SOCIETY OF ACTUARIES

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premium provisions are very, very costly at the older issue-ages, and it generally would not be suitable to load premiums across the board by a flat percentage. Using a proper modeling approach, the waiver provision should cost 20%, 30% or even more at the older issue ages.

- Dual waiver is popular among some of the carriers, particularly in the brokerage marketplace. There, the premium for a spouse policy may be waived whenever the policyholder's premium is waived; or one may waive the spouse's premium just on the policyholder's confinement rather than on home health care, to keep the cost down.

- The lifetime waiver of premium for surviving spouse benefit is appealing from a marketing perspective but presents significant risk to the company. The policy becomes non-can once it's paid up. I'm not sure how one reflects that in pricing, but one certainly should think about it. Currently, there are many variations in the benefit design on the market, yet it may be difficult to obtain approval in certain states. Florida will object to benefits of this nature if they are included in the base policy; the benefit must be offered only as an optional rider.

- Limited pay policies tend to be even riskier than lifetime waiver provisions. In today's marketplace, several carriers are marketing ten pay, and a few are even offering single pay. I personally would not advise doing single pay at this point unless one can charge quite a bit of extra premium to cover the non-cancelable aspect.

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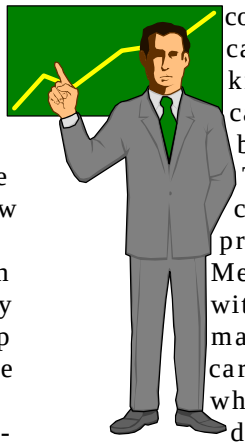
President Clinton's Long-Term Care Initiative Presentation on January 4, 1999

by Gerald Elsea

On January 4, 1999, President Clinton and Vice President Gore unveiled a long-term care initiative to support family caregivers and help address growing long-term care needs.This is a 4-part initiative, costing $6.2 billion over five years. Over 5 million Americans need long-term care due to illness or disability. Two-thirds are elderly and one-third are younger adults or children that have either birth defects or have developed a chronic condition. The number of Americans 65 and older will jump from 34.3 million presently to 69.4 million by the year 2030. Twenty percent of Americans will then be elderly. The population of 85 and older individuals will rise from 4 million currently to 8.4 million in the same time frame and almost half will need assistance with activities of daily living.

The initiative has four parts and is designed to address the broad-base and varied needs of the population. The four parts are:
1) A $1,000 tax credit to individuals who need long-term care or to the family members who care for and house their ill and disabled relatives. The tax credit would support a wide range of formal or informal long-term care for people of all ages. This proposal would provide needed financial support to about 2 million Americans including 1.2 million older Americans, over 500,000 non-elderly adults and approximately 250,000 children.

2) The creation of a National Care Givers Support Program. This new program would support families who care for elderly relatives with chronic illnesses or dis-abilities by enabling states to create "one-stop shops" that provide quality respite care and other support services; critical information about community long-term care services that best meet a family's needs; counseling and support, such as teaching model approaches for care-givers that are coping with new responsibilities and offering training for complex care needs.



3) Launch a national campaign to educate Medicare beneficiaries about the program's limited coverage of long-term care and how best to evaluate their options. Nearly 60% of Medicare beneficiaries are unaware that Medicare does not cover most long-term care and many do not know that long-term care services would best meet their needs. This new nationwide campaign would provide all 39 million Medi-care beneficiaries with critical information about long-term care options including: what long-term care does and does not cover; how to find out about Medicaid long-term care coverage; what to look for in a quality private long-term care pol-icy; and how to access information about

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home and community-based care service that best fits beneficiaries' needs.

4) Offer quality private long-term care insurance to federal employees. The President is calling on Congress to pass a new proposal that allows the Office of Personnel Management to use its market leverage and set a national example by offering non-subsidized quality private long-term insurance to all federal employees, retirees and their families at group rates. The Office of Personnel Management anticipates that approximately 300,000 federal employees would participate in this program.

More details are available; however, many details are sketchy and there are numerous questions to be answered.

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Treatment for Alzheimer's Disease: Good News Or Bad News?

by Philip J. Barackman

Alzheimer's disease (AD) causes dementia and behavioral disorders which can lead to costly long term care (LTCI) insurance claims. New diagnostic and therapeutic approaches are being developed that are likely to influence future LTCI experience. These treatments may have a favorable or adverse effect on LTCI claims depending on the nature and degree of the therapeutic effect. This article seeks to review some of these developments and to encourage LTCI insurers to monitor ongoing progress in the treatment of AD.

Basics of AD

AD is one of the leading causes of dementia. The American Psychiatric Association defines *dementia* as memory impairment plus at least one additional problem related to language (aphasia), complex movement (apraxia), identification of objects (agnosia), or the making of everyday decisions (executive functioning). AD typically involves a progressive decline in cognitive function which may be accompanied by apathy, agitation, aggression, anxiety, sleep disorder, withdrawal, loss of appetite, and hallucinations.

It is estimated that 4 million people in the United States have AD, including 10% of persons over 65 and nearly half of those over 85, but AD can even strike people in their 30s and 40s. Life expectancy is eight years from the onset of symptoms, but some continue to live 20 years or more. U.S. society spends $100 billion annually on AD. AD costs U.S. employers $26 billion in lost productivity of caregivers. Seven out of 10 people with AD live at home. Family and friends provide 75% of home care for AD. Half of all nursing home patients suffer from AD or a related disorder.[1]

Many other disorders can have symptoms that mimic those of AD, including vascular dementia, AIDS dementia, frontotemporal dementia, Parkinson's disease, Pick's disease, progressive hemiatrophy, diffuse Lewy body disease, Huntington's disease, amyotrophic lateral sclerosis (ALS), progressive supranuclear palsy, meningitis, hypothyroidism, hydrocephalus, brain tumor, multiple sclerosis, drug toxicity, alcoholism, vitamin B12 deficiency, folate deficiency, depression, and psychosis.[2] Because some of these conditions are responsive to treatment and/or are partially reversible, an accurate diagnosis must be obtained if possible.

Evaluation of Patients with Symptoms of AD

AD is often a diagnosis of exclusion, i.e., diseases with similar symptoms are eliminated from consideration. In patients with symptoms of AD, routine blood tests are ordered to rule out hypothyroidism, alcohol abuse, AIDS encephalopathy, and other causes of dementia. Radiologic tests can rule out certain disorders (e.g., brain tumor, hydrocephalus) and sometimes even provide a diagnosis of AD. For example, late-stage AD can be diagnosed with magnetic resonance imaging (MRI), and pro- gress has recently been made in efforts to diagnose early-stage AD using high resolution MRI which measures neuroanatomic degeneration.[3] Positron emission tomography (PET) is another imaging technology with a high diagnostic accuracy for AD, even in patients with mild cognitive impairment. PET scans are particularly useful because they can differentiate between AD and vascular dementia (the disorder