

# 2014 ILTCI Conference Recap

The 14th Annual Intercompany Long-Term Care Insurance (ILTCI) Conference was held March 16 –19, 2014 at the Rosen Centre Hotel in Orlando, Fla. The theme of this year’s conference was “Sharing News, Exchanging View, Forging Solutions.” The conference was co-sponsored by the Long-term Care Insurance (LTCI) Section of the Society of Actuaries and also benefited from the support of another 34 corporate sponsors. The main objective of the conference is to provide an information sharing and collaborative environment for insurance professionals, regulatory authorities, insurance educational institutes, actuaries and other special groups with an interest in Long-term Care Insurance. There were numerous opportunities for professional networking to foster personal connections with other industry professionals.

The 14th Annual ILTCI was the highest attended ever—drawing over 900 attendees who had an opportunity to attend 43 sessions organized into eight tracks, including actuarial; alternative products; claims & underwriting; legal, compliance & regulatory; finance, management & operations; marketing; policy & providers and sales. The excellent mix of content was delivered by over 100 speakers.

The exhibit hall played host to 50 exhibitors including insurance carriers, third party administrators, actuarial consulting firms, reinsurers, underwriting, claim and operational support vendors and providers, technology firms, insurance and health associations among others.

Pre-conference sessions offered on Sunday included the CLTC Master Class offered by Harley Gordon as well as the Society of Actuaries LTCI Section Think Tank where John O’Leary, Roger Loomis and Ron Hagelman presented the findings of *Land this Plane: A Delphi Research Study of Long-Term Care Financing Solutions*. This project was sponsored and supported by two of the SOA’s professional interest sections: the LTCI Section and the Forecasting and Futurism Section. Using the Delphi method, this study recursively polled a diverse

group of actuaries, public policy experts, regulators and insurance industry executives, to explore their opinions on a wide range of Long-Term Care (LTC) financing issues and potential solutions. The full report can be accessed here: <http://www.soa.org/files/research/projects/research-2014-ltp-ltc-report.pdf>.

The Executive Committee of the ILTCI threw their support behind a community service project this year. The Health Care Center for the Homeless (HCCH) provides quality health care services that improve the lives of the homeless and medically indigent people in the Orlando community. Conference attendees brought donations of needed supplies which form the basis of care packages that HCCH assembles and delivers to the homeless. Over 500 items were collected—from deodorant to body wash, from toothpaste to socks. The Health Care Center for the Homeless was most grateful for our contributions.

On Monday morning, Keynote Speaker Chris Gardner, delivered an inspiring and moving account of the obstacles he overcame in his life to kick off the start of the conference. The amazing story of his life was published as an autobiography, *The Pursuit of Happiness* and was the inspiration for the movie of the same name. He spoke about the keys to self-empowerment, beating the odds and breaking away from a childhood marked by poverty, domestic violence and family illiteracy. He credited his mother with providing him with strong “spiritual genetics” and held the audience’s rapt attention as he shared being a caregiver to his long time companion, Holly who passed away after a long battle with brain cancer.

## ACTUARIAL TRACK SUMMARY

The 2014 Actuarial track featured a nice mix of technical and focused discussion sessions. Technical sessions concentrated on first-principle modeling, the development and use of utilization rates that are linked to inflation and interest rates, and the latest results from the morbidity improvement study. The morbidity improvement presentation



included new information on the rates of improvement for cognitive impairments as well as total lifetime disability.

Another session attempted to answer the question, “How can the inherent riskiness of different product designs be measured and compared?” An interactive session on rate increases was held and a new session “Actuarial Open Mic” allowed attendees to discuss earlier sessions more in depth in addition to consideration of many new topics. The actuarial track concluded Wednesday morning with a professionalism session that covered many items of importance for actuaries as well as a number of intriguing case studies.

## ALTERNATIVE PRODUCTS TRACK

The Alternative Products track developed five sessions for the 2014 conference, which addressed both current alternatives to long-term care insurance, and examined the potential for new products based on emerging trends in how aging Americans are dealing with the need to pay for these services. One session also examined innovations in other countries.

