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New to LTC

By Sisi Wu

With almost five years' experience in the long-term care (LTC) insurance industry across two carriers, I am honored to have this opportunity to share my personal experience with the industry from the prospective of a relative newcomer.

More than four years ago, I landed in an LTC valuation actuary role after finishing a strategic project. At the time, I had been in my actuarial career for almost 10 years. I had experience across several actuarial functions and product lines but not in the more traditional actuarial function of valuation and not with LTC, so the opportunity to work on LTC valuation seemed to be a good way to fill a "gap" in my resume as I continued to work toward being a well-rounded actuary. While I knew it would be exciting work, it didn't take long to realize that LTC had something special that would keep me in the industry.

In March 2016, I attended my first annual Intercompany Long Term Care Insurance (ILTCI) Conference. Different from an annual meeting of the Society of Actuaries where the majority, if not all, attendants are actuaries, ILTCI has attendants from across a variety of disciplines in the LTC industry including claims, underwriting, regulatory, compliance, marketing, operations, producers and advisers. Two things I specifically remember from that conference are a presentation on claimant fraud and a comment that actuaries are to blame for all the trouble the LTC industry is facing now. Being new to LTC, I was shocked to hear the various cases in which LTC claimants had committed fraud and the financial impact it was costing. And the comment about actuaries getting LTC assumptions wrong as the product was first launched made me uncomfortable but curious at the same time. I wanted to understand what went wrong and what could be done to alleviate the problem.

Gradually, I learned more and more about the challenges facing the LTC industry. For many reasons, key assumptions used in pricing the products many years ago have not unfolded as expected. More policyholders are hanging onto their LTC policies, and policyholders are living longer and needing more benefits, just to name a few. To be able to continue paying claims as promised in the policies, carriers have started requesting premium rate increases. To mitigate the financial impact of the increases

on policyholders, carriers are offering multiple benefit reduction options as alternatives to accepting the higher premium charge.

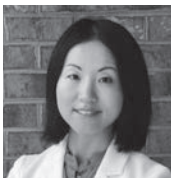
In November 2016, I attended an education session held by a state Department of Insurance on LTC premium rate increases. The session started with a presentation by an LTC industry expert explaining the mechanism of actuarial reserves and how actual experience being worse than the original assumptions would lead to reserves deficiency and the necessity to charge higher premiums. It then opened the floor to questions from the policyholders who mostly shared their confusion and frustration about the potential rate increase. I remember a couple in their late 50s saying they had just received a rate increase notification letter and felt they had no choice but to pay the higher premium because they wanted to keep the policies. Another policyholder questioned the commissioner of insurance about why the department would approve a rate increase filing. While I thought those were natural reactions and totally understandable, I realized how important it was to continue educating policyholders and regulators, and to provide more options to policyholders when implementing a premium rate increase. That was my first time meeting policyholders and listening to them gave me a new perspective on who my work was serving and impacting.

The world's population is aging at a faster rate than ever before and people are living longer. According to the website *seniorliving.org*, every day until 2030, 10,000 baby boomers will turn 65.[1] An often-cited statistic from the U.S. Department of Health and Human Services reminds us that 65-year-olds today have a 70 percent chance of needing long-term care services at some point in their remaining years.[2]

While there are different ways to pay for the LTC expenses, one of the most prevalent private financial options is LTC insurance. I strongly believe that LTC insurance is solving a critical need in our society. I frequently hear stories about how having an LTC policy helped families obtain the proper care for the policyholder and at the same time protected the families' assets. These stories make me proud to be in the LTC industry and it encourages me to keep working on what I do every day and to do even more. As a valuation actuary watching the claims experience emerging month to month and seeing the impact to reserves from periodic assumptions updates, I know first-hand that, among other challenges, the industry is still facing the reality of higher-than-expected cost of claims especially for older LTC products. The good news is that there is more awareness and understanding now about the underlying causes of the challenges facing the industry and there are more initiatives under way from various angles to come up with solutions. In one of the most recent developments, the National Association of Insurance Commissioners formed a new LTC task force with six workstreams tackling LTC industry solutions impacting carriers, policyholders and state regulators.

I have had the honor of being a friend of the Society of Actuaries' LTCI Section Council since 2016, and I attended two more LTC industry conferences these past two years. All these experiences, together with my day-to-day interaction with my colleagues, have provided me opportunities to appreciate the effort, creativeness and thoughtfulness of so many talented professionals working together to address challenges with existing products and shape how we move forward. While there is no easy answer, with the combined effort of so many disciplines in the industry, I am hopeful that we will find solutions for LTC and it will continue to provide a vital service for policyholders and society. And I am proud to be one of the actuaries in this endeavor! ■

The views expressed in this article are those of the author and do not necessarily reflect the official policy or position of Genworth Financial Inc.



