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# Long-Term Care Insurance Section Tracks

## Actuarial Track: LTC Section August 2006 Newsletter

by James Berger

The Actuarial Track hosted six informative sessions, focusing on valuation issues, futuristic scenarios, LTCI value and compensation. Attendees of the first three track sessions learned from industry leaders about reserving for LTCI claims, GAAP topics and sources of earnings analyses for LTCI.

These sessions were followed by consideration of what might happen to the LTCI marketplace under scenarios of government policy change, economic environment, etc. The next session involved a marketing perspective in determining the value of LTCI to a prospective client. The final session was aimed at the field force and their interest in calculating the value of their future compensation and how they might sell this future earnings stream.

The varied topics added to the actuarial literature for LTCI and gave an actuarial slant to topics that are not standard actuarial fare.

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## Compliance Track

by Karen Smyth

This session focused on using the LIMRA CAP process and the IMSA Assessment process in the long-term care insurance industry to measure the effectiveness of compliance efforts. CAP is now an industry standard to benchmark customer satisfaction and understanding after the time of purchase. The main areas of concentration of an IMSA Assessment are suitability, training, licensing, replacements and customer complaints. These tools can allow your

company to establish the trust and confidence with consumers as more and more people begin to explore the LTCI market.

The legislative and regulatory happenings session covered proposed NAIC model updates, progress on the interstate compact and partnership expansion. The most likely issues to be addressed by the NAIC are enhanced producer training and continuing education requirements; notification to policyholders about the availability of new services and providers; notification to policyholders about the ability to downgrade coverage; and the issue of accessing benefits across state lines. Twenty states have adopted the interstate compact; it is projected the compact is one to two years from becoming operational. Regarding partnership expansion, states who wish to participate need to file a Medicaid plan amendment with HHS, make a decision about reciprocity and do reporting to HHS on an ongoing basis. HHS needs to approve the Medicaid plan amendments; develop reporting requirements and reciprocity standards; establish the LTC clearinghouse and annually report to Congress.

The class actions vaccination session offered carriers valuable advice to prevent class action lawsuits. This spanned the fundamentals of executing the basics right, acting in a timely manner and effective communications both within your organization and with your policyholders—to tackling small problems sooner and keeping up-to-date with the changing regulatory landscape—to conducting periodic class actions audits of your own organization.

The final session set out to explore how we arrived at our present position, the positives and negatives of our current product offerings and what we can do to take this product to the next level. Panelists explored early product development and the effects of the regulatory mandates imposed by the NAIC models and HIPAA. From there, the discussion turned to the agents' perspective and also focused on

what the consumer is looking for in an LTCI product. The focus then shifted to the pros and cons of current product pricing and design. The session concluded with a lively and informative interactive discussion of a "pie in the sky" product, with attendees sharing their thoughts and ideas on how to move our industry forward.

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## Operations Track

by Loretta Jacobs

**A**t this year's conference, the Operations Track had four sessions geared specifically to issues facing long-term care insurance operations professionals. One session discussed the pros and cons of outsourcing operations to a third party and addressed the business issues involved in an outsourcing arrangement from both the insurance carrier's and third party administrator's perspective. Another session discussed the benefits of quality improvement and audit programs to an operations organization as well as covering the current state of the industry's operational capabilities as demonstrated by the responses to the 2nd Annual SOA Operations Survey. A third session discussed new developments in technology for long-term care operations, including Web and call center capabilities as well as claimant support tools. The final session discussed the Universal Accord application and its place in a fully efficient LTC insurance operation. There has been a long-term care forms working group established, and the group is reviewing all forms utilized in the LTCI industry. Anyone interested in contributing to this effort is welcome.

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## Policy and Providers Track

by Steven Chies

### Medicaid Commission Panel:

**T**he panel participants engaged in a lively discussion on the recommendations of the Congressionally mandated Medicaid Commission. Several of the recommendations of the Commission have made it into law in the recently passed Deficit Reduction Act of 2005 (DRA), including a five-year transaction look back. As the DRA has been litigated by at least three separate lawsuits since passage in February 2006, it is uncertain if the provisions will be enacted. The Medicaid Commission is expected to meet again in May 2006 to review specific recommendations regarding long-term care services, which may have an impact on long-term care insurance.

### Alternatives to Institutional Care Settings:

The panel participants reviewed the emerging changes to long-term care services around the country. From changes in technology in caring to home and community based care settings, the group agreed the traditional institutional care will remain a significant part of the care delivery

continued on page 8



system, but non-institutional care settings will be in a growth mode for the next several years. Margaret Wylde of Promatura presented an extensive review of current consumer expectations, based on extensive research. Gregg Gurik of Northwestern Mutual Life, discussed how carriers might consider pricing and managing non-traditional care settings. David Kylo of the National Center for Assisted Living reviewed current trends in assisted living providers. Carol Wright of CHCS Services detailed how clients are being served and the demands they are placing on policy language.

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## Group Track Sessions

by Roger Gagne

**T**he five group track sessions at the 2006 Intercompany LTCI Conference Group Track covered a wide range of topics.

In one session, a panel of experts considered how group and multilife products can co-exist. Often in today's marketplace, true group products find themselves competing head-to-head with group-like products, going by a number of names. During their discussion, the panel sorted out what products are out there, and

suggested how these products can co-exist in ways that make sense for insurers and their customers.

Group LTCI is affected in unique ways by the ever-changing legislative environment. At the Federal level, there are Congressional employment and retirement proposals, as well as proposals to expand Medicare. In a second group track session, the audience was brought up-to-date on what is happening, what proposals are now on the table that could affect GLTCI, and how group carriers can adapt if they are enacted.

A unique aspect of group insurance is the opportunity to grow the size of the group in the years following issue. During a third session, we examined how to achieve profitable growth while building a successful, long-term relationship with our clients. Real case studies were used to demonstrate what strategies have been successful, and how to avoid failure.

Rate increases on in-force business have been made by several individual LTCI carriers, but we have seen little or no such increases in group LTCI. At this fourth session, an interactive forum was used to engage the audience in a discussion of why this is so. Among the questions considered were: Are there differences in the group product itself, or in the type of group benefits typically sold, that can explain the lack of increases? Will we be seeing GLTCI rate increases in the future?

One reason sometimes offered to explain the relatively low participation rates seen in the GLTCI marketplace is that the product is too complex, and does not fully meet the needs of employers and employees. In this fifth session, we considered suggestions on how GLTCI products can evolve to better meet these needs. Both the panel and the audience were challenged to create innovative new designs for the future.

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