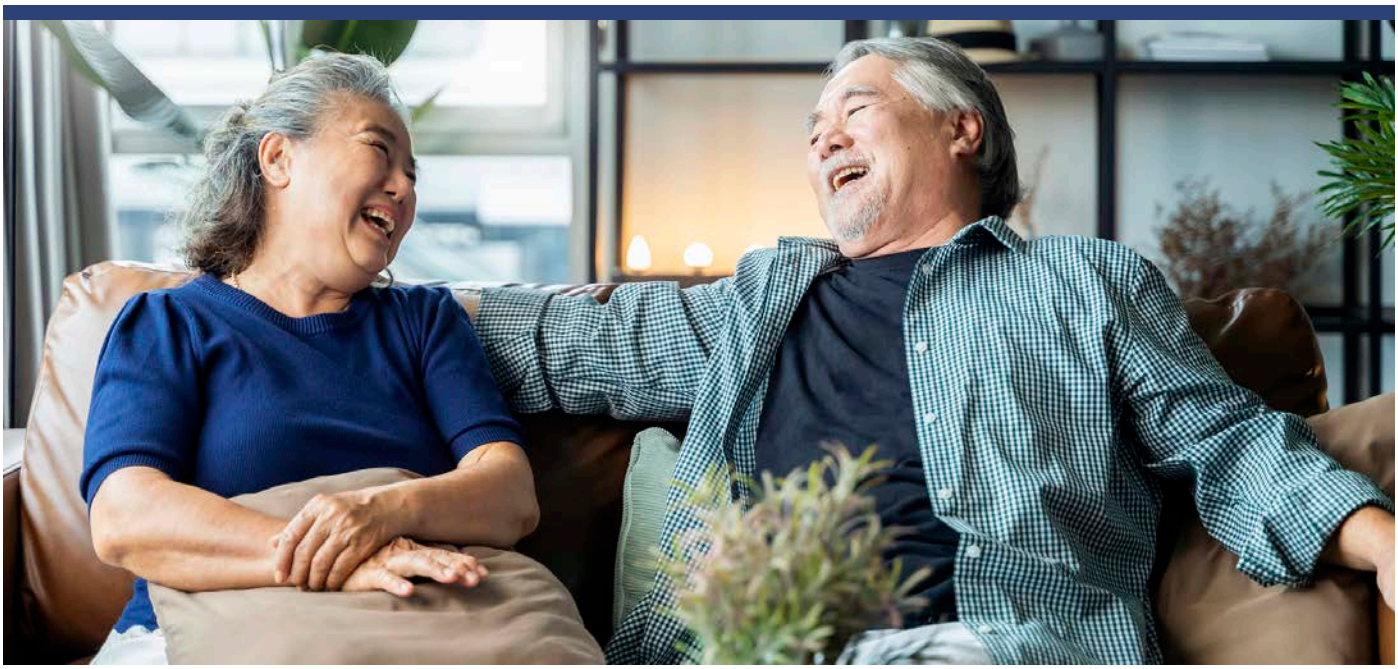
Sometimes the client is focused on the lifetime benefits because Mom or Dad or Aunt Julie had dementia, and spent five or six or seven years in a home. They're dealing with that experience, and would like a much longer potential benefit, but simply can't afford it.

