



**BARRY J. FISHER**

*CSA, LTCP, is a principal of Paradigm Insurance Marketing, a long term care, annuity and life insurance brokerage general agency located in California. He is a leading authority on long term care insurance, and for the past two decades has been a leading figure in the California health insurance field. He was the founding president of the American Association for Long-Term Care Insurance and a past president of the California Association of Health Underwriters.*

*Fisher can be reached at Paradigm Insurance Marketing, 6800 Owensmouth Avenue, Suite 410, Canoga Park, CA 91303. Telephone: 818-883-8700. Email: [barry@bjfm.com](mailto:barry@bjfm.com).*

# Thirty Minutes To LTCI Sales Success

If I told you that you could effectively communicate the significant long term care issues and primary benefits of a long term care insurance policy in less than 30 minutes, you might not believe me. For the past several months I have been doing consumer seminars and joint work with a number of agents. Like the proverbial “elevator talk,” I’ve learned how to explain to a customer the long term care risk and describe the central benefits of long term care insurance in a short conversation.

**Cut to the Chase.** Today’s consumers, particularly baby boomers, don’t have time or patience to be maneuvered into buying a policy. They want straight talk. Odds are you are sitting with the prospect because he wants information and he certainly doesn’t want to go through a 90-minute sales pitch to get it. Be respectful of the prospect’s time (not to mention your own). Just like with a good speech, if you don’t get their attention in the first two minutes, you’ve lost the audience. Most consumers who are willing to talk to an agent about long term care insurance realize that they have a potential financial risk. They just want to find the best solution. You need to communicate and demonstrate the value of long term care insurance at the beginning of your presentation, not at the end.

**Step 1: Don’t start spewing statistics.** Odds are the clients you’re talking to have already done some research on the Internet or spoken to another agent. They’ve seen all the statistics and, frankly, they don’t always believe them. The issues surrounding an aging society have been beaten to death

for the past decade. Besides, boomers don’t think they’re going to get old, so a grim tale of life when they’re 90 is not a picture you want to paint. *What is important to them is their lifestyle, which is directly linked to their retirement income.*

With this in mind, if you feel you must start with some broad-brush comments regarding current trends in long term care, you might want to consider the following points:

- People are living longer, and long life means a greater likelihood of suffering a chronic long term illness.
- People tend to need varying degrees of care depending on their lifestyles and illnesses, and quality care is getting increasingly harder to find—which means good care costs more.
- The average cost of care in your area is “X,” which means 365 times “X.” It is only important to know “X” as a starting point so that you can determine what the care will cost when you need it yourself.
- Historically, inflation in the long term care sector of the economy is about two times the consumer price inflation or, in today’s environment, approximately 5 percent. Therefore, if you’re 55 today and the cost of care is \$73,000 per year (\$200/day), the annual amount for when you’re likely to need care will double twice (the Rule of 72). This means that when you’re 85, you can expect the cost of care to be around \$300,000 per year.

• How do you plan to pay for this care?  
You may want to stop and elicit personal opinions from the prospect so that you can determine his thinking process. This

background information shouldn't be a monologue; questions similar to the following should be asked along the way:

- Have you had any experience with the cost of care with a family member or friend? What did it cost? (Use prospect's numbers whenever possible.)
- What were the impacts to other family members? (You could interject some thoughts from your own experience, just to keep the conversation moving.)
- I work with a home care provider in my area who says that a basic home care aide starts at approximately \$22/hour. That means an eight-hour shift is going to cost about \$175 per day.
- When I took my dad to inspect an assisted living facility two years ago, the cost started at around \$2,900 per month. By the time we got through with the "buy-ups," the cost was close to \$5,000 per month. However, this facility was so nice it was like being at a resort.

**Now is your chance to discuss the value proposition of long term care insurance.** You have the client focused on the problem: *the future cost of care*. This is their pain! Use it. We suggest to agents that they illustrate the inherent value of every long term care insurance product (the pool of money) in future dollars at point of claim and compare the cost of the insurance versus several other funding scenarios.

At this point you can offer the prospect one of two choices: *Transfer the risk or do it yourself*. If the prospect is a "do it yourselfer," then say thank you for your time, pack your bag and move on. This person is not a serious buyer of insurance.