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LTC Rate Increases: Exploring Alternatives

By Nolan B. Tully, Sandra K. Jones and Jessica E. Loesing

As issues surrounding the cost of long-term care for Americans becomes the focus of the industry, premium rate increases have historically been necessary to maintain the financial integrity of most blocks of stand-alone long-term care insurance (LTCI) business. In conjunction with those rate increases, insurers have offered (and regulators have approved) an evolving menu of rate increase mitigation options for policyholders who do not wish to or otherwise cannot afford to pay the increased rate. Recently, we have seen new and innovative alternatives proposed by industry participants. There is a growing recognition that insureds should be educated about the nature of their existing coverage and presented with a variety of options in the alternative to paying the approved rate increase amount. In the past few months alone, insurers are offering, and regulators are approving (and sometimes even requesting), an even wider variety of options, such as modifying existing coverage, reducing available benefits, or taking a reduced paid-up policy, policy buyouts and even "hybrid" policy buyouts.

Rate increase litigation also remains prevalent. Providing alternative options to a premium rate increase can serve to reduce the risk of litigation by: (1) satisfying the need of insureds to feel heard and attended to, as an individual, rather than as a group of policies, and (2) diminishing a common perception that the insurer is callously seeking more premium for the same coverage—particularly for those who might misinterpret the underlying reasons for the increased rates. These dynamics warrant consideration of how best to present mitigation options to insureds and what mitigation options to propose. Some of those options are explored below.

While no option is a panacea for all (and some of them come with risks of their own), we believe that consideration of a wider variety of rate increase mitigation options present an opportunity for insureds who are otherwise subject to a rate increase to customize and tailor their coverage. Doing so will allow adaptation to their budgets, care needs and changing health, and can simultaneously present an opportunity for insurers to solidify the financial footing of blocks of their business.

CASH BUYOUTS FOR POLICY SURRENDER

Historically, insurers have turned to policy buyouts in one-off scenarios—usually related to litigation or policyholder fraud. Recently, companies have started to consider policy buyouts as potential options available to insureds at the time of a rate increase. At least two insurers have actually sought approval for these options, and one of them—Penn Treaty Network America Insurance Co. (in liquidation)—received broad favorable regulatory response. Although Penn Treaty's rate increase was in conjunction with a liquidation, making it unusual and unique, it is worth noting that regulators were willing, for the first time, to consider some "out of the box" mitigation options. While buyout options present some anti-selection and litigation risk of their own, they also offer a potential benefit to insureds to liquidate an otherwise illiquid asset, while allowing insurers the potential to reduce exposure to in-force long-term care insurance policies. The description and presentation of the offer and the disclosures accompanying must be well-thought out and drafted, creating a viable path toward including buyouts at the table of possible alternatives to an otherwise "take it or leave it" rate increase.

1035 EXCHANGES

In the long-term care insurance context, 1035 exchanges are not always available—or otherwise thought of as a viable option. Exchanges are more palatable to those insureds who anticipate long-term care needs but do not want to maintain the coverage under current policies for a number of reasons. With a 1035 exchange option, insurers might offer insureds an exchange of their policy for an annuity with various payout options. Thus, if the insured does not end up needing long-term care in the future, the use of the funds is left to the insured's own discretion. Regardless of how the insured ultimately uses the annuity, his or her premium dollars have possibly multiplied through investment. This sort of arrangement may also serve to ameliorate regulatory concerns about future care costs, while at the same

time limiting a perceived paternalistic control over policyholders' finances by insurance companies.

REDUCTION OF COVERAGE OPTIONS

Rather than require an insured to pay increased premiums and keep his or her benefits the same, a company may offer its insureds several choices of policy benefits that will either maintain their current premium, result in a lower premium rate increase or even result in a premium decrease. This reduction in "face value" of a policy can occur through several mechanisms, including a reduction in overall lifetime benefits, a reduction in the daily benefit amount, a reduction in types of coverage or benefit offered under the policy, or a reduction or elimination of inflation protection. Having myriad options allows policyholders the ability to consider the trade-off between having reduced coverage and paying less premium. This is especially helpful to an insured who might have a better grasp on their health status but is worried about their current or near-term finances. For example, reducing coverage from unlimited lifetime benefits to a set term of years can substantially reduce the premium for some policyholders, yet allows policyholders to feel "covered." In any case, a reduction in coverage allows the insured to keep his or her policy place at a more sustainable and "personalized" cost.

