

## **Long-Term Care Think Tank**

**Activity Update**

**Tuesday 2 pm – 3:15 pm**

**March 28, 2017**





1. Background: Recent LTC Think Tank activities – John O’Leary
2. Status of three platforms
  - a. Data Driven Decision Support – John O’Leary
  - b. Paying For Care – Vince Bodnar
  - c. Service Evolution and Expansion
3. Regulatory Update – Vince Bodnar
4. Research Update – Eileen J. Tell
5. What’s Next?



On October 19 and 20, 2015, the Society of Actuaries' Long Term Care Think Tank met in Rosemont, Illinois, for a collaborative workshop to:

- Review previous work and examine what we have learned
- Hypothesize and describe how consumers' needs may be changing
- Brainstorm how solution offerings could evolve to meet these needs in innovative new ways

# Long-term care financing is a “wicked” problem



A **wicked problem** is a problem that is difficult or impossible to solve because of incomplete, contradictory, and changing requirements that are often difficult to recognize. The use of term "wicked" here has come to denote resistance to resolution, rather than evil. Moreover, because of complex interdependencies, the effort to solve one aspect of a wicked problem may reveal or create other problems.\*

Longevity

Economics

Demographics

Consumer Attitudes

LTC CRISIS

\*source : Wikipedia



**You can't read the label when you're...**



**sitting  
inside the jar.**



“Fair Game” for the workshop included ideas that would potentially impact the following areas:

- Helping people ***pay*** for their care differently
- Making care more ***accessible*** to everyone
- Helping ***reduce the costs*** of care
- ***Mitigating the need*** for care in the first place



**The participants are multidisciplinary in training and background and represent multiple stake holders. The group not only includes experts from within the long-term care insurance industry but also from adjacent areas such as legislative influencers, providers and those who have other ancillary expertise.**

Loida Abraham, Genworth  
Gretchen Alkema, The SCAN Foundation  
Vincent Bodnar, LTCG  
Joe Caldwell, NCOA  
Brian Collins, Bipartisan Policy Center  
Christie Conway, Bankers Life  
Sivakumar Desai, Unum  
Barry Fisher, Broad Tower Insurance  
Joseph Furlong, RGA

James Glickman, Life Care Assurance  
Bob Glowacki, Transamerica  
Carroll Golden, Transamerica  
Michael Hamilton, Lincoln Financial Group  
Heather Jerbi, American Academy of Actuaries  
Laurel Kastrup, KPMG  
Patrick J. Kinney, Genworth  
Roger Loomis, Arcval  
Shawna Meyer, New York Life

**Facilitators and experts from Maddock Douglas:**

Andrea Choka, Wes Douglas, Maria Ferrante-Schepis,  
Jerry Leiby, Lauren Schwartz, Doug Stone



## Day 1: Brainstorm and Categorize

- Split into groups
- Think big and outside of the box
- No such thing as a bad idea
- Explain concepts to entire group
- Output: 85 ideas
- Each idea received votes from all attendees
- Ideas with enough votes were grouped into 15 sets of concepts



## Day 2: Flesh Out Leading Concepts

- 15 concept sets were grouped into three platforms:

**Data Driven  
Decision  
Support**

**Service  
Evolution and  
Expansion**

**Paying  
For Care**

- A team was assigned to each platform to further discuss and flesh out its respective concepts



## Data Driven Decision Support

This category addresses how data is used to drive more evidence-based decision-making. Ideas in this category aim to educate caregivers and care recipients, keep them informed of best practices, guide them in making decisions, improve the coordination of care, and obtain longitudinal data required to improve pricing and recommendations.

### 5 Finalist Concepts:



# Healthy longevity app



**Customer Insight: Seniors are more fearful of cognitive decline/Alzheimer's than any other chronic disease including cancer. The assumption is that there are behaviors that would mitigate cognitive decline and that consumers and especially seniors are interested in doing anything they can to avoid or lessen the impact of this condition.**

**Headline: *Incenting behaviors for healthy longevity***

**Description** *(What it is):*

An app to encourage users to lead healthier, more engaged and fulfilled lives. Focus on emotional, psychological and social engagement factors. The app could act as coach/companion.

**Concept Details** *(What it does/How it works):*

- Incentives (via points for merchandise or premium credits)
- Brain fitness activities
- Exercise (steps, weight control, etc.)
- Volunteering
- Hiking/biking
- Taking a class (dance, cooking, academic, etc.)
- Sharing your health records with LTC insurer (ties into the idea of accessing LTC insured's health records for analytics and measurement)
- Pets, gardening
- Meditation
- Sleep hours
- Social networking
- **Differentiated from health care focus on conditions leading to acute medical claims**





## LOOKING AT THE PRESENT:

- **Claims and reserves uncertainty**
- **Extensive price hikes means limited new sales potential**
- **Raises serious questions about the existing model**
- **Insured block:**
  - **7.2 million policies**
  - **Approaching \$2 trillion value if all used...**
  - **More likely estimate is \$800 billion (Cohen, State of the Industry NAIC)**
  - **Little contact with insureds prior to claims**

# Consumer value equation



$$\frac{\uparrow \text{BENEFIT}}{\downarrow \text{COST}} = \text{VALUE} \uparrow$$



## New Perspective

PURCHASE

PRE-CLAIM ACTIVITIES

CLAIM TRIGGER

**PUSH OUT RISK**

**ACTIONS:**

- **TRACK**
- **PREDICT**
- **MANAGE**



**NO SYMPTOMS:  
FOCUS ON  
PREVENTION**

**BAD EVENTS**

**CONTROLLABLE RISKS**

**GRADUAL ONSET OF SYMPTOMS:  
FOCUS ON EARLY INTERVENTION  
& CONDITION MANAGEMENT**

**MITIGATE  
CONSEQUENCES**

**ACTIONS:**

- **TRACK**
- **PREDICT**
- **MANAGE**



**BENEFIT TRIGGERED:  
FOCUS ON MITIGATION  
& EMPOWERMENT**





## LOOKING TO THE FUTURE:

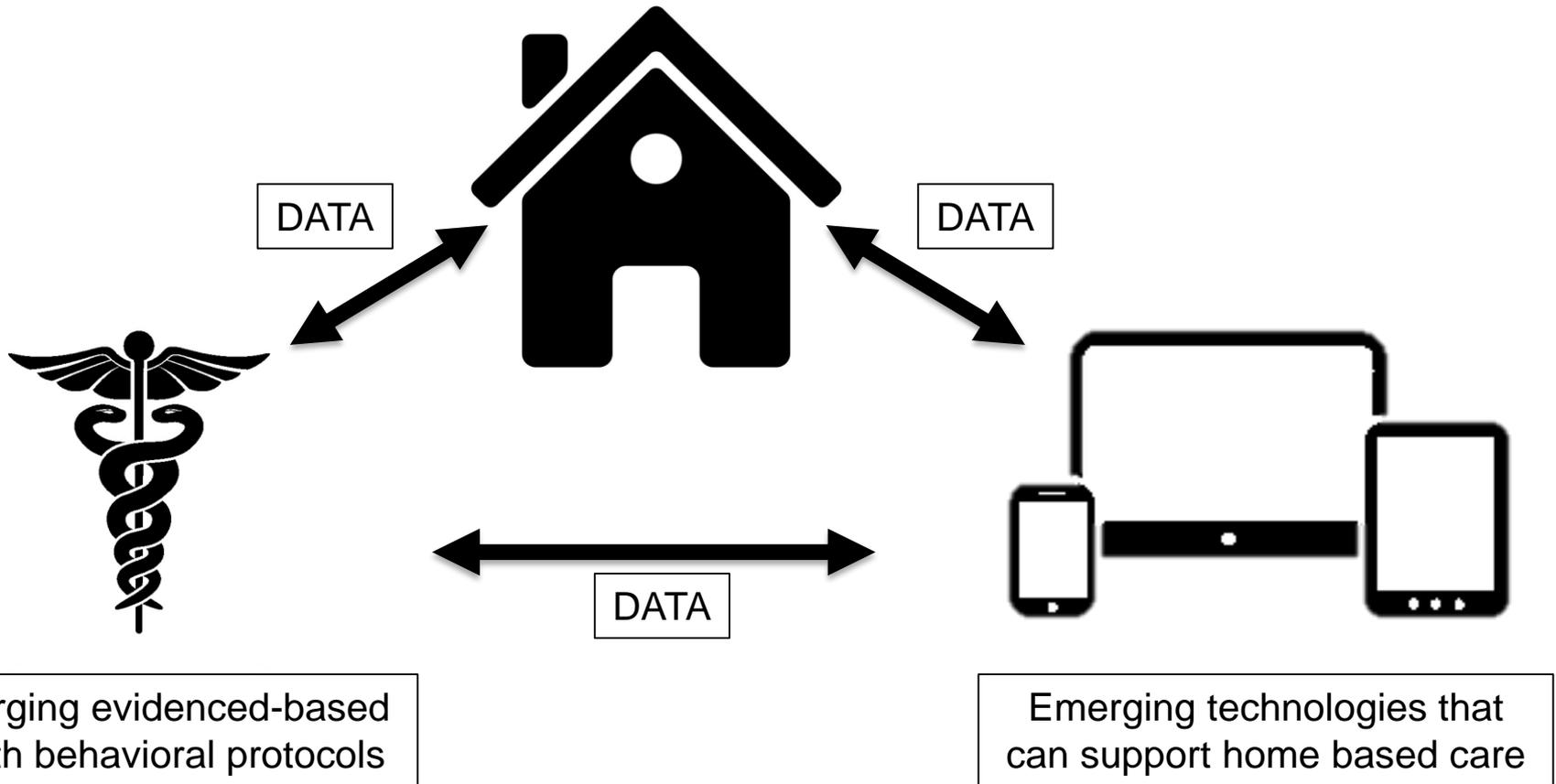
- 7 in 10 people over 65 will need care
- 5 in 10 will need care that would trigger LTC benefits
- Average cost of care for those using it is about **\$260 K**
- For women, over **\$300 K**
- Ratio of people of caregiving age about **7:1 in 2010**
- Same ratio projected to be only **3:1 in 2050**



