



SOCIETY OF ACTUARIES

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Opinions and a Conversation on LTC Financing

by Steve Schoonveld

The summer months are for driving down the rural highways of America unencumbered, with the radio on and without any roadblocks as we progress toward that next milestone on the odometer. This summer our family did just that over a few extended weekends in the Northeast. Just as construction or traffic can slow our progress on the road, opinions can impede progress in our industry.

We all have opinions that vary in degree and when and where we express them. The Sunday morning talk shows, the network and cable news programs and the talking heads of many mediums clearly see profit in airing opinions. Oftentimes the misinformed viewer perceives the opinion as fact. An opinion can therefore continuously get in the way of progress.

Long-term care veteran Ron Hagelman closes his encouraging articles on long-term care insurance with the humorous phrase, "Other than that I have no opinions on the subject." Clearly we indeed have opinions on the subject, but do our opinions impede industry progress? Do opinions, such as the following, prevent the industry from expanding to meet the needs of a greater percentage of the population?

- "A proper long-term care insurance product must have an unlimited benefit period, inflation protection, and have cash benefits."
- "Long-term care insurance is appropriate for those with more than \$Y but less than \$Z of assets."
- "The Medicaid program is institutionally biased and requires complete impoverishment."
- "With more than 25 percent participation the private long-term care insurance system in France is a success."
- "A moderately adverse experience pad should be more than X percent."

To paraphrase Ruskin: Replacing opinions and impressions with facts and demonstrations is the work of science. We should do likewise as we seek to bring robust long-term care solutions to address the risk individuals face.

So how does one overcome an opinion-driven national discourse to indeed achieve progress? Since March of this year, a small group of industry leaders with a variety of opinions on the subject has held a National Conversation on Long-Term Care Financing. This group includes long-term care industry experts from the public policy, research, actuarial, sales and marketing, retirement, government and the insurance industry sectors. The intent of the group is to discuss comprehensive solutions to the long-term care crisis and provide well-vetted financing system approaches.

Rather than jumping right into the debate, the group examined the building blocks of a foundation that will help support the financing system structure to be built. First, a strong understanding of the population that the financing system is looking to support was gained. This review of the diverse American household included the needs and means of various market segments. This was followed with a lengthy discussion of the desirable qualities or the criteria that such a financing system would seek to optimize. The key criteria elements focused on whether:

- The proposed system is sustainable,
- A meaningful and comprehensive level of coverage is attained,
- The system is affordable for the participants and stakeholders and
- Whether the funds are efficiently utilized.

Such an approach has removed the pursuit of opinions and provided for discussions toward proposals of well-supported financing system structures.

It is our hope that with this edition of *Long-Term Care Section News*, we will help remove the roadblocks of opinions and open the road toward progress. ■



Steve Schoonveld, FSA, MAAA, is the head of Linked Benefit Product Solutions at Lincoln Financial Group in Hartford, Conn. He can be reached at steve.schoonveld@lfg.com.