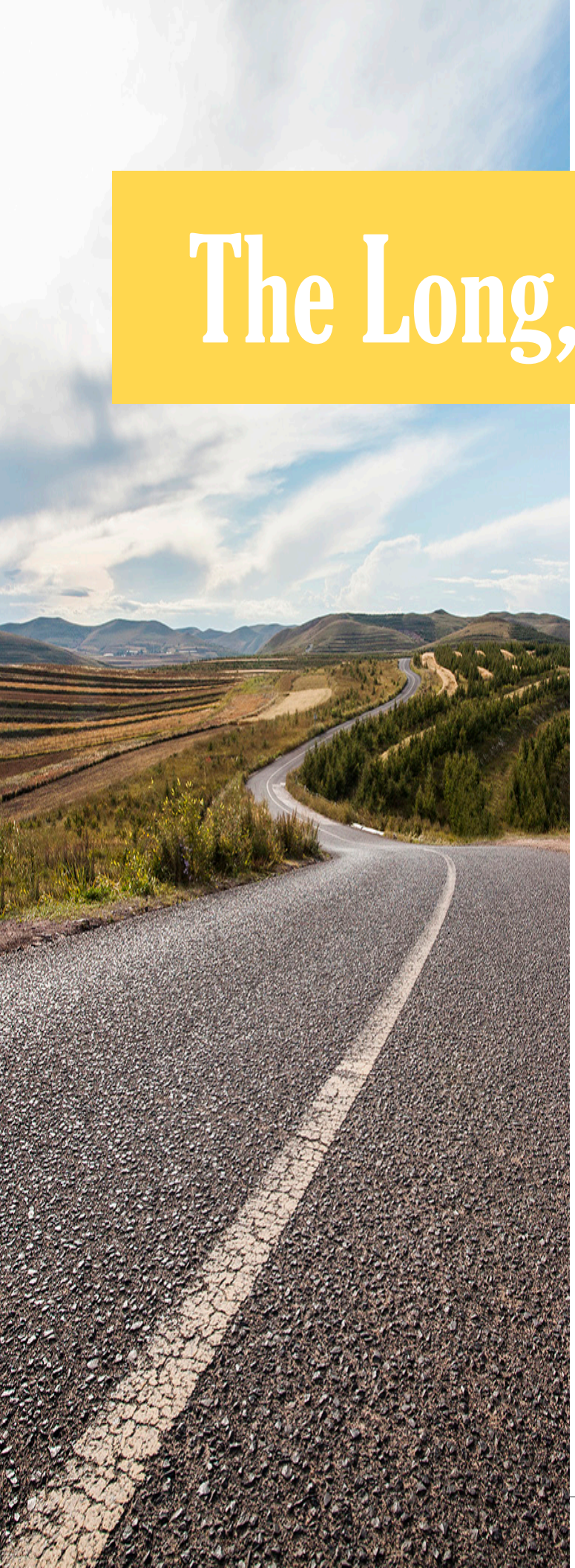
When the client is feeling that unease, that's when we talk about the "hidden" benefit that long-term care insurance provides…*time*. This is what people forget. There are ways to protect assets in a long-term care situation, even within the (current) five-year look-back period. So, when Bob has his stroke, Carol is going to file the long-term care insurance claim, and get him settled into his care setting, be that at home, in assisted living, or a nursing home. Once that's done, she's not going to just sit around and wait for the policy benefits to run out. No, she is going to go to her estate planning or elder law attorney and say, "We have three years until this LTC insurance runs out, let's do every legal thing we possibly can between now and then to put our assets to use for my family and me."

There are things she can do. With *time* to plan, a good attorney will be able to help her identify things she can do with her money that will benefit her without causing issues with Medicaid. There will be time to spend money on exempt items, like home repairs, etc. They'll have time to consider things like annuities. They may be able to take advantage of caregiver exemptions in some states. An elder law attorney will know what can be done, and while they may not be able to protect everything, they'll have time to work with the tools they have, to protect what they can. Carol won't be trying to navigate the legal system in the middle of a crisis, she'll have time to react—far better than if Bob hadn't had that three-year LTC policy. In my book, that's a benefit well worth having.

KERRY PEABODY, CLU®, CLTC®, RICP

Kerry is a Long-Term Care Insurance Specialist with Clark Insurance in Portland, ME. He has been involved with LTCi for more than 20 years. He's been working directly with consumers, helping families and small business owners protect themselves against the staggering emotional, physical, and financial impact that an extended LTC event can have. His in-depth understanding of the market and the various types of long-term care insurance planning products, and his background in medical underwriting serve his clients well.





The Long, Winding Road

Understanding How Families Search for Long-Term Services and Supports (LTSS)

By Eileen J. Tell

While many articles in this publication address how to manage the costs of long-term care (LTC) or efforts to design better products to pay for care, what many people find equally, if not more challenging, is finding and maintaining appropriate care when they or a loved one need it. Indeed, I will gladly help friends and family make decisions about whether and which LTC insurance product to purchase and how to craft coverage choices that best fit their needs. But when they call with an urgent need for help choosing a nursing home, or understanding what type of care would be best for their long-distance loved one, my industry expertise quickly becomes almost useless. I know the service landscape, but not how to navigate it. And I certainly do not know how to do so during a care crisis. So imagine how the typical consumer feels!

