SOCIETY OF ACTUARIES Long-Term Care Insurance Section

Long-Term Care News

ISSUE 22 FEBRUARY 2009

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Estimates of the Incidence, Prevalence, Duration, Intensity and Cost of Chronic Disability Among the U.S. Elderly*

by Eric Stallard

The objective of the study was to estimate the burden of chronic disability on the U.S. elderly population using unisex and sex-specific measures of Long-Term Care (LTC) service use, intensity and costs. This was done using multi-state life-table analysis of the 1984, 1989 and 1994 National Long-Term Care Survey (NLTCS).

The disability classifications were based on "Triggers" defined in the Health Insurance Portability and Accountability Act (HIPAA) of 1996. The disabled population was stratified according to four levels of disability, one mild/moderate and three levels of severe disability. The three levels of severe disability qualify for benefits under Tax Qualified LTC Insurance, and were identified according to whether the disability was due to limitations in activities of daily living (ADL) alone, cognitive impairment (CI) alone or a combination of the two (ADL limitations and CI).

CLASSIFICATION OF DISABILITIES ACCORDING TO HIPAA ADL TRIGGER REQUIREMENTS

The HIPAA ADL Trigger requires that the individual be unable to perform at least two out of six ADLs (bathing, dressing, toileting, transferring, continence and eating) without "substantial assistance" from another individual, for at least 90 days due to a loss of functional capacity.

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And the Survey Says …

by Brad S. Linder

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Every time I hear the words 'survey results' a mental picture comes to mind of Richard Dawson hosting the "Family Feud" television show. While surveys on his TV show consolidated the results so that we could guess at what the top popular answers to a question were, the game show was actually fun to watch as we cast guesses for the correct answers from our favorite family room chairs. With our recent Long-Term Care (LTC) Section Survey, it would be fun to have the presentation possibilities that Mr. Dawson had. Perhaps for the future, we could have fun rigging up something similar through the Society of Actuaries' Web site.

We include the survey questions and responses in this issue of the newsletter. No consolidation occurs except to quantify the results numerically as well as some bar graphics. No answers were thrown out. We considered ways to include all of the suggestions and comments in this issue, but that would make this publication quite thick and a bit unreadable. So, please know that the LTC Council, Bruce Stahl and I are each reviewing them in order to act upon them in the most advantageous way for our membership. On behalf of the LTC Section Council, the folks at the Society of Actuaries and the newsletter, please accept our thanks. There were a lot of really great suggestions and comments. Many thanks to Jill Leprich, project support specialist, for preparing this survey and the results.

Included in this issue is a summary of Eric Stallard's award winning paper. Congratulations go to Eric for his 1st place win of the Society's Ed Lew Award.

This writing is actually taking place at the close of the Thanksgiving holiday. We've just elected Mr. Barack Obama to the Presidency. There's huge turmoil in the financial markets. With Mr. Obama's election, we know that health care issues are on his wish list for change. Look for changes impacting LTC. The most obvious ones will be in the way health care is provided or paid for. There will be a review of Medicare as well as Medicaid. The survey says no matter what your political background and preferences, we have a lot of issues to help him be aware of when he officially takes the reigns as President of the United States.

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This newsletter is free to section members. To join the section, SOA members and non-members can locate a membership form on the LTCI Web page at *www.soaltci.org*. Back issues of section newsletters have been placed in the SOA library and on the SOA Web site *(www.soa.org)*.

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That very first e-mail announcing the upcoming ILTCI Conference always gets my heart racing. We're now at the 9th conference. These conferences are always exciting—packed with good presentations and LTC industry experts in many difference areas of practice. The survey says you concur it's the best conference. To whet your appetite further for this year, Laurel Kastrup and Alisa Widmer present their descriptive article of the 8th conference. Although this survey does not say what the new sessions will be, I'll bet you'll love them!

Since our last issue, I noticed two intriguing news stories that happen to have an impact our industry. I believe that they are important. They both come under the broad category of misdiagnosis. The first story was one concerning Lyme Disease. Many folks throughout the country know this only as a simple tick-borne disease and assume that it's only located in Connecticut (particularly around the town of Lyme). Both assumptions are false. Not only is Lyme Disease occurring in a number of areas outside of Connecticut—it's prevalent across the United States—but it's occurring in epidemic proportions.

