**REDUCED BENEFIT OPTIONS ASSOCIATED WITH LONG-TERM CARE INSURANCE (LTCI) RATE INCREASES – REQUEST FOR PUBLIC COMMENT -**

*Drafted by the Reduced Benefit Options Workstream (#3) of the Long-Term Care Insurance (EX) Task Force*

**INTRODUCTION**

The Reduced Benefit Options (RBO) Workstream is composed of regulators from 17 state insurance departments. It has been tasked with assisting the Long-Term Care Insurance (EX) Task Force in completing the following charge:

*Identify options to provide consumers with choices regarding modifications to long-term care insurance (LTCI) contract benefits where policies are no longer affordable due to rate increases.*

The Workstream regulators have developed a list of RBO principles in order to provide guidance for evaluating RBO offerings.

**PRINCIPLES AND ISSUES, INCLUDING THOSE WITH PARTICULAR NEED FOR STAKEHOLDER INPUT, INCLUDE:**

**1. Related to fairness and equity for policyholders that elect an RBO:**

* If some policyholders facing a rate increase are being offered an RBO but not others, an adequate explanation is needed.
* Each RBO should provide reasonable value relative to the default option of accepting the rate increase and maintaining the current benefit level.

**2. Related to fairness and equity for policyholders that choose to accept rate increases and continue LTCI coverage at their current benefit level:**

* The extent of potential anti-selection should be analyzed, with consideration of the impact on the financial stability of the remaining block of business and the resulting effect on the remaining policyholders.

**3. Related to clarity of communication with policyholders eligible for an RBO:**

* Policyholders should be provided with maximum opportunity and adequate information to make decisions in their best interest.
* Companies should present RBOs in clear and simple language, format and content, with clear instructions on how to proceed and who to contact for assistance.

**4. Related to consideration of encouragement or requirement for a company to offer certain RBOs:**

* Evaluate legal constraints, impact on remaining policyholders and company finances, and impact on Medicaid budgets if regulators are encouraging or requiring reduced LTCI benefits.

**5. Related to exploration of innovation, particularly where an outcome of improved health and lower claim costs are possible:**

* Regulators and interested parties should continue to study the idea of rate increases being tied into insurers offering, e.g., hand railings for fall prevention in high-risk homes, and identify the pros and cons of such an approach.

**WIDELY ESTABLISHED RBOs IN LIEU OF RATE INCREASES**

1. Reduce inflation protection going forward, while preserving accumulated inflation protection
2. Reduce Daily Benefit
3. Decrease Benefit Period/Maximum Benefit Pool
4. Increase Elimination Period
5. Contingent Nonforfeiture
6. Claim amount can be sum of past premiums paid
7. Only receive that benefit if the policyholder qualifies for a claim

**LESS COMMON RBOs FOR POTENTIAL DISCUSSION**

1. Cash buyout
2. Co-pay percentage on benefits