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Blackboards

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Once upon a time I taught school. My classrooms were dominated by the presence of massive blackboards. Each day they were filled to capacity with my attempt to bring order from chaos. Each evening they were completely erased and supplied with adequate chalk to make sure my next morning's attempt to organize, clarify, illuminate, elucidate and provide structure could begin all over again. God, I love a "fresh start." I miss that blackboard and the hope of new beginnings.

Maybe that is why I have been so proud and enthusiastic concerning my participation in the Society of Actuaries Long Term Care Section Council sponsored "Future of Long Term Care" Think Tank. I have had the privilege of working with this group of dedicated experts since its inception and recently serving as co-chair. This is an eclectic and committed group of actuaries, regulators, reinsurers, and company executives with a smattering of marketing types. We have been working together as common stakeholders in the quest to determine achievable solutions to the on-going LTCI conundrum. I was able to contribute and help encourage participation in the recently completed Delphi research study, "Land This Plane." The yearlong

project was sponsored by the Long Term Care and the Forecasting and Futurism sections of the SOA. The Delphi method research project required three extensive rounds of consensus building open ended questioning. The survey was completed and initially reported at the SOA Annual Meeting in October 2013. It has now been completed for publication with the expert help of John O'Leary.

Our goal was to establish comprehensive parameters for a global solution to a problem that to date has defied all attempts both public and private at amelioration. The readers of this column clearly understand the potential fiscal catastrophe looming in our immediate future. There is no mystery for us that the failure to plan and save ahead for retirement and the intrinsic cost of custodial care represents one of the greatest challenges to our country's financial and emotional well-being. The lack of a Gestalt approach (Google/Wikipedia homework assignment) to what may be America's largest "Unfunded Liability" cries out for a new beginning and a fresh approach!

The survey was not designed to again identify rote answers old or new. It was meant to help create a workable lesson plan with an emphasis on delineat-





ing all the moving parts of a new, creative, energized, and potentially achievable direction forward.

The survey begins with an emphatic declaration. There was overwhelming support for the need to completely overhaul the long term care financing system (86 percent). Perhaps even more significant was the fact that although only 20 percent of the expert's surveyed were company or marketing types, 100 percent of all assembled experts agreed that private insurance was a necessary component of a successful future system. The obvious bottom line is that the current hodge-podge of jurisdictions and care resources is ineffective, inefficient and grossly insufficient. A newly reformed, revitalized care protection and delivery system should prioritize the use of available resources at all levels—individual, family and public.

The time has also come for the insurance industry and our caring friends in the public sector to declare a new day of cooperation and mutual purpose. We must all recognize that only together, each working at what we are best equipped to accomplish, can we hope to succeed. There will always be a private market for wealthier consumers who wish to leverage their risk with insurance and at the opposite end of the spectrum our commitment to provide for those truly in need must remain a cultural imperative of American economic justice. Where we have failed and must direct our most urgent attention

both public and private is the vast and shockingly unprepared Middle America.

The survey overwhelming supported the painfully obvious—the government and the insurance industry must take a much more active role! Consumer education in the form of “A National Consumer Awareness Campaign” must be sponsored and funded on a national priority basis. Tax incentives, as unpopular as they may be in difficult economic times, must be promoted and established from cafeteria plan inclusion to direct tax credits. Partnership plans must be more flexible and inviting. We need to create incentives to embrace a personalized “roadmap” for all Americans to help guide them to plan and care ahead.

What may be controversial to some of my more conservative friends is the surprising support for a “social” insurance component. Now pay close attention class: “social insurance is not socialism.” Social insurance simply guarantees sufficient participation and therefore prevents excessive adverse selection which not surprisingly allows insurance to actually work. Participation must be enhanced and encouraged by incentive and/or penalties. Some basic protection must be seriously delineated. For almost 20 years now I have taken my clients gently by the hand and led them to the edge of the precipice and had them look down into the swirling mists of risk below. Far too many stepped back unimpressed or unconvinced to take action. That is no longer acceptable behavior and will no longer work with the potential LTC risk standing before us. The most logical approach would be a Medicare like benefit established through payroll deduction with a corollary private supplement insurance market. Corollary product suggestions were also made that could contribute to greater participation including a high deductible plan and the creation of a separate tax qualified savings account specifically for LTC similar to a stand-alone HSA or IRA.

There was virtual universal agreement (86 percent) that the qualification loop holes and inadequate emphasis on HCBS by Medicaid requires enforcement of appropriate standards of equity and expanded support for non- institutional settings. This is in fact a mandatory requirement of any real attempt at reform. It was pointed out (79 percent) that there are still large impediments to product development that

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require revision and remain present in the NAIC LTC Model Regulation and Model ACT. Smaller, simplified, and much more benefit flexible products are needed. Furthermore it was recognized that existing individual tax qualified savings in the form of 401(k), 403(b), and IRA's must be made available for use on LTC expenses. American's have over \$10 trillion ready and available in these accounts.

In addition there was also a number of creative new market product designs and risk structure enhancements identified by the research. It was suggested there is a need for a national reinsurance program with both public and private participation that could help limit exposure and manage excessive risk. A stand-alone Universal LTC policy with a tax preferred savings account resurfaced as a suggestion. A "Mutual LTC" policy was also suggested where benefits and risks could be shared between consumer and company and in the process help guarantee support for many more Americans.

And finally it concurrence with my own personal perspective it was agreed (67 percent) that the long-term care "problem" should be a mainstream financial planning requirement. I have often sug-

gested that limited sales results may be directly related to a limited number of agents trying to help solve the risk problem. I have actually heard it recently suggested that the LTC risk should stand before the life risk. (I agree.) Participation in the solution should not be optional for consumers or insurance professionals.

This exhaustive collection of converging opinions was again only a beginning, a concerted and sincere effort to "Land the Plane". There is much work to be done. More quantitative research, more evaluation of the economic impact of the suggestions present in the research and a rededication on all our parts to learn anew and try again. It is time to beat the old chalk out of those erasers and meet these new assignments with a familiar rhyme: "Good morning to you, good morning to you, we're all in our places with bright shiny faces."

Other than that I have no opinion on the subject. ■