Secondly, this is not a simple illness. Please know that there are at least two other possible tick-borne coinfections that are just as bad. They come under the heading names of Ehrlichiosis and Babesiosis. Usually folks assume that they would be safe if they do not see the classic bull's eye rash indicating the Lyme Disease infection. Please know that there are significant numbers of victims who never show the rash as a symptom. Indeed there can be unexplained fevers, chills, sweats, vision impairments or related problems, hearing impairments or related problems, twitching, nausea, vomiting, gastritis, abdominal cramping, diarrhea or constipation, irritable bladder or bladder dysfunction, pelvis pain, joint pain and swelling, TMJ, neck difficulties including stiffness, stiffness and pain in the joints and back, muscle cramps or pain, headaches, tingling, numbness, stabbing sensations, tremors, dizziness, poor balance, difficulty walking, seizure, personality changes, mood swings, irritability, depression, confusion, difficulty concentrating, difficulty thinking or reading, trouble speaking and disorientation. The list of symptoms is much longer than this.

Lyme Disease may mimic some 200 other diseases including Multiple Sclerosis (MS), Fibromyalgia, Chronic Fatigue Syndrome (CFS), Infectious Mononucleosis, Systemic Lupus, Attention Deficit Disorder (ADD), Alzheimer's Disease (AD), Guillan-Barre Syndrome, Lou Gehrig's Disease (ALS) and Rheumatoid Arthritis. Interestingly, the longer that Lyme Disease goes UNDIAGNOSED, the more severe the symptoms' progression to the victim and the more difficult it is to kick the disease out of the body. There are quite a number of folks who have been asymptomatic in youth and now start showing symptoms later on as an adult. Ten years ago, most doctors did not or could not make a correct diagnosis. Only a handful of doctors were experts in these diseases.

The particular story that caught my eye concerned doctors who made a connection between autism in young children and Lyme's Disease. The doctors additionally tested the autistic children for Lyme's Disease and found quite a number of positives with the Western Blot Test—looking for the band-specific markers. (Note that the simple doctor office test is an extremely poor test as it is unreliable.) When the children were subsequently put on the medicine protocol for Lyme Disease, the symptoms reversed. You can imagine the joy at reversing autism symptoms!

It's interesting to note the similarity of the Lyme Disease symptoms listed above to those who are LTC claimants. It is recommended to be in the differential diagnosis for cases showing these symptoms. Could you imagine the joy at reversing misdiagnosed Lyme's Disease in LTC claimants?

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The second news story that got my attention featured Dr. Timothy Johnson who reported on the topic of Normal Pressure Hydroephalus (NPH). Basically, accumulating water inside the brain starts to cause pressure on the brain. This added pressure affects a person's walking, bladder control and memory. Memory problems include slowed thinking. Since these three symptoms happen to be common symptoms in the elderly population, it is often a misdiagnosed condition. Interestingly, an MRI will show the enlarged ventricles in the brain. Should a claimant present with these symptoms, a differential should include the possibility of using a MRI. It appears that the simple procedure of alleviating the water pressure in the brain has the effect of reversing the symptoms. Imagine the joy at reversing these symptoms!

SOURCES

Many thanks to each of the following:

- the Lyme Disease Association of Massachusetts, Inc.
- the Greenwich Lyme Disease Task Force, Inc.
- International Lyme and Associated Diseases Society
- Kirby C. Stafford III, Ph.D., "Tick Associated Diseases," Connecticut Agricultural Experiment Station
- JuJu Chang, Thea Tractenberg, and Imaeyen Ibanga, "Is It Really Alzheimer's?— NPH Commonly Is Misdiagnosed as Alzeimer's Disease;" Nov. 6, 2008; and of course to Dr. Timothy Johnson. ■

To simulate the HIPAA ADL Trigger using the NLTCS, the questionnaire responses for each of the six ADLs were classified according to the highest value indicated in the following hierarchy:

0. Performs ADL.
1. Needs help with ADL, but does not receive it.
2. Performs ADL with special equipment.
3. Performs ADL with standby help or oral cues, without special equipment.
4. Performs ADL with standby help or oral cues, with special equipment.
5. Performs ADL with active or hands-on help, without special equipment.
6. Performs ADL with active or hands-on help, with special equipment.
7. Unable to perform ADL.

An individual ADL was coded as "severely impaired" when the selected value for that individual ADL was 3 or higher.

When two or more ADLs were coded as "severely impaired," then the HIPAA ADL Trigger was assumed to be met.

CLASSIFICATION OF MILD OR MODERATE ADL DISABILITY

If the HIPAA ADL Trigger was not met, but at least one of the ADLs had a hierarchy code of 2 (used special equipment), the respondent was classified as having a "mild/moderate" ADL disability.