Two sessions reviewed products and options that are now available for impaired seniors who have not planned ahead. The session “Current Alternatives” focused on short term care and combination products. The speakers provided an overview of the key elements of each product, including regulatory requirements. They shared the pros and cons of these alternatives from both a consumer and insurance company’s perspective. The speakers also discussed the status of the niche markets that they

serve, and the opportunity and obstacles for expanding the market for these alternatives in the future. The session “Short-term Planning for LTC” examined several options that seniors can turn to when they are faced with the need to pay for care. The speakers discussed different sources of advice, and innovative strategies to leverage assets and stretch family resources to cover this financial need.

To the extent that people don’t buy long-term care insurance, how are they solving this problem when they need assistance? The session “Middle Market Success Stories” examined the concerns and motivations of middle-income families. Speakers focused on the growing prevalence of chronic conditions, and stressed that as a result, the set of everyday tasks that are encompassed under LTC is expanding in scope and duration. The need for appropriate messaging for the middle market was highlighted. These insights provided a framework to discuss potential new solutions for this market, including recommendations from the new SOA LTC Delphi Study. The session “Home Equity Release Products” examined the potential for using housing wealth as a way to pay privately for LTC. Speakers reviewed a range of options to access home equity for LTC, including ways that this asset could provide a wrap-around for LTC insurance. They also discussed the potential for bringing in new sources of funding through the capital markets.

Speakers in the session “International Market” discussed financing solutions that are working in the United Kingdom, France and Israel, within the context of their demographic realities, care delivery

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systems, family and consumer attitudes. The speakers also reviewed the market for private LTC insurance and products provided outside of the United States, along with public programs in their respective countries.

## CLAIMS & UNDERWRITING TRACK SUMMARY

The Managing Younger Claimants session focused on looking at the underwriting and claim aspects of younger claimants. In particular primary diagnoses, claim types and tools utilized to effectively manage these claims and mitigate the risk of long-term claims. A case study was also presented.

The Provider Eligibility panel session discussed the provider challenges with facility and HHC claims. Challenges with facility providers included buy-ins for CCRCs, billing, licensing of an ILF apartments as an ALF and varying state regulations for defining facilities. Home health care challenges that were addressed included independent care providers, proof of payment, assignment of benefits and home health care agency fraud.

The Using Claim Data for Business Benefit panel discussion focused on using analytics and claim data to predict claims history. Predictive analytics was defined and variance and sensitivity elements to improve the modeling were discussed. Claim and provider profiling could assist with detection of fraud when certain variables are evaluated. Finally, risk assessment and stratification into tiers enables claims to be weighted regarding potential for fraud, thereby reducing risk.

## FINANCE, MANAGEMENT AND OPERATIONS TRACK SUMMARY

The Finance, Management and Operations track held six informative sessions at the ILTCI Conference covering a wide variety of currently hot topics. Three management sessions were offered.

The “Build vs. Buy” session discussed the elements of the in source vs. outsource decision, preparing a useful cost/benefit analysis and tips to successful management of a TPA or consulting arrangement. This session sparked spirited dialogue during the Q&A as both vendor and insurer carrier attendees gained an understanding of the other’s point of view.

During the “Applications for Business Intelligence, Predictive Analytics, and Big Data” session, the panelists described the types of data that now can be

collected and analyzed with efficiency never previously available, and provided thoughts to attendees on how operational and financial performance may be improved through analysis and consolidated reporting of data.

“Key Tools of Organizational Change Management” attendees participated in a case study of a potential LTC organizational change, including participating in role play activities in order to apply concepts and tools learned during the teaching component of the session. The attendees were also provided additional take away resource materials to further review on their own time.

One Finance session was offered, “Accounting: Rewrite of the Rules of the Road (IFRS/FASB),” co-sponsored by the Actuarial track. This session provided attendees with estimates of the impact on LTC financial statements for the potentially dramatic changes to US GAAP basis financial reporting basis that may happen as early as 2018. The session provided impetus to attendees to become engaged in the dialogue now before the standards are finalized and implemented.

