

Long-Term Care Redefined

Special Report: Healthcare & Retirement

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April 1, 2008

If you ask most advisors about long-term care, they will immediately add "insurance" to the end of the phrase. But what they may be ignoring, at their peril, is that as our clients live longer, they increasingly need forms of assistance that aren't adequately covered by long-term-care insurance, and the cost of such assistance could easily torpedo the best-laid retirement and estate plans.

Indeed, in our efforts to learn more about long-term-care insurance, we found most policies far too narrow to cover for the needs of older clients. As a result, we set about creating a more comprehensive definition of long-term care that would draw on a much wider array of services to help clients age with. While we're still exploring, we formed a business, Planned LTC, based on educating planners about how to develop a long-term-care plan because we believe that to cover the likely needs of older clients or parents of clients, advisors would do well to integrate long-term care into all financial plans, just as he or she would an estate or investment plan.

Designing such a plan requires exploring the environment that's shaping a new understanding of long-term care and what kinds of care will be most needed. We have to examine where care will take place and who will provide it.

Defining Disability

Disability, according to most LTC policies, only occurs when the holder needs substantial assistance with two out of six activities of daily living due to a loss of functional capacity for 90 days or longer. These six activities include bathing, dressing, eating, transferring (in or out of a bed, chair, wheelchair, etc.), toileting and continence. Coverage also kicks in when the holder needs substantial supervision to protect health and safety, because of severe cognitive impairment.

But we've learned from personal experience that this definition of disability falls short of the mark. For example, Louise's mother is 89, uses a walker, requires oxygen to sleep at night and is forgetful to the point where someone else has to pay bills, make appointments, transport her to them and remind her to take her medications. A widow, she lives in the family home. Despite her need for help with many daily activities, she doesn't meet two of the six criteria to qualify for long-term-care insurance benefits, and while she is forgetful, she's not severely impaired. She is stuck paying all her medical expenses that are not covered by Medicare from her own pocket.

What definition of long-term care would cover people like Louise's mother? We believe it would include helping the aged with instrumental activities of daily living, such as caring for others (like a spouse, sibling or parent), caring for pets, communicating with others (hearing and speech), taking medications, personal care and maintenance, meal preparation, shopping, home maintenance inside and out, managing finances and cash flow, mobility within the community, safety procedures and ability to respond to emergency situations. It should also address the functional limitations of diminished strength and mobility, such as difficulty walking, maintaining balance,



breathing, bending, reaching and grasping. Also critical is the quality of an elderly person's life, including his or her emotional, mental, psychological, social, intellectual, and spiritual needs. The idea is to make everyone as certain as possible that the client can age without facing a huge financial bomb as the result of somewhat predictable health problems.

Chronic Illness and Its Discontents

Much has already been written in both professional and public media about the aging of America—we know that we are living longer and getting older, and that the baby boom generation will have profound effects on virtually every institution within our society. A less recognized element of this scenario is the increasing incidence of chronic disease in aging Americans (high blood pressure, cardiovascular disease, cancer, diabetes, chronic pulmonary disease, osteoporosis and arthritis, to name a few).

These conditions disproportionately affect individuals over 65 and are associated with disability, diminished quality of life and increased costs for both healthcare and long-term care, according to the Centers for Disease Control and Prevention. Today, the average 75-year-old suffers from three chronic conditions and takes five prescription medications. Almost 43 million Americans are affected by arthritis and other rheumatic conditions, which are associated with chronic pain and functional limitations and are the leading cause of disability in the U.S. Diabetes affects one in five Americans age 65 and over.



How many financial planners are asking clients about their health conditions when discussing the potential need to pay for long-term care, whether or not it will be covered by insurance? Do you know how many of your clients take prescription medications for high blood pressure, high cholesterol or both? How many of your clients have improved their diets and exercise programs to ameliorate these conditions? We need to educate ourselves and our clients about chronic disease, the complications individuals may face down the line and the need to plan early to cover the costs associated them.

For example, one of our clients is in her late seventies and may appear at first glimpse to be the picture of health except for a slight limp. But this client has undergone three surgeries over the past four years: one to put in a pacemaker for her heart, and two back surgeries to improve numbness in one leg. Five years ago she had no idea she had any health issues—no high blood pressure, no high cholesterol, no high blood glucose. She is currently able to live independently, but has made planning for a future when she may need assistance a top priority. We're developing a plan, and that gives her peace of mind. She is including her family members in the process, so that everyone knows her wishes, including who will be responsible for making decisions if she can't, who will provide assistance and how any help will be paid for. This has also given her family members great peace of mind.

Culture Change

Any re-imagining of long-term care of course must include the approach of the Federal and state governments. Both clearly understand the magnitude of the effects of an aging American population and the prevalence of chronic diseases and therefore continue to shift the responsibility for prevention and the implementation of long-term care to the individual. Phrases such as "culture change," "quality of life," "remaining at home" and "self-directed care" appear frequently in government reports.

Further proof that the administration is pushing to keep people out of nursing homes and off the public rolls is the Deficit Reduction Act of 2005, which enabled states, as of Jan. 1, 2007, to offer home and community-based services as an optional benefit based on people's functional needs versus an individual's need for institutional care. The DRA also gave \$1.75 billion to fund a program to transition residents from nursing homes back into the community, if they so desire. People will receive individualized care plans based on an assessment of needs, and may be able to self-direct their care. The government has also called for Aging and Disability Resource Centers in each state as the main go-to long-term-care resource. These now exist in 43 states to provide one-stop shopping centers that help older adults with disabilities make decisions about their local service and support options. Financial planners should know what these programs offer, so we can advise our clients on how to use them. To help clients plan for long-term care, we need to know what state and federal resources are available, and this is only the tip of the government's resources iceberg. As yet, there is no central source of information. We are trying to create one. In the meantime, planners have to search the web for long-term-care resources.