## LOOKING TO THE FUTURE:

- Smart homes, biometrics & sensor technologies
- “The Quantified Self” movement & health tracking
- Emerging evidence-based behavioral protocols
- New research suggesting behavioral changes could slow progression of chronic conditions, even dementia

# An emerging long-term care paradigm





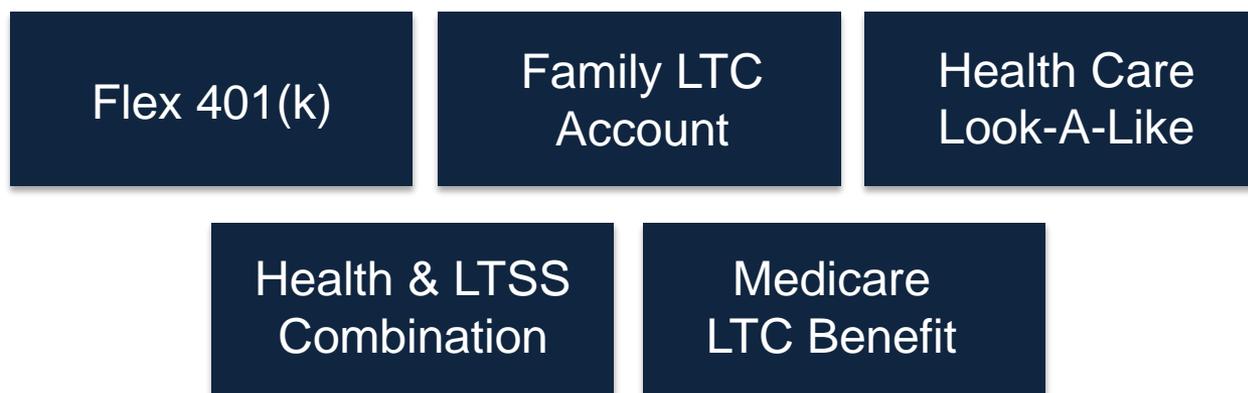
- Think tank session at SOA annual meeting
- “Emerging medical protocols plus new Technologies” session yesterday
  - Loretta Jacobs- Banker’s success with pre-claim interventions
  - Philip’s Lifeline new stay at home technologies
- Harvard Medical School
  - Potential opportunities for senior realted healthcare articles on very wide range of topics
  - Rudolf Tanzi- “Super Brain”
  - Alvero Pasqal-Leone- Ctr. for non-invasive brain stimulation
- Seeking Data driven Sub-group Volunteers



## Paying for Care

This category addresses how long term care costs are funded. Ideas in this category aim to help the industry and consumers to find additional ways of financing long term care, more effectively pool their resources, and make receiving financial reimbursement more familiar.

### 5 Finalist Concepts:





**Customer Insight (What does it solve?):** This idea assumes that consumers would find the ability to pre-fund Long Term Services and Supports and/or Long Term Care with tax-favored funds in defined contribution (DC) plans and IRAs attractive and would potentially take more responsibility for funding their own care.

**Headline: *Multipurpose savings (retirement)***

**Description (What it is):**

Individuals/families should have more options to use DC plan/IRA funds to pay for LTSS (Long Term Services and Supports) directly and/or LTC insurance.

**Concept Details (What it does/How it works):**

- Tax-favored contributions and distributions to pay for LTSS or LTC insurance at or below retirement age
  - Expand contribution limits
- Enable innovative insurance designs
  - Take \$1 out to pay for LTSS, carrier adds \$1
  - Side fund for LTSS
- Could buy a variety of products: Traditional products, combo products, future products that are integrated with Medigap/Medicare Advantage
- Allow distributions to pay for impaired annuities
  - DC plan assets can already be rolled over to an impaired annuity
- Employer match could be increased for employees who pick LTC options
- An exchange to purchase LTC insurance



# The family long-term care account



**Customer Insight (What does it solve?):** This assumes that consumers would find a product that included the ability to use benefits on other family members attractive to pay for either their own care or that of someone they may end up responsible for.

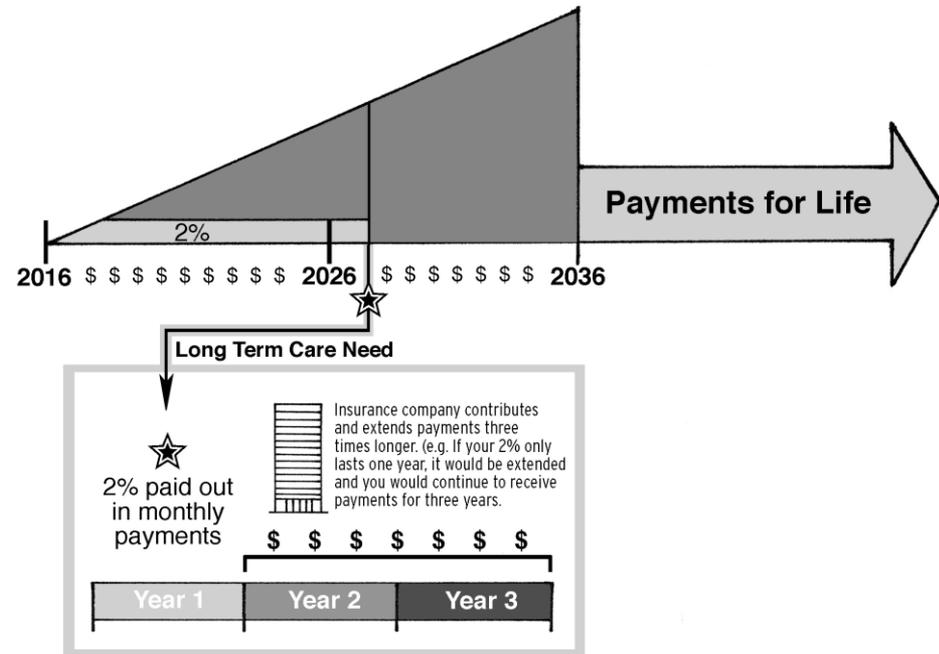
## Headline: *Family long term care with a punch*

### Description (What it is):

The Family Long Term Care Account is a product designed to help an individual or a family save responsibly for long term care needs of multiple family members with a benefit that lasts beyond their savings, thanks to an insurance element added to it.

