

HOW TO HANDLE
Client Objections to Long-Term Care Insurance

If you have clients who are hesitant to purchase long-term care insurance (LTCI), it's important that you have effective responses in your back pocket to combat these hesitations. Here are common objections to LTCI and how you can respond.

Long-term care insurance is expensive!

This is simply a matter of perspective. For instance, LTCI costs a fraction of what long-term care services cost. A typical LTCI premium is around $200/month, while the average care costs range from $4,640 for a home health aide to almost $8,000 for a semi-private room in a nursing home.[1] Although your client may not be able to afford a policy with all the bells and whistles, a small policy still provides much-needed coverage. With benefits like care management, respite care, and home modifications, an LTCI policy also provides a lifeline to their family.



What if I don't need long-term care?

Clients turning 65 today have more than a 50% chance of needing long-term care.[2] Even if they are healthy today, increased longevity brings a higher probability of needing long-term care services, thus putting their retirement savings at risk. Although an insurance policy is designed to cover a substantial risk, the hope is that your client won't need to use the policy. That's why asset-based LTCI policies include a death benefit or return of premium. If your client does not need long-term care services, a benefit will be paid to their beneficiary upon their passing.

What if my rates increase?

Longevity and persistency assumptions on early LTCI products have led to at least one rate increase for most of the major insurance carriers. Additionally, a low interest rate environment played a significant role in the rate increase activity on policies purchased during the 1990s and early 2000s. At the time, carriers invested in markets that simply did not bring the return they expected. Today, the assumptions of these investments have changed, resulting in a more conservative approach to interest rates and returns.

Needless to say, this foresight and tightened regulation greatly benefits the long-term care insurance consumer of today. Working from historical data, including claims experience and persistency tables, carriers can better project where rates should be and forgo future rate increases. As a result, LTCI rates are more stable now than ever before.

I don't want to go to a nursing home.

Fortunately, residing in a nursing home is not the goal of long-term care insurance. In fact, most long-term care claims are paid for at-home care and assisted living facilities, while the majority of patients in a skilled nursing facility (62%[3]) are in Medicaid-paid beds. LTCI gives your client more options as to where they receive care and by whom. Most LTCI policyholders do not receive care in a skilled nursing home unless absolutely necessary.

My spouse or children will take care of me.

Being a caregiver can be a rewarding opportunity, but it comes with high physical and emotional stress. It can also cost the caregiver in terms of lost wages, missed career advancement opportunities, and other out-of-pocket expenses. Additionally, assisting a parent with personal care and hygiene tasks may be uncomfortable for your client's children. Your client should consider these factors and carefully navigate these conversations with their loved ones. Even with an LTCI policy, your client's loved ones will likely play a significant role in their caregiving. Some policies even include a cash benefit, which allows your client to pay a loved one to assist in their care. In the end, LTCI allows your client's family to be care managers rather than their full-time caregiver.

I will self-insure.

Although some of your clients may be able to self-insure, most will end up depleting their life savings. Plus, they may not be considering all scenarios: What if both your client and their spouse need care at the same time? Where will the money come from? Will they create a separate savings account? Or will they liquidate an asset to pay for care? Will there be a tax consequence for doing so?

Plus, in addition to covering costs, LTCI policies come with a care management team who can assist your client's family in accessing the proper care. If your client's family has never experienced a caregiving situation, it can be very stressful to navigate. With LTCI, they can get the direction and guidance they need with the help of dedicated care managers.

I will wait until next year.

Let's face it: no one wants to admit that they may need care one day. But the cost of waiting is two-fold. Not only are LTCI premiums based on age, but they are also based on health. By waiting, your client's premium will be higher for the life of the policy (usually about 7 to 10% for each year that they don't purchase), and they may also develop a health issue that either disqualifies them from a health discount or renders them uninsurable altogether.

Planning for a long-term care crisis may not be comfortable, but it provides peace of mind to your client as well as their loved ones. If a client needs extra time to consider their options, keep them on a short list and continue to follow up with them periodically. If they have made a firm decision that they will not be purchasing LTCI, we can provide you with a voluntary waiver for them to sign. This promotes full disclosure to the client that they are waiving LTCI against recommended advice.

If you are seeking direction and advice regarding long-term care insurance in general or for a specific client, our team is available to help!

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[1]*Illumifin 2022 Cost of Care Study, March 2023*

[2]*Projections of Risk of Needing Long-Term Services and Supports at Ages 65 and Older, U.S. Department of Health and Human Services, January 2021*

[3]*A Look at Nursing Facility Characteristics Through July 2022, Kaiser Family Foundation*

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