February 19, 2024

Commissioner Scott Kipper, Chair

Senior Issues Task Force

Commissioner Peni Teo, Vice-Chair

Senior Issues Task Force

Dear Commissioners Kipper and Teo:

We, the undersigned consumer representatives, are writing to urge the Senior Issues Task Force (1) to explore proposals to create state programs to finance long-term care, and monitor and (2) regulate the current marketing and sales of insurance products to circumvent participation in state programs that do not yet exist.

As you know, the number of aged Americans is increasing at a rapid rate. By 2032 every baby boomer in the U.S. will have reached the age of 65. Seniors will be a significant percentage of each state’s population. In California, for instance, almost one in four Californian’s are predicted to be 60 years of age or older by 2030. But in just two short years from now, baby boomers will begin to reach their 80s, a decade of life when the need for long-term care often begins. The future demand for long-term care services in our state and others is likely to a have profound impact on state budgets and state Medicaid programs.

States have become the laboratories for experimenting with financing options to pay for this increase in the need for care and services in the absence of any response from the federal government. States have begun to plan for this impending demand in various ways. Some states have enacted a “Master Plan for Aging” to better utilize and coordinate state long-term care services and systems, and coordinate payment sources with state resources.

Washington State is the first state in the nation to enact a state long-term care program financed by an employment tax. However other states are considering similar legislation. California Task Force on long-term care has completed a feasibility report and an actuarial report for a state program for long-term care and submitted both to the Governor and the state legislature for their consideration. New York recently reintroduced an earlier bill for a state long-term care program similar to Washington State’s program, and several other states have introduced legislation in the last few years also based on the Washington model.

The insurance industry has taken note of these actions and used the possibility of a state enacted program to convince consumers to buy a product that will supposedly qualify as an opt out for a *potential* state program, or one that is enacted in the future. The fact that no state program exists outside of Washington has not stood in the way of their marketing attempts. So serious was this in California that Commissioner Lara issued an alert to inform agents and brokers of the consequences of such false and misleading marketing and sales.

As states experiment with ways to finance long-term care, insurance products will be or will become part of those efforts. Insurance products can be designed to compete with a state’s program, become a supplement to those state benefits, be marketed and sold to encourage opting out of a state program, or be designed to deliver benefits upon the exhaustion of a state program’s benefits. One way or another, insurance products will evolve in response to state efforts to finance the cost of long-term care. The NAIC Senior Issues Task Force 2024 charges include the following under sub F: *….”including the study and evaluation of evolving LTCI product design, rating, suitability, and other related factors*.”

As states move forward with these programs, regulators will need to monitor the states’ efforts to ensure that consumers are not duped into buying unsuitable products, and that state regulatory standards keep pace with the development of potentially questionable methods and products to finance long-term care.

We strongly encourage the SITF to organize a series of meetings so states can learn from each other as they grapple with the complexities of financing long-term care in their state. These meetings could serve as invaluable platforms for states to learn from each other's experiences, successes, and challenges as they consider various methods of financing long-term care in their state.

As we head into these uncharted waters we are happy to answer any questions the task force might have.

Sincerely,

Bonnie Burns

Anna Schwamlein Howard

Brenda Cude

Deborah Darcy

Dick Weber

Erica L. Eversman

Harry Ting

Kara Nett Hickley

|  |  |
| --- | --- |
|  |  |

Lucy Culp

Silvia Yee