This is what motivated the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation (ASPE) to study how families manage their way through this process. The research included a series of focus groups with consumers who had recently gone through the process of finding LTC services to explore the challenges they encountered and identify any helpful resources they may have encountered. This article summarizes findings from the consumer focus groups.

DYNAMICS OF THE CONSUMER EXPERIENCE

The focus group discussions revealed that, whether there was a sudden or gradual decline in the health of a family member, for most, an acute incident such as a fall, a stroke, or the sudden illness or loss of the primary caregiver, such as a spouse, precipitated the need for broader family involvement in the process of finding LTC service and formal care options.

A common theme heard in all the groups was the lack of awareness of the decline in either physical or cognitive health of their loved one until this acute episode occurred. Aging parents typically shielded their adult children from the realities of their limitations. Even families where some individuals tried to engage loved ones in conversations about planning ahead, should LTC needs emerge, these conversations were generally shut down, especially if these inquiries involved talking about finances. Some of the illustrative statements from the groups include the following:

> "You don't need to know. … we're fine. … we're handling everything."

> "My mom fell and there was a lot going on that we weren't aware of. She was living by herself and we just did not know … or recognize the signs of Alzheimer's."

> "… whenever we called, mom said dad was out or busy. So we never talked to him on the phone. … otherwise we would have realized how bad off he'd gotten."

WHERE TO START

For many families, trying to find LTC options was completely new terrain. Even those who had been through the experience before in some capacity with another family member felt unprepared since each situation was unique. Most felt that they had no road map and that it is not a "once and done" process since changing care needs over time also means continually finding new solutions.

While consumers in the focus groups used the internet for research as an entry point to defining care needs and looking for LTSS, few found useful information in either the public or private sector online resources.

> "I googled 'long term care' and her sickness, like what to expect … but I didn't really know what I was looking for."

> "I'm on the internet and I think … what do I do? Where do I go? How do I start?"

Despite the large and growing presence of web-based information resources and their prominence in search results when consumers are looking for information about long-term care, very few of the focus group participants mentioned using or even being aware of these online resources. One or two of the heavily advertised services were mentioned, but many were skeptical that they would have the expertise or reliability to be worth trying. Those that did try one or two of the online services either could not understand why the recommended service options were not more convenient or understood that the service only included providers willing to "pay to play."

> "I did sign up … I went through all the steps. And they did call me and took a lot of my dad's information. But they recommended places that were not really close by."

Many consumers looked largely to their family physician, hospital discharge planner, or to the recommendations of family and friends as the most valued source of information on finding LTSS. In particular, for in-home care, word of mouth from others who had used that type of care was especially valued as a way to find a care provider. Families relied upon recommendations from friends, a religious organization with which they were affiliated, or their healthcare provider.

> "I searched out from word of mouth, and you know, people that I knew who had elderly parents that went through this … that's how I found out."

> "I really relied on doctors and my friends."

Familiarity with a facility simply in terms of having driven past it, seen advertising, or knowing it as part of one's community was also important to peoples' comfort in choosing a facility. Of course, that also corresponded to the desire to select a facility for a loved one nearby so that visits and other logistics are less complicated.

> "My family is born and raised here. It was just a place we've driven by and then that just came to mind. I don't want to tell you it was recommended. It was just a place we knew."

None of the focus group participants was aware of the type of assistance that can be provided by a geriatric care manager. When it was discussed, many found the idea of hiring a professional familiar with local providers and able to match care needs with local resources to be a great service, and one they wished they had known about.

There was some familiarity with public-sector resources such as the Area Agencies on Aging (AAA) and Eldercare Locator. But those that had reached out found them to be of limited value. Respondents felt these options are not well positioned to serve the private pay population and are also not typically in a position to make provider recommendations.

Indeed, many public agencies have long waiting lists and a mandate to serve a defined population. They also are often not permitted to offer provider recommendations but can provide lists, which these consumers did not find particularly helpful.

> "When you call the AAA, they can't give you a straight answer. … If you ask, 'what's the best?' … they say 'well they're all good.' … Well, no, they're not all good."

> "They gave me lists … I wanted recommendations."

