Funding Senior Health and Care—Beyond Simple Dollars And Cents

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Editor's note: This is the first article in a two-part series.

There is an abundance of data about the costs of health and care, but is it helpful? The costs range widely across localities. Rarely are they coupled with either quality measures or trade-off scenarios. Often, those trade-offs involve very real costs because they aren't paid for with cash. The unpredictability of what, when and how long a health condition will persist simply compounds the data problem. The acronym GIGO comes to mind—garbage in, garbage out.

It's a complicated problem in need of simple, easy to implement solutions that are about more than "running the numbers." It requires an engaged client, who understands their alternatives, and the effects of choices on their quality of life over a lifetime.

Advisors who look beyond "assets" and "costs" in simple dollars and cents are best able to demonstrate their value. A fuller discussion might include a lifestyle or "independence" component, as well as a "social engagement" component. While the financial strength can increase choices and options, the other two go to the heart of people's concerns as they age. Atul Gawande, author of *Being Mortal*, describes a process of continual redefinition of independence as people age. There is also a growing body of evidence that people without social connections face an increased risk of premature mortality comparable to obesity or substance abuse.

Financial service firms and advisors might ask, how does my product, service and/or advice help people understand, prepare for and address independence and engagement as they age? Do we simply multiply financial alternatives, or do we help people see how our services will help them age on their own terms?

Segmentation By Financial Capacity

A typical financial segmentation might define four segments: the mass-market, the mass affluent, the affluent and the high-net-worth markets. We could easily add others at either end, or in the middle. Each segment uses different approaches to fund health and care throughout the senior years. For example:

- A mass-market service might provide a well-thought-out reverse mortgage capability that starts with an accelerated mortgage repayment plan to generate more equity sooner. That provides this market segment the financial flexibility of a reverse mortgage earlier. It may also provide tax advantages. During the initial years, interest may be deductible, in later years, larger medical expenses may be.

- A mass-affluent market product might be a limited duration traditional long-term care policy that is coupled with a partnership plan. It could help this segment address a real fear, being forced to rely on Medicaid. Possibly packaged as a joint policy with shared benefits. It could provide unique and economic alternative to fund care, and protect assets for a surviving spouse from a Medicaid spend down if more care is needed.

- An affluent market service might use a hybrid LTC product, leveraging an existing insurance policy that pays an accelerated death benefit, or an annuity with a long-term care feature. It might also include a return of premium feature to help fund an entry fee at a continuing care retirement community. This type of combination preserves more flexibility longer than a typical hybrid or traditional LTCI policy.

- A service for the high-net-worth market might be based on a “family office” concept. It might provide a range of high-touch services to maximize quality, mobility and independence. It might go beyond a “concierge service”, offering access to the best medical specialists, regardless of network or location. It might include non-medical services such as, care planning and advocacy, transportation and mobility services, personal training, and other personal services that go beyond medical care to increase levels of support for mobility and independence.

Each segment suggests different needs and costs, as well as different marketing and funding solutions. Serving either single or multiple segments is an important decision. Serving multiple segments is complex. It requires scale and high touch to execute well. Serving a single segment requires a willingness to pass up, or turn away business that doesn’t fit.

One way to increase the chance of success with either choice, is to take the discussion beyond just dollars and cents, and include *independence* and *engagement*. These concerns are shared across all financial segments.

They are intertwined both with a client’s financial capacity, and with each other. They often are two sides of the same coin. The trick is to strike and maintain a balance among all of three of them as conditions change.

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