DROPPING A RIDER OR TWO

More recently, the idea of allowing insureds to "sell back" or "trade in" particularly "rich" riders has become another option to satisfy insureds and insurers alike. This scenario—which is a hybrid of a buyout and a reduction of benefits—allows an insured to drop an expensive rider that he or she might no longer need or want in exchange for maintaining a stable premium. Even better is that, for policies with multiple riders, insureds may be able to go back to the company and trade in riders multiple times without impacting his or her overall basic coverage under the policy. For example, insurers can offer to buy out riders at a multiple of the premiums paid on the rider over the lifetime of the policy, ultimately returning the entirety of the premium dollars paid on the rider to the insured. Alternatively, if a rider provides a specific benefit, the rider itself can be "separated" from the policy and placed into paid-up status while the policy remains active and intact. This option may also prove to be more palatable from a regulatory standpoint, as it allows insureds to retain coverage but drop additional benefits, years or other "rider" protections that might not be necessary any longer.

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REGULATORY APPROVAL

Whether or not regulatory approval is obtained (or required) will dictate the breadth and depth of any rate increase mitigation option. In light of those (and other) concerns, the National Association of Insurance Commissioners Executive Committee formed a Long-Term Care Insurance (EX) Task Force earlier this year. The task force has set goals to establish national standards for reviewing and approving rate increase requests, as well as "identify[ing] options to provide consumers choice regarding modifications to long-term care insurance contract benefits where policies are no longer affordable due to rate increases."[1] The task force will deliver a proposal on these topics to the Executive Committee by the 2020 Fall National Meeting.

ACTUARIAL CONCERNS

The risk of adverse selection often ranks as a carrier's highest concern in connection with consumer alternatives to rate increases. From an actuarial perspective, both regulators and insurers have legitimate concern about the effect that rate increases and consumer alternatives will have on the remaining in-force blocks, compared to assumptions set at pricing. These concerns, along with the problems of pricing the alternatives, often pose the biggest hurdle in offering a buyout or other alternative to a rate increase.

The most obvious adverse selection concern relates to health: Will healthy insureds allow their policies to lapse, opt for a buyout or otherwise remove themselves from the risk pool, leaving an insured population that no longer reflects the general population? On the other hand, adverse selection is multi-faceted and other anti-selection concerns exist in the consumer alternative domain. For example, individuals that are terminally ill or otherwise have a short life expectancy may cash out their policies in exchange for funds needed now. These individuals may ultimately receive a cash payment from the company in exchange for liquidation of a policy that they were never going to use. But adverse selection can also result in retaining healthier insureds; the most financially secure insureds are also the ones most likely to keep their policy in force even in the face of a significant rate increase. These insureds also typically enjoy the best access to health care and opportunities to age in place, leaving healthier insureds in the pool at the highest rates of coverage. These unpredictable effects of a rate increase require carriers to rely heavily on their actuarial teams.

LITIGATION RISK

Litigation risk remains prominent in the realm of premium rate increases. Although courts have strongly found in favor of insurers concerning the right to raise premium, subject to regulatory approval, that has not stopped creative plaintiffs' attorneys from filing class action lawsuits attacking rate increases. The "filed rate doctrine" is a formidable defense available to insurers in many jurisdictions. Recently, however, rather than questioning the insurers' contractual right to raise premiums, newer vin-

tage class actions have relied on marketing materials or unusual policy or rider language as a way to collaterally attack the rate increase. These new and creative theories of recovery are likely to extend to insureds who claim to be harmed by their "choice" of rate increase mitigation option, especially to the extent a certain option might not work out as expected financially. Likewise, family members that later discover the insured has chosen a particular option and disagree with that choice will be a hotbed of litigation. Disclosure language, unambiguous presentation of all options available, and clear and consistent documentation of the insured's election(s) are key elements of mitigating this risk. Other options are worthy of consideration as well—such as requesting (or even requiring) that the insured consult with an attorney or financial adviser or requiring sign off by a secondary/tertiary designee.

