Long-Term Care News

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Three Questions

1. BRIEFLY, WHAT ONE THING WOULD YOU DO TO "HIT THE RESET BUTTON" ON LONG-TERM CARE (LTC) INSURANCE?

Glickman: Require mandatory cash value non-forfeiture for all standalone products. This would restore confidence in the rate stability regulation, increase consumer confidence in the value of the product beyond the catastrophe coverage, and restore confidence among the agents that the industry finally has it correct now. In addition, since lapse rates are so low, this approach would have very little cost.

Kupferman: Require an inverse relationship between years of LTC experience and percent of pricing margin; i.e., require not less than 30 percent margin for an insurer with three or fewer years of LTC experience graded to not less than 5 percent margin only after an insurer has 15 years or more of LTC experience. Pricing actuaries need regulations that help to explain to management and sales that an adequate rate is better than a larger market share in the long run.

Schoonveld: It is clear that an integrated public and private solution is necessary to enable the Middle Mass to finance their long-term care needs. The LTC Partnership Program should be reinvigorated so that smaller and incentivized private insurance products can coordinate with a reformed Medicaid program. This will greatly enhance the demand by the Middle Mass. A reformed Medicaid program will need to utilize efficient care settings and ensure that access to Medicaid is not inappropriately given.

Yee: This would be considered as a "hard" reset. I would aggregate all in-force policies issued prior to a given year (e.g., 2009) and manage them as one single block. There will be one initial rate increase to set the block on stable ground and then it will be managed diligently in the future. Because of the greater spread of risk, the level of rate increase may be lower. There should be economy of scale for operation and investment as well. Companies participate by reversing all prior gains and will be relieved of their future obligations.

2. WHAT ARE THE FEATURES OF PRODUCT DESIGNS THAT WOULD BEST SUIT THE MIDDLE MASS POPULATION?

Glickman: Selling lower daily benefit amounts ($50 to $100 per day) with modest inflation protection as an important first step to covering part of the risk, as well as enabling better access to care (due to the existence of insurance coverage).

Kupferman: Avoid first-dollar coverage and lifetime coverage to keep rates down.

Schoonveld: Since the middle mass has limited resources in dealing with their retirement risks, a single focused product with a use-it-or-lose-it aspect is neither affordable nor appealing. A product with sufficient benefits to cover a high percentage of risks and that encourages the use of efficient care settings will appeal to the middle mass. Such a product would require a death benefit for the surviving spouse or family members when long-term care benefits are not paid.

Yee: For workers, insurance premium pattern closer to the yearly expected claim costs and longer elimination periods. This should lower the initial price point. For retirees, a reverse mortgage program that is pre-approved before services are needed.

3. IF YOU WERE IN A ROOM WITH THE NEWLY APPOINTED COMMISSION ON LONG-TERM CARE, WHAT WOULD YOU ADVISE THEM TO FOCUS ON?

Glickman: I would advise the Commission to design a program where the private market provides the coverage and the government mandates the minimum benefits (this is essentially the PPACA approach for medical care). However, it is critical to advise the Committee that any proposed program (to be viable) must either remain voluntary

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purchase with underwriting, or mandatory purchase without underwriting.

Kupferman: Consider the advantages of properly priced non-cancellable policies for middle mass policyholders who will ultimately be on fixed income. Raising rates on elderly policyholders is a disservice to the insuring public and creates a poor image for LTC. LTC is more like life insurance and less like health insurance. LTC should also be priced with a level lifetime rate or with pre-scheduled rate increases after a set number of years.

Schoonveld: Fully understand and appreciate the household consumer segments and their financial needs and means. The variations are significant and should be reflected, if not supported, in any comprehensive financing system proposals. In this way a public and private collaborative solution can be developed which is properly financed and incentivizes households to address their long-term care risks. A one-size-fits-all approach does not reflect the diverse needs and means of households and does not embrace efficient approaches to fund their anticipated long-term care needs.

Yee: LTC is more than an issue for older Americans. It is a time bomb for future generations because there will be fewer of them to support more seniors under Medicare and Medicaid. If we don't act now, they will suffer. How would the commission get this message across to the American people? ■