July 5, 2019

Director Lori Wing-Heier  
Chair, Senior Issues Task Force  
National Association of Insurance Commissioners  
444 North Capitol Street, NW  
Suite 700  
Washington, DC 20001  
Via: dtorian@naic.org

Re: Comments on House Ways and Means Committee request for information on expanding Medigap to include a LTSS benefit

Dear Director Wing-Heier:

America’s Health Insurance Plans (AHIP) appreciates the opportunity to offer several comments to the Senior Issues (B) Task Force regarding the House Ways and Means Committee’s request for information on the feasibility of adding a long-term services and supports (LTSS) benefit to Medigap plans.

AHIP is the national association whose members provide coverage for health care and related services. Through these offerings, we improve and protect the health and financial security of consumers, families, businesses, communities, and the nation. We are committed to market-based solutions and public-private partnerships that improve affordability, value, access, and well-being for consumers. Our members are committed to providing consumers with affordable products that offer a broad range of robust provider networks of quality, cost-efficient providers.

AHIP appreciates the House Ways and Means Committee’s commitment to exploring ways to ensure seniors and individuals with disabilities have affordable access to LTSS, and we agree more indepth discussions are necessary to address this crucial aspect of overall financial security. We commend the NAIC for prioritizing long-term care (LTC), and will work with you to explore ways to stabilize the market and promote coverage.

AHIP strongly believes Medigap is not the appropriate vehicle for a mandated LTSS benefit/program. However, we do agree that increasing private LTC insurance coverage among Americans is necessary to help them get the health care they need, while lowering Medicaid and Medicare costs for taxpayers. Enacting the following policy solutions to strengthen the private LTC insurance market will ensure more affordable care and offer individuals the most efficient pathway to health, independence, and financial security.

- Allow retirement plans to invest directly in LTC coverage.
• Let employees use cafeteria plans and flexible spending arrangements to buy LTC coverage.
• Allow employees to make additional contributions to their Health Savings Accounts (HSA) to pay for LTC plans.
• Establish a national education campaign about the importance of LTC coverage for a more secure retirement.

AHIP encourages the NAIC to recognize in its response to the Ways and Means request for information that mandating the inclusion of a LTSS benefit in Medigap policies is not only the wrong solution to increase private LTC coverage, it also has the potential to significantly harm the marketplace. Regardless of the benefit structure or eligibility triggers, there are several reasons why adding this benefit to Medigap may not be the best way to ensure seniors have LTC coverage, including the potential for severe adverse selection and unaffordable premiums.

Adding a LTSS Benefit to Medigap Will Create Adverse Selection
If a LTSS benefit is added to Medigap, those policies will primarily attract enrollees who expect to need LTSS services at some point in the future. This creates significant adverse selection because only those who expect to need the LTSS benefit will be willing to pay the premiums to obtain that coverage. This essentially means there would be no “lower-risk” participation in the Medigap plans to balance out the high-cost of enrollees who expect to need the benefit. While mandating the benefit could help alleviate adverse selection, this would significantly increase premiums and still result in a product that is not affordable to a large share of the Medicare population.

Adding a LTSS Benefit to Medigap Will Result in Increased Premiums for Beneficiaries
Because premiums must be set at an amount to ensure they can cover potential medical claims, simply adding a LTSS benefit to Medigap would cause beneficiary premiums to increase significantly (possibly two- or three-fold). As a result of adverse selection, with only a portion of enrollees willing to pay the higher premiums to receive the LTSS benefit and expecting to use the full benefit, premiums will continue to increase for all participants. Increasing premiums will result in a smaller and smaller portion of the Medigap population being able to afford these policies. Our research shows that in 2016, 37 percent of Medigap enrollees had annual combined beneficiary and spouse income below $30,000; that percentage increases to 42 percent in rural areas.1

Adding a LTSS Benefit to Medigap Would Complicate Process of Approving Medigap Rates
Medigap premium rates requires annual changes to reflect the changes in Medicare deductibles and copay requirements. Annual rate changes may differ from state to state, relying on both state

specific and cumulative experience for Medigap refund requirements unadjusted for reserve requirements. Adding a LTSS benefit with premiums based on national experience and with significant reserving requirements will significantly complicate the rate filing and review process, extending the time required of regulators to review and approve rate changes. Any delays in needed rate increases can result in larger increases, which can be problematic for seniors on fixed incomes.

**Adding a LTSS Benefit to Medigap Would Threaten the Medigap Option for Beneficiaries**

Medigap is a completely different type of product than long-term care. As such, in order to compete in a market that mandates a LTSS benefit to Medigap, insurers would be forced to partner or develop the functionality required to price and provide LTSS benefits. Essentially, insurers would have to add a new health care delivery system to their operations, which would further increase costs required to make these products sustainable. There are a few insurers that sell both types of products, but they are more the exception than the rule. The significant increase in price and the likelihood of low take-up for the LTSS-type products, would most likely result in carriers leaving the market and lead to the destabilization of the marketplace. This would further limit beneficiaries’ choices when it comes to coverage for the medical expenses not covered by traditional Medicare.

**Adding a LTSS Benefit to Medigap Would Help a Minority of Seniors with Medicare**

Medigap enrollees represent approximately one-third of all Medicare beneficiaries. As such, attaching an LTSS benefit solely to Medigap would help that small minority of beneficiaries gain access to a LTSS benefit. We encourage policy options that provide broader coverage options to the senior population to be pursued. Furthermore, we would encourage NAIC to seek more information on the ultimate objective of the House Ways and Means Committee in terms of providing coverage.

**Adding a LTSS Benefit to Medigap Will Discourage Early Planning for LTSS**

It is incumbent on policymakers and regulators to make decisions that would improve consumer access to LTSS at earlier ages during their working years. Waiting to obtain LTSS coverage until one is a senior and more likely to be retired is too late and can be prohibitively expensive. Education is needed to encourage younger individuals to purchase LTC coverage early so that it is more affordable and already available if and when they need it. We encourage the NAIC to include in their response to Ways and Means a recommendation to pursue more early education on the importance of LTC coverage.

AHIP is committed to working, both on a state and federal level, to find solutions to stabilize the LTC market and encourage the purchase of LTC insurance as part of overall financial planning. We are currently working with several members in Congress to advance legislation on the specific policy proposals outlined above that would expand access and affordability of LTC insurance. We will be reaching out to Representative Neal’s office to discuss his views.
Recommendation: AHIP encourages the NAIC to highlight the challenges associated with successfully adding a mandated LTSS benefit to Medigap in its response to the House Ways and Means Committee. Having the flexible option to add a LTSS benefit to one of the standardized plans and/or allowing issuers to offer a separate rider could be considered, but any type of mandate for Medigap to cover this benefit would be untenable and would threaten the stability of the Medigap market. It is also worth noting that Medigap is currently undergoing a significant change to existing plans as a result of MACRA. It will take several years to fully understand the impact of those changes on the Medigap market and enrollee population, so any proposals to make further changes in the near term should take into account the stability of the Medigap market.

Sincerely,

Heather E. Jerbi
Executive Director, Product Policy
America’s Health Insurance Plans