



An Analysis of the Value of Private Long-Term Care Insurance

Presented to Minnesota Department of Commerce

Public Hearing

Presented by:

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August 27, 2015



Purpose of Presentation

- Provide updated information and analysis on issues related to evaluating the impacts of LTCI
 - ✓ Impact on care received by disabled elders living in the community or in institutional settings
 - ✓ Impact on consumer choice, level and type of caregiver involvement, and out-of-pocket costs of care
- Illustrates whether and how private LTCI provides value to policyholders
 - ✓ Current state of the market in terms of policy value, policies sold, claim reserves
 - ✓ Understand the relationship between premiums and benefits
 - ✓ Understand how the insurance affects the use of and expenditures on public programs like Medicaid



Method

- Analyzed data from recent claimant and Buyer/ Non-Buyer Studies.
 - ✓ Data Sources and sponsorship:
 - U.S. Department of Health and Human Services
 - America's Health Insurance Plans
 - SCAN Foundation
 - NAIC
- Reviewed national data on service use and payer source to assess impacts of insurance on these parameters (NHATs)
- Synthesized aggregate national expenditure data so as to estimate impacts of growth in insurance on Medicaid
- Reviewed literature and findings on the impacts of LTCI ownership and family caregiving



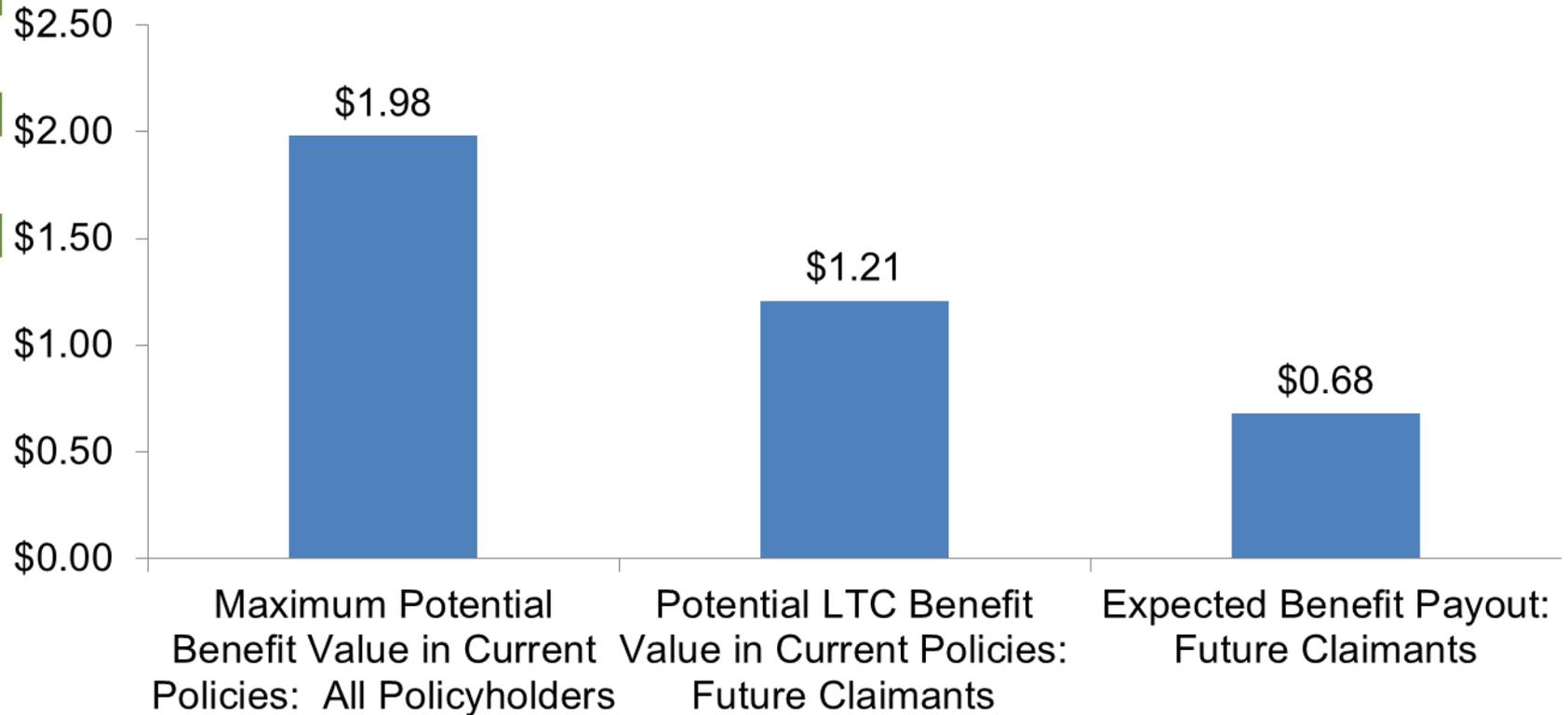
Current Industry Parameters (2012)