CONCLUSION

In sum, rate increases involve an inherent risk factor—and have for many years. Insurers can get creative toward mitigating these risks by (1) working closely with regulators to gain approval of the programs they intend to implement, including some of the alternatives proposed in this article, (2) carefully documenting the actuarial calculations and conclusions underlying the program that is ultimately offered to the market, and (3) meticulously crafting language in its rate increase offerings to insureds that are clear, lack "legalese" and are unequivocal in the messages conveyed. As the industry continues to respond to the marketplace, the financial climate and the needs of society, we believe that customizing policies will become commonplace and will benefit insureds and insurers alike. ■

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Medi(long-term)care for All: A Look Into the Future of Long-Term Care Insurance—Part One

By Stephanie Moench and Shawn Stender

With the introduction of the Patient Protection and Affordable Care Act (ACA) in 2010, the health care industry, in particular major medical insurance, was thrust into the spotlight of national media and political campaigns. The key issue—how to make health insurance coverage available to the people who need it most. Recently, the long-term care (LTC) insurance industry has been gaining similar attention. Several recent political candidates have mentioned affordable LTC services, along with social LTC programs like Medicare for All, in their campaigns. At least one state-level government, Washington, has developed and adopted a social program that targets the need for LTC insurance.[1] Additionally, several other states have taken developmental steps to address LTC needs through similar programs or by other means (e.g., Medicaid expansion). As the topic of affordable LTC insurance comes into focus in political conversations, we often find ourselves thinking, "What is going to happen to the private LTC insurance industry going forward?"

The need for LTC services has been fairly well documented since the inception of the private LTC insurance industry in the 1980s. The U.S. Department of Health and Human Services launched an LTC-focused social marketing campaign in 2005 known as Own Your Future.[2] This campaign was aimed at encouraging people to actively plan for their LTC needs. In 2010, the national nonprofit campaign 3in4 Need More was started with a similar goal of raising awareness around the importance of planning for future LTC needs. These programs highlighted the fact that around 70 percent of people age 65 or older will require LTC services at some point in their lives. However, many Americans still rely solely on the coverage from existing social programs (i.e., Medicare and Medicaid) and/or self-funding to cover LTC services. Based on estimates from 2014, only 11 percent of adults ages 65 and older living in non-facility care settings were covered by private LTC insurance.[3] It is estimated that 50 million people will be 65 or older by 2020, and almost 50 percent of them are expected to use formal, paid LTC support and services during their lifetime.[4]

Beyond awareness, another potential complication in addressing the LTC need in the United States is that the number of insurance companies offering traditional (stand-alone) LTC coverage has decreased since the product was first introduced. A survey conducted in 2000 by America's Health Insurance Plans (AHIP) showed that there were 125 insurers selling stand-alone LTC policies.[5] While the AHIP survey has not been repeated since 2002, Broker World estimates that there are fewer than 15 companies selling stand-alone LTC policies as of July 2019.[6]

In an effort to tackle some of the concerns regarding the growing need for LTC services, the ACA originally included coverage for LTC benefits in the form of the Community Living Assistance Services and Supports (CLASS) Act. This component of the ACA would have created a federally administered insurance program to help individuals pay for home care services. However, after the ACA was introduced, the CLASS Act was eliminated due to difficulties in finding a financially viable solution to its implementation.[7]

The need for LTC is not going away, especially as the population continues to age. With this in mind, this article explores three possible future paths for LTC insurance funding and the associated implications for the private LTC industry. The scenarios outlined below are not intended to be a political stance but merely provide considerations for the future of LTC given the recent spotlight (political and otherwise) on the industry. All considerations regarding the future evolution of the LTC industry are speculative, and actual events may unfold materially differently under any given future path.

SCENARIO 1: STATUS QUO

One possible future path for the LTC industry is that there are no substantial changes in how LTC services are funded. That

is, LTC benefits for those not eligible for Medicaid or Medicare continue to be primarily self-funded or covered via private insurance. While we assume that no federal social insurance programs are introduced to cover LTC services in this scenario, additional jurisdictions may implement their own social LTC programs, similar to what was enacted by Washington state in May 2019.[8]

Assuming no unforeseen or material changes in the environment, the "status quo" may still mean considerable evolution for the LTC industry, as has been the case in recent years. It is possible that in this future scenario, the number of carriers selling private LTC insurance will continue to shrink or new sales of stand-alone LTC may cease completely. There may also be additional reserve strengthening as companies continue to work to stabilize their in-force business. LTC carriers have generally taken steps to reduce the riskiness of their LTC business, and this is likely to be the case going forward. With this in mind, we anticipate the following trends under this scenario:

- The market for combination and hybrid LTC products (i.e., LTC insurance combined with an annuity or life insurance) will continue to expand as an alternative to stand-alone LTC insurance.
- New LTC product designs may be introduced as a more affordable alternative to stand-alone or combination LTC products. For example, more LTC carriers may explore the use of copays and deductibles as a potential cost-sharing option to make LTC insurance more affordable by having consumers share more in the risk.
- The number of policy features available may be further reduced to eliminate those features that present additional risk to insurers due to policyholder behavior (e.g., long benefit periods, short elimination periods and limited payment terms).
- Carriers will likely continue to pursue premium rate increases on closed blocks of LTC business as a risk mitigation strategy. However, the premium rate increases pursued on more recently priced LTC products will likely be limited as original pricing assumptions generally reflect more conservatism compared to earlier LTC products.
- Predictive analytics may also be used to facilitate preventive care and more efficient care management as a risk mitigation strategy in lieu of, or in addition to, premium rate increases. Additionally, carriers may pursue landing spots, buyouts, or mergers and acquisitions as a means of offsetting LTC losses and mitigating future risk.
- New LTC services may be introduced to accommodate growing demand and capitalize on technological advances, such as the introduction of a mobile application to schedule home health care services. We note that this evolution of the industry is likely for each scenario outlined in this paper; however, services and products offered may depend on the specific future path.

As the LTC industry continues to mature, the amount of credible LTC-specific experience (company and industry) will also grow. As a result, the assumptions used in pricing stand-alone LTC insurance and LTC combination products should become more reliable. As insurers recognize the reduction in uncertainty, it is possible that the number of companies offering new LTC products may increase.

SCENARIO 2: MEDICARE FOR ALL/ SINGLE-PAYER SYSTEM

A second possible future path for the LTC industry could involve the adoption of a federal social insurance program that provides materially complete LTC coverage, similar to the programs introduced in countries like Denmark and France.[9] This potential future represents the alternative "endpoint" to the status quo scenario. In this scenario, it is assumed that the United States implements a social LTC program under which all citizens are automatically eligible for some sort of LTC coverage. Similar to the programs implemented in countries like Denmark, this system would not publicly fund all LTC services. Rather, it would attempt to completely cover a material subset of services (e.g., home and community care), though certain services would likely require a copay or even remain completely privatized.

A key hurdle to this future path coming to fruition is the level of funding that would be needed for the social program. As noted above, the CLASS Act was removed from the ACA after it was determined to not be financially viable. It is unclear whether a reasonable and sustainable funding methodology could be developed to make this endpoint possible. If such a program were implemented, it is likely that funding would need to come from a variety of sources, such as a mix of taxes (e.g., increased sales and income taxes) and/or the redirection of government funds. Beyond funding, a plethora of other considerations and questions would need to be addressed before such a program could be implemented in the United States. They include, but are not limited to:

- Program features
- Treatment of in-force LTC insurance business and reserves
- Transition approach for policyholders currently receiving private LTC benefits
- Reimbursement for policyholders with private LTC insurance

These issues are challenging but interesting; however, addressing them is not the focus of this article. Rather, this article considers how insurance companies with large amounts of in-force LTC business might be impacted by the implementation of an involuntary, comprehensive social program that covers a material portion of individuals' LTC benefits. For example, the fol-

lowing provides possible considerations for the LTC industry if the government enacts a social program with comprehensive LTC coverage:

- LTC insurers could be expected to assist in the transition of current insureds to the social program, to the extent logical. This may involve transferring on-claim policyholders to publicly funded care settings, which could be a significant administrative task. Alternatively, the social program may not accept insureds currently receiving privatized benefits, such that insurers would continue to be liable for LTC services incurred by existing claimants.

- Requiring private insurers to release existing LTC reserves (even if the release was staggered over time) could be a substantial effort and a potential financial (and economic) burden, depending on the particular investment portfolio of the company. Instead, the government might have companies cede a portion of their current LTC reserves into a trust that could be used to fund the social program. In the event that a company's existing reserves are anticipated to be too low relative to future experience, this approach may actually let companies "off the hook" for a large portion of anticipated future benefits.

- As the majority of existing insureds may deem private LTC insurance no longer necessary, another possibility, likely preferred by policyholders, is that existing reserves would be used to "pay back" insureds for their private insurance premiums (less any benefits paid, of course). This approach would be similar to a return of premium provision.