### Concept Details (What it does/How it works):

The Family Long Term Care Account is a flexible premium-deferred annuity, where if any one of the insured has a long term care need (based on current benefit triggers), 2 percent of the accumulated savings becomes payable as a monthly benefit. The insurance “punch” comes from extending the benefit period to three times the length it would have lasted if you are depending only on your accumulation. In other words, if you accumulated \$20,000 at the point of claim, the benefit would allow you to pull out \$400 a month for the length of time that \$60,000 would last. The product would be marketed and sold through direct, robo, private exchanges and worksite to minimize overhead/commission costs. The product would have an accompanying website that provides an automated dashboard to track accumulation, benefits and claims activity and would allow people to model their scenarios to increase or decrease configurations.



# Health care look-a-like



**Customer Insight (What does it solve?):** The assumption is that health insurance products are already familiar and have built-in ways to adjust pricing and make the LTC insurance product more manageable and understandable for both the consumer and the carrier.

**Headline: A LTC insurance policy that looks like a health insurance policy**

**Description (What it is):**

Design a LTC insurance policy that “looks like” a health insurance policy.

**Concept Details (What it does/How it works):**

Policy has:

- High deductible (replaces E.P.) that increases annually (HDHP)
- Coinsurance cost-sharing features to align carrier and policyholder interests and increase claimant participation
- Tax-advantaged savings fund that accumulates over time with restrictions on withdrawals; can use for out-of-pocket expenses (insured and not; like an HSA)
- Out-of-pocket maximum
- Networks for providers with in-/out-of-network benefits
- Integration/coordination with all health care providers to guide care decisions

Coverage for: Individual  
 Plan Type: LTCI  
 Coverage Period #####

Long Term Care Insurance Summary of Benefits and Coverage: What this plan covers and what it will cost

Important Questions	Answers
What is the overall deductible?	### Doesn't apply to [insert]
Are there other deductibles for specific services?	Yes, ### for [insert] coverage There are no other specific deductibles
Is there an out-of-pocket limit on my expenses?	Yes, for participating providers \$##### For non-participating providers \$#####
What is not included in the out-of-pocket limit?	Premiums, balanced-billed charges, and care this plan does not cover
Is there an overall annual limit on what the plan pays?	No
Does this plan use a network of providers?	Yes, go to www.[insert].com or 1-800-[insert] for a list of participating providers
Do I need a referral for a specialist?	No, you do not need a referral
Are there services this plan does not cover?	Yes

Questions: Call 1-800-###-#### or visit www.#####.com  
 If you are not clear about any of the terms used in this form, see the Glossary.  
 You can view the Glossary at www.#####.com or call 1-800-###-####.

YTD Contribution Details

Account Information  
 Long Term Care Savings Account  
 LTCI Cash Account (\*\*\*\*1230) Open

YTD Contribution Total	###.##
Your Contributions	###.##
Other Contributions	###.##
Income Tax	###.##

2015 Form 1099-SA  
 DISTRIBUTION FROM AN INDIVIDUAL RETIREMENT PLAN, ANNUAL ANNUITY PAYMENT, OR ANOTHER ANNUAL PAYOUT

LONGTERM HEALTH BANK INC  
 POST OFFICE BOX 875738  
 SALT LAKE CITY

RECIPIENT'S NAME: [REDACTED]  
 ADDRESS: [REDACTED]  
 CITY: [REDACTED] STATE: [REDACTED] ZIP: [REDACTED]

1 Gross Distribution: \$ 1000.00  
 2 Taxable Distribution: \$ 1000.00  
 3 Distribution Code: 1

4 Other Information: [REDACTED]

5 Other Information: [REDACTED]

6 Other Information: [REDACTED]

7 Other Information: [REDACTED]

8 Other Information: [REDACTED]

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10 Other Information: [REDACTED]

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## Health and LTSS Combination

### Customer Insight (What does it solve?):

People without a lot of assets living paycheck-to-paycheck need some way to fund LTSS. Add LTSS benefit to Medigap and Medicare Advantage and leverage those enrollment processes.

### Description (What it is):

- Carriers in Medigap and Medicare Advantage must offer a short-term care product
- Cover custodial (home) care; smaller benefit
- Price at half of the cost of Medigap and Medicare Advantage (maybe \$50 – \$75 a month)

### Concept Details (What it does/How it works):

When Americans turn 65, they must purchase either Medigap or Medicare Advantage. Most enroll in part D too. Can also facilitate coordination between health services and LTSS. This guaranteed-issue benefit will “catch” people who didn’t buy LTC insurance earlier or who don’t have large assets.

- Use existing risk adjustment in Medicare Advantage to facilitate
- Add near risk adjustment for Medigap to handle risk selection
- No waiver of premium when on claim
- Deemed partnership eligible with credits for informal care (e.g., if I provide unpaid care, I get \$20 of credit toward partnership)
- Think about similar benefit for 75% – 150% of FPL
- Could have dividends for wellness; savings on the acute side

## Medicare LTC Benefit

### Customer Insight (What does it solve?):

Some people still won’t have coverage even if we expand retirement plans, Medigap or Medicare Advantage. This closes the gap.

### Description (What it is):

Everyone with earnings pays in and everyone gets a base of LTC insurance coverage. Individuals can purchase private supplemental coverage.

### Concept Details (What it does/How it works):

Basic LTSS benefit for everyone eligible for Medicare or Social Security. Financed by payroll tax. Individuals may buy supplemental/private insurance.



What new opportunities for private insurance emerged from the Think Tank?

- 16 of the total 85 ideas generated on Day 1 are relevant.
- A review of these ideas, with a weighting towards the features of the 5 leading concept sets reveals 5 core thoughts:

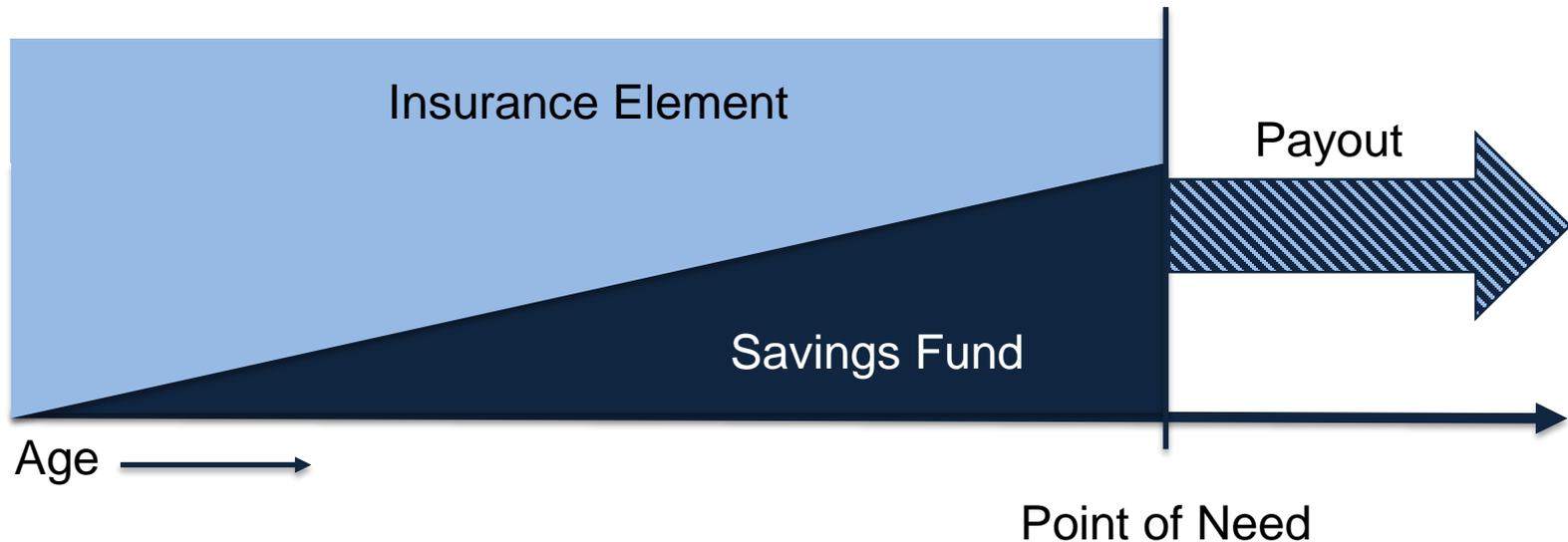


These core thoughts can be assembled to create a new financing approach with new opportunities for private insurance. This approach is described on the following 4 pages.