Two Operations sessions were offered. During the “LTC Automation: Gains, Glitches and Going Forward” session, industry experts representing both home office insurer carrier personnel and distributors discussed how technologies have been used within LTC operations to encourage growth. Honest dialogue about both future potential opportunities as well as mistakes made in the past regarding automation efforts took place.

Finally, during our “LTC Customer Service for the 21st Century” session, our panelists enabled attendees to understand how to target improvement in customer service to the senior segment today and in the future, including how to alter service delivery methods to meet the changing dynamics of an increasingly online customer base.

## LEGAL, COMPLIANCE & REGULATORY TRACK SUMMARY

This track included six sessions that tackled a broad spectrum of issues facing companies today.

The “Premium Rate Increase and Pricing Issues” session, not surprisingly, was standing room only. This session included a healthy discussion by company experts and a representative from the CA Department of Insurance regarding how we arrived at the current state of LTCI regulation, and current developments at the NAIC specific to changes con-



templated to the Model Regulation. Views were offered by company representatives about the factors they take into consideration when making rating decisions, including the operations impact of rate actions.

The “Watch Out! Protect Your Company from LTCI Insurance Fraud” session gave participants valuable insights on fraud investigation methods; findings, legal and litigation issues surrounding fraud issues; and advice from a company Special Investigations Unit leader on what red flags to look for in claims and new business processing.

The “Interstate Compact – Your Path to Approval across the States” session was led by the Director of the Interstate Compact and provided valuable information for participants regarding how to most effectively take advantage of the Compact filing process. This included tips and perspectives from Compact reviewers, a discussion of how the Compact standards interact with individual state requirements, a specific focus on filing combination products through the Compact, and a precursor to future developments and improvements to the Compact standards.

The litigation review session, in which presenters Michael Rafalko and Lisa Simmons played litigation “Mythbusters” with the audience, was well-attended and involved clarification of the most important litigation myths facing the industry, relating

to such key issues as class actions, premium rate increases, significant claims disputes and extra-territorial jurisdiction.

The session “Privacy Requirements and Risks: A Proactive approach,” given by Stephen Serfass and Angela Rodriguez, was also a hit. The session gave participants an overview of the most significant privacy and security risks faced by companies in today’s evolving regulatory landscape.

Finally, “The Rise of Technology,” presented by Nolan Tully and Wesley Stayte, covered the risks and rewards of data aggregation and analysis. The session looked to the future of how the industry can use “big data” to its benefit.

## MARKETING TRACK SUMMARY

The 2014 marketing track featured an eclectic mix of sessions that included a heavy dose of product innovation, current public and private issues, and outside experts who have not traditionally been part of marketing panels.

The track started with a unique in-depth discussion with two of the nation’s leading long-term care experts, Judy Feder from Georgetown University and the Urban Institute and Mark Warshawsky, the republican co-chair of the Long-Term Care Commission. Mark and Judy represented opposite sides of the debate on public and private answers to long-term care funding on the LTC commission. In the session, the panelists explored their significant differences, but also found areas of agreement setting a theme for the track and the conference.

Along similar lines but with a distinctly unique viewpoint—was a session that explored a progressive state government and their plan for confronting the issues of long-term care financing today and tomorrow. The session, entitled “Incremental Visualization: long-term care product innovation in Minnesota” featured Minnesota’s Lieutenant Governor, Yvonne Prettner Salon kicking off the presentation with a look at why Minnesota—and other states—need to develop an action plan for funding the long-term care now. The Lieutenant Governor was followed by Loren Coleman, Assistant Commissioner for Continuing Care Services, and LaRhae Knatterud, Director of Aging Services, who discussed in detail, Minnesota’s innovative approach to re-vitalizing long-term care funding in the state.