- The LTC insurance market would likely evolve to meet any needs not covered by the social program (e.g., "bells and whistles" coverages) and to address any copay or "private" care stipulations associated with the social LTC program. This would create small niche markets for (1) supplemental LTC benefits and (2) richer, private care policies. Because supplemental benefits would likely be low risk (but also low demand), only a small handful of existing LTC insurers may capitalize on this emerging market. This is the case in Denmark and France, where costs and services not fully covered by the government can be insured via supplemental products sold in the private sector.[10] Similarly, private care policies, which would likely have a design similar to stand-alone LTC insurance, may be offered by only select carriers (e.g., those currently marketing to the most affluent insureds).

While this scenario presents a very different approach to addressing the LTC need from the status quo, it may not be out of the realm of possibility. The magnitude of LTC services that are anticipated to be needed by the baby boomer generation alone presents a unique challenge, which may require a creative solution beyond that currently offered by private insurance.

SCENARIO 3: SOMEWHERE IN BETWEEN

A third possible future path would fall somewhere between scenarios 1 and 2. The United States may not be prepared to transition to a "complete" social LTC program; however, the rising LTC needs of the baby boomers could be the catalyst for a change in how LTC services are funded. It is possible that an involuntary, partial social program could be established to provide LTC coverage. The intent of this program would be to materially fund LTC benefits for a large percentage of people who need services, but these social benefits would not be enough for all people.

It is worth noting there are existing federal programs that cover LTC services. For example, Medicaid provides coverage for a large portion of the LTC services in the United States; however, to qualify for this program, an individual must spend down his or her excess assets to a specified limit, which may vary by state. A key distinction between the existing federal programs and the program envisioned in this "somewhere in between" scenario is that the social program described in this scenario would be available to all citizens regardless of financial need.

Because the LTC benefits covered by the social program in this future path would not be "complete" (unlike the program described in scenario 2), there may be considerable market opportunities for LTC insurers, such as:

- The LTC market could evolve to offer supplemental policies that provide additional LTC benefits after those covered by the social LTC program are exhausted. The product design may generally be similar to that of existing stand-alone LTC insurance, except that the benefit options marketed would be more limited (i.e., emphasis on sales of one-year to three-year benefit periods). It is possible that

insurers would also offer these supplemental plans to existing LTC policyholders as a new "reduced benefit" option not available at original issue. These products may also offer longer elimination periods (e.g., two years) as well as limited or single premium payment terms to recognize that policyholders may utilize their social benefits first. These products would be lower risk than stand-alone LTC insurance due to the lower benefit level and there would likely be a high demand. As such, it is possible that several companies would enter the market to capitalize on this opportunity.

- New LTC products intended to provide "wraparound" coverage could also be introduced. These products may look materially different from the LTC products sold today in terms of both the amount of benefits covered and risk profile. For example, companies may develop a "dementia risk" product similar in concept to certain critical illness products currently available in the market. This product would only cover costs for dementia-related claims that would otherwise quickly exhaust an individuals' social insurance benefits.

- Given the lower anticipated risk, both the supplemental and wraparound policies may be designed as "guaranteed" premium (non-cancellable) products to attract more insureds to this market.

- Combination products would likely continue to be sold as a cost-effective option with life and annuity policies. However, the LTC benefits on combination products would likely be offered in smaller increments in light of the social LTC coverage. Awareness regarding LTC needs would likely be heightened following the implementation of the social LTC program, and it is possible that new varieties of LTC combination products may emerge (e.g., LTC riders sold with health insurance or property and casualty insurance).

We expect that in-force LTC insurance blocks would be materially impacted by the introduction of a partial social LTC program, as envisioned in this scenario, due to existing policyholders changing their coverage in light of the involuntary social benefit. Generally, a company's aggregate risk is reduced when LTC insureds elect to lapse their policies or reduce benefits beyond what would have been anticipated in original pricing, but would this still be the case if a social program was the catalyst for the policyholder behavior? This question, along with several others, will be explored in a follow-up article. Part Two will provide a case study that examines the potential financial impact on private LTC insurers if a partial social LTC program were to be established.

CONCLUSION

This article explored three possible future paths for the LTC industry, but there are undoubtedly numerous possibilities. While a number of unknowns, including funding, would need to be addressed by regulators and actuaries before any social LTC program could be established, it is clear that the need for LTC is not going away any time soon. Regardless of the future scenario that unfolds, the LTC industry will continue to evolve to meet this need.

Please stay tuned for Part Two of "Medi(long-term)care for All: A Look Into the Future of Long-Term Care Insurance." ■

All opinions in this article are the sole opinions of the authors and do not represent the opinions of Milliman Inc.

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