Comments from Guenther Ruch to proposal adding LTSS to Medicare supplement insurance

First, looking for “new” ways to address long term care risk mitigation is a noble cause. The country has been looking at ways to address this issue for many years. This is not the first time Congress has looked at this issue. The chairman’s inquiry on using private Medicare supplement insurance as a vehicle to address long term care risks makes some sense and should be carefully looked at. As a former regulator, I am glad that the Ways and Means Committee looked to the NAIC for guidance.

Second, it is difficult to provide input to the Committee without defining what long term care risk is being addressed. Since the discussion is on long term care, I’m assuming we are talking about both institutional and non-institutional based care. Since Medicare supplement benefits are standardized, the long-term care component of the benefit package would also need to be standardized. Failure to do so would have a negative impact on the benefits experienced in Medicare supplement due to standardization.

Third, we already know that providing long term care insurance coverage is an expensive proposition. Adding this cost to Medicare supplement insurance without some way to address or mitigate the additional cost, could price many Medicare beneficiaries out of the Medicare supplement marketplace. This could put many Medicare beneficiaries at financial risk because of the significant gaps in Medicare coverage currently addressed by Medicare supplement insurance. In addition, if Medicare supplement insurance is priced out of consumers’ reach, the potential of persons not seeking needed care goes up.

There already has been discussion by the Task Force and its interested parties regarding anti-selection concerns. One of the ways to address anti-selection is to mandate the coverage in all Medicare supplement policies. Mandating benefits in any policy needs to be carefully thought through, including the effect it would have on the marketplace.

Fourth, Medicare supplement insurance was developed to fill in the gaps in the Medicare program. Medicare is health insurance where it covers services so long as the beneficiary is deemed to get better. The nursing home benefit in Medicare is there to provide coverage while the beneficiary is recuperating from an occurrence. Long term care insurance is not actually health insurance because of the risk it covers. Long term care services are those services that assist the person in maintaining his or her quality of life if there is an inability to perform certain activities of daily living. There is no expectation that the person’s condition will significantly or permanently improve. This is much different than health insurance.

By adding the long-term care benefit to Medicare supplement, the nature of the coverage would significantly change. Since Medicare does not cover long term care, there would be an apple/orange effect on the product, fundamentally changing it.

Fifth, claims adjudication would be significantly affected by adding long term care coverage to Medicare supplement coverage. Currently, Medicare supplement insurance claims processing is quite straightforward. If Medicare pays, the supplement carrier pays under the terms of the policy.

Long term care insurance claims processing is much more complicated than Medicare supplement claims processing. Insurers would be required to have a claims adjudication process in place that meets
the needs of their policyholders who trigger the long-term care benefit. This may include service provider selection, benefit trigger verification, claimant assistance, to name a few. The infrastructure to provide such adjudication processing would be significant and costly.

Finally, Medicare supplement insurance fills in the gaps in the federal Medicare insurance program. There is no similar program for long term care unless you include the Medicaid program which is fundamentally different than the Medicare program. If the federal government is considering developing a long-term care program similar to the Medicare program, it could include private long term care supplement insurance depending on how the benefits of the program are developed. I just am unsure if there is enough political will at the federal level to create such a program.

In summary, I think the NAIC should be encouraged that chairman Neal reached out to the NAIC. NAIC should not discourage Congress’s efforts and should offer its expertise as the issue moves forward.

Thanks,

Guenther

GHR Consulting LLC
PO Box 261
Madison, WI 53701
608-381-5009 (cell)
608-241-3090
GHRLLC@charter.net