

Long-Term Care Insurance: A Case Study In Insurance Market Failure

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NAIC Senior Issues Task Forces LTC Public Hearing.
National Harbor, Maryland
November 28, 2012

Why is LTCi such a Challenge?

- Assistance with ADL's
- Monitoring & Support
- Care vs. Cure
- Physical and/or Cognitive
- Greater than 90 days

Why is LTCi so Important?

- Chronic health conditions
- Premature health changes
- The normal aging process
- Accidents

LTC vs. LTSS

- Ultimately, LTC is a matter of spending the last years of one's life with dignity, rather than a matter of pure medical care.
- “Medicalizing” LTC offers several benefits:
 - It makes it more likely that LTC services will be covered by insurance.
 - It increases the likelihood that the people providing LTC will be licensed.
 - It makes it more likely that quality will be regulated and professional standards will be strengthened.

LTC Insurance Market Limited

- Note that LTC insurance does exist; only about 10% of potential market have opt to purchase it.
- Several factors contribute to this situation:
 - People who purchase LTC insurance have to wait many years to obtain benefits.
 - Many people die without entering a nursing home, and thus would rather pass their money on to their heirs than pay LTC premiums.
 - People know that if they are unable to pay for LTC, they will have Medicaid to fall back on.
 - Generally misinformed and in denial

Partnership Model Overview

- **Originally operational in four states; creates access to affordable, high-quality long-term care insurance. If benefits are exhausted, Medicaid covers ongoing care.**
- **The Deficit Reduction Act of 2005 allows more states to develop Partnership programs.**
- **RWJF supported state adoption of the Partnership.**

Asset Protection Incentive - \$dollar-for-dollar\$

<i>Assets</i>	<i>Insurance</i>	<i>Spend-down</i>	<i>Protection</i>
\$100k	\$100k	none	\$100k
\$200k	\$150k	\$50k	\$150k
\$500k	\$300k	\$200k	\$300k

OBRA 1993

- **Initial language grandfathered but forbid replication.**
- **Amended language incorporated in estate recovery provisions.**
- **Language required:**
 - **Estate recovery for partnership participants**
 - **Required definition of “Estate”**

Deficit Reduction Act of 2005

- Signed by President, February 8, 2006
- Important provisions for long term care
- Promote LTC insurance market growth through both “carrot” and “stick” approach
- **Stick** = tougher to qualify for Medicaid
- **Carrot** = educate and motivate personal responsibility

Partnership Meets SOA

National Conversation Goals

- Affordable
- Incentizing
- Choice/Benefit Flexibility
- Efficient
- Meets Consumers Needs
- Comprehensive (universality)
- Sustainable