# A new financing approach



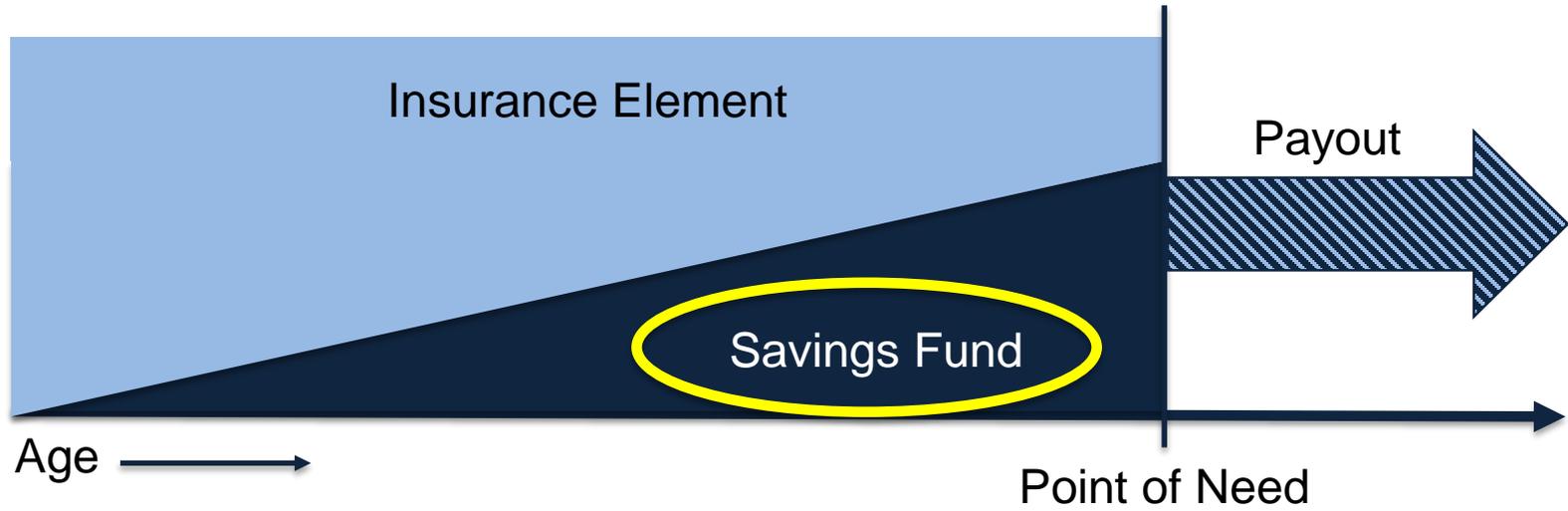
When assembled together, the 5 core thoughts create a new view of financing LTSS. It has a basic structure that can take on many variants:



## Three basic components:

1. Savings Fund: Consumer equity in financing plan
2. Insurance Element: Pooling of risk of **needing** LTSS
3. Payout: Options for accessing funds, including pooling of risk of **longevity** of LTSS

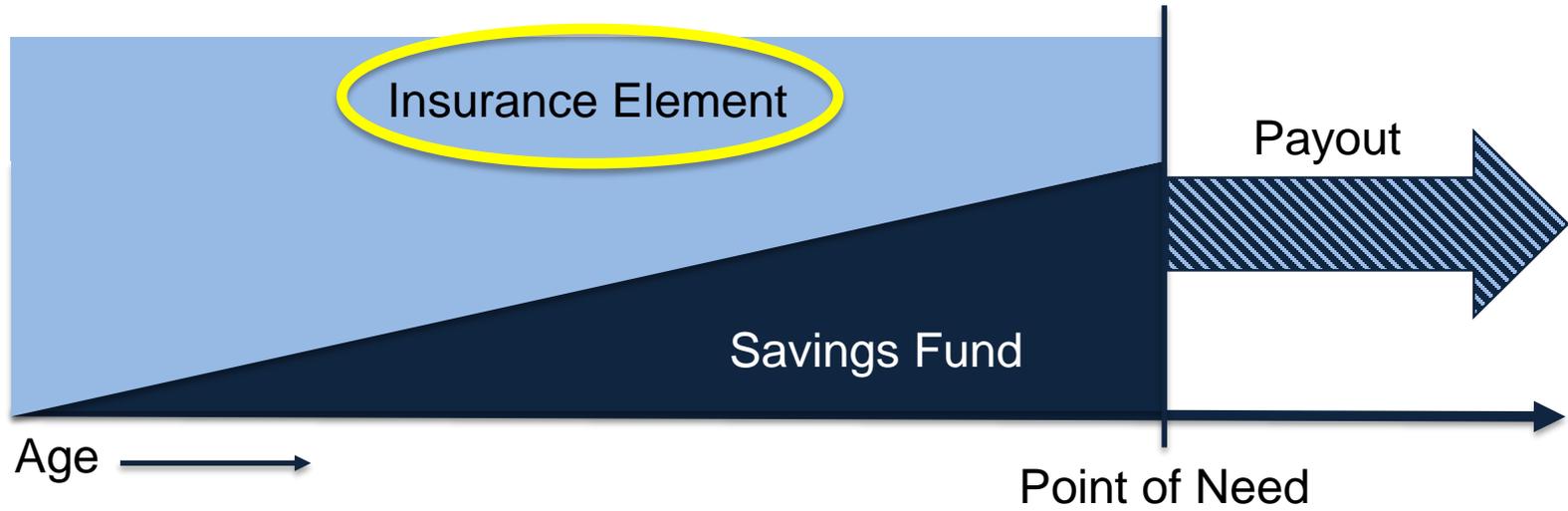
# A new financing approach



## Potential Features of Savings Fund

- LTSS Savings Account (like an HSA)
- Contributions made by consumer
- Credited with investment income
- Contribution pattern can vary, including lump sums
- Employer contributions / matching
- Integration with 401(k) / IRA
- Means-tested public contributions
- Auto-enrollment of a required payroll contribution
- Pre-tax contributions
- Ability to include home equity
- Shared account among family members
- Inter-generational pass through
- Owned by consumer
- Withdrawals / payouts not used for LTSS are taxed
- Participation in population health management programs
- Trade in traditional LTC insurance policy for lump-sum contribution to savings fund

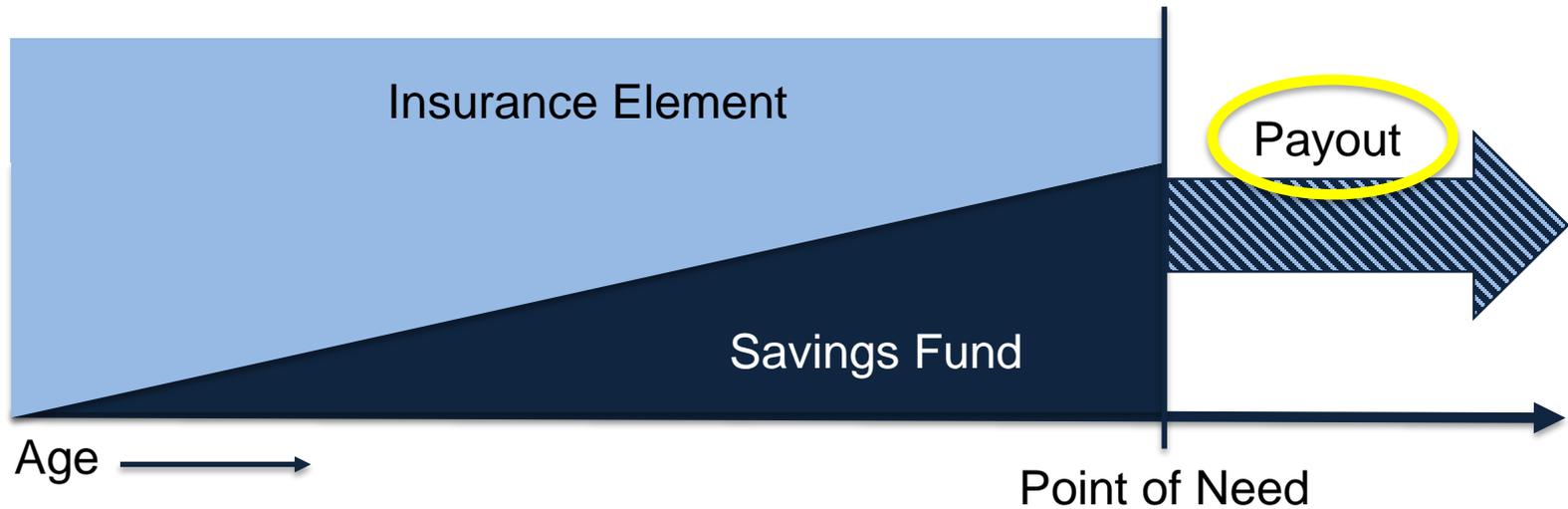
# A new financing approach



## Potential Features of Insurance Element

- Pool risk of **needing** LTSS
- Savings Fund = LTSS deductible
- Shape of insurance corridor can vary:
  - Insurance = target amount less savings
  - Insurance = constant amount
  - Insurance = multiple of savings
  - No pattern: buy what you can each year
  - Others?
- Premiums resemble cost of insurance charges
- Premiums set each year, like health insurance
- Subject to underwriting or vesting periods
- Credits for healthy living habits
- Payments from Savings Fund or external sources
- Means-tested public subsidies of premium payments
- Insurance provider does not have to be the same entity that manages the savings fund
- Add-on of other supplemental insurance benefits, such as term life.

