

Adopted by the Long-Term Care Insurance Reduced Benefit Options (EX) Subgroup, 11/30/20

REDUCED BENEFIT OPTIONS ASSOCIATED WITH LONG-TERM CARE INSURANCE (LTCI) RATE INCREASES

Principles and Issues (including those with particular need for stakeholder input)

AUTHORITY

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 members 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)

1. Related to fairness and equity for policyholders who elect an RBO:

- If some policyholders facing a rate increase are being offered an RBO but not others, an adequate explanation is needed.
- Each RBO should provide reasonable value relative to the default option of accepting the rate increase and maintaining the current benefit level.

2. Related to fairness and equity for policyholders who choose to accept rate increases and continue LTCI coverage at their current benefit level:

- The extent of potential anti-selection should be analyzed, with consideration of the impact on the financial stability of the remaining block of business and the resulting effect on the remaining policyholders.

3. Related to clarity of communication with policyholders eligible for an RBO:

- Policyholders should be provided with maximum opportunity and adequate information to make decisions in their best interest.
- Companies should present RBOs in clear and simple language, format and content, with clear instructions on how to proceed and whom to contact for assistance.

4. Related to consideration of encouragement or requirement for a company to offer certain RBOs:

- Regulators should evaluate legal constraints, the impact on remaining policyholders and company finances, and the impact on Medicaid budgets if encouraging or requiring reduced LTCI benefits.

5. Related to exploration of innovation, particularly where an outcome of improved health and lower claim costs are possible:

- Regulators and interested parties should continue to study the idea of rate increases being tied into an insurer's offering; e.g., providing hand railings for fall prevention in high-risk homes, and identifying the pros and cons of such an approach.

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. Copay percentage on benefits.