**Words to the Wise.** This is your "bonding" opportunity with the client and the chance to grab his interest. This is a broad-brush conversation primarily to get the prospect on the same page with you and to elicit some of his opinions. It is not the time to dazzle him with your technical knowledge of chronic illnesses. Stay away from talking about nursing homes. No one wants to go there. When you ask a question, shut up and listen to the answer. The prospect is expressing his pain and telling you his needs and wants. *Pay attention!* It's not about you.

*Total Elapsed Time: 5 to 10 minutes.*

**Step 2: If the client recognizes the value of transferring the risk, now is the time to discuss what long term care is and what long term care services look like.** Long term care is the care that people receive when they can no longer care for themselves. Generally, it involves chronic illness such as frailty, strokes, memory loss and Alzheimer's disease. Many times people think that needing long term care means that one is an invalid. This is often far from the true picture. Most long term care services, particularly in the early stages, involve helping a person with everyday basic needs such as cleaning their home, taking medications, going shopping and preparing meals.

Most long term care is provided in the home and community. Assisted living facilities are becoming quite popular because they allow one to live independently for as long as possible. Many times, when the early need for care develops, family members pitch in to help because that is what everyone wants. However, as time goes by, this becomes difficult and disruptive. As the need for assistance increases, most people want to hire a home health aide or start thinking about assisted living. While some people do spend time in a traditional nursing home, this isn't always the case and is generally the "end game" for most people.

Notice what I have done in two paragraphs:

- ✓ I have described long term care and the general services that it entails without going into mind-numbing detail about activities of daily living (ADLs) and instrumental activities of daily living (IADLs).
- ✓ I have assured the prospect that long term care is more than going to a nursing home.
- ✓ I have reinforced the notion that the prospect can have control and the best lifestyle possible based on his ability to pay for services.

Keep in mind, this is a conversation. Ask questions, particularly about their experiences.

*Total Elapsed Time: 5 minutes or less.*

**Step 3: Describe how long term care insurance works so that a layman will**

**understand.** My experience with agents, as it relates to their ability to effectively describe how long term care insurance works, generally falls into one of two categories: (1) The agent, whose primary business is not LTCL, gets tongue-tied talking about ADLs, IADLs and the dull details of the policy. (2) The experienced long term care insurance agent, who wants to spend two hours talking about ADLs and IADLs, and revels in the dull details of long term care insurance (stand-by versus hands-on assistance; indemnity versus reimbursement; daily, weekly or monthly reimbursement benefits; etc.). All of which have little meaning to the consumer and may or may not be important.

**It is important to note that these approaches do not focus on the core value proposition of the policy—the pool of money at the likely time of claim.**

On the record, it is important for you to know the fine points of the policies you are selling. Additionally, it is imperative that you do all of the proper statutory disclosure required by your state. That being said, you do not have to disgorge all of this knowledge or information until the client understands the core value proposition of the policy, the general way in which they qualify for benefits, how a claim generally gets processed, how the insurance company pays the benefit, and what the benefits can be used for.

I start this part of the conversation by informing the client that the qualification for benefits under all tax-qualified long term care insurance policies is generally the same. In 1996, Congress passed a law called the Health Insurance Portability & Accountability Act (HIPAA). This law established a standard definition of a chronically ill individual. It extended this definition to the tax-qualified long term care insurance we sell today. All states adopted Congress' guidelines and added some of their own additional requirements. With this in mind, from state to state, qualification for benefits is standardized and all policies generally work the same in this regard.

To qualify for benefits in a long term care insurance policy the insured must suffer severe cognitive impairment (e.g., Alzheimer's disease or dementia) and need

substantial supervision, or be unable to perform two of six activities of daily living (eating, bathing, dressing, continence, toileting or transferring) and need substantial assistance. In order to qualify, a licensed healthcare practitioner (usually a doctor) will certify that care is needed for more than 90 days.

*Caution:* This is not the time to get into a hypothetical claims dialogue. Since all tax-qualified policies adhere to the HIPAA definitions, there should not have to be much discussion. Move on to the next step.