Parameters	Values
Policies In-force	7.4 million
Earned Premiums	\$11.2 billion
New Claim Reserves	\$7.7 billion
Cumulative claims paid 1992-2012	\$75.6 billion
Number filing new claims	72,000
Number of In-force Claimants	262,000
Average Claim Reserve	\$106,000

Private sector financing of LTC is growing at a rate more quickly than are other sources of financing.

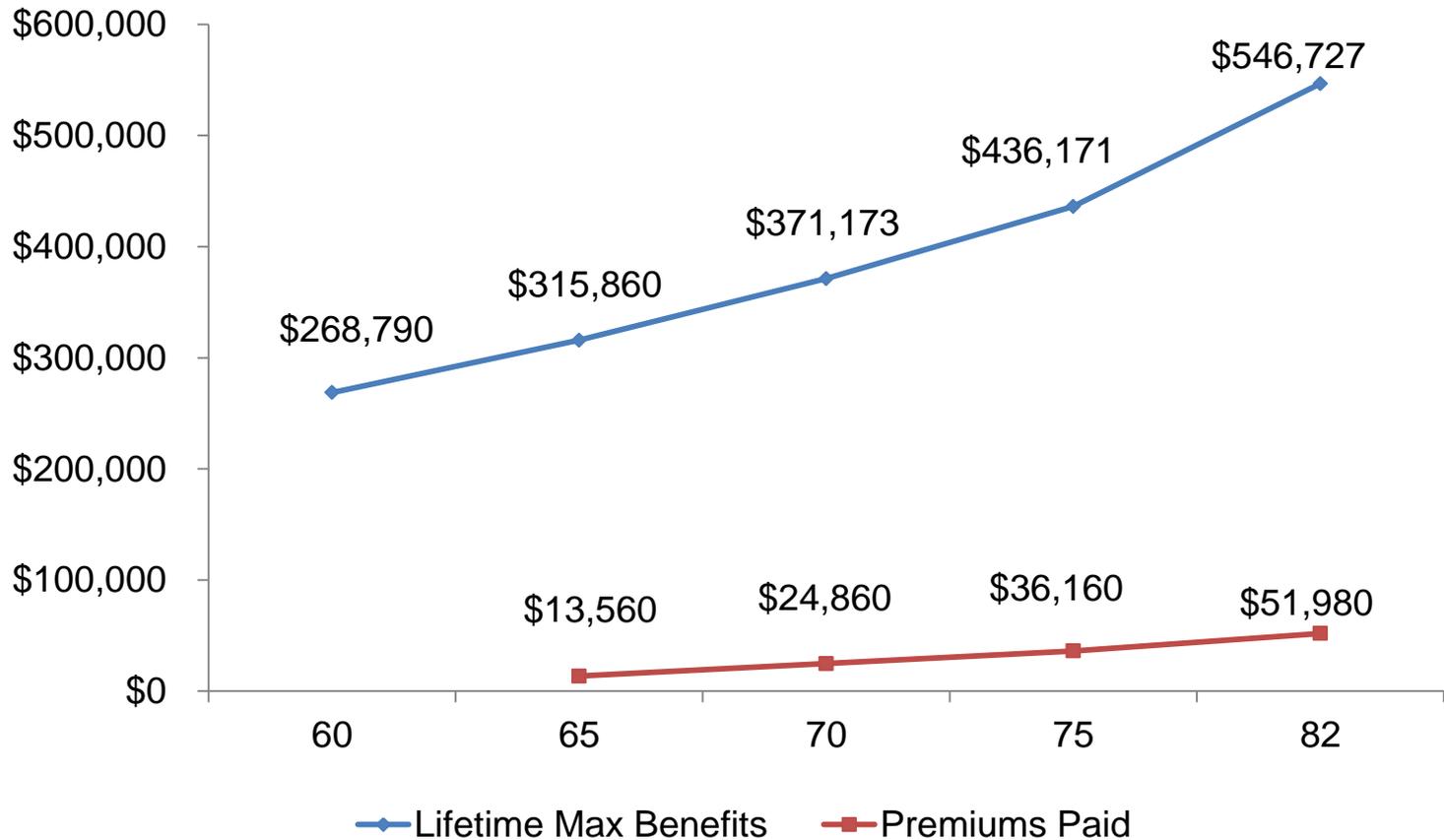
SOURCE: NAIC LTC Insurance Experience Reports for 2012, 2014