# A new financing approach



## Potential Features of Payout

- Pool risk of **longevity** of LTSS
- Possible payment forms:
  - Periodic payment until benefit fund exhausted
  - Underwritten (enhanced) immediate annuity<sup>1</sup>
  - Lump sum or periodic payment to a LTSS ACO or housing entity (e.g., CCRC)
  - Withdraw as needed (medical HSA approach)
- Can be a stand-alone product purchased at point of need
- Payments for LTSS are not taxed
- Unused Savings Fund is not lost (some approaches)
- Consumers vested in managing costs
- Access to provider networks / discounted fees
- Means-tested public funding of immediate annuity

### <sup>1</sup>What is an underwritten immediate annuity?

- Converts a lump sum into an income payment for life.
- Unlike most immediate annuities, it is underwritten based on health at point of need.
- Impaired health shortens life expectancy, thus greatly **increasing** the income payment amount.

# A new financing approach



This financing approach relieves **consumer “pain points”** that can emerge with today’s products:

## Existing Pain Points:

Decisions related to large premium rate increases: Double-down or lose “investment” in product?

Affordability

Inflexibility on how to use benefits / uncertainty about future care delivery

Not healthy enough to buy LTCI

Complicated features

## Relief:

- Savings Fund is owned by consumer
- Dial down or increase insurance element mid-stream without losing investment
- Contribute what you can when you can
- Options of how to receive payout
- Everyone can participate in Savings Fund and Payout pooling
- Decreased long-term risk for carriers may relax underwriting of insurance
- Simple and familiar features



This approach also relieves *insurance carrier “pain points”*:

## Existing Pain Points:

- **Uncertainty** in long term environmental factors that must be factored into pricing:
  - Interest rates
  - Mortality rates
  - Lapse rates
  - LTSS incidence, longevity and costs
  - Changes to care delivery system

## Relief:

- **Better boxing** of risks being pooled:
  - Each year’s LTSS Insurance Element is priced as experience emerges
  - Longevity risk of each Payout cohort is priced as it begins
  - Interest is credited according to experience
  - No active life mortality or lapse risk

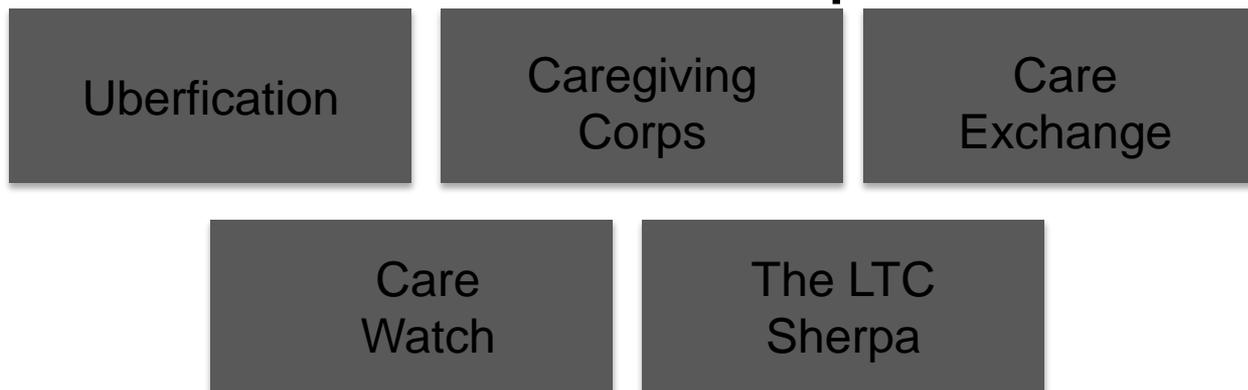
Better boxing of risks should result in decreased capital requirements and increased capacity in the insurance industry.



## Service Evolution and Expansion

This category addresses consumer needs that relate to where, how or when claims dollars can be spent and how this impacts access to care. Ideas in this category aim to increase the number of caregivers in the system, more efficiently distribute available care to match care recipient needs, more efficiently deploy care-related resources, improve access to quality care, and delay the need for care in the first place.

### 5 Finalist Concepts:





**Customer Insight (What does it solve?):** The assumption is that technology can be used to drive transparent markets, lower costs and increase supply of care and that people will want to participate as both suppliers of care and/or recipients of care.

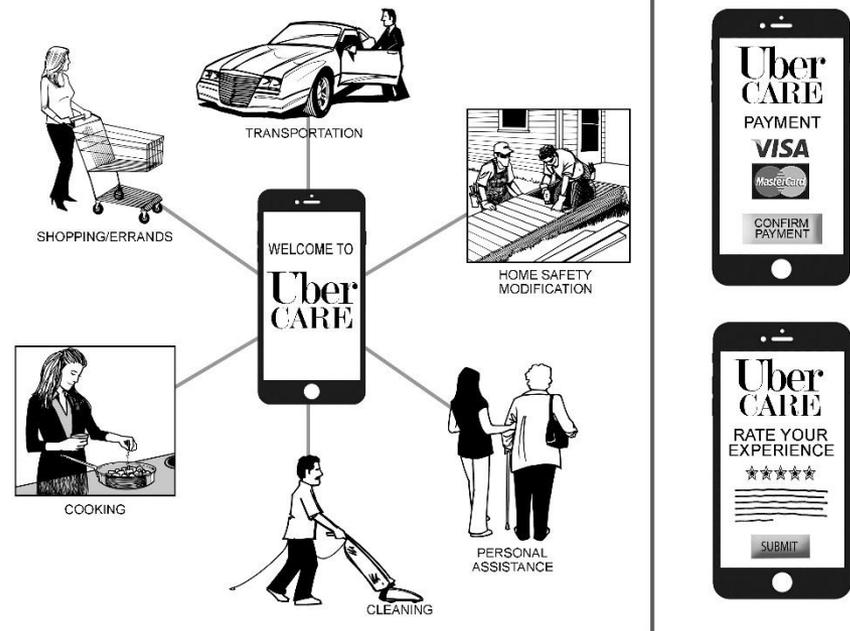
**Headline: *Uberfication of home health care lowers costs!***

**Description (What it is):**

- Technology can increase service capacity and lower service prices.

**Concept Details (What it does/How it works):**

- For example, Uberfy HHC. This would lower barriers of entry to becoming a provider and facilitate individuals to become entrepreneurial providers. A transparent market would set unit costs and provide reviews of individual providers.
- Create a low-cost way for aspiring caregivers to become certified and join the “UberCare” network of independent providers
- This could create a large supply of high-quality, low-cost, efficient providers
- Trust and attachment to individual providers would encourage people to use low-cost HHC settings as much as possible
- “Uber-like” market allows entrepreneurs to enter the market efficiently
- Loan forgiveness for caregiver participants to encourage participation by those in related fields
- Strict training, credentialing and quality assurance criteria
- Focus on IADL assistance more than personal care or supervisory care to avoid potential for fraud or abuse. Also limit use with people who have cognitive impairments or other similar vulnerabilities.