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“Squaring the Circle: The American Long-term Care Insurance Program” featured a total solution approach developed by industry veteran Paul Forte, CEO of Long-Term Care Partners. The session combined an outstanding presentation by Paul with very thoughtful bi-partisan critiques by two of Washington’s top health and long-term care policy analysts—Larry Atkins, staff director of the Long-Term Care Commission and executive director of the Long-Term Care Quality Alliance and Stuart Butler, the health and long-term care expert at the Heritage Institute. The session was expertly moderated by Gretchen Alkema, senior vice president for the SCAN Foundation, and turned out to be one of the most popular at the conference.

Eileen Tell produced the outstanding session, “Price Sensitivity on Long-term Care Insurance.” In that session Jeremy Pincus, principal of the Forbes Consulting Group discussed the results of a “hot off the presses” study that helps explain the surprising decision-making process that consumers go through when purchasing long-term care insurance, and the implications for positioning and marketing products. Jeremy was joined in the session by Clark Heitkamp, of United Actuarial Services who discussed a number of methods for making long-term care insurance more affordable.

Last but by no means least, Steve Schoonveld and Suzanne Schmitt of Lincoln Financial discussed the marketing rationale for and the role of hybrid products and similar combination products as viable alternatives for long-term care funding. Suzanne unveiled some very sophisticated analysis of the target market both by demographics and psychographics, and Steve provided the business and actuarial rationale for the success achieved by “combination” products today, under what he calls “room under the tent” theory. In other words, one solution does not cannibalize another.

The session, “Non-Intrusive Referral Program Using Any Social Media Platform” not only provided a brief overview of social media platforms like LinkedIn, Facebook, Twitter and Pinterest, but it also presented simple activities and ideas for producers that make utilizing these platforms easy. The session provided ways to leverage these activities in multiple social networking settings. It also provided the key takeaways a producer needs to remember when working in the social media landscape and four things they should consider when developing their action plan.

## POLICY & PROVIDERS TRACK SUMMARY

The Policy and Providers Track sponsored four sessions this year. “Hot Topics Dialogue with Providers” was a highly interactive session that involved a roundtable discussion with stakeholders from the insurer side and the provider community. Topics included implementation of technology to better assist the policyholders and providers, increasing the partnership with insurers and providers and better coordination of care and communication between the insurer, policyholder and provider teams. The highlight of this session was the energetic discussion centered around what the product and industry would look like if we could start over right now from square one. This great team session was filled with ideas that participants intend to continue discussing with their companies after they return.

Another session, “Palliative Considerations in Late Stage Chronic Illness” featured two medical doctors as the speakers. Dr. Stephen Holland from Univita Health presented his study, “The Impact of CalPERS Long-Term Care Program on End-of-Life Medical Care Costs.” This study concluded that the use of CalPERS LTCP reimbursed services and case management did have a positive impact on costs in the last year of life. The attendees then heard from Dr. Marc Kaprow, a hospice and palliative care veteran, from United Healthcare of Florida. Dr. Kaprow defined the differences between hospice and palliative care for the audience, and then discussed the strategies of care planning for patients with chronic illness as it related to palliative care.

Dr. Gretchen Alkema presented on “Aging and Community Redefined with an Eye toward the Future” as the third session on the new strategic framework for the SCAN Foundation that includes multiple options that are viable for long-term care needs in 2014 and beyond. Participants heard about family, vulnerable adults, varying support models, decision making and other options to help families finance LTC expenses. The SCAN Foundation is a dynamic leader as they promote the goal of a coordinated and easily navigated system of high-quality services for older adults that preserves dignity and independence.

In the final session, “Managed Medicaid: Understanding the Basics from an Industry Leader,” Paula Tietjen, RN, MSN, CPHQ, executive director of long-term care for United HealthCare Community

Plan of Florida, educated the audience on the terminology buzzing around in the managed Medicaid space and the roles of case management, state and federal government and providers. Participants asked many questions to learn more about how the Florida managed care programs are leading the country in innovation and cost-effective solutions that focus on chronically ill people in both home and facility based settings.

The concluding general session, “The Future of the Industry” tackled the elephant in the room—does the long-term care insurance industry have a future, given its current challenges, missed assumptions and plummeting sales?