Furthermore, if at least one of nine Instrumental Activities of Daily Living (IADLs) or if inside mobility was coded as impaired, then the respondent was also classified as having "mild/moderate" ADL disability.

CLASSIFICATION OF DISABILITIES ACCORDING TO HIPAA CI TRIGGER REQUIREMENTS

The HIPAA CI Trigger requires that the individual requires "substantial supervision" to protect him/herself from threats to health and safety due to "severe cognitive impairment," defined as "a loss or deterioration in intellectual capacity that is comparable to (and includes) Alzheimer's disease and similar forms of irreversible dementia."

To simulate the HIPAA CI Trigger using the NLTCS, the responses to the 10-item Short Portable Mental Status Questionnaire (SPMSQ) were coded according to the following hierarchy:

0–2 errors	=	unimpaired
3–4 errors	=	mild/moderate CI
5–10 errors	=	severe CI

Respondents with a proxy interview due to senility or Alzheimer's Disease were also coded as having severe CI.

When the respondent was coded as having severe CI, then the HIPAA CI Trigger was assumed to be met.

CLASSIFICATION OF MILD OR MODERATE DISABILITY

Respondents with mild/moderate CI or mild/moderate ADL disability were coded as having "mild/moderate disability." Respondents who did not have mild/moderate disability and did not meet either of the two HIPAA triggers were classified as nondisabled.

IDENTIFICATION OF DISABILITY STATUS LEVELS

These procedures yielded five mutually exclusive and exhaustive categories (one without disability and four with some level of disability) which were used to classify each respondent at each time of observation:

I. Non-disabled.
II. Mild/moderate disability, satisfies neither ADL nor CI trigger.
III. Severely disabled, satisfies ADL trigger, but not CI trigger.
IV. Severely disabled, satisfies CI trigger, but not ADL trigger.
V. Severely disabled, satisfies both ADL and CI triggers.

MULTI-STATE LIFE CALCULATIONS

The multi-state life table calculations were based on weighted sex- and age-specific tabulations of the NLTCS sample where the rows were the five disability status levels at the start of each 5-year observation interval and the columns were the five

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disability status levels at the end of each 5-year observation interval with an additional category added to account for persons who died during the interval. The tabulations from the two intervals, 1984–1989 and 1989–1994, were pooled to increase the sample sizes.

FINDINGS AND CONCLUSIONS

The findings were as follows (with numbers rounded):

The remaining lifetime costs (8 percent) were incurred during episodes of mild/moderate disability.

- Chronic disability represented 20 percent of the remaining life expectancy for age 65 males and 30 percent for females (see table below).
- For both sexes, the years of chronic disability above age 65 were split evenly between mild/moderate and severe disability.
- The expected lifetime cost beyond age 65 of purchased LTC services was $59,000 (including home health care and facility care using constant year 2000 dollars), with substantial differences by sex: $29,000 for males vs. $82,000 for females.
- For both sexes, the overwhelming majority (92 percent) of the lifetime costs were incurred during episodes of severe disability.
- The remaining lifetime costs (8 percent) were incurred during episodes of mild/moderate disability.
- The unpaid residual lifetime hours of informal home or community care averaged 3,200 for males and 4,000 for females.
- Approximately one-third of these unpaid hours were incurred during episodes of mild/moderate disability.

The findings supported the following conclusions:

- The HIPAA ADL and CI Triggering criteria effectively targeted the high-cost disabled subpopulation.
- The disabled subpopulation that met the HIPAA triggers accounted for the overwhelming majority of purchased LTC services, and a large majority of unpaid LTC services, for individuals over the age of 65.
- The sex differences in expected per capita lifetime costs were substantial: females outspent males 2.8 to 1.

