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:
   - Are all policyholders facing a rate increase being offered an RBO?
   - Do the RBOs provide reasonable value?

2. Related to fairness and equity for policyholders that choose to accept rate increases and continue LTCI coverage at their current benefit level:
   - To what extent could anti-selection take place, placing the financial stability of the remaining block of business at further risk?

3. Related to clarity of communication with policyholders eligible for an RBO:
   - What are recommendations for ensuring policyholders have maximized opportunity to make decisions in their best interest?
   - Should regulators, in some cases, encourage a company to offer fewer options in order to reduce the complication in decisions policyholders will face?

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 driving reduced LTCI benefits.

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

- Identify pros and cons of rate increases being tied into insurers offering, e.g., hand railings for fall prevention in high-risk homes.

### WIDELY ESTABLISHED RBOs IN LIEU OF RATE INCREASES

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

### LESS COMMON RBOs FOR POTENTIAL DISCUSSION

- Cash buyout
- Co-pay percentage on benefits