Aging in Place

A recent PBS program asked people in the street what their greatest fear was about aging. A frequent answer was "ending up in a nursing home." How many of our clients don't want to discuss long-term care because they're afraid of being in a nursing home? But since the government focus is now on keeping the elderly at home, providing a high quality of life and self-directing their own care, we can inform our clients that nursing homes aren't the bogey they used to be.

Currently, most seniors live in their own homes. Unfortunately those homes aren't designed to accommodate disabilities. Interestingly, the National Home Builders Association now has an "Aging in Place Specialist" designation for homebuilders, which covers remodeling homes to accommodate older residents. It involves conducting a home inventory to determine what is feasible and affordable. While bathrooms and kitchens receive the most attention, other features include widening doorways and hallways, constructing ramps and redoing lighting. So doing discovery about the potential for home modification would also be part of a long-term-care plan.

Long-term care will also include assistive technology such as adaptive switches, communication equipment and, transportation devices. According to a study by the National Council on Disability, 80% of elderly persons who used assistive technology were able to reduce their dependence on others. Half of those surveyed reduced their dependence on paid helpers and half were able to avoid entering nursing homes. We need to get familiar with the programs created by the Assistive Technology Act of 1998, which provides funds to develop statewide consumer information and training programs. We'll need to know what's available, what it costs and how to finance it.

Leaving Home

Desirable alternatives to staying in individual homes include living in retirement communities, which offer increasing levels of care. One simply offers "senior living;" another includes assisted-living services; a third, called continuing-care communities, provide independent living units, assisted-living units and skilled nursing units. Clients sometimes pay for these services through long-term-care insurance or out of their own pockets. Other communities include long-term care as part of the "package," so that residents don't have to pay when care is needed. Helping clients sort through these contracts and understand the fees should be part of a planner's job.

Newer options are appearing. One that deserves attention is Green House Project® homes developed by a medical doctor and gentleman farmer, Dr. William Thomas, who is re-imagining how Americans will approach aging. Thomas has partnered with the Robert Wood Johnson Foundation to replace more than 100 nursing homes nationwide with clusters of cozy houses that are skilled nursing facilities with round-the-clock staff. The homes are designed to promote a warm family atmosphere—lots of sunshine, plants and access to outdoor spaces—and use cost-effective, smart technology to make the skilled nursing care as unobtrusive as possible. These homes are an excellent example of how different skilled nursing care can be.

The Players

The healthcare workforce is ill-prepared for the senior boom. Of 650,000 practicing physicians in the U.S., less than 9,000 are geriatricians and only 720 pharmacists out of 200,000 have geriatric certification, according to the Centers for Disease Control. There are even too few geriatric specialists to train others. These are issues that we as financial planners should be monitoring and telling our clients about.

Usually the care of the elderly falls to family members whose financial plans will also be affected. You may have set out the perfect retirement plan for your clients, but if one of them has to stop working to care for an elderly parent, the financial impact is an average loss of \$660,000 over a lifetime due to lost promotions and raises, loss of benefits (especially retirement plans) and increased sick days due to their own developing health problems, according to the AARP.

And relatives may not be able to handle it. For example, a client, Liz, had been taking care of her 84-year-old mother who lives about 40 miles away. Her mother is proud of living independently, has friends and is generally healthy. But she occasionally skips meals, cleaning and even bathing. A single mother, Liz was wearing herself out trying to care for her mother and her children. Beyond Meals on Wheels, there is nothing available in her mother's community for someone who isn't very poor or sick. We discussed what would improve her mother's life and ease Liz's worries. Through a social worker at the local senior center, we found a woman who now spends two hours a day five days a week doing light housekeeping, making sure Liz's mother eats and taking her to visit friends.

Picking Up the Tab

There have been numerous discussions about long-term-care insurance versus self-funding. But when you look at this broader definition of care, we believe that all available resources will need to be tapped, including life insurance, annuities with long-term-care benefits,

government agencies and programs, Medicare and Medicaid, state partnership programs as the income and assets of our clients. We'll need to know what each of these resources will and won't cover to develop a realistic and usable long-term-care plan.

Planning for long-term care may involve redesigning retirement data-gathering questionnaires to include a section on current health conditions that can stimulate a discussion about how they can lead long-term-care needs. Another questionnaire would help clients define their concept of quality of life and communicate to their family or friends what is important to them, if and when they are not able to communicate themselves. This may also include a fact sheet that includes various long-term-care needs, services and costs.

The decision about whether to purchase long-term-care insurance or to self-fund is still important, but it's only a small part of how we can help our clients prepare for their potential need for assistance. As with any other type of financial planning, comprehensive long-term-care planning involves setting goals, gathering data, analyzing the data, developing a plan, implementing the plan, and then monitoring it and making adjustments as needed. A long-term-care plan could also go a long way to strengthening your bond with clients by giving them the sense that they are truly prepared.

*For a list of organizations specializing in long-term care, please visit [Where to Turn](#).

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