

**Opening Remarks by Minnesota Commerce Commissioner Mike Rothman  
Hearing on Long-Term Care Insurance  
August 27, 2015  
Saint Paul, MN**

Good morning everyone. I would like to gavel this hearing to order.

First, on behalf of the Minnesota Department of Commerce, I would like to welcome and thank everyone for joining us today, particularly our panelists.

We are holding today's public hearing on long-term care insurance.

We originally conceived of this as a hearing primarily for Minnesota. Our goal has been to gather the facts from all perspectives on the state of long-term care insurance, including pricing challenges and policyholder protections. It was conceived simply as a forum to talk about some of the struggles, pitfalls and opportunities in long-term care insurance.

Yet, in talking with many of my fellow state insurance regulators, they expressed a strong interest in this hearing as well.

It's no surprise:

The affordability and reliability of long-term care insurance are concerns that are not limited to Minnesota, but are significant challenges for all of us nationwide. Moreover, there is some interest in at least talking about what the future of long-term care insurance might look like.

So, it seemed not only appropriate, but also beneficial, to open this hearing to broader participation.

We are honored to be joined today by a number of my fellow commissioners, directors and superintendents and their staff from our Midwest Zone of the National Association of Insurance Commissioners. I also want to welcome our colleague from the Northeast, Judi Watters, from the Maine Bureau of Insurance.

We welcome you to Minnesota. And again, thank you for participating in today's hearing. Your presence here highlights the importance of this topic.

We also have a number of my colleague regulators joining us from around the country who are watching today's hearing via live webcast.

**WHY THIS HEARING ON LONG-TERM CARE INSURANCE?**

Now, as you know, we are all faced with the same challenges.

An estimated 12 million Americans currently need long-term care – defined as institutional or home-based assistance with activities of daily living.

In the coming decades, the aging of the Baby Boom generation will lead to even greater need for long-term care.

According to the Census Bureau, the population 65 and over is projected to grow by more than 50 percent by 2030.

The U.S. Department of Health and Human Services estimates that 70 percent of all Americans who reach age 65 will require some form of long-term care at some point in their lives.

The costs of long-term care can be scary and daunting for most. Currently, the median annual cost for nursing home care exceeds \$91,000. The median annual cost for a home care aide is nearly \$46,000.

Most seniors, spouses and families can't bear these high costs for even a short time. As a result, most long-term care is provided by unpaid caregivers – by family, friends or neighbors.

Medicaid is by far the largest single source of funding for paid long-term care. Another funding source is people's personal savings – although these can be quickly depleted.

That's why insurance for long-term care has become an important topic of discussion in the funding mix.

Since the late 1980s, long-term care insurance has been marketed to Minnesotans as a way to plan ahead for the potential future costs of long-term care.

For many consumers and their families, this insurance product has played a vital role in their ability to pay for care. But for many others, it has been a real source of distress – or sometimes worse.

Many consumers have been confronted by large – and repeated – increases in their premiums. Especially for those who are retired and living on fixed incomes, these unexpected premium increases have posed agonizing dilemmas of having to pay more, give up their insurance policy or accept reduced benefits.

And then there is the separate problem of consumers who have faithfully paid their premiums for years only to find themselves tangled in red-tape claims denials or delays with little explanation. Unfortunately, this comes right when they are most vulnerable and least able to advocate for themselves.

On the other side, insurers sought to provide insurance to help people address long-term care needs. But they discovered the hard way that many key assumptions they made in designing policies and setting initial rates were seriously flawed.

The nature of the costs and risks associated with long-term care has made the business of the insurers very problematic to say the least. The pricing of the original products has not gone well. Many insurers stopped offering long-term care policies, and some have consolidated. Now, we are asking to look ahead at the challenges and opportunities to see if we can address the needs of tomorrow.

As regulators, in the midst of this turmoil, we need to keep a number of things in mind:

First, and foremost, we need to stay focused on our regulatory responsibilities on rates, financials and consumer protections.

Second, we need to make sure that insurers remain focused on appropriate solutions in their products, pricing and consumer protections.

And finally, we all need to ask ourselves what is the future of long-term care insurance, what are the innovations and solutions to help fund our seniors' long-term care needs.

In short, that is why we have convened this hearing.

I know that today's hearing has not been the first, nor will it be the last one. But it is at least one important opportunity that we have for an open discussion and dialogue.

## **TODAY'S HEARING AGENDA**

Today, we have a very full agenda with a diverse roster of witnesses who will offer their perspectives on long-term care insurance.

We will be hearing from advocates and trade groups ... from consumers and their family members ... from actuarial experts ... and from top insurance industry leaders. I sincerely thank each of you for joining us and taking the time to offer your views.

Again, our focus today is on gathering facts and listening to the various perspectives so that we can be as well informed as possible as we fulfill our regulatory responsibilities regarding long-term care insurance.

Specifically, I am asking our witnesses to address any or all of the following questions:

- What are the key factors driving long-term care insurers' significant premium increases?
- What are the key issues related to consumer protection and claims practices?

- What has changed in long-term care insurance since the original products were sold?
- What is the current state of the older long-term care insurance blocks of business?
- What are the innovations in new long-term care insurance products?
- What are the key steps to prevent or mitigate the impacts of long-term care insurance premium increases?
- What are the key steps to improve long-term care insurance consumer protections and claims practices?
- What is the future of long-term care insurance as an option in funding long-term care?

In short, we want to hear about the problems – but we also want to hear about the solutions.

During our panels, we will hear from each witness in turn. As a reminder for every witness, please remember to first identify yourself before giving your statement. Due to the large number of witnesses, I also would ask that each witness keep their comments on point with an eye on our limited time.

Now, I'd like to start with our first panel – composed of representatives from consumer organizations.