



SOCIETY OF ACTUARIES

Article from:

Long-Term Care News

September 2010 – Issue 26



Long-Term Care News

ISSUE 26 SEPTEMBER 2010

1 Managing Restoration of Benefits Provisions in LTCI Policies

By Steve La Pierre

2 What are the Primary Risks that Face LTC Insurers When Issuing a Policy?

By Bruce A. Stahl

3 Building Community

By Mark Costello

6 Investment Actuary Symposium—Fair Valuation of Liabilities: Theoretical Considerations”

By Luke N. Girard

9 Handling LTC Misestimation Risk

By Bruce A. Stahl

Managing Restoration of Benefits Provisions in LTCI Policies

by Steve La Pierre

Restoration of Benefits (ROB): the provision of a long-term care policy that allows policyholders to restore their maximum benefit period after they have used some or nearly all of their policy benefits to pay for a covered claim event. This is a provision that should be managed closely.

A large percentage of long-term care insurance policies contain a provision for ROB. These ROB provisions usually specify a period of time, often 180 days, during which an individual may restore their full policy benefits if they a) have recovered from their former claim condition, b) no longer have a condition eligible for coverage, c) have been care-free during this period, d) have not been receiving services during this restoration period, or e) have met other similarly worded requirements. It is not uncommon

for ROB definitions to differ between the policy iterations of one carrier, not to mention the policies of multiple carriers.

As blocks of long-term care insurance business age, the frequency of requests from policyholders to restore their benefits increases. These increased requests have highlighted the need to more effectively manage ROB provisions.

One aspect of the challenge with ROB administration is rooted in the lack of understanding of the ROB policy benefit by policyholders. Many policyholders believe that—although they remain eligible for benefits and continue to receive services—if they stop sending requests for reimbursement to their carrier for a 180-day period, their full benefit period will

SOA 2010

Annual Meeting & Exhibit

Oct. 17-20, 2010
Hilton New York
New York, NY



Join us at the **SOA 2010 Annual Meeting & Exhibit: Fresh ideas. Innovative seminars.** Top-notch speakers. Plus—oodles of networking opportunities. We're heading to New York—a city on the move. Vibrant. Electric. And we plan to infuse that energy into this year's meeting.

Check out what we have in store:

- General Session Keynote Speaker Ted Koppel—yes, we said Ted Koppel—the guy who has given us years of insight into the biggest news stories of our time and who is currently offering his take on current events as an NPR news analyst.
- Presidential Luncheon Keynote Speaker Paul Embrechts, the risk management guru who, when he's not working as professor of mathematics at the ETH Zurich, keeps busy working on international advisory groups, consulting to major financial institutions on quantitative risk management issues and authoring books like "Quantitative Risk Management: Concepts, Techniques and Tools."
- more than 100 sessions offering you professional development opportunities and greater interaction, participation and takeaways.
- cutting-edge research presentations and discussions.
- networking opportunities to make those important connections.
- exhibitors giving you a look into their latest and greatest offerings.
- exclusive sponsorship opportunities, providing your company a chance to connect with a valuable target audience.

Be there—in the city that doesn't sleep. Learn more at www.soaannualmeeting.org.

automatically restore. Others believe that their full benefit period will restore if they have a family member provide care during the 180-day period instead of a licensed provider.

When evaluating whether a policyholder is eligible for ROB, many carriers conduct a retroactive evaluation of the time period between the last payment on an individual's previous claim and the most recent date of request for claim benefits. This is done to help determine if the individual met the 180-day requirement as detailed in their policy.

This approach, which involves the retroactive collection of medical evidence, may present a number of difficulties. The longer the period of time from the last date of service, the greater the challenge in obtaining meaningful medical records and provider or physician input as to how the policyholder was functioning at the end of the former claim.

A more effective approach to managing the ROB provision includes being more proactive in managing the end of a claim. For example, pay close attention to open claims for which you have not been requested to generate a benefit payment in 30 to 45 days. Routinely follow up with these claimants to confirm that services are still being provided and

the claim should remain open. Taking this proactive step will help identify and resolve those situations when a policyholder believes they are restoring benefits by holding provider invoices. It is best to resolve these situations earlier and avoid an expensive surprise to the policyholder in 180 days.

Additionally, a very important step for home health care claims is to conduct an abbreviated *end-of-claim* functional assessment. These assessments will serve as the basis for communicating to the policyholder that their 180-day restoration period is effectively commencing, or if not, why not. You may discover a policyholder would be placing themselves in a perilous situation by discontinuing care services.

Of course, the use of an *end-of-claim* assessment may be deemed unnecessary for situations where the start and end of a claim are clearly defined, acute claims, post-surgical and rehabilitative claims.

The *end-of-claim* assessment provides a good opportunity to help avoid policyholder confusion related to the ROB provision early in the process, and, together with more proactive contact with open claimants, you will greatly enhance your management of your ROB provisions. ■



Steve La Pierre is executive vice president of Insurance Operations for Penn Treaty Network America. He can be reached at slapierre@penn treaty.com.

Competency FRAMEWORK

DESIGN *your future.*

Learn about the new Society of Actuaries (SOA) Competency Framework—a valuable tool, developed by actuaries for actuaries! Use the Framework as a guide to help determine your own career by choosing SOA events that will help develop any or all of these eight competencies:

- Communication
- Professional Values
- External Forces & Industry Knowledge
- Leadership
- Relationship Management & Interpersonal Collaboration
- Technical Skills & Analytical Problem Solving
- Strategic Insight & Integration
- Results-Oriented Solutions

Visit SOA.org/competency-framework for more information.

