

Evolution of LTCI Policy Language

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Internal Procedures for Contract Language

- **The Early Years.....**
 - **Few or No Reference Points**
 - **Language From Health Policies**
 - **Language From Medicare & Medicare Supplement Policies**
 - **3 Day Hospital Stay**
 - **HHC Benefits Tied to DRG's**

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Developing Policy Language

- **New Benefits Presented New Challenges**
 - **Home Health Care**
 - **Adult Day Care**
 - **Provider Licensing, State Requirements**
 - **Assisted Living Presented More New Challenges**

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Developing Policy Language

- **Assisted Living Benefits**
 - **No 'Real' Licensing To Follow**
 - **Developed Criteria By Looking At What ALF's 'Do'**
 - **Number of Beds**
 - **Staffing Requirements**
 - **Meal Preparation**
 - **Nursing Care**
 - **Medical Care**

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Developing Policy Language

- ***COPY YOUR COMPETITORS!***
- **Use Company Experience**
 - **Claim Department – gateway to consumers**
 - **Communication With Providers**
 - **Customer Service Questions**
 - **Agent Seminars, Focus Groups, Interactions**
 - **Underwriting - Pipeline To Agents**

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Developing Policy Language

- **Provider Licensing Regulations**
 - **State Insurance Departments Interact With State Medicaid Offices As Well As Other State Licensing Offices**
 - **State Insurance Departments Interaction On Claim Denials**

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Developing Policy Language

- **NAIC Update**
 - **Benefit Payments Across State Lines**
 - **Assisted Living Facility Definition**
 - **What Is Required**
 - **What Will Be Required**

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What Should Be Included in New Policy Language?

- **We know that there are numerous policy provisions disclosures that must be included within the policy:**
 - **TQ/NTQ statement**
 - **Guaranteed Renewable statement**
 - **Notice to Buyer**
 - **30-day Free Look**
 - **Caution statement, etc.**

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What Should Be Included in New Policy Language?

- **The Claims Department Wish List –**
 - Streamlined and concise policies (fewer endorsements & optional benefits).
 - Clear and exact definitions.
 - Charges not covered. This is a provision in addition to Exclusions/Limitations.
 - Expressly address CCRC/ALF confinement when not benefit eligible.
 - Highlight what happens when claimant recovers.
 - How do you address the individual who because of services no longer is benefit eligible. What can be done?
 - Balance between pricing and providing Claim Department with flexibility to address new/future technologies.

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What Should Be Included in New Policy Language?

- **Basic Definitions Are Required By Regulation - But Discretion & Innovation Are Not Impacted.....**
- **Descriptive Language - Are You Paying For More (or less) Than What The Policy Is Priced For?**
- **One Trap - Assisted Living**
 - Licensed, Certified By The State OR
 - Maintains records, Has An Awake Employee, Provides Meals, Provides Care To 10 Or More Individuals, etc.
- **So What Is The Problem?**
 - Unintended 'non' Assisted Living Facility Coverage - Retirement Coverage.....

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What Should Be Included in New Policy Language?

- Modal Factors
 - Fees Have To Be Disclosed
 - Past Legal Issues
- State Regulation Issues
 - Minnesota - Home Health Care Cannot Be Denied Because of 'Location Or Type Of Residence'
 - Texas - ALF Requirement Cannot Be Stricter Than Licensing Standards

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Impediments to the Easy Administration of Older Policies

- *What are the Impediments*
- *What are the Necessary Tools*
- *Enhancements/Liberalizations to Existing Contracts*
- *What Should be Included in New Policy Language?*

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Impediments to the Easy Administration of Older Policies

- 51 state variations multiplied by numerous product generations!!!
- Often states require that “complex” language or statutory wording be included in product creating state variations and system changes.
- The use of public policy in lieu of regulation to require contractual changes and enforce claim policy.
- No nationwide uniformity in licensing or provider definitions.

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Impediments to the Easy Administration of Older Policies

- DOI discretion can create uneven playing field for carriers.
- Why HIPAA stifles early intervention in claims.
- Why is the 90-day certification still perceived as a significant barrier to claims?
- Staffing, Attrition and Continued Expertise.
- The original “Hot Benefit” at sale time does not retain its sizzle when it needs to be administered.

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Impediments to the Easy Administration of Older Policies

- **Regulator Requests to Change Existing Contracts -- Over the past 2 years, the industry has been approached by regulators to expand coverage or not enforce certain exclusions contained in existing older contracts.**
 - ALFs, war exclusion, liberalization of older policy provisions.
 - Legal precedence and constitutional protection against impediment of contract.
 - Public policy must be balanced against rate stabilization.
 - Industry/company reactions.

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The Tools Needed to Administer Old Contract More Effectively

- *Need Excellent & Detailed Historical Documentation*
- *Need Continued Refresher Training*
- *Need Qualified Professionals*
- *Need Automation and State of Art Systems*
- *Need to Standardize Practices*
- *In an era of industry consolidation – completely segregate carrier blocks*

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Enhancements/Liberalizations to Old Contract Language

- Enhancements/Liberalizations may be done in a variety of ways including:
 - No-cost amendments which are permanently added to the policies.
 - Buy-ups (underwriting and attained-age rates may be required).
 - Claims Guidelines - Must consider when does a claim guideline rise to the level of a liberalization that may require consumer disclosure and/or contractual amendment?
 - Administrative Letter to Policyholder notifying them of new liberalized policy.
 - Upgrades.

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Enhancements/Liberalizations to Old Contract Language

- What You Should Think About:
 - Is it the right thing to do?
 - Are rates, administrative processes and/or systems impacted?
 - Does the insured need to know in order to exercise benefits?
 - When is disclosure (rather than contract amendment) enough?
 - What is the effective date of the change and how does the change apply – by state, by policy series, etc.
 - Are you doing the right thing today but creating future problems due to the waiving of contractual provisions?
 - Need to balance when doing the right thing jeopardizes rate stabilization.

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The Future

- **Need for development of IADL products.**
- **Transitional products.**
- **The HIPAA barrier to new product development/innovation.**