

# LTC rate increases – cost sharing

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# Multi-state LTC rate reviews – Background

- Revisions to Multi-state actuarial (MSA) Framework
  - MSA Framework was adopted in 2022
  - Company option to file a rate increase initially with the MSA team
  - MSA team reviews and issues a recommended rate increase amount
    - Webinar, including feedback from states, before recommendation is finalized
  - Company then files with each state
    - Hope is that the state approves increases in line with the MSA recommendation
  - MSA Framework only applies to these company-initiated MSA filings
    - Although a goal is for more consistency between states on rate increase approvals

# Multi-state LTC rate reviews – Recent NAIC activity

- In reaction to first 8 MSA reviews, a couple concerns:
  - Confusion resulting from having 2 methodologies
  - Extent of further rate increases for older policyholders with older policies and high past cumulative rate increases
- In 2024, LTC Actuarial Working Group (LTCAWG) and LTC Task Force adopted a single methodology
  - Will be considered at B Committee in August
- March 2025 presentation to B Committee – no disagreement on methodology and cost-sharing direction
- In June 2025, LTCAWG recommended revised cost-sharing factors to reduce rate increases for those who have faced past high cumulative rate increases
  - These past high cumulative rate increases tend to have occurred for older policyholders with older policies

# Revised cost-sharing factors

- After deliberation and consideration of legal and discrimination issues...
  - Cost-sharing was decided on as the best way to address the high cumulative rate increase issue
- Cost sharing is embedded in the MSA approach two ways
  - Indirectly: reduction from makeup premium in blended approach
  - Directly: formula which increases company cost-sharing burden as cumulative rate increase gets higher
- Several proposals to revise cost-sharing formula were considered by LTCAWG

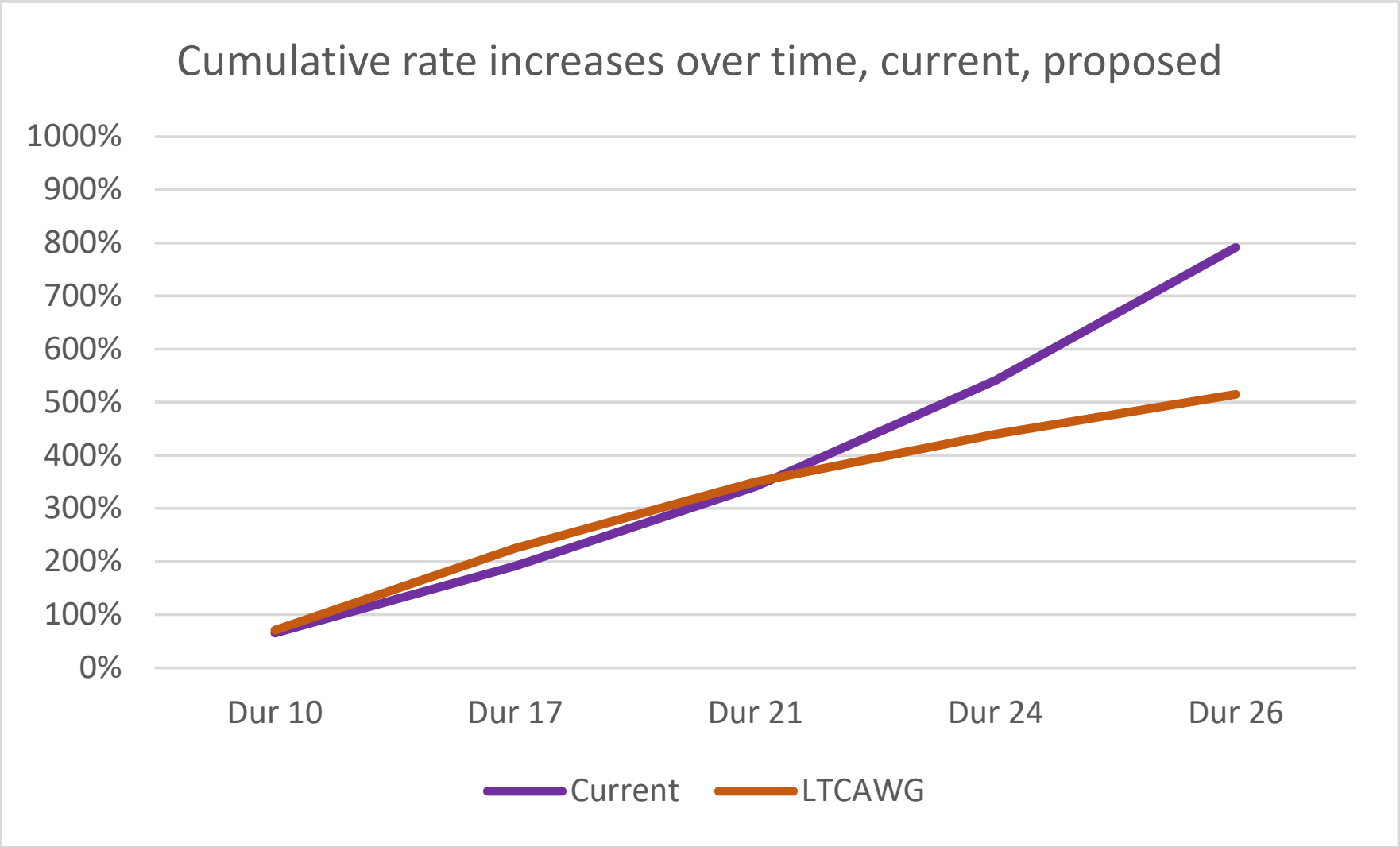
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  - Directly: formula which increases company cost-sharing burden as cumulative rate increase gets higher
- Multiple proposals to revise cost-sharing formula were considered by LTCAWG
  - Formula recommended by LTCAWG substantially increases cost-sharing factors when cumulative blended amount exceeds 400%
  - New formula addressed regulator comments during the development process
    - Reduce cumulative rate increases over 300%, greatly reduce cumulative rate increases over 600%

