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JIM: November is long-term care awareness month and whether or not you have a plan that involves insurance or not, the important thing is that you have a plan because long-term care is probably the greatest risk that we will face in retirement. Joining us is one of the nation’s leading experts in the field of long-term care insurance and is the founder and executive director of the American Association for Long-Term Care Insurance to share with us the importance of long-term care planning. Welcome, Jesse.

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JESSE SLOME: Well thanks so much for having me.

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JIM: Hey it’s great to have you back and with November being long-term care insurance month, I thought of no better person to have as a guest than Jesse Slome. You're the executive director of the American Association for Long-Term Care Insurance. What is that all about?

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JESSE SLOME: Well we’re a trade organization so our role is to educate and advocate both consumers and insurance professionals, those folks who market these products.

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JIM: Well that’s fantastic and I know you provide a number of great tools for advisors to help make them more proficient for their clients but today we’re talking to the general audience and long-term care insurance, I know for a lot of clients that I talk to, it’s only their imaginary friends that are in nursing homes. None of us are going to need this care. It’s always going to be somebody else and most of us like to just kick the can down the road and not deal with it. What do you say to people that really don’t want to hear about this?

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JESSE SLOME: Well here’s the reality. It is not about nursing homes. That’s what people mistakenly perceive it as. It’s really far more about aging and getting care in your own home because that’s where you want to be. The government puts you into a nursing home or the hospital puts you into a nursing home after you’ve had hip replacement surgeries and things like that. Nobody wants to go there but I’ll bet anybody who's 70 or older knows lots of people who are receiving care in their own home and that is what long-term care planning and long-term care insurance are all about. People have to understand that if you live a long life, the risk of needing this type of care at some point before you die is enormously high and more Americans than ever are leading long lives.

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JIM: It’s interesting because I always ask people what is your long-term care plan and if they don’t have a plan, yeah they have a plan. It’s going to leave everything to chance and I'm putting my entire estate up to pay for those costs and if it’s not enough, I’ll be at the mercy of whatever programs are available. I don’t look at that as a plan. I see a plan involving what resources do you have available, not just financial but family, friends, your living situation? Is your house a safe place for you to be? There are so many considerations that go into it and I think you hit the nail on the head, Jesse, when you said it’s not nursing homes. Nursing homes are a place where long-term care can be provided but the amount of people that end up using or utilizing nursing homes really has been diminishing because I think a lot more of that care is in much more desirable assisted living facilities if someone needs to be in a community-based care facility or it is at home. I know your organization compiles a lot of data. What does the latest info show in regards to where people are getting care?

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JESSE SLOME: Well again you have two categories of people. You have many categories but people who have no money, no assets, they're going to get care wherever and if they have to turn to the government, the government may put them into a nursing home ward-type situation but we’re going to focus on people who have done some planning and have some long-term care insurance; 51% of the long-term care insurance claims that started last year start and most of them end with care at home so half care at home. Only about 30% of the claims started in a nursing home facility so less than a third, might have been 20%. I don’t have the data right in front of me but long-term care insurance is what I call nursing home avoidance insurance. It also helps you avoid. Here's what happens. You get to be 80 years old and whatever money you’ve saved, I don’t care if it’s half a million or $5 million, you are worried about outspending that money and so two things happen. Either you don’t get care that you need – you put it off and you just look and say well I can make do without and that typically exacerbates the situation – or you turn to your spouse, your adult children and those 60-year-old kids, they're the ones who have now become your full-time caregiver and many people have the money but they just don’t spend it and if you had insurance, you're going to get the care that you need and that you want because you're going to look and you're going to say hey we paid for this insurance all our lives, let’s get the care. Like if you damage your car, if you had a $10,000 deductible on your car, when you get a dent and a scratch, you don’t get it repaired. If you had a zero deductible on your car, you’d get it repaired because you want to drive a nice car.

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JIM: You know I've talked to a lot of people at some of the companies that have gotten out of the business and people that are still in the business of long-term care insurance and unfortunately we've seen some rate increases and they all say we never intended on the utilization and what they were finding with claims – and I've got a lot of clients I had to explain this to because there have been some rate increases – I still see long-term care insurance as a bargain when I compare that to what people are paying in these facilities but I look at it and they're wondering why are these rates going up and just what you said. I've witnessed it where the healthy spouse ended up needing long-term care because they injured themselves taking care of their spouse that needed the care and then I've also seen where people who had insurance, it’s like okay let’s start looking for facilities. Let’s not hurt ourselves or make it unsafe. Let's find out what resources are available. Can we have someone practically in the home? Would we rather be in an assisted living facility but most people don’t choose the old adage of the old nursing home where people went to die. They're going to a place where they can live and when you have those facilities and resources, you do go on living and they help you overcome maybe some of your shortcomings because of an illness or other medical things that create a situation where you need a little extra help.