LTCI PROFESSIONALS MAY WISH TO CONSIDER CERTAIN LIMITATIONS OF THE STUDY

- The NLTCS is representative of the general U.S. elderly population, for which only a small fraction was covered by private LTCI during the study period. The LTC experience of insured elderly may be substantially different from that of non-insured elderly.
- The multi-state life table model is a Markov model in which transitions from one disability category to another are assumed to be independent of duration in the current category. Violations of this assumption can induce biases in estimates of incidence and continuance rates derived from such analyses, especially for nursing home care. Sex- and age-specific disability and mortality rates have been declining over time for the U.S. elderly. The estimates in this study are based on the assumption that the pooled

Age-Specific Residual Life Expectancy at Age 65 Years by Disability Group and Sex

	Disability Group							
Item and Sex	**I. Non-disabled**	**II. Mild/ moderate disability**	**III. HIPAA ADL only**	**IV. HIPAA CI only**	**V. HIPAA ADL + CI**	**III-V. Severe disability**	**II-V. Any disability**	**Total**
Years								
Males	12.34	1.50	0.72	0.24	0.54	1.50	3.00	15.33
Females	13.65	2.97	1.30	0.35	1.18	2.83	5.80	19.44
Unisex	13.06	2.31	1.03	0.30	0.90	2.24	4.55	17.61
Percentages								
Males	80.46%	9.76%	4.72%	1.53%	3.52%	9.78%	19.54%	100.0%
Females	70.18%	15.29%	6.68%	1.78%	6.06%	14.53%	29.82%	100.0%
Unisex:	74.17%	13.12%	5.87%	1.71%	5.13%	12.71%	25.83%	100.0%

Source: Abstracted from Table 4 in Stallard's paper.

transition rates for 1984–1989 and 1989–1994 remain constant from age 65 onward. To the extent that disability continues to decline faster than mortality, the current estimates of lifetime disability will be upwardly biased.

Editor's Note: *This is a summary of the presentation made at the Society of Actuaries' Living to 100: Survival to Advanced Ages International Symposium held on Jan. 7–9, 2008 in Orlando, Florida. An abstract of the paper was presented in the September 2008 issue of* Long-Term Care News. *Since that issue went to press, the paper was selected as the 1st place winner of the Society's Ed Lew Award.*

* Support for the research presented in this paper was provided by the National Institute on Aging through grants P01AG17937 and R01AG028259. David L. Straley provided programming support.

View Stallard's paper and other papers presented at the Living to 100 Symposium at *http://www.soa.org/livingto100monographs.* ■

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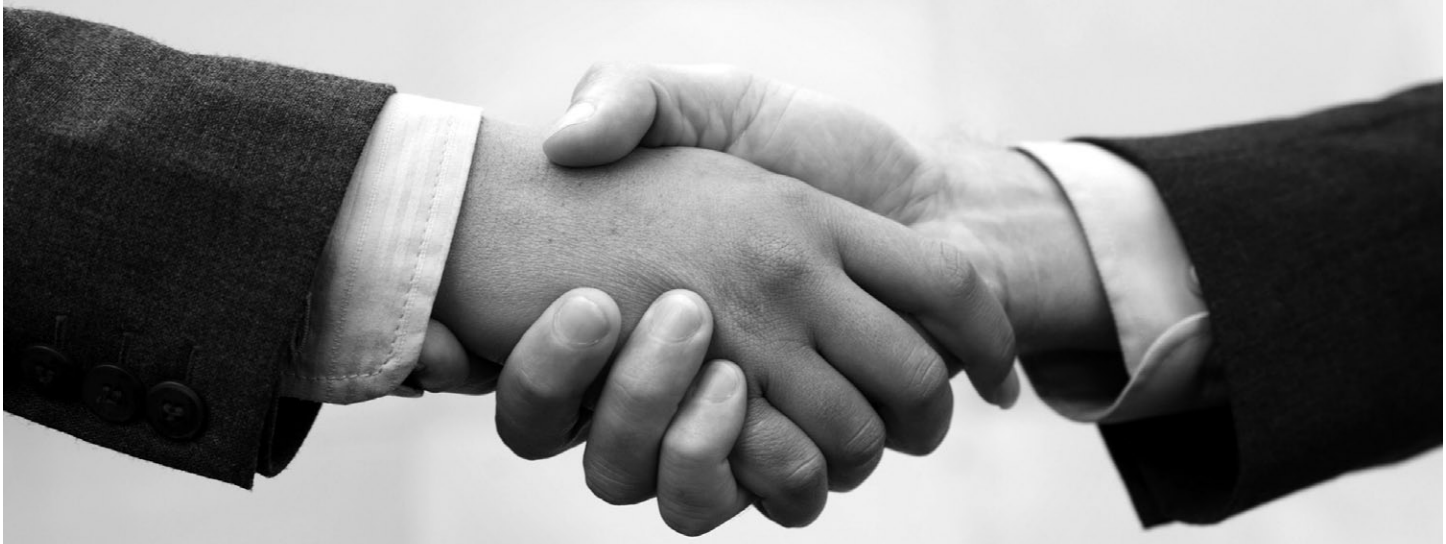

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Survey Stats

by Jill Leprich

SURVEY RESULTS AND STATISTICS FOR LTCI SECTION SURVEY, SEPTEMBER 2008

The mission of the LTCI Section is to encourage and facilitate the professional development of its members through activities such as meetings, seminars, research studies and the exchange of information. On a scale of 1 to 6 (with 6 being most interested) please rate your interest level in the following specific methods that you, as an LTCI Section member, would prefer as a means of learning and growing your knowledge of LTCI issues.