The experience with Eldercare Locator was especially disappointing for those who reached out—expecting that it would help them "locate eldercare." The toll-free number provides information about the Area Agency on Aging near where one lives which does not currently adequately address the needs of the typical private pay population, although the public sector is interested in doing so but can't, both because of current mandates and limited resources.

EVALUATING OPTIONS

Once a care facility was identified, some participants talked about using the internet to learn how that facility compared with others with regard to staffing, complaints, services, features and other indicators that might shed light on the facility's quality or suitability for their loved one. While many said that they did online research including looking up quality ratings or state certification information, for most, the critical next step was to actually visit the facility.

> "The internet will give you direction. But I'm hands-on. You have to go to the facility, look at the people and eyeball them when you're there. You have to check on the meals."

> "It's a good starting point. But it's not an end-all. You still have to see it for yourself or know someone who had a good experience there."

None of the participants were aware of the CMS websites NursingHomeCompare.gov or **HomeCareCompare.gov,** both of which provide quality ratings data on those services. When shown samples of the information available there, consumers were interested, although there was still some skepticism about how current the data are, how reliably it is collected and whether providers are able to game the system.

> "You never know if the nursing home knows when the inspectors are coming and 'spruce up' for it."

MAKING A CHOICE

Many of the participants expressed frustration at the process of finding LTSS. Despite doing extensive research, the ultimate factors driving provider selection were availability, convenience, and cost.

> "Even if you find a great place, you have to think about money, availability and the convenience of the place."

> "We asked for recommendations in the area, and they did give us five. But only two had beds available. So we chose the one that was closest."

IMPROVING THE PROCESS

The participants in these focus groups liked the concept of a public-sector, nonprofit entity that could help curate information on how to find and evaluate long-term care services. Some, however, were skeptical that even nonprofits might have an agenda and not truly represent individuals' needs.

People wished they could rely more on their family physician, health plan or local hospital to get this type of time-sensitive support. While the concept of a geriatric care manager was appealing, few were familiar with this resource or how to use it. Interestingly, only one individual from across the three focus groups had a long-term care insurance policy; she spoke about the assistance she received from the care coordination feature of that coverage when it came to finding care for her husband. While others in the group had some awareness of long-term care insurance, they did not realize it provided help finding care, along with paying for services.

"There needs to be a liaison, somebody to help people make informed decisions right when it happens."

"Maybe the health-care companies need to take some responsibility … develop something that could help us … that we would know who to contact."

LIMITATIONS OF THE STUDY

It is important to note some of the limitations of the study upon which these findings are based. First and foremost is the qualitative and nonrepresentative nature of the focus group research design from which these findings are drawn. Additionally, while the groups included a diverse mix of individuals in urban, suburban and rural locations, the study was conducted within a single state. Also, the emotional and logistical impact of finding facility-based care dominated the caregiver conversation during these focus groups; therefore, the study did not provide sufficient insights into the process of defining and meeting in-home care needs.

CONCLUDING THOUGHTS

Consumers struggle as much with how to find and maintain in place good quality LTSS for their loved ones as they do with how to pay for care. The crisis nature of the need for care and the ever-changing nature of those care needs add to an already emotionally charged and challenging process. For the long-distance and/or working caregiver, there are additional emotional and logistical burdens. The emotions and guilt that loved ones experience also complicate the process.

Families are trying to satisfy numerous constraints while they search for care options that are affordable, suitable, available, local and of good quality—all without having the knowledge and information they need to evaluate or identify care providers against these attributes. Trusted, easy-to-use and transparent resources that can help families identify and evaluate care resources are greatly needed.

While long-term care insurance policies typically address these needs, expanding this type of care-finding support to the vast majority of the population without insurance would be a well-received and much-needed resource.

EILEEN J. TELL

Eileen is Principal and CEO of ET Consulting, LLC, a woman-owned business focused on long term care and aging. She has more than 30 years of experience and thought leadership in long term care (LTC).

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Shane Van Patten

Shane Van Patten, CLTC is an insurance support specialist focusing on education, service, and solutions. For the last 16+ years, Shane has been helping Financial Advisors integrate insurance into their practices. Shane is currently a Regional Vice President for E4 Insurance Services and a CLTC instructor.

1. How did you first get involved in LTC planning?

I have been helping Financial Advisors integrate insurance into their practices for over 16 years. For the first 10 years of my career, I regretfully didn't understand the severe consequences that a long-term care event had on a family's well-being. The turning point was when both of my parents required long-term care in their 60's. Neither had a plan or were given the opportunity to consider insurance to fund a plan. To this day I feel as if I failed my parents and that feeling is what motivates me every day to help as many Financial Advisors as I can engage in meaningful long-term care planning conversations with their clients.

2. What do you find most challenging about LTC planning?

Motivating Financial Advisors to proactively engage in meaningful long-term care planning conversations with their clients. I am talking about real conversations where the focus is on creating a plan, not promoting a product.

3. What is the best (or worst) thing to happen to you since you started in the industry?

The best thing that has happened to me is having the opportunity to assist CLTC in the creation of their newest course, *Foundations*. It is 4-hours and was created by and for Financial Planners. I truly believe that if every Financial Advisor were to complete *Foundations*, many more families will be prepared for the severe consequences of a long-term care event.

4. If you could change one thing about the public views on LTC planning, what would it be?

The biggest issue in the industry is the perception of "when" and "where" a long-term care event begins. Most people, including Financial Advisors, envision long-term care as someone in a nursing home, unable to do anything with reduced lifestyle/retirement expenses and income redeployed to pay for their care.

My question is, "How many people do you know that were active, engaged and healthy in retirement and literally the next day were confined to a nursing home, unable to do anything?" Long-term care starts much, much sooner. The goal is to protect the spouse and children physically and financially in the early stages of a long-term care event, so their family can maintain their lifestyle. The question then becomes, "How do you cash flow your normal retirement expenses/lifestyle *AND* pay for a brand new $5,000 - $10,000 a month expense?" The answer for most people is they can't without emotionally, physically and financially affecting their family. A long-term care event creates a monthly cash flow issue. The only way to mitigate this "bad math" is to proactively plan for it.

5. What changes do you see happening in the next five years?

I believe the new CLTC *Foundations* course will significantly impact the way Financial Advisors have long-term care planning conversations with their clients. As I mentioned previously, if every Financial Advisor were to complete *Foundations*, we would have many more families prepared for the severe consequences of a long-term care event.

6. If you were doing something else, what would it be?

I would be comfortable working in any profession that allows me to be my true self and puts me in the position of helping others to make a difference on a daily basis.

7. How has being a CLTC professional helped you succeed?

The CLTC designation has provided me with credibility as an industry expert in long-term care planning. However, the best outcome has been that it has given me the ability to have better planning conversations with both Financial Advisors and their clients.

Casting a Spotlight on the Cost of Long-Term Care

By Marc Glickman, FSA, CLU®
and Phyllis Shelton

There is no way to stop the aging process (at least, not yet). But when it comes to long-term care planning, many people take a wait-and-see approach. They don't want to think about the possibility of needing extended care or how they plan to pay for that care. Some assume they can't afford an insurance plan so just leave it to chance or their children. Others believe that Medicare will pay for it—a costly and incorrect assumption. Once people face the reality, it is often too late to plan due to health issues or financial resources.

We plan for retirement—it's just a part of life. Yet we do very little to plan for a long-term care need. And that's something that could literally wipe out the retirement savings Americans have worked so hard to build.

Planning before needing care is a wise approach and knowing what to expect when it comes to overall costs is a good place to start.

COST OF CARE SURVEY

According to the Genworth Cost of Care Survey, the chart on page 9 shows the current median monthly cost estimates and projected costs after 25 years. Keep

in mind that costs vary widely by state and even by city. (Note: These numbers do not reflect upscale assisted living and nursing facilities.)

Care Type	Monthly Cost 2021	Projected Monthly Cost in 25 Yrs. (5% compound inflation)
Assisted Living Facility (private, one-bedroom)	$4,500	$15,000
Adult Day Health Care	$1,690	$5,700
Home Health Aide Services	$5,148 (6 hrs/day)	$16,600
Homemaker Services	$4,957	$16,000
Nursing Home Care (semi-private)	$7,908	$26,700
Nursing Home Care (private)	$9,034	$30,500

Source: Genworth Cost of Care Survey 2021. Check your area online or by downloading the full report.

