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

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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 opted 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 - $dollar-for-dollar$

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<tr>
<th>Assets</th>
<th>Insurance</th>
<th>Spend-down Protection</th>
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<tr>
<td>$500k</td>
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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