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Long-Term Care Actuarial (B) Working Group

Virtual Meeting

May 17, 2021

The Long-Term Care Actuarial (B) Working Group of the Health Actuarial (B) Task Force met May 17, 2021. The following Working Group members participated: Perry Kupferman, Chair (CA); Jennifer Li (AL); Paul Lombardo (CT); Benjamin Ben (FL); Nicole Boyd (KS); Marti Hooper (ME); Fred Andersen (MN); Rhonda Ahrens (NE); Anna Krylova (NM); Bill Carmello (NY); Andrew Schallhorn (OK); Jim Laverty (PA); Andrew Dvorine (SC); Barbara Snyder and Mike Boerner (TX); and Tomasz Serbinowski (UT).

1. Discussed an LTCI Data Call

Mr. Kupferman said the purpose of the meeting is to gauge state insurance regulator and industry interest in conducting a mandatory long-term care insurance (LTCI) morbidity data call. He said he is concerned that federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) restrictions will preclude collection of needed data for individuals older than age 90, and this is a block of data that is crucial for the success of the project. Pete Miller (Society of Actuaries—SOA) said he is confident this data can be collected at a level that will not violate HIPPA and be of sufficient granularity to be useful.

Mr. Kupferman said LTCI companies rely on company experience or consultant experience studies for reserving, and he would like the NAIC to sponsor a mandatory LTCI data call to be used for this purpose.

Mr. Andersen said approximately five years ago, the Life Actuarial (A) Task Force’s Experience Reporting (A) Subgroup evaluated whether mandatory company data reporting is warranted for various lines of business, and one of the lines evaluated was LTCI. He said LTCI was ranked as very high for morbidity data usefulness and low to moderate for the usefulness of industry-wide averages. He said there is not currently a tested format for collecting LTCI morbidity data, but recent SOA experience study formats may be convertible to a Valuation Manual (VM)-51, Experience Reporting Formats, structure.

Mr. Andersen gave an overview of a life insurance mortality data call by New York. He said New York and Kansas led the effort, MIB acted as the statistical agent, and the SOA aggregated the data. He said the data call was highly successful, but it took two to three years to complete and required new state laws to be written. He said the data call was conducted annually, and there has never been an annual experience study conducted for LTCI. Ms. Ahrens said an annual LTCI experience study would be too burdensome.

Mr. Carmello asked if authority like that for life insurance principle-based reserving (PBR) is needed for a similar LTCI project. Ms. Ahrens said the scope of the current VM-51 includes health insurance, so authority for LTCI is not an issue. Mr. Boerner noted that the current Health Actuarial (B) Task Force charge to “[d]evelop LTCI experience reporting requirements in VM-50, Experience Reporting Requirements, and VM-51, Experience Reporting Formats, of the *Valuation Manual*” allows for conducting an LTCI data call.

Ms. Boyd said an LTCI data call overseen by Kansas went smoothly, but it was expensive. She said the data was collected by MIB and then forwarded to the SOA for analysis. She said there was not much pushback from subject companies concerning providing data.

Mr. Lombardo said Connecticut supports a mandatory LTCI data call, and it is very important for state insurance regulators and industry. He said he believes companies will comply with the request.

Dan Schelp (NAIC) said the NAIC is concerned the study may violate aspects of HIPPAA and with the availability of needed financial and staff resources for the project.

Pat Allison (NAIC) said the NAIC’s current life insurance PBR data collection goes through a two-step validation process. She said the data is first checked for missing or disallowed values, then a more detailed analysis of the data’s appropriateness is conducted.

Ray Nelson (America’s Health Insurance Plans—AHIP) said he is concerned that requiring companies to submit data to the data call while also voluntarily contributing data to current SOA studies may be overly burdensome. He asked if the SOA studies can be expanded to meet the needs of an NAIC data call. Ms. Ahrens said she believes expansion of its studies is the direction the SOA is heading in. She said a feasible way forward is for the SOA to modify the design of its studies to fit into a form that fits the VM-51 statistical plan. She said the SOA has indicated it has the appetite for such an approach.

Mr. Andersen proposed providing the proposal below to be used to survey Working Group members for their opinions on the usefulness of an NAIC mandatory data call. He said he believes taking the time to explore all of these issues and then weighing the pros and cons before making a commitment will lead to a better chance of having a helpful, useful project.

The recommendation is to start laying the groundwork, without 100% commitment at this time, toward collecting the LTCI morbidity data starting in 2024.

The regulatory actuaries can reach out to industry to determine how helpful mandatory data collection resulting in tables of industry averages will be. The question is whether it adds much value when the SOA and Milliman already have voluntary studies and the Valuation Analysis (E) Working Group has access to timely information direct from the companies.

NAIC staff can investigate issues such as resources, technology, operations, legal issues, and money availability. The ultimate decision would be made by NAIC leadership.

Mr. Kupferman agreed to surveying Working Group members on the proposal’s merit.

Having no further business, the Long-Term Care Actuarial (B) Working Group adjourned.

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