PROJECTED TOTAL COST

The average duration for care is 2.5 years, but for people who need care for longer than a year, the average is 4.4 years (men average 3.8 years and women average 4.7 years.) This includes home care, assisted living facilities, and nursing homes. Studies indicate that people aged 65 and older survive an average of four to eight years after a diagnosis of Alzheimer's, yet some live as long as 20 years.

Since care is typically blended between care locations, e.g., some at home and some in a facility, let's use the cost of an upscale assisted living facility to project future costs for both types of averages. The cost of the upscale assisted living facility can be derived by adding $1,500 a month to the median cost of $4,500 a month. This amount of $6,000 should also provide for a significant amount of home care, perhaps 7-8 hours per day.

A SHORT STORY ABOUT LTC PLANNING

Ida knew the time had come. Her husband, George, had been in declining health for several years as he battled Alzheimer's. Ida was finding it increasingly difficult to manage his needs even with the help of their adult children. George required round-the-clock care.

Now in their early 70s, Ida and George had planned for this day for almost two decades. When George was first diagnosed, the family was prepared to coordinate their schedules to help him. As his condition progressed and it became clear that George needed the help of home health aides, the decision years ago to purchase long-term care insurance was an enormous relief.

At the time they started planning, the annual cost for an assisted living facility was $20,000. Now, the average cost for that same facility is nearly $54,000 per year, but George's cognitive care will cost more. Further, the cost is projected to grow at approximately five percent per year.

George and Ida purchased a long-term care insurance policy with inflation protection at a time when they were younger and healthier. The impact that their benefit dollars will have on their overall retirement

High-End Long-Term Care and Home Health

Care Type	Current Total Cost: **All Claims** (average 2.5 years)	Projected Total Cost in 25 years: **All Claims** (average 2.5 years)	Current Total Cost (If care lasts longer than a year, average 4.4 years)	Projected Total Cost in 25 Years (If care lasts longer than a year, average 4.4 years)
Upscale Assisted Living Facility (private, one bedroom) **$6,000/month**	**$180,000**	**$609,500**	**$312,000**	**$1,050,500**

Length of claim: Society of Actuaries, Long-Term Care Experience Reports Alzheimer's length of care: 2021 Alzheimer's Disease Facts and Figures, Alzheimer's Association

savings is significant. The result of planning when they were still healthy meant that they were able to qualify for meaningful coverage at a rate they could afford over the long-term. It was a decision that gave them it's needed can have a profound impact on overall cost, care options, and a family's peace of mind.

THE HUMAN TOLL

The direct cost associated with long-term care isn't the only consideration. It is also about the human cost in managing stress, lost wages, and job insecurity due to working caregivers having to take off or go to work late or leave early. Some wind up leaving the workforce, even though their income is needed for household expenses.

Other significant points from a recent survey are:

- Although the average caregiving time is 4.5 years, 1 out of 3 caregivers reports providing care longer than 5 yrs.
- 1 in 5 caregivers provide 41 or more hours of care a week (full-time job)
- 36 percent report emotional strain/stress
- 61 percent report impact on work

> The stress of a family member caring for a loved one has been shown to impact a person's immune system for up to three years after their caregiving ends. This increases their chances of developing a chronic illness themselves.

IMPACT OF COVID ON COST OF CARE

It remains to be seen what impact COVID will have on the need for long-term care services, particularly with the uncertainty around long COVID. According to a recent study, the following factors are contributing to the rising cost of care:

- Labor shortages
- Personal Protective Equipment (PPE) costs
- Regulatory changes, including updated CDC guidelines
- Employee recruitment and retention challenges
- Wage pressure
- Supply and demand

QUESTIONS FOR CONSUMERS TO CONSIDER

Where do you plan to retire? Are you planning to move out of state? Will you have any family nearby who might be able to assist with your care? Cost of care can vary dramatically by state.

What impact will needing extended chronic care have on your income? What will happen to your income should you or your spouse require extended care while one or both of you are still working? Relying on Medicaid to pay for long-term care means that you and your spouse will be subject to asset thresholds that can wipe out most of your retirement savings.

What impact will needing extended chronic care have on your assets? Retirees typically use assets for income. What would spending a significant amount of your assets on long-term care do to your income?

