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Paul Lombardo, Co-Chair, NAIC Long-Term Care Actuarial Working Group
Fred Andersen, Co-Chair, NAIC Long-Term Care Actuarial Working Group

Dear Chairs Lombardo and Andersen,

The Pennsylvania Insurance Department (PID) appreciates the opportunity to provide comments on the recently released redline revisions to the Long-Term Care Insurance Multistate Rate Review Framework, which includes updates to the single rate review methodology, adjustments to the cost-sharing formula, the transition of LTCI MSA Framework governance to the HATF, and shifting certain work including reduced benefit options to the SITF and the HATF.

Singular and Transparent Rate Review Methodology

Firstly, and as previously communicated, the PID supports the development of a singular and transparent rate review methodology, compared to an approach that combines two differing actuarial rate review methodologies together. The current approach requires weighting both methodologies, which is hard to explain judgement and difficult to replicate. A singular methodology will remove the need to weight two separate methodologies to arrive at the final recommended rate increase. As a result, the weighting is eliminated with a singular approach and when authority allows, it enables states to replicate the methodology for state filed long term care rate filings, further aiding in creating an approach that applies, no matter how the filing is received.

Cost-Sharing Formula

Regarding the proposed updates to the cost-sharing formula within the MSA approach, the PID is cognizant of how these modifications may impact current and future LTCI policyholders and is in agreement that as cumulative rate increases rise, the insurer's cost sharing burden should increase as well since the insurer should have had more information on the probability of large rate increases than the policyholder had at the time of policy issuance.

Although the revised cost-sharing formula is aimed at reducing the rate increases that mature-adult policyholders and longer duration policies may encounter, the PID is concerned that regardless of what the formula is for cost-sharing, insurers know the rate increase that they need and have many levers of which they can utilize to get that rate increase post any prescribed cost-sharing adjustment. For example, insurers could potentially modify mortality, morbidity, lapse, interest rate assumptions to get the rate increase they initially desired after any cost-sharing adjustments. With this issue in mind, the PID believes the LTCAWG and the HATF should be spending more time on developing regulators' understanding on the reasonableness of the assumptions (mortality, lapse, morbidity, interest rates, etc.) going into LTC insurers' rate developments (i.e., projected claims costs), as these are the true components that are driving the large rate increases being requested by LTC insurers.

While the PID can support Proposal A, which contains the revised cost-sharing adjustments, the PID also believes it is worth discussing the need for capping any requested aggregate rate increase at 100%. Doubling an insured's premium is a situation that should be taken extremely seriously, as this could have a significant impact on an insured's financial condition, especially those older-aged policyholders on a fixed income. While this may increase the number of filings the MSA would need to review, the burden should be placed on insurers to update their experience, reexamine future assumptions, and submit a new rate increase filing if needed. A disclosure should also be required to inform the policyholder that while their rate increase has been capped, the anticipated required rate increase was X.X% and could be implemented in future years. This could help policyholders prepare for future increases while providing them with the information that they need to make informed decisions on RBOs and terminations.

The PID would like to suggest that a separate vote (outside of the other modifications being made to the LTCI MSA Framework) be taken on the adoption of the revised cost-sharing parameters, and that it is clearly spelled out on what a "No" vote implies – whether it means keeping what is currently included in the MSA approach, or if it implies a vote for Proposal B, as it appears to the PID that there are 3 options currently on the table:

1. The current cost-sharing formula as prescribed in the MSA approach,
2. A revised cost-sharing formula as prescribed under Proposal A, or
3. An alternative proposal provided and identified as Proposal B

Prior to such a vote, the PID feels that it would be beneficial for the committee to review the voting options, with examples of the consumer impact in each scenario, and allow for other recommendations. Then explain the significance of an abstention to the overall vote.

Other Amendments

The PID supports moving the governance of the LTCI MSA Framework to the HATF. While the PID also supports moving other related work such as reduced benefit options to the SITF, the PID would like to stress the importance of any RBOs being offered to policyholders facing large LTC rate increases that the rate increase forgone is actuarially equivalent to the benefit reduction being implemented, and in cases where the tradeoff is not equivalent a detailed explanation describing why actuarial equivalence cannot be provided.

The PID appreciates both the effort that has gone into the development of the LTCI MSA Framework and the opportunity to submit these comments. We look forward to the continued discussion on these matters and future issues and the adoption of the 2025 Amendments to the LTCI MSA Framework.

Sincerely,

Dave Yanick

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