

September 8, 2021

Commissioner Altman: Chair

Long-Term Care Insurance Reduced Benefit Options (EX) Subgroup

Cc: Eric King

Comments to NAIC Draft- Issued Related to Wellness Benefits In LTCI Contracts

Dear Commissioner Altman:

We appreciate the opportunity to comment on the subgroup’s draft exposure document on issues related to wellness benefits in long-term care insurance policies. We are encouraged that insurers are interested in this issue and that some have already had limited experience with pilot projects. We do think that new ideas and benefits like these need close cooperation between industry and regulators to avoid unintended consequences and to explore and encourage what’s possible. Consumer groups can help industry and regulators understand a wide variety of situations and services that can help policyholders age in place and potentially delay some claims and could perhaps also delay the need for more extensive care or institutional care.

Long-term care imposes a need for care that is not covered as medical care because it deals with disabling conditions that occur with aging, such as breakdowns in functional ability or the onset of dementia. Care needs are supportive in nature and generally require the assistance of another person. The need for institutional care, often delivered in memory care units of assisted living facilities or other institutional settings, is often the result of advancing dementias.

The eventual need for long-term care is personally unpredictable and difficult to plan and prepare for. Federal data shows that 70% of people over the age of 65 will develop severe needs for long-term care services and supports before they die, and 48% will use some paid care over their lifetime. Individuals however cannot accurately predict their own future need for care. For most people this future risk is a frighteningly expensive uncertainty. Insurance to pay for this kind of care has escalated beyond the ability of most middle income Americans to pay for it, and those who have it are challenged to keep it with the rising cost of premiums.

When asked, most people say they intend to remain in their own homes if they need care. However, they have no clear idea if that will be possible, what kind of care they will need, how they will get that care, or more importantly how they will pay for it. Currently, most people with insurance have bought an income stream to pay for care, but their family will have to build out the care system for the impaired family member and bill and distribute any insurance payment. The type and quality of care providers available to them will depend on where they live, their knowledge of long-term care services and supports, and the availability of those services where the impaired person lives.

Early access to home modification and technology can be useful to help people remain in their homes, both before the need for long-term care begins, and later to delay or prevent the need for a greater amount of care or for institutional care. These newer types of services and devices can support caregivers and help an impaired person remain in their own home, or delay or prevent further impairment. Services such as fall prevention assessment programs, supportive equipment to prevent falls, electronic monitoring systems, technological alarms and sensors, community services and senior centers that encourage socialization all have the potential to delay, mitigate, or even prevent a later claim for long-term care benefits.

Care coordination is an important component and can help families of an impaired person utilize all the services, equipment, supplies, and benefits that may be available to them through private or public means. Care management and coordination can bring organization and efficiency to finding and utilizing services, constructing and monitoring an individualized system of care. Helping people age in place is an important factor in delaying or keeping people out of more expensive institutional settings.

We are encouraged by the idea of new benefits or services that can support policyholders in their own home, that help them maintain their independence, and that support caregivers who in the majority of families are younger family members often sacrificing their own economic condition to care for an older family member. New technology and devices might help a family caregiver remain at work with the ability to monitor an impaired family member at home. New systems of care such as the Villages movement, paid transportation like Uber and Lyft, and emerging meal delivery systems can all contribute to this expanding discussion of how to help people age in place and how to construct systems that can provide for these new ways of providing care.

We think important issues have been identified in the draft document for industry and regulators. We are however concerned that any new benefits be appropriately described in a contract, and fairly applied and available when needed. We are also concerned about how new enticing benefits are advertised, both by agents and brokers and by companies. As we’ve seen with MA plans, benefits can be portrayed as universally available when in practice those same benefits are limited in application to specific sets of circumstances.

While we understand that some services and benefits are likely to result in increased premium cost and an increase in claims costs, some claims costs might be offset by these newer services by delaying or moderating the need for paid care. Actuarial scrutiny of all these factors and subsequent trends will be an important component of regulatory review. We plan to be an active participant as the subgroup explores these ideas that could become part of pre-claim benefits, or become a common covered benefit in future long-term care insurance contracts.

Sincerely,

Bonnie Burns, Consultant

California Health Advocates