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JESSE SLOME: My father-in-law had a great line. He goes people live by the Golden Rule but he had a different definition of it. He goes them that has the gold makes the rules. When it comes to your care, if you have the money to pay for care, you're going to make the rules on where you get the care, who provides the care, how much care, etc. The issue is most people don’t like spending their own money and especially as we get older and if we've been frugal our whole lives and listen I'm one of those. I still pick up pennies on the street. I don’t need to but I still do. The question is when I turn 80, how frugal will I be? Will I spend the care if I need help? Will I spend the care if my spouse needs help? That’s really where if you have a plan, you're not questioning what you're doing. You have a plan and you kick the plan into action. The other point, you raised the thing about rate increases. Absolutely the insurers are paying more money but they anticipated that but what they didn’t anticipate is how few people actually buy the policy and then lapse it. That they didn’t so that is causing but people have the perception that when they buy this, if they're subject to a rate increase, it’s a take it or leave it. It never is. These older policies came with very, very rich provisions that are no longer available today or certainly are not affordable today and so the insurance company gives the consumer the option. It says listen instead of having your policy grow at 5% annually, take it back to 3% annually starting now and you don’t have to pay more. Rate increases are one of those things that consumers really misunderstand. They think the insurance companies say here pay this new amount or tough luck, you're out on the streets. That’s not the way it happens.

08:03

JIM: You know I can just say from personal experience I've had a lot of clients that have faced those rate increases and we went with a smaller inflation amount because in my state we had a real shift in how long-term care was being provided. We have a very low reimbursement rate with Medicaid, one of the lowest in the country, and there was a lot of cost shifting going on so going to a full-time skilled nursing home, if you were a private pay patient, you were paying $10,000, $12,000, $13,000 a month for that care. Well what's happened is a lot of these facilities decertified and prior to that happening, assisted living facilities could only take people that just had very limited needs. If they had Alzheimer's or Parkinson’s, they wouldn’t even take them in the door. Well now we have assisted living facilities providing care for even some of those more acute patients that have Alzheimer's or things like Parkinson’s. They're able to take them and keep them their whole life and the cost is a lot less than those skilled nursing homes so we could feel confident that we could go with a lower benefit increase because we prepared well based on those times and now there's actually an ability to do that without really risking more out-of-pocket based on the care shift that’s gone on here. Hey, Jesse, I've got to ask you another question because something that I've really witnessed, I've got a lot of clients that are registered nurses that have worked in nursing facilities and they're overworked and they know they're going to be retiring soon but one thing that weighs on them, who's going to replace them because they're finding the younger generation, there's not that pool of workers to pull from. If we've got a bunch of caregivers retiring at the same time that we've got all these baby boomers reaching the time where long-term care may be an issue, do you see that as being something that we need to prepare for? How do we deal with that?

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JESSE SLOME: No I think, now look it always depends on who gets elected President – do they really build a wall, etc. – but I live in California and when there are crops that need to be picked and people who you would think might want to pick them don’t, there are people who come to the country to pick. There will always be people to provide home care and this type of service is very I don’t want to call it menial. It’s really tough work but people fret and use that to scare people. The person who's going to provide care, there will be plenty of caregivers. Now they may not all speak English as fluently as you do but again that goes back to if you’ve planned, if you have the money, you have choice, you have options. Long-term care insurance is like any insurance. It gives you choice and options. When your house burns to the ground, if you don’t have homeowners insurance to replace it, it’s not like you end your life and walk into the ocean and say that’s it, I'm done. You may live in a tent you know and FEMA may give you a temporary house to live in for the next five years but people will live somewhere but if you had insurance, you're going to be rebuilding your house. You're going to put it in the kind of life. Insurance and plans give people choice and options and that’s the same thing with long-term care insurance. I'm not worried about a shortage of workers. If this is a great country, people want to come here. People want to earn a living. There's no shortage of people in the world with 7 billion people in the world. If we have people with money who need care, there will be people who will find their way to the United States to provide that care.

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JIM: Alright well that’s encouraging because my clients that have been in the facilities, they have a hard time getting workers and maybe it’s just a matter of a market that needs to mature a little bit more where the opportunity becomes more well-known and that will attract more workers. Let's take a short break. When we come back, let's start talking about the solutions so please stay tuned.

[BREAK]

12:52

JIM: Welcome back as we continue to visit with Jesse Slome, executive director of the American Association for Long-Term Care Insurance and before the break, we were talking about the issues and how important it is to have a plan and whether or not that plan includes insurance in the traditional sense. We have new benefits that are coming out with linked benefits and a lot of different options to address these issues. Jesse, what would you say to someone right now who might be thinking about addressing the issue with long-term care insurance? Where would you have them start and what would you have them consider?

