



By
Robert W.
MacDonald

The Lost Promise Of Long-Term Care

Insurers can repackage the benefits of long-term care into a more sellable product.

Maybe the best idea would be to wipe the slate clean.... That does not mean ignoring the need the product meets but maybe changing the way the need is met.

For almost as long as it takes to grow old enough to need long-term-care benefits, long-term-care insurance has offered the promise of lucrative marketing opportunities for both companies and agents.

Yet that promise has gone unfulfilled, and probably always will be. Sure, it has grown into a niche market, but not much more than a cubbyhole in the corner of industry offerings.

Clearly long-term-care insurance fits a need. The continuing explosion, indeed a shortage, of assisted living and long-term-care facilities speaks to an aging population that is living longer. No one disputes the high cost of providing long-term senior care or that most people do not have the resources to pay for the services privately. Yet, the sales of long-term-care insurance have lagged and even appear to be declining.

What Went Wrong?

For one thing, long-term-care insurance is one of those products that no one likes to think about needing. When you are young and don't need long-term-care insurance, it is almost free; when you do need it, it's virtually unaffordable. For years, the government has promised to take care of the infirm and elderly with Medicare. Generally, people believe that if the government is going to pay for something, why should they? On top of all that, long-term-care insurance is complicated to the 'nth degree and is policed by

Robert W. MacDonald, a Best's Review columnist, is principal of CTW Consulting in Minneapolis. He can be reached at mac@cheattowin.net.

more regulations than the IRS code. All of these issues create a fairly hostile climate for the sale of the product; so much so that we should probably be amazed that any sales are made at all.

What to Do?

Long-term care will never be a big seller as an individual product, but if the benefits are bundled with other products, it could become attractive to consumers and enhance the marketability of the host product. The wider distribution of the long-term-care benefits also would substantially reduce the cost. But, it is not enough to simply offer a long-term-care rider to, say,

an annuity. That could even make matters worse. With so many problems, maybe the best idea would be to wipe the slate clean and dump the idea of long-term-care insurance all together. That does not mean ignoring the need the product meets but maybe changing the way the need is met.

Remember, all that long-term-care insurance does is to pay doctors, nurses and hospitals directly for long-term care. Instead of this approach, why not offer "senior disability income" and pay the cash directly to the person who is sick and he or she can decide who and what to pay. The disability payment could be included as part of an income annuity and the amount of benefit set as a percentage of the annuity payment. If an annuitant is receiving \$1,500 per month and becomes disabled, the income could be doubled. This helps meet the needs of long-term care without the product being long-term-care insurance.

Whether this idea works or not is not the issue. The point is that if the insurance industry is to ever reap the benefits of meeting the need for long-term care, then the old ways must be discarded and substituted with creativity and innovation. **BR**