It was standing room only to hear the messages delivered by three skilled presenters, Dr. Marc Cohen of LifePlans, Maria Ferrante-Schepis of Maddock-Douglas and Genworth CEO Thomas McInerney.

Dr. Cohen provided a level set of the current state of the U.S. long-term care insurance market; highlighted market exits by carriers and associated implications and closed with the challenges and opportunities that lay before us. The number of insured lives has been relatively flat since 2005 and sadly, annual sales of individual LTCI have been declining since 2002. Conversely, combination products are growing in popularity, but only serve the needs of approximately 500,000 insureds. Claims experience has deteriorated in recent years, contributing to carriers exiting the market. The single most important reason that companies have fled: capital requirements and not hitting profit objectives. As of 2013, the majority of LTCI policies are now administered by companies who are no longer in the market. Dr. Cohen made the case that there needs to be a market “re-set.”

Maria Ferrante-Schepis continued with the theme of a market reset by making the case for change and innovation in order for the industry to continue to be viable. Her dynamic presentation made the case that the long-term care insurance industry may be ripe for a “Napster moment.” That is, when someone who has no business being in your business reinvents your business (and puts you out of business). She cited firms like Amazon, NetFlix and Travelocity who have “napstered” others. She also articulated persistent and pervasive market tensions that exist within the insurance industry in general—for example, the premise that traditional insurance sales approaches are becoming outdated, insurance



options are overwhelming and asked whether insurance has become irrelevant to the next generations of consumers. There are other models that are emerging as reasonable substitutes but we can change our approach to make insurance work in our favor.

Finally, Tom McInerney, CEO of Genworth provided his thoughts on this subject. When he joined Genworth in January 2013, he expected that Genworth would join the ranks of carriers who had already ceased sales of new business. But he undertook a comprehensive look at the long-term care insurance business and concluded the industry was viable, but change was essential. Genworth believes the way we price LTC insurance and manage the risks over time needs to change significantly. He made the point that the industry can’t continue to operate the way it has been because “it doesn’t work.” He implored the regulatory community to act promptly to ensure that new products in the market reflect current experience and assumptions. Furthermore, he made the case that no one should be surprised that the best minds cannot accurately predict, over a 30 year time horizon, morbidity, mortality, interest and lapse rates. He believes many carriers in the industry waited too long to take action when emerging experience was incongruent with original assumptions and recommends carriers annually evaluate results against assumptions. When necessary, carriers should be able to seek smaller rate increases which should be more easily accepted and understood by policyholders. He also urged the regulatory community to grant timely approval of these increases and to remove the uncertainty related to whether rate increases will be granted when actuarially justified in order to help stabilize the industry.

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Before departing for home, conference attendees had an opportunity to enjoy the exhibit hall closing reception and perennial favorite “casino night” Tuesday night. Wednesday morning, there was an opportunity to attend the Post Conference SOA Professionalism Course, the Advance Sales & Marketing Program for CLTC Designated Professionals as well as a session presented by the Alzheimer’s Association, “Alzheimer’s Disease: the What, the How and the Hope.” This session covered the latest in Alzheimer’s disease research and resources and support for all stages of the disease.

The 15th Annual Intercompany Long-Term Care Insurance Conference will be held March 22–25, 2015 at The Broadmoor in Colorado Springs, Colo.

If you are interested in learning more about the conference or to view session Power Point presentations, visit <http://www.iltconf.org>.

*Note: The introduction and closing sections for this article was provided by Conference Chairman Karen L. Smyth, vice president, Long-term Care Administration, The Prudential Insurance Company of America. Track chairs provided reports on their respective tracks: David Benz and Peggy Hauser for actuarial, Vincent Bodnar and Barbara Stucki for alternative products, Jacquie Carreno, Joan Stear and Jennifer Vey for claims & underwriting, Michael Rafalko and Rodney Perkins for legal, compliance & regulatory, Loretta Jacobs, Yolanda Austin and Jeffrey Condit for finance, management & operations, John O’Leary and Jonas Roeser for marketing, and Sharon Reed and Gary Boldizar for policy & providers. ■*



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