- Working Groups are forming for each of the 3 concept platforms:

**Data-Driven  
Decision  
Support**

**Service  
Evolution and  
Expansion**

**Paying  
For Care**

- Each Working Group will push its platform along a roadmap to clarify, validate and potentially develop key its concepts.
- Working Group leaders will meet periodically to keep the solution sets integrated.



Each Working Group will work on three concurrent, interactive work-streams:

## 1. Build and Launch Solutions

- A. Clarify.** Continue to add details to key concepts. Consider additional concepts.
- B. Validate.** Conduct market landscape scanning, consumer testing and initial pricing.
- C. Regulatory and public policy analyses.** Identify changes required to enable key concepts.
- D. Commercial development.** Interested businesses leverage these efforts to develop and launch products.

## 2. Collaborate

Outreach to and collaboration with stake holders:

- All three platform groups
- Insurers
- Providers
- Consumer groups
- Regulatory community
- Public policymakers
- Distribution channels

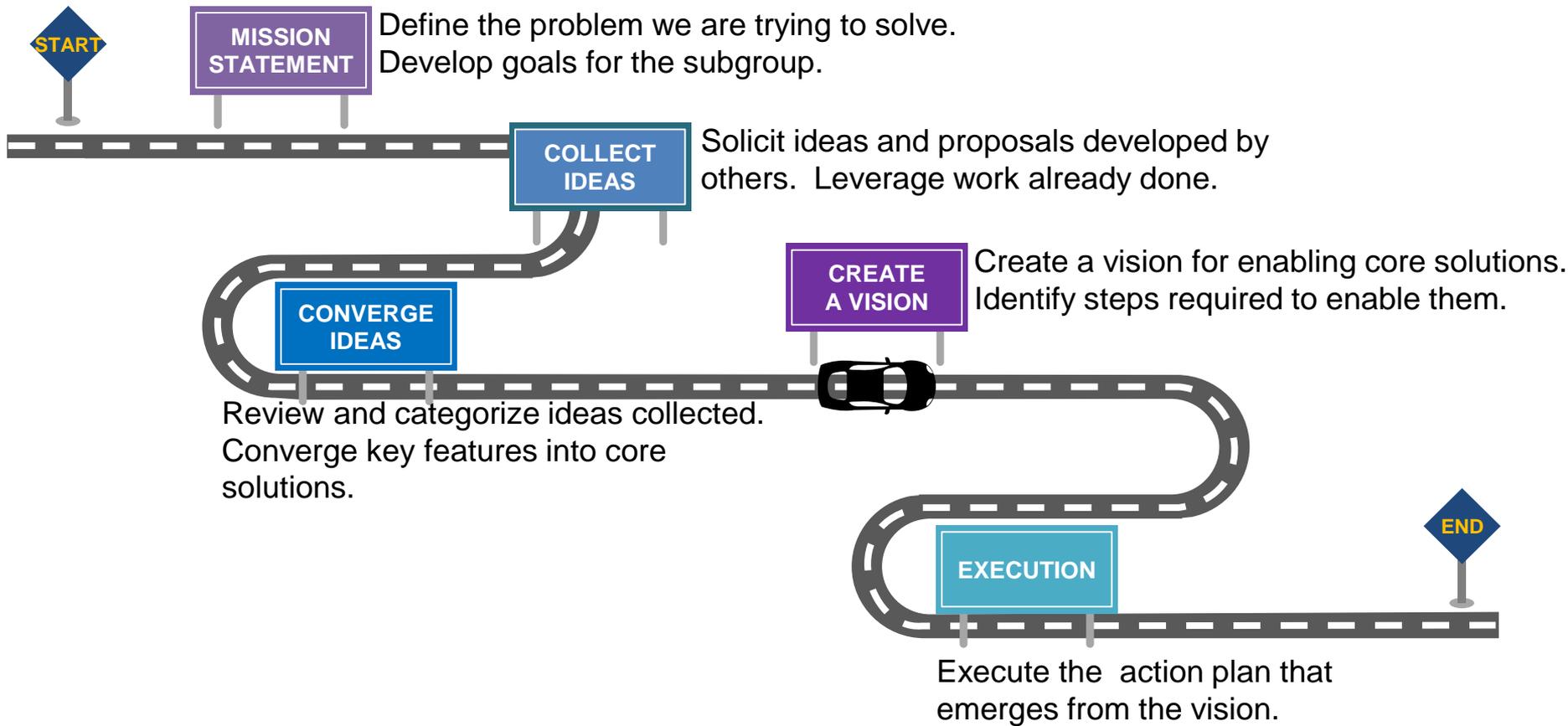
Some concepts already exist. Exposure to all stakeholders may have immediate impacts.

## 3. Seek Funding

The Think Tank is a volunteer effort. The Working Groups will push their tasks as far and as fast as is practical.

Heavy lifting and timely progress will require funding and resources.

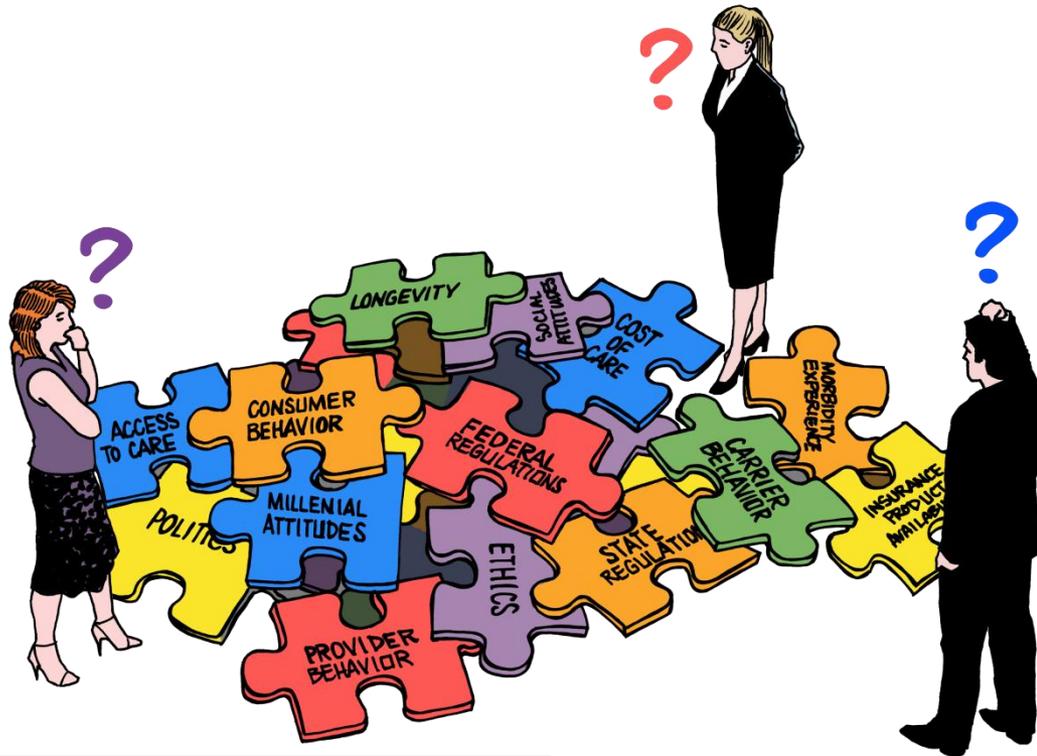
# Innovation roadmap



# Long-term care is a wicked problem\*



LTC insurance, as we know it, has not completely solved the problem.



*\*A wicked problem is a problem that is difficult or impossible to solve because of incomplete, contradictory, and changing requirements that are often difficult to recognize. The use of the term "wicked" here has come to denote resistance to resolution, rather than evil. Moreover, because of complex interdependencies, the effort to solve one aspect of a wicked problem may reveal or create other problems". – Source: Wikipedia*

"SOME PROBLEMS ARE SO COMPLEX THAT YOU HAVE TO BE HIGHLY INTELLIGENT AND WELL INFORMED JUST TO BE UNDECIDED ABOUT THEM."