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JESSE SLOME: Well I think the first thing that you have to do is understand that it’s like going to an ice cream shop. Today there are many flavors and some people are going to prefer flavor A and some people are going to prefer flavor B. I think the most important thing that consumers need to do is first sit down and understand their own particular situation and their own particular needs because it is never a one size fits all option that works. That’s number one. Number two, this is a complex product and the products differ significantly from one company to the next. The prices are different. The approaches to long-term care funding are different. The options, the benefits, and the discounts are all different. You really want to work with someone who just doesn’t look and say well here's the solution I recommend. You really want someone who can compare. Lots of people, hundreds of thousands, are buying these new linked benefit products, which are life insurance. When consumers call me and say what do I think, the only question that I have for them is do you understand that it’s life insurance that you're buying? Is that something you need or you want because you're not getting it for free you know. If they understand it and they like that feature or they need it, great option, great choice. If they don’t, then they could be buying something. Never buy something you really don’t understand and never buy something you really don’t need.

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JIM: Jesse, I know I've done the numbers and I understand this stuff pretty close but unfortunately I think people sometimes look at there's that old adage lipstick on a pig. I believe linked benefits have a place and the real attractiveness to linked benefits is well we all know we’re going to die someday so at least I get something for it. When you look at the pricing of it as far as what's available maybe on a monthly or daily benefit or whatever the case may be, those might look the same at the starting point and the premiums might be similar but the total benefits that are available, there is a considerable difference. It’s hard to talk about here on the air and that’s why you need to work with an insurance professional that understands both products, understands the pluses and minuses because there are extreme differences. For example, in the traditional sense, if you get a partnership-eligible plan, maybe talk a little bit about how that works in those partnership states, Jesse.

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JESSE SLOME: Well the partnership plan allows you to buy a smaller benefit amount and have a level of asset protection that basically means should you buy a policy and exhaust the benefits and then be able to or want to turn to Uncle Sam to help pay all or some of the cost, you have some asset protection and that is a good feature. It does benefit some people, not quite as many as people would think but it does benefit some. On the hybrid products, back to what you were saying, you raised a good point. One of the things that people they look and they go oh if I don’t use it, I haven’t lost my money. Well if you take $100,000 and you spend $3000 of it a year on long-term care insurance, you haven’t lost the other $97,000 you know. It’s not like it just vanishes and disappears. It’s typically invested. It might be in CDs. It might be in stock funds. It might be in something so (a) you haven’t lost it, (b) that amount is growing, you control it, and one would argue if interest rates are going to go up, if you lock in a large sum of money in a product, you don’t have a participatory contract. All of these are complex products today and one really should take the hour to an hour and a half. Here's what I tell consumers. I buy car insurance. I just got my homeowners insurance renewal. It went up. I'm like hmmm, maybe I can shop around. The issue is maybe I can shop around. With long-term care insurance, after you’ve bought your policy, you have a window of about a year, maybe two years at the most where you could compare and look and say maybe I could get a better deal somewhere else. After that, you almost never are going to find a better deal. That’s just the way the products are designed, priced, and the most important thing is your health. If your health has changed from the time that you bought it to the present to the time that you want to review it, then you can't switch your coverage. You have to make the right choices and the right decisions the first go around. You don’t get a do over with long-term care insurance.

18:06

JIM: Well this has been great, Jesse. Hopefully, we motivated some people to sit down with their insurance professional and at least explore the options. I mean you may decide not to do anything about it but to stay ignorant and just ignore the topic, you might push that down the road to a point where you just won't be able to afford any option or you won't have access to it because your health has changed.

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JESSE SLOME: Yup.

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JIM: I would strongly recommend anybody listening, I mean we hit the surface. There are so many options right now I think is the moral of the story and the second thing is they are complex. Third don’t go it alone. Go to your advisor.

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JESSE SLOME: Yeah, fourth read. I mean people who go to the association, can I give the association’s website address quickly?

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JIM: Sure.

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JESSE SLOME: It is www.aaltci.org and I mean we have a ton of information that people can read so that they feel at least knowledgeable at the get go before they talk to their professional.

19:05

JIM: If the advisor that’s distributing this program to you, if he's not an expert on it, he's probably a pretty good resource to find someone who is because he's engaged in the industry and can certainly partner up with somebody that would be more knowledgeable if they're not already knowledgeable on the subject. Talk to your advisor. Make sure you at least address the issue and you come up with a plan. Your plan may be to not have insurance but at least have a plan in place. Thank you, Jesse.

19:30

JESSE SLOME: My pleasure, thank you.

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JIM: Thanks for joining us this week and tune in again next week as we explore another phase of the Real Wealth process and remember if anything you heard in today’s show you’d like to get more information about, contact your Real Wealth advisor. Also if you feel that any of this information would be helpful to a friend or family member, just click the Forward to a Friend button.