

# Memo

**To:** Eric King, NAIC, Senior Health Actuary, Research and Actuarial Services

**From:** Lynn Manchester, FSA, MAAA, Director, RRC  
Andrew Larocque, ASA, MAAA, Supervisor, RRC

**Date:** May 12, 2025

**Subject:** RRC Comments regarding Long Term Care Insurance Multistate Rate Review Framework

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## Background

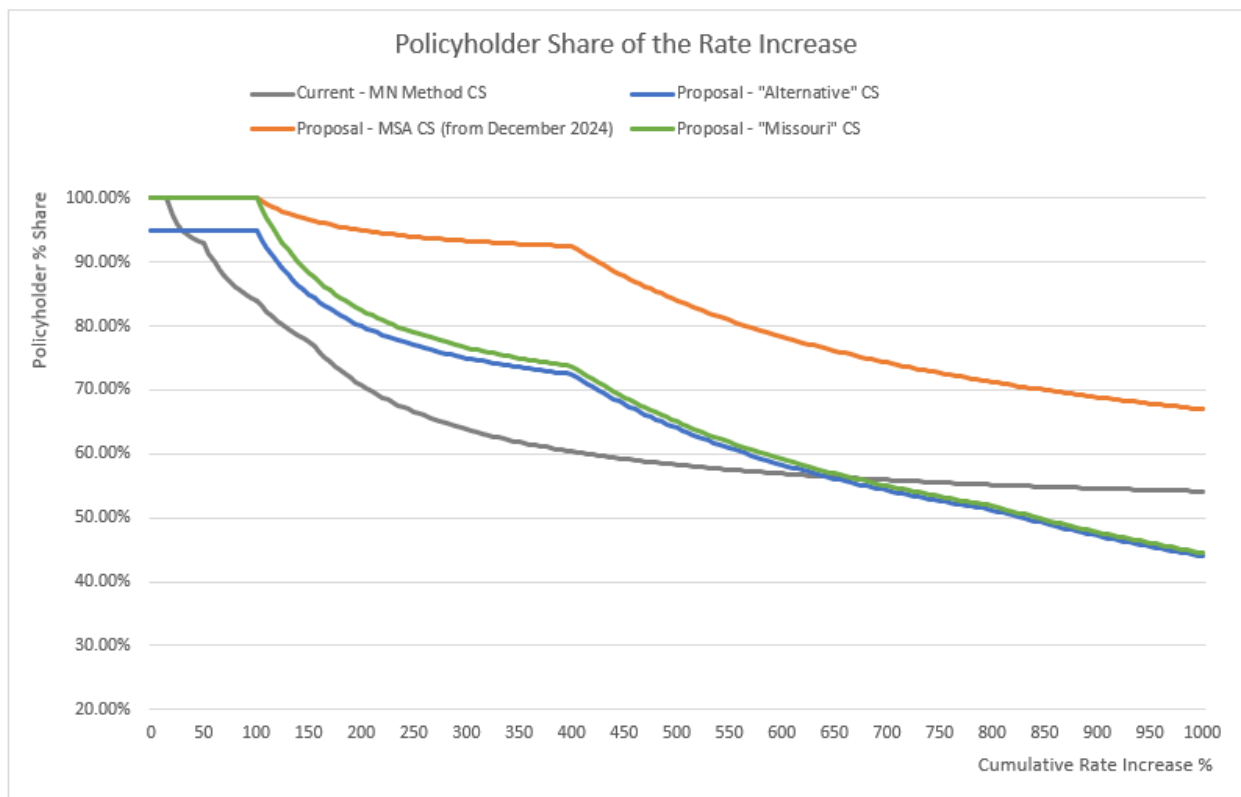
The Long Term Care Insurance Multistate Rate Review Subgroup (“the Subgroup”) is considering revised cost-sharing factors to accompany implicit cost-sharing contained in the blended / if-knew aspect of the proposed MSA approach, considered by the Working Group and the Long-Term Care Insurance (B) Task Force in late 2024. Three approaches are being considered:

- Missouri (MO) Proposal
  - No haircut for the first 100%.
  - 35% for the portion of cumulative rate increase between 100% and 400%
  - 70% for the portion of cumulative rate increase between 400% and 800%
  - 85% for the portion of cumulative rate increase between 800% and 1000%
  - 95% haircut for the portion of the cumulative rate increase in excess of 1000%
- “Alternative” Proposal
  - 5% haircut for the first 100%.
  - 35% for the portion of cumulative rate increase between 100% and 400%
  - 70% for the portion of cumulative rate increase between 400% and 800%
  - 85% for the portion of cumulative rate increase in excess of 800%
- Pennsylvania (PA) Proposal
  - The Multi-State Actuarial Team would not recommend a rate increase for any state higher than 100% of current rates in that state. The idea is to provide a path forward for states with lower past cumulative approvals by avoiding recommendation of extremely high rate increases. In subsequent filings with states (or if arrangements are worked out with a state), companies could file to recoup what was justified.

RRC appreciates the opportunity to offer our comments. Should you have any questions, we would be glad to discuss our comments with you and the Subgroup members.

**RRC Comments**

1. Overall, we applaud these continued efforts. We understand that there are current industry challenges associated with differences in rate approval practices among states and agree with efforts to increase uniformity of those practices while continuing to maintain the individual state decision making authority.
2. Based on the nature of the proposals, which are not focused on the actuarial soundness of the rate increases or the underlying assumptions but are focused on goals of consistency and efficiency, our comments below are focused on outcomes and not actuarial soundness.
3. We present the following graph for illustration purposes of how each proposed cost sharing (CS) method (other than PA, because it differs in nature) compares with the Current Minnesota Method Cost Sharing (gray line in the graph below) and the Proposed Cost Sharing method reviewed by the Subgroup in December 2024 (orange line in the graph below).



4. We have the following observations regarding the two newly proposed methods:
  - a. The alternative method is more beneficial to policyholders than the Missouri proposal across all levels of the rate increase. When compared to the current MN method, there is a benefit to the policyholders in the first 30% of the rate increase and starting around 642% of the rate increase. In between 30% and 642%, the current MN method is more beneficial.
  - b. There is a low frequency of cumulative rate increases exceeding 500%, so the benefits observed to the policyholder in the tail end of the Alternative or Missouri methods may be infrequently realized.

With the low frequency of cumulative rate increases exceeding 500%, the net impact of these changes appears to significantly benefit the companies and not the policyholders, relative to the Minnesota Method.

5. Regarding the Pennsylvania proposal, it appears this proposal would be beneficial to policyholders who in some cases have received rate increases exceeding 100%. By imposing a cap, this would provide policyholders with more certainty on the maximum amount of potential future rate increases and may limit policy lapsation.

Thank you for the opportunity to provide comments on this important initiative. We can be reached at 813-506-7238/[Lynn.Manchester@riskreg.com](mailto:Lynn.Manchester@riskreg.com) or 617-429-0069/[Andrew.Larocque@riskreg.com](mailto:Andrew.Larocque@riskreg.com) if you have any questions.