What type of care do you prefer? Do you want the option for home health care? Would you want to be able to use less costly informal caregivers? Do you want the option for a high-end assisted living facility, sometimes referred to as a "country club" assisted living facility?

What can you comfortably afford over the long term? If you're considering long-term care insurance, meaningful coverage can have many benefits. Make sure that whatever plan you choose, you can afford it for the long-term. A nice feature of many plans is that the premium is waived when you start receiving benefits. Some plans have guaranteed premium, so you never have to worry about a rate increas

MARC GLICKMAN, FSA, CLTC®

As the CEO and co-founder of BuddyIns. He works daily with BuddyIns partners ranging from insurance specialists, client advisors, and community partners to educate Americans about the need for long-term care planning.

PHYLLIS SHELTON

Phyllis s the President of Got LTCi, part of a long-term care insurance outreach that she founded in 1991. As a BuddyIns partner, Phyllis leads a highly successful team of long-term care specialists.

KEY FINDINGS

How the Pandemic has Impacted Consumer Interest in LTC Protection

Why it matters to financial professionals.

By Matthew DiGangi, CLTC®

In 2022, Massachusetts Mutual Life Insurance Company (MassMutual) commissioned Greenwald Research to conduct a consumer survey[1] featuring many of the same questions asked in our 2020 MassMutual Long-Term Care in America Study. The only addition to this year's survey were questions specifically about the impact of the pandemic. The methodology, the sample size, and participant demographics remained the same. Please see the information in the chart below.

WHY DATA MATTERS

In my 2021 CLTC Digest article, *Why Financial Professionals Underestimate Consumer Interest in Long-Term Care*, I wrote that if financial professionals weren't discussing the possibility of a long-term care event and how to pay for it with their clients, they were missing out on a significant opportunity. The findings of this study prove the point.

You may be wondering who participated in the study. Compare these demographics to the clients you represent.

1,007 Participants: 48% Male / 52% Female

Ages		Assets	
45-50	15%	$ 500,000 - $ 749,999	17%
51-54	9%	$ 750,000 - $ 999,999	10%
55-60	30%	$1,000,000 - $1,499,999	18%
61-64	20%	$1,500,000 - $2,499,999	20%
65-70	26%	$2,500,000+	36%

- *How do the 2022 study participants and your clients compare?*
- *Please keep your clients in mind as you review the key findings.*

KEY FINDING

Impact of the Pandemic

The pandemic has increased consumer concerns about their ability to afford LTC expenses as well as the impact a long-term care event would have on a

spouse/partner and other family members. Consumers are more familiar with long-term care insurance[2] and increasingly view the protection as important. Even more importantly, more consumers own LTC policies. Ownership grew from 27% in 2019 to 38% in 2022.

Those who do not own an LTC policy are more concerned about being able to afford quality care, particularly in-home care. And one third are concerned about becoming a burden to their spouse, partner, or other family members, up from 19% in 2019.

A third of participants have also witnessed a loved one's need for long-term care. More than 75% described the event as emotionally difficult. One-half attributed the stress of the event to their concerns about whether they had made the right choice of care for their loved one. As I have witnessed among my own friends and family, care choices are difficult to make while experiencing a long-term care event.

KEY FINDING

LTC Product Features

Consumers are extremely interested in the services covered by long-term care insurance (80%), as well as the financial stability of the provider, and the cost of the insurance. Hybrid LTC/Life Insurance products that feature a death benefit, dividends, and policy surrender value are now perceived as extremely or very important. Nearly half of consumers are interested in earning dividends.[3] In fact, 70% say opportunity to earn dividends would make them more likely to purchase an LTC insurance policy.

KEY FINDING

Influence of Pandemic on Purchase

Among 2022 study participants who do not own long-term care insurance, 20% say they are more interested in LTC protection because their observation and experience during the pandemic. Twenty-eight percent say they are at least somewhat likely to purchase a hybrid life/LTC insurance policy in the next six months. That's up from 16% in 2019.

One-third of consumers who purchased long-term care insurance claimed the pandemic significantly influenced their purchase decision, with over half indicated it was somewhat of an influence. There was also an increase in the purchase of hybrid products: 5% to 16%.