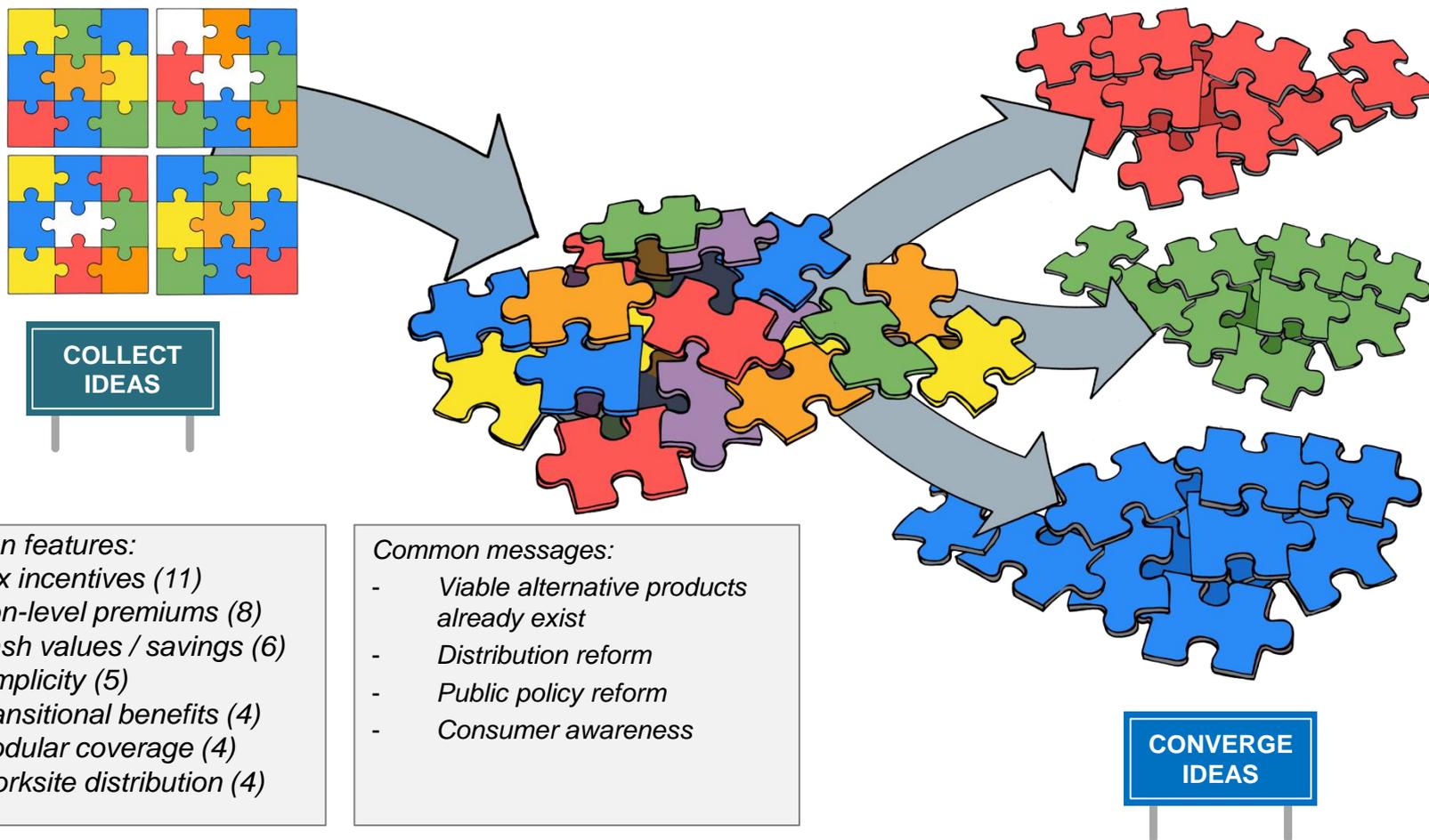
–LAURENCE J. PETER

Takeaway: There is no one solution, we must identify the issues we can impact.

# Proposals have many common features



The Subgroup received solution concepts from 18 proponents over an 8 month period.



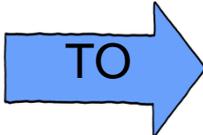
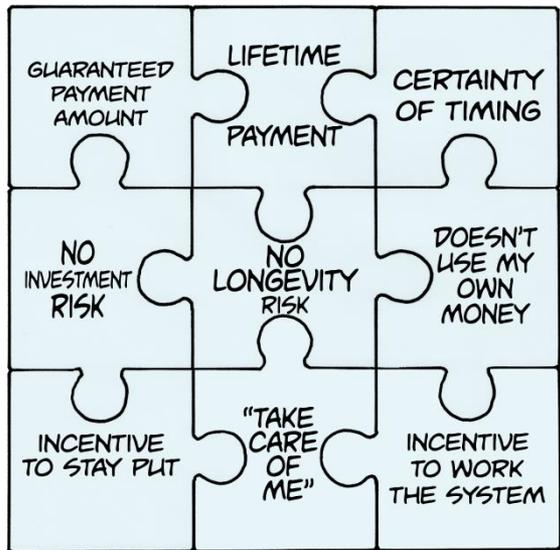
Takeaway: The most frequent common features give input for a new vision.

# Wicked problems require isolation of underlying issues

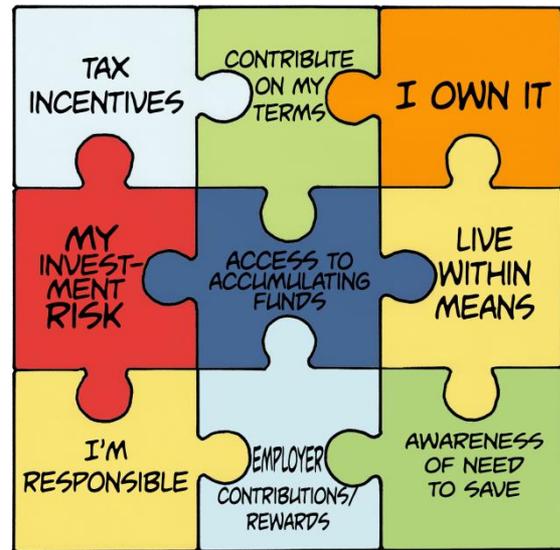


The Critical Issue Is Very Similar to That of Retirement Financing: Unsustainable DB Pension Plans

## Defined Benefit Pension Plan Does It All



## Savings Mentality



- Lessons Learned:*
- Bankrupt Pension Plans
  - Pensioners Receiving Reduced Benefits
  - Corporations Eliminating Pension Plans
  - Lack of Personal Savings
  - Lack of Financial Literacy

"YOU CANNOT HELP MEN PERMANENTLY BY DOING WHAT THEY COULD AND SHOULD DO FOR THEMSELVES."  
-ABRAHAM LINCOLN

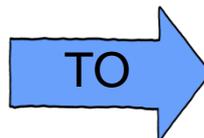
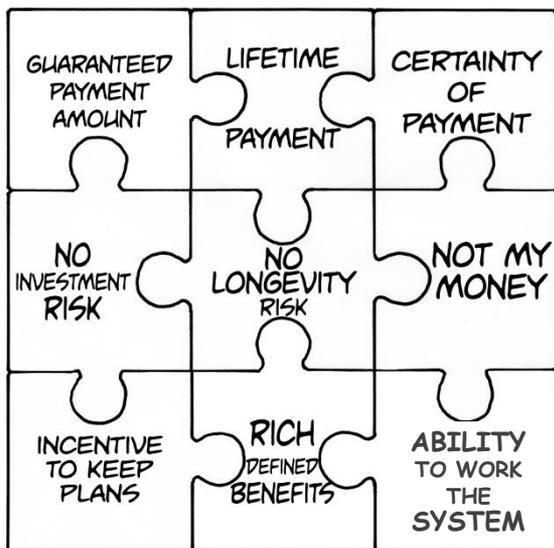
Takeaway: Identify the corollaries in Long Term Care and create new offerings.

