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“War Of The Worlds”

During long airline flights I catch up on my reading. On a recent flight, I read that there are now seven million Americans who own long term care insurance, and then I picked up *Newsweek*, where an article stated that there are seven and a half million rock climbers.

As this column has hopefully evidenced, I am an eternal optimist. In the current sales environment I am inevitably asked to comment on the future of long term care insurance. The truth is, long term care insurance sales in 2004 were not good, 2005 it appears will also be flat and, as predicted in the July long term care insurance survey published in this magazine, 2006 does not look good either.

The Society of Actuaries' long term care insurance section has formed a new committee—the Interdisciplinary Long Term Care Think Tank—and I was recently asked to join. This is a diverse group of those involved in the “struggle”—actuaries, academics, government and independent agencies, medical directors, reinsurers, company executives and a few stray marketing types. As I made clear upon arrival, this prestigious group must have invited me to provide comic relief or maybe just a dose of my hard-headed optimism.

Our objective was to peer into the mists of prognostication and attempt to get a clear picture of long term care over the next 5 to 10 years. We were asked to leave our insurance bias behind and try

to ascertain what needs to change in the long term care system in America, using a multi-disciplinary approach.

We spent the first day establishing our understanding of where we are and our perception on the likelihood of change in a number of key areas. Before we arrived we had all completed an extensive survey. The areas of greatest agreement are significant. In terms of “economic and regulatory” issues, federal policy addressing Medicaid funding had the highest correlation for likely reform, as well as an impact on the long term care delivery system and the nature of long term care protection. The next greatest area of agreement is a belief that a universal government long term care program is very unlikely and, therefore, we need to continue to consider innovation and creative strategies in the area of long term care protection. There was also considerable agreement that an emergence of state partnership was likely and would impact the structure of long term care protection.

In the area of medical care and delivery, the greatest agreement is that the burden of caregiving would continue to grow and influence the market. This would be evidenced by an increasingly tight labor market for home healthcare providers and a high potential for change in how and where care is delivered. An example given was the emergence of new types of assisted living facilities like the smaller, more intimate and personal “greenhouse”

plans. As might be expected, there was also agreement that we would see substantial change in the treatment of Alzheimer's and dementia.

"Consumers" were also evaluated regarding the potential for change and influence on the equation. The areas with the highest degree of correlation and agreement were the need for consumer education, changes in generational perception of risk, and an increasing understanding of the relationship between long term care risk and retirement security. Again, as would be expected, the greatest agreement was on the inevitable impact of the boomer age wave. Significant, however, was the substantial agreement about the importance of accessing long term care policies through workplace benefit programs.

We made a valiant effort to evaluate the problem from the perspective of all the stakeholders—consumers, society, nonfamiliar providers, familial caregivers, third party payers (non-government), regulators and capital markets. Our focus was to try to determine the inherent self-interest of each of these groups and where we would anticipate agreement or friction. Self-interest can also be highly contradictory, the classic example being a desire for increased government benefits with the commensurate certainty of increased taxes to pay for the benefits.

We then made an effort to determine the greatest challenges facing tomorrow's long term care. Two overriding factors were suggested to have substantial influence on our immediate future: the age wave and a decrease in morbidity. The group anticipated that morbidity cost would continue to improve, with a gradual decline in the number of disabled days, and that strain on the long term care delivery system would occur later in life with shorter durations. Alzheimer's was definitely recognized as a black cloud hanging over all of us. However, there was substantial optimism that diagnosis and treatment would improve.

Someone then mentioned one of the better known quotes by Winston Churchill, "Americans will always do the right thing, but only after they have exhausted all other alternatives." Unfortunately, there is no real constituency demanding the problem be solved. The government clearly recognizes the risk but perceives no loud demand for change. We obviously need to create enough "noise" for Congress to act. Yet screaming will probably not achieve sufficient volume until the boomers begin to make claims on the system. The demographic age wave will create immense pressure and tension in America because of insufficient public funding and inadequate resources for care. Demand will increase for more delivery, more pro-

tection and more alternatives. Managing expectations will become increasingly more difficult because there will be more pressure for public entitlement as well as full coverage under Medicaid. Healthcare delivery will continue to put pressure on our perceptions of our society's egalitarian nature. There is an increasing possibility of intergenerational as well as social economic class warfare.

The group also recognized that: (1) there will be a greater desire for experimentation and innovation and (2) that we will need to be able to demonstrate results. Changes must be transparent and easily understood. There will be less available familiar support, thus we will continue to experiment with non-traditional, nonfamiliar support systems. There will be continued pressure on the underwriting risk, and we will continue (in the short term) to be plagued by lack of private capital to solve the problem. Most important, we unanimously recognized our social responsibility to the elderly and our desire to maintain a system that would deliver care when needed to all Americans.

If you have continued to read to this point, you are beginning to ask, "So, what is the answer?" I don't know for sure—no one does. However, I will share with you the group's general conclusions about the future. Please stay tuned; the conclusions will follow next month. 🌐