KEY FINDING

LTC Education

When weighing their options to either investigate securing long-term care coverage or paying out of pocket consumers need to spend more time looking at the actual costs of long-term care services across the spectrum of care options. Across the board, they are more likely to underestimate the cost of care today than they were in 2019. Even fewer consumers recognize the likelihood they will need long-term care protection someday, which was same in 2019.

When survey participants that don't have long-term care insurance were asked how familiar they are with traditional vs. hybrid products, far more (47%) were familiar with traditional long-term care insurance than hybrids (22%).

KEY FINDING

Impact on your Business

The 2022 survey participants were asked how long they expect to live. The majority (68%) indicated they expected to live to be 85 to 95+ years old. This belief drives home the importance of the work financial professionals do to make sure clients' retirement savings last a lifetime.

SELF REPORTED AGE EXPECTANCY

Under 80	13%	90-94	22%
80-84	20%	95+	15%
85-89	31%		

Although consumers are considerably more anxious about the possibility of a long-term care event, fewer advisors are having discussions with clients about how to pay for one. Three in four consumers who are working with a financial professional believe long-term care insurance should be discussed. Yet conversations about how to pay for long-term care are down from 66% in 2019 to 59% in 2022.

FINAL TAKEAWAYS

Consumers continue to underestimate the likelihood of experiencing a long-term care event as well as the cost of care. There were 90 study participants who indicated they or their spouse/partner had experienced a long-term care event that required professional care. When asked how they paid for the care, their responses included long-term care insurance, personal savings, retirement funds, cash, selling investments, and bank loans.

Concerns Among all Participants

30%
Extremely or very concerned
they won't have enough money to
live life comfortably throughout retirement

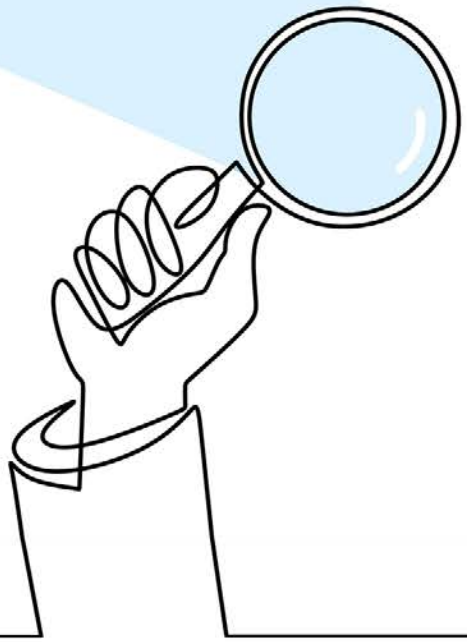
31%
Extremely or very concerned
they won't have enough money to
cover an unexpected health condition

29%
Extremely or very concerned
they won't have enough money
to cover an emergency

These are very real concerns that can be exacerbated without a comprehensive plan that includes long-term care considerations. And consumers are interested. They want to know specifics about long-term care protection. They want to discuss a plan to ensure they can get long-term care in their homes as they get older. They want to know how to protect their retirement savings and provide for the financial security of their spouse or partner while not being a financial or emotional drain on family members.

To that end, more consumers are interested in long-term care protection that features death benefits, the possibility of earning dividends, and policy surrender value. Some of today's hybrid Life/LTC products combine these features as well as cover the in-home care many consumers are seeking. Since our most recent survey, consumers are facing even more uncertainty in the world. Financial professionals can help their clients stay the course or make any necessary corrections in their retirement plans and include meaningful conversations about long-term care planning. Consumers are ready and waiting.

MATTHEW DiGANGI, CLTC®

Matt is Head of Annuity and Hybrid Life-LTC Distribution for MassMutual Strategic Distributors. In his role, Matt leads the way toward more advisor-client conversations about the need for long-term care planning. Matt and his team extend MassMutual's guiding principle to MMSD's financial partners: to help people secure their future and protect the ones they love. He graduated from Sacred Heart University with a degree in finance and earned his MBA from Quinnipiac University. Matt maintains his CLTC designation, Series 6, and 26 licenses.

1 "2020 MassMutual Long-Term Care in America Study: A Survey of Consumers"
2 For purposes of the study, long-term care insurance included traditional LTC Insurance and Hybrid LTC/Life Insurance policies.
3 Dividends are not guaranteed.