



The State of Long-Term Care Insurance

Coverage

- Home Care and Community-Based Services
 - Home health care
 - Adult day care
 - Personal Care
 - Homemaker services
 - Hospice Services
 - Respite Care
- Residential Care Facilities (Assisted living)
- Nursing Facilities

Eligibility

- Physical or Cognitive Impairment
 - Physical impairment: Inability to perform 2 or more ADLs for a period of at least 90 days
 - Cognitive impairment: Loss of intellectual capacity comparable to Alzheimer's disease
- Plan of Care
- Receive formal long-term care services
- Satisfy the policy Elimination Period

Traditional Long-Term Care Insurance (LTCi)

- Level premium
- Use it or lose it
- No cash value
- Lower cost, larger LTCi benefit relative to hybrid policies
- If premiums are paid, the policy remains in force
- Carrier must offer 5% compound inflation protection

Hybrid Policies (life insurance with LTCi)

- Accelerated Death Benefits (ADB) for Long-term Care: A portion of the death benefit is used to pay LTC expenses
- Extension of Benefits (EOB) for Long-Term Care: Pays additional LTC benefits after the ADB is exhausted.
- Sold with Whole or Universal Life
- Not “use it or lose it” - receive LTCi or a death benefit
- Cash value
- Generally more expensive than traditional LTCi
- Carriers generally offer inflation protection for EOBs but not ADBs

ADB for Chronic Illness

- NOT Long-term Care Insurance, but similar
- A portion of the life policy death benefit is payable when the policyholder is chronically ill
- Similar to an ADB for Long-term Care but:
 - Eligibility is not conditioned on the receipt of LTC
 - Benefit payments can be used for any purpose
 - Typically no premium or cost of insurance, but a “present value discount” is assessed when the benefit is paid

California Partnership for Long-Term Care

- Administered by DHCS
- Qualifying policies receive MediCal asset protection
 - Asset protection: The amount of policy benefits paid protects an equal amount of assets for the purpose of MediCal eligibility. (Policyholders don't need to spend-down the protected assets.)
- The program is authorized under federal law
- Qualifying policies must:
 - Include at least 3% compound inflation protection
 - Provide care coordination
 - Limit each rate increase to no more than 40% spread over 3 years

Sales

- Prevalence: 4.8% of Californians age 50+ have traditional LTCi
- Cost: Average new LTCi premium in CA is \$3,532
- Declining sales of traditional LTCi: Nationwide, sales peaked at about 750,000 policies per year in the early 2000's but are now around 55,000
- Growth of hybrid LTCi and chronic illness benefit market: In 2018, 85 percent of product sales were hybrid LTCi or chronic illness benefits

Sales, continued

- Average issue age: 57.7
- Average benefit period: 3.79
- Average maximum monthly benefit: \$4,882
- Inflation protection: 3% compound in 32.7% of new sales
- Elimination Period: 90-day period in 91% of new sales

Issues

- Price
 - Average annual premium for a new policy in CA is \$3,532
 - Why is it expensive? Low lapse rates, low interest rates, high claim costs
- Premium increases
 - Policies sold in the 1990's and early 2000's were underpriced
 - Carriers overestimated lapse rates and underestimated claim costs
 - LTC policies are guaranteed renewable – the policy must be renewed for as long as premiums are paid, but the carrier has the right to raise rates
 - Policyholders are receiving very large rate increases
 - Carriers are taking large losses on legacy policies
 - Rate increases undermine consumer confidence in new policies

National Reform Efforts

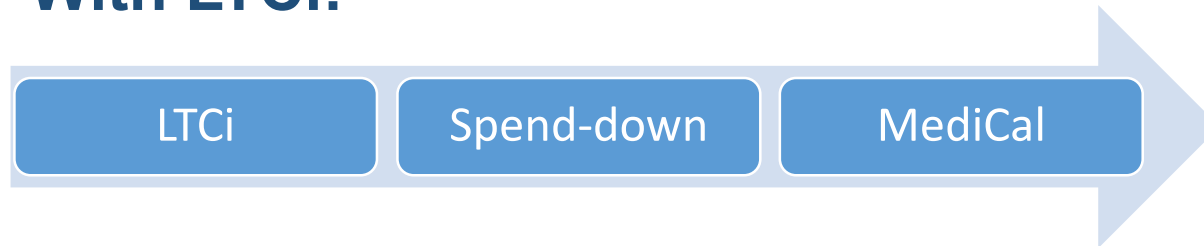
- CLASS Act: National, voluntary program included in ACA but repealed in 2013
- Maine universal home care initiative: 3.8% payroll tax (shared by employee/employer) rejected 63-37 in 2018 ballot
- Washington Trust Act: Vested program for limited, front-end coverage for vested workers, effective 1/1/2022
- Medicare Advantage expansion: As of 2019, Medicare Advantage plans are allowed to include certain LTSS benefits
- Medicare Supplement expansion: Recent Minnesota proposal to require Medicare supplement plans to include limited, nonmedical LTSS benefit package

LTC Expenditure Sources

No LTCi:



With LTCi:



With Partnership LTCi:

