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Improving LTC Claims Experience through Wellness Initiatives

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For more than 30 years, employers and health insurers have touted the benefits of wellness initiatives in controlling health care claims costs. While the success of these programs is not always easy to track, few can argue that efforts to improve the health of employees and policyholders lack merit.

As the baby-boom generation ages, long-term care (LTC) health insurers are also starting to investigate whether promoting and sponsoring policyholder wellness initiatives is a good investment. According to data recently collected by Bankers Life, there is evidence that pre-claim wellness initiatives—such as disease screenings—can, in fact, be a good investment.

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LTC PROVIDERS FEELING IMPACT OF AGING POLICYHOLDERS

Long-term care insurance is a relatively new product line, having only gained sales traction in the mid-1990s. LTC insurers are only now starting to see claims emerge under the policies they wrote in the 1990s and early 2000s and the emerging claims experience has been somewhat less favorable than expected. As a result, most LTC insurers are investing in claims management protocols and fraud detection analytics in an effort to reduce the severity of ongoing LTC claims. Some LTC insurers are also beginning to explore implementation of pre-claim policyholder wellness initiatives as a means to reduce future LTC insurance claims incidence rates.

Almost three in four individuals aged 65 years and older have multiple chronic conditions, and adults with multiple chronic conditions account for more than two-thirds of health care spending, according to a June 2012 article published in the *Journal of the American Medical Association*, "Designing Health Care for the Most Common Chronic Condition—Multimorbidity."[1]

Health screenings can often detect chronic medical conditions before quality of life is impacted. Early detection and following treatment protocols can result in better outcomes and lower the risk of serious complications.

When insureds are healthy, everyone benefits. LTC policyholders obviously benefit by staying healthy so they may live independently, while insurers benefit from better claims experience and improved profitability in the LTC line of business. If a significant portion of insureds take advantage of and benefit from wellness initiatives, the risk of premium rate increases in the LTC business may also be mitigated—a beneficial outcome for insurers and insureds alike.

THE CASE FOR POLICYHOLDER WELLNESS INITIATIVES

The main challenge with wellness initiatives is proving that they are financially viable; that is, proving that investing today to try to keep people healthy will actually pay off later in the form of lower claims. A recent study conducted by Bankers Life provides some empirical evidence that pre-claim wellness initiatives can, in fact, be financially viable.

The study compared claims experience—both incidence and severity—from 2011 to 2013, between a group of policyholders who received one or more vascular disease screenings provided by Life Line Screening (a leading U.S. mobile screening company) to those who either declined to be screened or were never offered the option to be screened.

Since the choice to be screened is completely voluntary and the time and cost (other than a modest discount from the retail screening price) spent on the screening is borne by the insured, Bankers Life believes the screened population is a reasonable proxy for customers who would participate in wellness initiatives if offered. The screening itself is one component of an overall wellness/claims prevention program.

Bankers Life has been offering its LTC customers discounted vascular disease screenings since the early 2000s and more than three percent of its LTC insureds have been screened. More than 80 percent of those screened were initially screened before 2011. While the screened population is a relatively small percentage of the total population, it is statistically credible with almost 16,000 identifiable insureds and more than 45,000 total insureds exposed during the 2011–2013 time period.

Key findings of the Bankers Life study include:

- Claims incidence rates for the screened population were approximately half the claims incidence rates for the non-screened.
- Partially offsetting the favorable incidence rate experience was unfavorable severity experience. That is, although claims were much less likely to occur for the screened group, the claims that did occur were longer, on average, than the claims for the non-screened population.
- Claim lengths were 18 percent longer for the screened group than non-screened, attributable to both the mix of claims by diagnosis as well as presumably underlying health differences in the claimants.
- The screened group had a higher percentage of dementia claims, which are typically longer on average in duration, and a lower percentage of fall/injury and cancer claims, which are typically shorter than average, than the non-screened group. Moreover, claims with comparable diagnoses were longer for the screened population than the non-screened population.
- As expected, the screened group incurred a smaller percentage of circulatory disease and stroke claims that the vascular screenings are designed to detect, implying the screenings did offer protective value to the customers.
- Overall claim costs (incidence times severity), ultimately the most important measurement in the study, for the screened group were two-thirds as high as those for the non-screened group.
- The incidence, severity and overall claim cost differentials were remarkably similar across a variety of demographic features thought to impact claims (age, gender, length of time insured, marital status, underwriting risk class, residence state), so that the screened group always appears to be healthier than the similar non-screened group.

Bankers Life believes the study results are an encouraging sign for the potential of wellness programs to become an effective means of improving overall LTC claims trends, and is currently exploring development of predictive models to identify insureds potentially at risk for incurring a claim in the next several years so that targeted wellness protocols can be offered to them. While these efforts are currently in the formative stage, Bankers Life is optimistic that it can make a positive difference in customers' lives by keeping them healthy while improving the profitability and viability of its LTC business. ■

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ENDNOTE

1 *http://jama.jamanetwork.com/article.aspx?articleid=1187936&resultClick=3*