Jill Leprich is project support specialist at the Society of Actuaries. She can be reached at *jleprich@soa.org.*

A. Visiting the SOA LTCI Section Web site

#	Answer		Number of Responses	Percentage
1	6		35	17.95%
2	5		53	27.18%
3	4		50	25.64%
4	3		29	14.87%
5	2		19	9.74%
6	1		9	4.62%
	Total		195	100.00%

B. Reading the LTCI Section Newsletter – *Long-Term Care News*

#	Answer		Number of Responses	Percentage
1	6		71	36.04%
2	5		81	41.12%
3	4		33	16.75%
4	3		9	4.57%
5	2		2	1.02%
6	1		1	0.51%
	Total		197	100.00%

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C. Listening to a conference call or webcast led by an expert speaker on a topic

#	Answer		Number of Responses	Percentage
1	6		39	20.10%
2	5		72	37.11%
3	4		48	24.74%
4	3		19	9.79%
5	2		9	4.64%
6	1		7	3.61%
	Total		194	100.00%

D. Reviewing the results of surveys and/or other research conducted or sponsored by the LTCI Section Council

#	Answer		Number of Responses	Percentage
1	6		56	28.57%
2	5		83	42.35%
3	4		40	20.41%
4	3		12	6.12%
5	2		3	1.53%
6	1		2	1.02%
	Total		196	100.00%

E. Participating in a Networking Track for the exchange of ideas specific to a particular aspect of LTCI (e.g., marketing, claims, underwriting)

#	Answer		Number of Responses	Percentage
1	6		29	14.72%
2	5		43	21.83%
3	4		45	22.84%
4	3		44	22.34%
5	2		25	12.69%
6	1		11	5.58%
	Total		197	100.00%

Attending or otherwise participating in sessions at one of the following conferences:

F. Intercompany LTCI

#	Answer		Number of Responses	Percentage
1	6		104	54.45%
2	5		41	21.47%
3	4		14	7.33%
4	3		16	8.38%
5	2		13	6.81%
6	1		3	1.57%
	Total		191	100.00%

G. LIMRA/LOMA/SOA

#	Answer		Number of Responses	Percentage
1	6		29	16.02%
2	5		39	21.55%
3	4		45	24.86%
4	3		30	16.57%
5	2		25	13.81%
6	1		13	7.18%
	Total		181	100.00%

H. SOA Annual Meeting

#	Answer		Number of Responses	Percentage
1	6		33	18.33%
2	5		46	25.56%
3	4		37	20.56%
4	3		18	10.00%
5	2		32	17.78%
6	1		14	7.78%
	Total		180	100.00%

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I. SOA Spring Meeting

#	Answer		Number of Responses	Percentage
1	6		29	16.11%
2	5		37	20.56%
3	4		39	21.67%
4	3		27	15.00%
5	2		31	17.22%
6	1		17	9.44%
	Total		180	100.00%

Please list any topics that you would like presented at a future continuing education event or webcast.

Top Responses
Case Reserving Methods, best practices
Status of Partnership Nationwide
Combination products

The LTCI Section has a Web site which can be accessed through *www.soa.org.*
Have you accessed the LTCI Section Web site for information in the past 12 months?

#	Answer		Number of Responses	Percentage
1	Yes		86	43.88%
2	No		110	56.12%
	Total		196	100.00%

Did you find the information on the Web site of value to you?

#	Answer		Number of Responses	Percentage
1	Yes		79	46.47%
2	No		4	2.35%
3	Did not access		87	51.18%
	Total		170	100.00%

Describe your reading habits relative to *Long-Term Care News*, our Section newsletter:

#	Answer		Number of Responses	Percentage
1	Read almost every article in every issue		51	26.29%
2	Read an article or two in most issues		100	51.55%
3	Read an occasional article		34	17.53%
4	Don't read at all		9	4.64%
	Total		**194**	**100.00%**

How would you rate the value of *Long-Term Care News*?