# Long-term care requires a similar approach

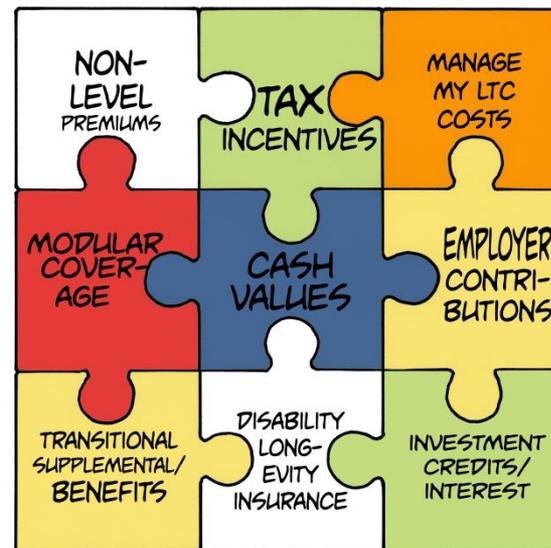


We Need to Shift From An “Insurance Does It All” to a Savings Mentality

## Insurance Does It All

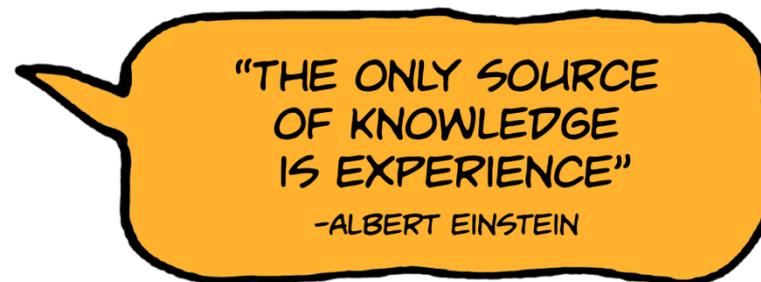


## Savings Mentality



### Lessons Learned In Insurance:

- Traditional long term care insurance tried to do too much, resulting in “toxic” blocks of business.
- New products have become unaffordable.
- Consumer behavior changes when there is more skin in the game (e.g. major medical and high deductible plans).

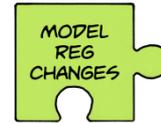
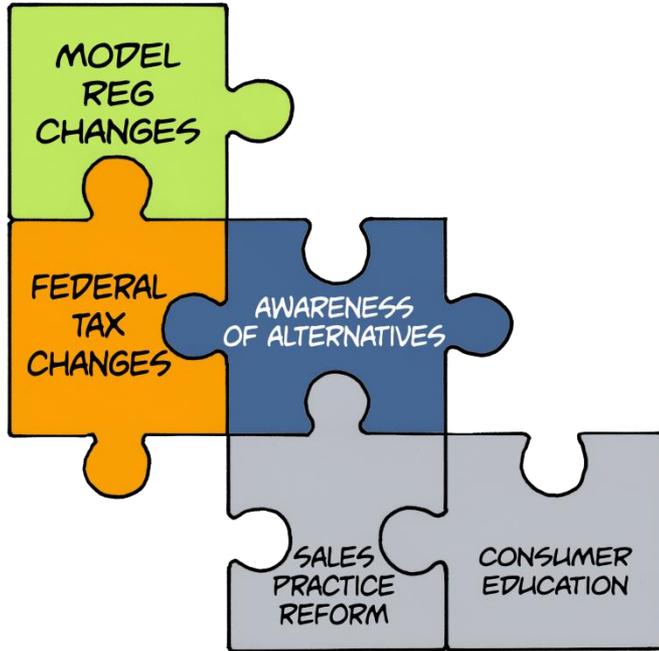


Takeaway: We can use our power to impact consumer, agent and carrier behavior.

# The ask



Support and help to make change in the short and longer term in key areas.



Change: New section that enables and pertains only to Savings Mentality products. Other changes to better accommodate hybrid solutions.

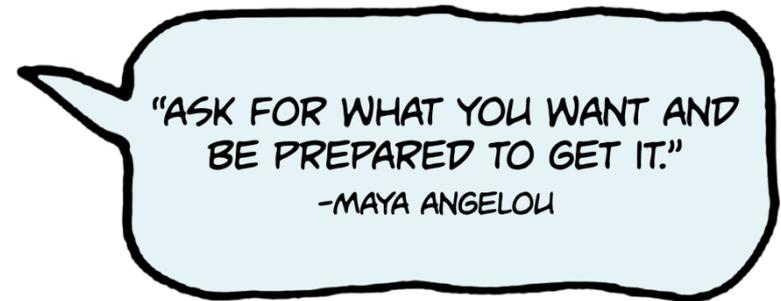


Change: Advocate for federal tax incentives for long term care to encourage Savings Mentality and broaden participation.



Change: Help increase the awareness of existing products that support Savings Mentality (Hybrids, SPIAs, Life Settlements, Reverse Mortgages)

*Three work streams can start on each of the immediate change efforts and possibly yield results in the short term. Longer term efforts can get started in parallel or can wait until traction is made on the immediate efforts.*



Takeaway: We will stimulate more activity and innovation, and also unearth the next set of challenges.



- **Confirm the vision**
- **Create three work-streams:**
  - Model regulation changes
  - Increase awareness of existing solutions
  - Advocate for federal tax policy changes
- **Invite participation from proponents of submitted ideas**
- **Leverage supporting research to validate the vision, including:**
  - Recently Approved Society of Actuaries research project:
    - Consumer appeal testing, actuarial modeling, potential impact to public programs
  - DHHS / ASPE research
  - Urban Institute project
  - Bipartisan Policy Center
  - Industry research conducted by insurers

# How can insurance regulators help?



- Participate in collaboration efforts. Regulatory insights will be critical.
- Provide reactions to initial thoughts on state regulatory changes that would be required to enable the new landscape:
  - Allow attained-age rating
  - Allow term coverage periods
  - Allow account values for LTC products without linking to a life policy or annuity
  - Allow conversions from legacy products
  - Remove mandatory offer of inflation option
  - Remove benefit period minimums
  - New sales training requirements and shoppers guides / illustrations
- What components could be launched without regulatory changes?
  - Some could have an immediate impact on Medicaid budgets



## ACTUARIAL MODELING AND CONCEPT DEVELOPMENT

- Develop pricing for both concepts.
- Refine copy and visuals for two concepts from Think Tank concept outlines. This is to get the concept in “testable” form for consumers to understand.
- Multiple check-in points with SOA stakeholders and Project Oversight Group.



## QUALITATIVE RESEARCH

- Four in-person focus groups
- N = 30-40 consumers (four groups with likely decision-makers for LTC insurance and services)
- Can include pre-group “homework” exercises to understand relevant attitudes, behaviors and needs
- Refinement of concepts prior to quantitative study



## QUANTITATIVE RESEARCH

- Two refined concepts tested
- In-depth quantitative research. Online 20 minutes survey
- N = 600 consumers who are financial decision-makers for their households, mix of demographics
- Test interest in product concept and price
- Build model to forecast demand

YEARS 1-5 PROJECTED REVENUE: CG OF CR 80+





## Key Outputs

1. Actuarial modeling for feasibility and to **create realistic price points for research with consumers.**
2. Specific guidance on how to optimize the chosen concepts.
3. U.S. market forecasts for Year 1 and Year 2 based on real-world assumptions. (Option to include a simulator program that enables assumption changes and additional projections.)
4. **From the Consumer Research:** Profile of likely buyers (attitudinal, behavioral and demographic) for use in positioning, marketing and distribution efforts.
5. Estimation of potential federal tax impacts that may be realized based on forecasts, as well as the resultant reduction in strain on the Medicaid expenditures.
6. An actuarial report on consumer demand and interest in a savings based LTC product, outlining project findings that is suitable for distribution to Society of Actuaries members.
7. Half-day in-person strategy session to discuss project findings and recommendations for bringing the concepts to regulators and to market.



- Critical to test consumer response to product concept and pricing
- Also explore best messaging and market segments for product concept
- Qualitative: focus groups to validate hypotheses and identify new critical consumer views to test
- Quantitative: survey to obtain representative data on nature and level of consumer interest and factors impacting that



- Four focus groups with consumers who otherwise fit a “LTCI buyer” profile (i.e., planners)
- Survey (20 minute online) with 600 consumers who are responsible for their (and family’s) financial decision-making for products such as LTC insurance
- Test sustained interest in product, price points, and various messages and distribution channels



- Build model to forecast actual purchase behavior from stated interest and intent
- Used before with great success with standalone LTC insurance
- Combine meaningful survey measures of interest with characteristics associated with being a “buyer” (attitudes and demographics)
- Can project demand by population segment
- Useful in marketing to compare model with actual results and fine-tune.



- Step 1: Concept development and pricing (5 weeks)
- Qualitative research (4 weeks to develop, field and analyze)
- Quantitative phase (8+ weeks) – develop, test and field survey. Analysis
- Demand model
- Work estimated for June 2017 completion