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## Long-Term Health Care Planning: A Subset of Farm Transition Programming

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## Long-Term Health Care Planning: A Subset of Farm Transition Programming

### Abstract

Farm transition programming has been a valuable addition to Extension programming efforts. An often overlooked subset of farm transition programming is a discussion regarding long-term health care planning. Research supports the need for long-term health care planning. The probability of having some sort of long-term health care issue in one's lifetime is high. This includes a large percentage of people under the age of 65. Health care costs, including long-term care, are increasing at alarming rates. These costs can potentially cripple a farm business financially as well as impede the transition of the business to the next generation.

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## Introduction

Farm transition planning has been an important focus of Extension programming. Farm families work hard to build their business. Without proper transition and personal estate planning, the business and personal assets of those families can be placed in a position of financial and legal risk. When planning, most families focus on tax issues. However, long-term health care costs can be potentially more financially crippling to a families' finances than any tax issue. Over 70 million baby boomers could face the need for long-term health care. Educating them about costs, policy provisions, etc., is critical (Hansen, 2009). Genworth Financial (2014) in a recent survey states "At least 70 percent of people over age 65 will need long term care services and support at some point in their lifetime" (p. 8). There is a high probability that a farm family member will need to finance some sort of long-term health care issue in their lifetime.

## Educational Need

Individual perceptions of long-term care as a potential problem and issues of financing long-term care insurance (LTCI) are major barriers to an individual's decision regarding planning for long-term health care (Stum, 2005). W. D. Sommerness, Attorney and Counselor at Law, (personal communication, August 25, 2011) stated that most of his clients are complaisant when asked about long-term health care planning. However, when he asks them which 40 acres they want him to sell when they go into the nursing home they understand the need for planning. Keil, Chenoweth, Ferris, and Gaydos (1995) stated that in a study of individuals including farm families they found that over 51% of participants felt they needed more understanding of LTCI such as policy and coverage details.

Several Minnesota attorneys and financial planners asked the University of Minnesota Extension Agricultural Business Management team if an educational program developed around long-term health care planning was possible. It was agreed that such a program was possible and within Extension's mission based upon research. Stum (2005) suggests that "Strategies for moving individuals from inaction to action should first and foremost focus on changing perceptions

regarding financing long term care as a problem as well as potential solutions." This issue can be addressed through education that can influence individual perception and decision making approaches (Stum, 2005). According to Stum, Bauer, and Delaney (1993) consumers with more education around the issue of long-term health care and LTCI have a greater ability to strategically plan for the future.

When we think about long-term care, most of us think about adult family members. Although small in comparison, there is an increase in the number of children and adolescents with severe long-term health conditions (Kohler et. al., 2001). Last, many farm families believe that if they have to enter a nursing home they can simply gift away all their assets or place someone else's name on the assets. They believe this approach will shelter those assets from the nursing home and they can then apply for public assistance. This approach no longer works in Minnesota because of Medicaid rule changes. Therefore, long-term health care planning is a key subset to any farm transition and succession programming.

## **Educational Approach**

University of Minnesota Extension developed a 2 1/2 hour interactive workshop focused on long-term health care planning for farm families. Key educational points included understanding the importance of having a long-term health care plan, discussion of how the federal Medicare and Medicaid programs work, who qualifies for the federal programs, and dispelling the many rumors and misconceptions surrounding the use of these programs and the use of long-term care insurance as the only viable means of protecting assets from long-term health care costs. Farm examples were used throughout to enhance the presentation. Local business sponsors such as attorneys, financial planners, and insurance agents hosted a workshop. Sponsors recruited participants through direct mail, personal visits, and phone call invitation. To ensure sponsors would demand the program, it had to be of the highest quality. This was accomplished by beginning curriculum development using backward program design (Wiggins & McTighe, 2006). We started with the program end in mind, clarifying program goals, outcomes, and impacts with focus on the learner. The program was innovative and unique, relevant, timely, needs based, and delivered in a professional manner.

## **Program Impact**

For 2012 and 2013, five workshops were held with 173 participants attending. A post-meeting evaluation was completed by participants. Based upon a Likert Scale of 1 to 5 (1 = strongly disagree, 5 = strongly agree), participants reported gains in knowledge related to the program educational points ranging from 4.17 to 4.40, substantiating knowledge gain. A total of 72.9% of participants attending reported not having a long-term health care plan.

A follow-up evaluation was sent to participants 6 months following each workshop. Thirty-five participants reported completing their long-term health care plan at the time of the survey. They were asked to self-report the financial value of assets protected by having a plan in place because of attending a workshop. The total asset value reported was \$32,887,000.

Total cost to deliver the workshops was \$13,312. This included educator salary and fringe benefits, prep time, travel time, delivery time, mileage, and materials. Dividing total asset value reported by program participants by program total cost, every program dollar spent generated \$2,470 worth of financial impact.

## **Summary**

Research supports the need for long-term health care planning education. Insurance company statistics regarding the potential incidence of long-term health care issues also supports the program effort. Given the potential for financial impact on the farm business, it is logical to include long-term health care planning as a subset of farm transition education. Evaluation data from completed programming supports the potential for impact.

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