#	Answer		Number of Responses	Percentage
1	Very valuable		30	15.54%
2	Valuable		134	69.43%
3	Little value		9	4.66%
4	No opinion		20	10.36%
	Total		193	100.00%

How satisfied are you with the value provided by the LTCI Section membership in enhancing your ability to do your job and to compete in the marketplace?

#	Answer		Number of Responses	Percentage
1	Very satisfied		21	10.82%
2	Satisfied		124	63.92%
3	Not satisfied		19	9.79%
4	No opinion		30	15.46%
	Total		194	100.00%

How satisfied are you with the overall value provided by your membership in the LTCI Section?

#	Answer		Number of Responses	Percentage
1	Very satisfied		23	11.92%
2	Satisfied		127	65.80%
3	Not satisfied		15	7.77%
4	No opinion		28	14.51%
	Total		193	100.00%

Editor's Note: *Many thanks to SOA's Jill Leprich, who imported and formatted the essay questions received from the Section Council in the survey tool; sent the survey to Section members; downloaded the data received and compiled the survey response information.* ■

Feeding a Stereotype

by Steve Schoonveld

During the recent Presidential election an actor and native son of Boston took it upon himself to consult the actuarial tables and publicly state the survivorship chances of one of the candidates. While Mr. Damon's mathematical abilities may not be at the level of the character from his debut film, my issue with his statement was not the calculation but that it further branded actuaries as experts in mortality. Such a narrow view breeds a stereotype shared by many.

Around the same time, Microsoft began running commercials to counter the aggressive and successful "I'm a Mac / I'm a PC" advertisements from Apple. As commercials go, both are not worthy of stopping the DVR from skipping through; however, it was interesting to see who would respond to Apple's typecasting of the PC user and how long it took to do so. The first Apple ad of this kind aired over two years ago in the summer of 2006. Of course the PC industry is comprised of a multitude of players such that a quick response to a well organized competitor is difficult. Responding to such press in a timely and coordinated manner is troublesome for many industries.

Over the past few years the Long-Term Care Insurance (LTCI) industry has not been immune to cases of stereotyping or a need to respond in an expedient manner. This led me to ask a few rhetorical questions about our industry. Are we feeding a stereotype as an industry? Do we have an identifiable brand? How are we defending the brand when such statements or commercials are "aired" and, what can the Section Council do to enhance the industry brand and to encourage this community that is so strongly dedicated to the product?

As you may know, the three-year terms of the new members of the Section Council begin with the SOA Annual Meeting in October. This year four new Council members were added to the five returning members. The Council is comprised of:

New Members: David Benz, Mark Costello, Roger Gagne, David Kerr

Returning Members: Loretta Jacobs, Amy Pahl, Al Schmitz, Steve Schoonveld, John Timmerberg

I would like to thank our outgoing Council members Malcolm Cheung, John Wilkin, Jake Lucas and Karl Volkmar, as well as Abe Gootzeit, our retiring SOA Board Partner, for their service to the Section.

Our goals as a Council this year are focused on enabling the more than 2,000 Section members to become that community which can promote a strong industry brand. Such support from the Section can provide the education and research necessary to feed industry growth rather than a stereotype. Our goals for this year include initiatives that fall under three broad themes:

Build community within the LTC Insurance Industry. We will do this by providing an infrastructure to reinvigorate the tracks and allow the many disciplines within the Section to teach and learn from one another.

Our goals as a Council this year are focused on enabling the more than 2,000 Section members to become that community which can promote a strong industry brand.

Support the educational needs of the Industry. The infrastructure from our first goal will also enable our second goal to be achieved. The continuing education requirements and the approaches within the examination process require the use of Web-based learning and coordinated session topics. Without such support we will not be able to appropriately train and thus attract new professionals to the LTC Insurance industry.

Continue to invest in projects that matter to the Industry. As we have done this past year, we will continue to support research produced by a variety of teams and covering a mix of topics. We have received many recommendations for research topics during the recent LTCI Section survey and will request proposals as funds become available.

I invite you to contact any one of us with questions, comments, suggestions, or with your hand raised to volunteer your time. Our contact information is available in the directory on the SOA Web site at *www.soa.org*.