Discuss the claims process in a clear and concise fashion: "Once you have qualified for benefits, with rare exception, the insurance company will want to assess your situation. Generally, they need to know the types of services you will require so they can determine what to pay for. An assessment is conducted by a licensed healthcare practitioner; in most cases, a practical nurse or other geriatric specialist will visit you to determine your needs. From this assessment, a plan of care, which I refer to as a prescription for care, will be prepared detailing the types of assistance that you'll require. While the insurance company may recommend an independent assessor in your area, you generally have the right to find your own if you don't like the company's suggestion."

Discuss how the company pays the claim: "We know that there are variations on the method of payment: reimbursement (daily, weekly or monthly), per diem, or cash." Regardless of the type you are presenting, explain, in general, how the policy works and then move on. Keep in mind that reimbursement and per diem benefits are subject to the assessment and plan of care; cash benefits are not.

Discuss what the benefits can be used for: "Most policies that we sell are comprehensive, which means that once qualified for benefits it will pay for services in the home and community, assisted living, and traditional nursing facilities, based on the plan of care discussed earlier."

*Total Elapsed Time: Five minutes or less.*

**Step 4: Describe the primary benefit features of a long term care insurance policy.** Long term care insurance policies

have four or five primary benefits that you should review with the client during your 30 minute discussion.

1. The benefit pool at the beginning of the policy which is a function of (a) the daily benefit and (b) the benefit period.

2. The benefit pool at time of claim, which is a function of (a) the daily benefit, (b) the benefit period, and (c) 5 percent compound or simple inflation (sell compound, always!).

3. The deductible or elimination period.

4. Limited pay options, which are particularly attractive to clients in their 40s and 50s and those purchasing on a corporate pay basis. This also allows you to touch on the important fact that all LTCI is guaranteed renewable—an important compliance matter.

Of the four points above, number two is the most critical. By describing the value of the benefit pool in future dollars when the client is likely to need care, you are creating a comparison between the dollar value of the benefit and the premium. Thus, the client will get a picture of what he is paying for. You are also getting back to your original discussion of the cost of care today versus tomorrow and the amount of money the client will have when he needs care.

**This is the primary value proposition of long term care insurance.**

Emphasize that the benefits from a tax-qualified long term care insurance policy are received tax free. This is an enormous advantage to all consumers. Most folks who are planning for retirement appreciate the advantages of tax free income. Additionally, premiums may be deductible depending on the prospect's personal circumstances. Smart consumers understand the ravages of inflation and taxes. This short presentation focuses attention on both of these issues and highlights the advantage of long term care insurance as a financial planning tool.

*Total Elapsed Time: Five minutes or less.*

**Step 5: Closing the sale.** At this point, if the client accepts the proposition that transferring the risk makes sense, the case is already closed. If you have done no field underwriting prior to the meeting or prepared a generic proposal for consideration,

you may want to take a few minutes to ask pertinent health questions and then set up a follow-up meeting to complete the application.

However, if you are prepared with the appropriate proposals and disclosure, you are ready to move forward. Draw the client's attention to the benefits and explain them in the context discussed earlier.

1. Translate the daily benefit into an annual figure.

2. If presenting a finite benefit period, multiply the annualized benefit by the number of years that is being recommended so that the client understands that they are purchasing a pool of money. If presenting a lifetime benefit, choose a hypothetical finite claim of five or six years just to provide a specific context for comparison of benefit and premium.

3. Factor that starting pool of money by 5 percent compounded (recommended) to a point in the future when the claim is likely to begin. Typically, I use ages 81 to 85 (if the prospect is 71 or older add 10 years to estimate his likely point of claim). This way, the client will get a sense of what his benefit will be when he needs care.

4. Now, show the client the premium and discuss it in relationship to the benefit at likely time of claim.

5. Once the client agrees that the premium makes sense to him in relationship to the benefit, discuss the other significant policy features such as elimination period (deductible), limited-pay options, etc. Stay away from the minutia. You can fill in those blanks when you deliver the policy.

6. If the premium does not fit into the client's budget, work with him to determine what does, and adjust the benefit period, elimination period or daily benefit accordingly. *Some coverage is better than none!*

7. Pull out the application and start writing!

Simplifying your presentation and highlighting the significant features of long term care insurance will help you and your client focus on the central value proposition of the policy. By nature, long term care insurance is accident and health insurance; however, its end result—retirement income and asset protection—places the sales process closer to that of disability and life insurance. 🌐