

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

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

LESS COMMON RBOs FOR POTENTIAL DISCUSSION

- a. Cash buyout
- b. Co-pay percentage on benefits