The Council is much greater than the nine listed and could not possibly accomplish the above goals without the tireless efforts of fellow Section members and the SOA staff. We look forward to working with you this year to provide a means to shatter any stereotypes and to build a stronger industry. ■

Steve Schoonveld, FSA, MAAA, is chief financial officer & actuary at LifePlans, Inc. in Waltham, Mass. He can be reached at *SSchoonveld@lifeplansinc.com.*

Those Wonderful

LONG-TERM CARE INSURANCE SECTION TRACKS

by Laurel Kastrup and Alisa Widmer

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The 8th Intercompany Long-Term Care Insurance Conference held in March 2008 consisted of 56 sessions covering a range of long-term care insurance (LTCI) topics each with a track-specific focus. There were three additional general sessions. The Medical Director's Forum was held on Sunday and the obesity trend, rising prevalence of mental disorders, and screening for pre-cognitive disorders were the main topics of discussion. The conference began with keynote speaker, Paul Nussbaum, Ph.D., and his engaging presentation about the brain. He spoke of a brain healthy lifestyle and being proactive in promoting brain wellness at all ages. The conference concluded with a CEO forum where hot topics such as sales and distribution, public perception of LTCI and product development were discussed.

ACTUARIAL

The actuarial track focused on current developments such as product design, asset liability management, economic capital, stochastic analysis, product experience analysis, international development and regulation.

One of the leading purchasing barriers of LTCI is the high premium rate. The first session analyzed driving cost factors and illustrated different approaches to achieve affordability. Approaches such as linking inflation protection to the actual Consumer Price Index (CPI), using guaranteed purchase options based upon the original issue age, and cost sharing were explored. The next session compared securitization and reinsurance for their purposes, structures and strength. LTCI has been growing worldwide; the third session provided snapshots of the current public and private LTC systems in the European and Asian markets. The fourth session brought in representatives from Standard and Poor's and Fitch to discuss Enterprise Risk Management (ERM) and how the Economic Capital Model (ECM) is used to evaluate the ERM process by the rating agencies. The next session explored the tradeoffs and trends of stochastic modeling in the insurance industry. Examples were utilized to illustrate the process of developing stochastic assumptions. The regulatory and valuation update session overviewed rate stabilization, partnerships, changes in the National Association of Insurance Commissioners (NAIC) Experience Reporting Forms and developments in principle-based reserving. The seventh session presented the findings of the 5th SOA Intercompany LTC Experience Study. This study showed that the leading cause of claim is Alzheimer's Disease/dementia. The final session discussed the future of LTC in both the public and the private sector.

MANAGEMENT TRACK

The management track sessions ranged from adapting to the new market to new reporting standards and risk management. The first session covered applying passion to LTC and how every company needs a vision or mission with applicable values. Another session included a panel discussion about public awareness, the main focus being that in order to improve positive awareness, the product needs to be simplified and cost effective. The next session focused on the baby boomers wanting a second life during retirement, which presents different health challenges and will require a new sales technique for LTCI. Wellness/sports programs, internet information and access to nurses on the phone are all new needs of this age group.

The first session geared toward sales highlighted how medical advancements, such as biomarkers, now indicate biological conditions and potential diseases in individuals. This phenomenon is leading to changes in the sales market. The second sales-directed session consisted of four roundtable discussions about mid-income sales, worksite sales, stand-alone product sales and asset-based products.

One technical session covered ERM, economic capital and specific LTC risks such as claim utilization, investment risk, product design risk and reputational risk. The other technical management session described new regulations and reserving approaches that LTC will have to answer to in the future including principle-based reserving, International Financial Reporting Standards (IFRS) and embedded value.

OPERATIONS TRACK

The operations track was composed of five sessions at this year's conference. One session covered how awareness of multi-life products has improved sales, but also uncovered that the long application process is leading to the demise of sales. The next session took a real-life situation and described ways to adapt to regulatory changes, increase speed to market, extract data items and keep good employees. Solutions including leveraging Business Process Management (BPM), using a data warehouse, automating manual tasks and enhancing the user interface were all discussed in detail. The third session covered technological advancements such as e-applications, e-signatures, imaging, health interview teleprocessing and having marketers trained to take an application. These were all suggested as ways to improve application fulfillment. The use of Third Party Administrators (TPAs) was debated in another session. Pros considered were speed to market, specialization in senior sensitive sales and help with underwriting. Cons presented were no control over service, no access to data, the sales force not wanting to work with the TPA and accusations of being noncommitted because the work is not done in-house. The final operations track session highlighted the needs of a new claim system. These include the need to be automated, scalable and easily accessible online 24/7 for demanding baby boomers.