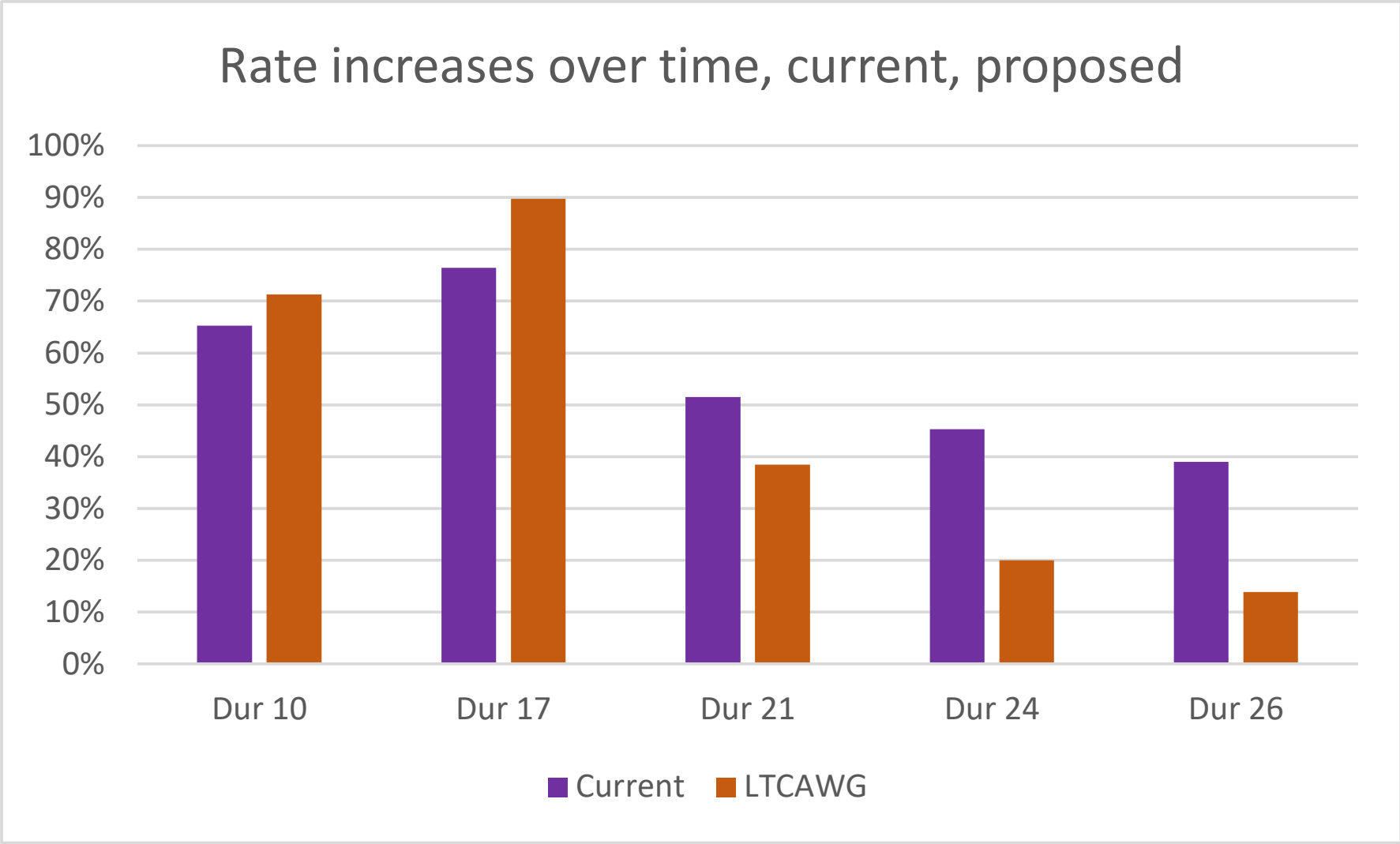
# LTCAWG recommendation

		Current	LTCAWG
Blended range		PH Share	PH Share
0%	100%	84%	100%
100%	400%	57%	65%
400%	800%	50%	30%
800%		50%	15%

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# HATF consideration of adoption

- LTCAWG cost-sharing formula
- Would go to B committee as part of package with new MSA approach
- If adopted by B committee and exec / plenary, would only apply to MSA recommendations on MSA-filed rate increases
  - States can still decide on their own re: rate increase approvals for their states' policyholders
  - Goal is more consistency between states