



Article from

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# Up Front with the SOA Staff Fellow

By Joe Wurzburger

One of the SOA's key missions revolves around education. This education can take many forms. Students and candidates are intimately familiar with the SOA's basic education: preliminary exams, VEE requirements, FAP modules, etc. More seasoned actuaries appreciate the SOA's continuing education in the form of live meetings, webcasts, podcasts, articles, and other publications. A third target audience should not be overlooked, and the SOA's LTC Section has recently focused on this group for its education efforts: the regulatory community.

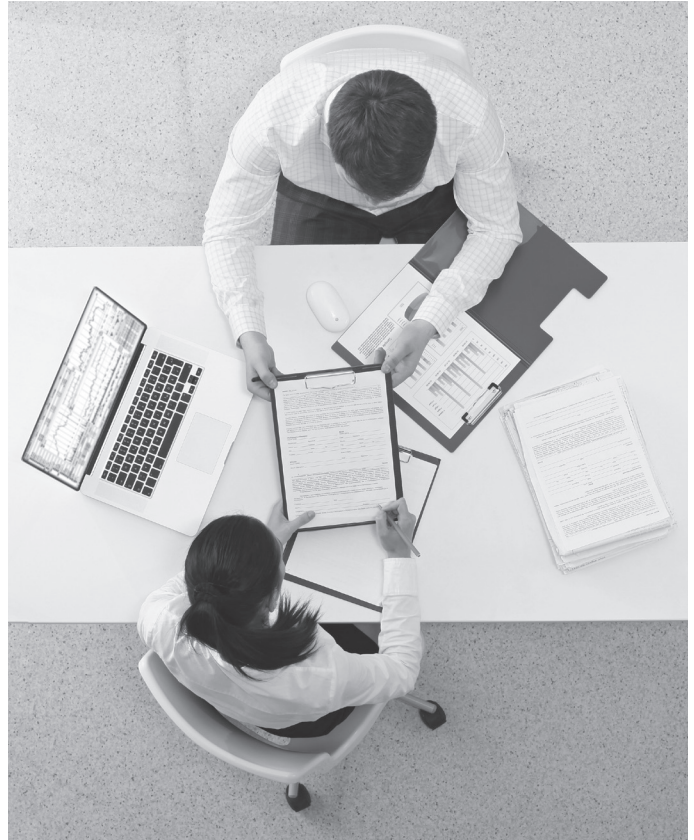
State regulators have a terribly difficult job. On the one hand, they have to represent consumers who have understandably been upset when they have received rate increase notifications. On the other hand, one of their primary responsibilities is to ensure the solvency of LTC carriers in their states so that they are able to pay LTC claims to policyholders as promised. Meanwhile, an ominous crisis looms in the background, as an aging population will need to find ways to fund long-term care needs despite not previously having shown much propensity to plan accordingly; the resulting demands on Medicaid (roughly half of long-term care financing comes from Medicaid<sup>1</sup>) produces tremendous stress on state budgets.

Let's break these issues down into two categories: carrier solvency and innovation.

## CARRIER SOLVENCY

Regulators have been asked in recent years to grant or deny rate increase requests. Typically the final verdict lands somewhere in the middle—a rate increase for less than what was originally requested, a rate increase phased in over multiple time increments, or some combination of rate increase and reduced benefits. Everything about the regulators' job is complicated: the structure of the products themselves, the actuarial justification presented to support the requested rate increases, and the anticipated consumer backlash when such issues are not easily understood.

The SOA's LTC Section has engaged in conversations with regulators and provided education that is relevant to them. This has taken a few forms:



- **Regulator-only webcasts:** Two webcasts occurred in 2015 that were for regulators only. The first was essentially “LTC 101,” and the follow-up was about combo products (that topic was chosen based on feedback after the first webcast). Similar offerings are likely to occur again.
- **Regulatory Liaison:** The LTC Section created a new position in 2016 that is explicitly intended to increase their connection to the regulatory community and to keep regulatory needs prominent in the section's activities. Rhonda Ahrens from the Nebraska DOI has been doing a fantastic job in this role.
- **Presentations at state hearings:** To this point, members from the LTC Section Council have represented the SOA at three separate state hearings on LTC: Maine, Minnesota, and Pennsylvania.

It is important to clarify the SOA's role at these state hearings. To be clear, the SOA has not been in favor of or against any individual rate increases and has steered clear of any policy-related discussions or decisions. Instead, representatives from the SOA have given education-focused presentations at each hearing. Vince Bodnar created the presentation that has been used so far, and he delivered it in Minnesota and Pennsylvania (Matt Morton represented the SOA in Maine).

The reality is that many state regulators who are asked to make key decisions regarding LTC do not understand the product as well as they would like. They have requested educational opportunities to allow them to do their jobs better, and the presentations have been extremely well received. Rhonda Ahrens, in her role as the section's Regulatory Liaison, has suggested that the section should strive to present at even more such hearings—providing this kind of education is, as she said, “a responsible decision.”

## INNOVATION

It is no secret that the current LTC funding options are not meeting consumers' needs, or at least not as broadly and completely as would be desirable. As I wrote about in last issue's column, there is a lot of room for improvement in terms of LTC financing options, especially for those who are not among the most or least affluent. Many efforts are underway in the industry to explore innovative solutions to this challenge, including the SOA's own *LTC Think Tank*.

Many of the possible solutions presented would require cooperation with the regulatory community. Fortunately, many regulators are astutely aware of this and have shown an impressive amount of dedication and passion for exploring such opportunities. I have had conversations with regulators from more than one state who are seeking to understand various options, and I know other members of the LTC Section have also had similar conversations.

To this end, the NAIC has established the Long-Term Care Innovation Subgroup of the Senior Issues Task Force. Teresa Miller from Pennsylvania is the chair of the subgroup, and Mike Rothman from Minnesota is the vice chair. It is perhaps not a coincidence that these two regulators hail from two of the three states where the SOA has participated in LTC hearings as described above—Commissioners Miller and Rothman have both been very proactive in their desire to better understand long-term care financing options and make the best decisions

*Tell me and I'll forget; show me and I may remember; involve me and I'll understand.*

—Chinese proverb

possible on behalf of the constituents in their respective states. This subgroup is in its formative stages, but I have high hopes that significant strides can be made given the caliber of people involved.

The regulatory community has expressed the desire to learn more about LTC, and the SOA's LTC Section has taken significant steps to answer the call. More than simply generating educational content and pushing it out, the section has involved the regulatory community in the process. Between Rhonda Ahrens' role as the regulatory liaison, ongoing conversations with representatives from various states (including Commissioners Miller and Rothman with the NAIC's Innovation Subgroup), regulator-only webcasts, and continued participation in state LTC hearings, the SOA's LTC Section is doing its part to help regulators ensure carrier solvency while not losing sight of the opportunities provided through innovation. ■



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## ENDNOTES

- <sup>1</sup> “Medicaid and Long-Term Services and Supports: A Primer” (<http://kff.org/medicaid/report/medicaid-and-long-term-services-and-supports-a-primer/>). Figure 3