CLAIMS

The claims track focused on how to improve claim management and delay or prevent claims. The importance of interdepartmental communication was also highlighted. In the first session, the panel shared personal experiences on the process and challenges in adjudicating complicated policy provision. The second session stressed that clear, verbal and written communication with claimants is one of the keys to a healthy claim culture. The third session was a heated debate on the creation of claim arbitration versus independent review. The next discussion covered leading LTC risk triggers, risk-identifiable tools—such as Enhanced Mental Skills Test (EMST)—and wellness assessments, risk-preventive methods and treatments such as counseling, intervention, care management and in-home wellness coaching. The fifth session was dedicated to methods designed to reduce cognitive claim cost through improved cognitive functions and delayed cognitive disease progression. The highly informative last session emphasized the importance of the cooperation between the actuarial and claims departments.

UNDERWRITING

The underwriting track held an interactive session comparing applications to actual claims where real-life applications were presented and the audience voted whether to accept, deny or investigate further. The results were displayed in time with the discussion and then the real-life claims were presented and discussed. Two other sessions presented the differences in underwriting between reimbursement and indemnity products, and various combination products.

COMPLIANCE

The compliance track covered the current government initiatives in LTCI, regulatory updates and litigation risk avoidance. The session covering partnership programs addressed the motivation for the program, the status of current expansion and lessons learned from the implementation over the last year. The second session illustrated how the integration of LTC into managed care can meet the challenges of growing demand and cost, care coordination and quality oversight. The third session emphasized how to minimize litigation risk through honest, accurate and timely communication. The regulatory update session contained federal initiatives, current status of state adoption of the 2006 NAIC LTCI models and the progress on Interstate Insurance Product Regulation Commission (IIPRC).

POLICY AND PROVIDERS TRACK GROUP

The first three sessions covered the future of LTC. One session focused on the need for elder care to shift from disease care to disease prevention and postponement. The second forecasted that the baby boomers will make long-term care popular now

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that they know LTC does not mean institutional help. The last session covered the increasing trend of Alzheimer's Disease and explained as the population lives longer, there are increased chances of people developing Alzheimer's, dementia or other mental disorders.

The last three sessions debated standardization, partnerships and success of tax incentives. Standardization would expand distribution and reduce the complexity of the administration requirements; however, it would also complicate underwriting and remove the flexibility in products. The presenters argued that partnerships would encourage reciprocity and uniformity. Tax incentives are now implemented in 30 states as either a tax credit or tax deduction. After completing sales research, the presenters concluded that tax incentives are not enough to convince someone to buy coverage.

FIELD MARKETING

The developments in the field marketing track have been exciting. The first session showed how communication among sales, marketing and actuarial departments is critical to the success of LTCI. Alternatives to the traditional brokerage distribution channel were discussed in the second session. With the rolling out of the partnership program and the Own Your Future Campaign, the third session focused on how to leverage these opportunities in field marketing. In the fourth session, presenters shared various successful sales strategies. As the effective date of the Pension Protection Act (PPA) of 2006 approaches, the fifth session provided a comparison of current combination products, and the impacts under PPA. The sixth session featured presentations from a traditional MGA broker, a financial advisor and a home care provider to define the driving factors to close a sale. There was a panel discussion about sales motivations, including financial or family, and how the two approaches can compensate each other. The last session focused on how to penetrate the worksite market, critical factors for enrollment strategies and traits of a successful carrier based on the presenters' personal experiences.

The group track featured successful enrollment strategies, the carrier transfer process and effective carrier support. The first session featured an interactive discussion on the future of plans regarding the group partnership program, the co-insurance/managed care option, the feasibility of combination plans and the opportunity of group plan transfers. Five case studies presented in the second session showed that communication and education about the plan to the employee are critical to the high enrollment rate. The third session involved a discussion about the carrier transfer process from various perspectives. In the fourth session, discussions and case studies illustrated the key to success with both large and small voluntary associations. This last session utilized results of an audience poll and presession survey to compare and contrast different views on issues such as carrier branding, marketing materials, consumer awareness and product complexity along with underwriting simplicity.

HOME OFFICE MARKETING

The first session identified problems in home office marketing from training new agents to product complexity and solutions from personally tailored product features to government help. The second session described the process of creating salable marketing materials including consolidating gathered information into actionable plans considering market segments and audience. Results from research conducted on the baby boomer generation were the focus of the third session. Some recommendations included peer-to-peer conversations, overcoming misperceptions and developing online resources. The last session featured a panel discussion on the sale process from a LTCI specialist, a financial planner and a senior insurance product representative. ■

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