The potential value in LTCI contracts is significant



Note: Based on analysis of policy design information and policyholder purchasing patterns between 1990-2010

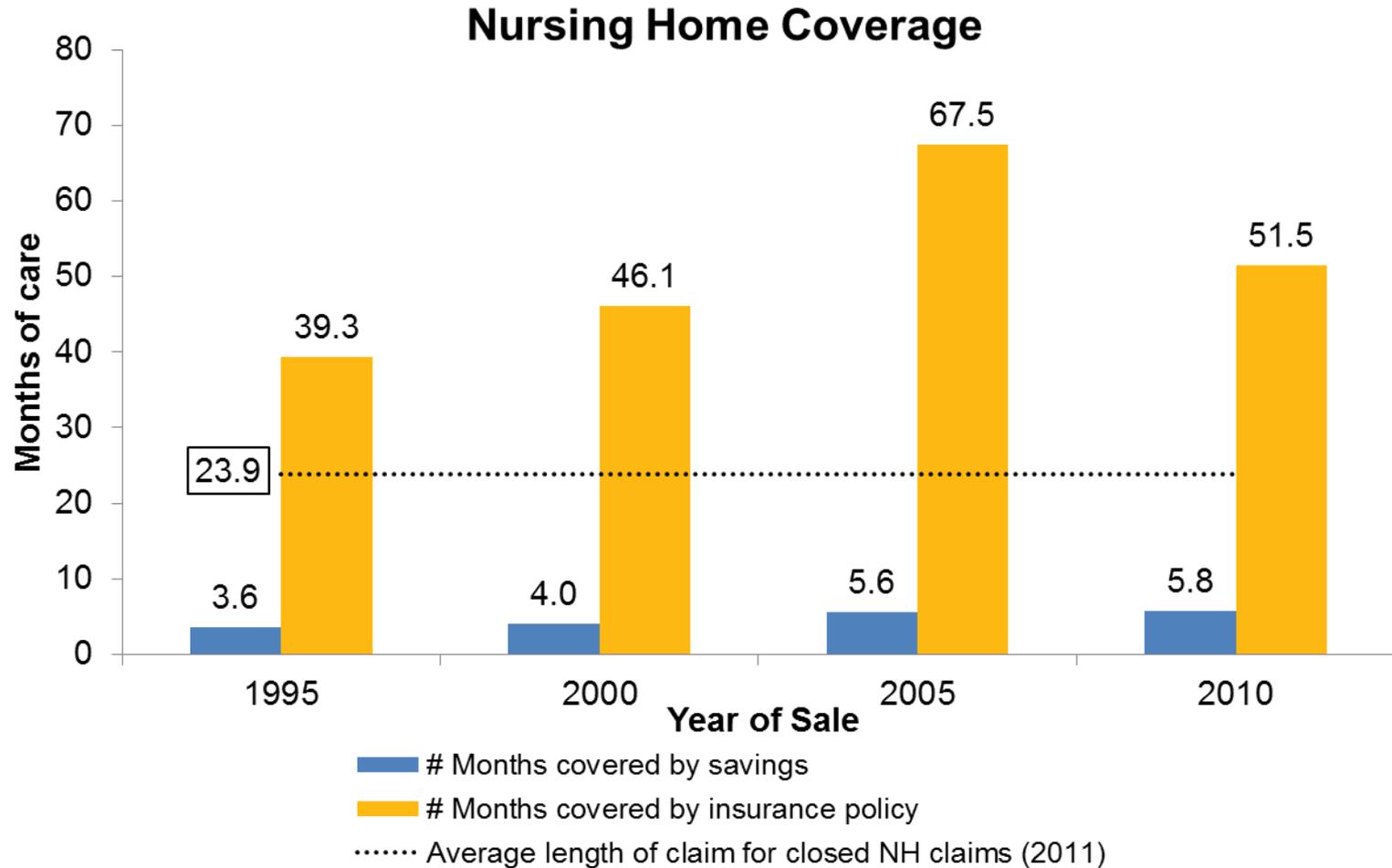
LTC insurance policies provide high value to claimants relative to premiums paid



Note: Benefit value increases over time because most policies have inflation protection.

Source: LifePlans analysis of data from *Who Buys Long-Term Care Insurance in 2010-2011? A Twenty-Year Study of Buyers and Non-Buyers (In the Individual Market, 2012)* (AHIP), 2012.

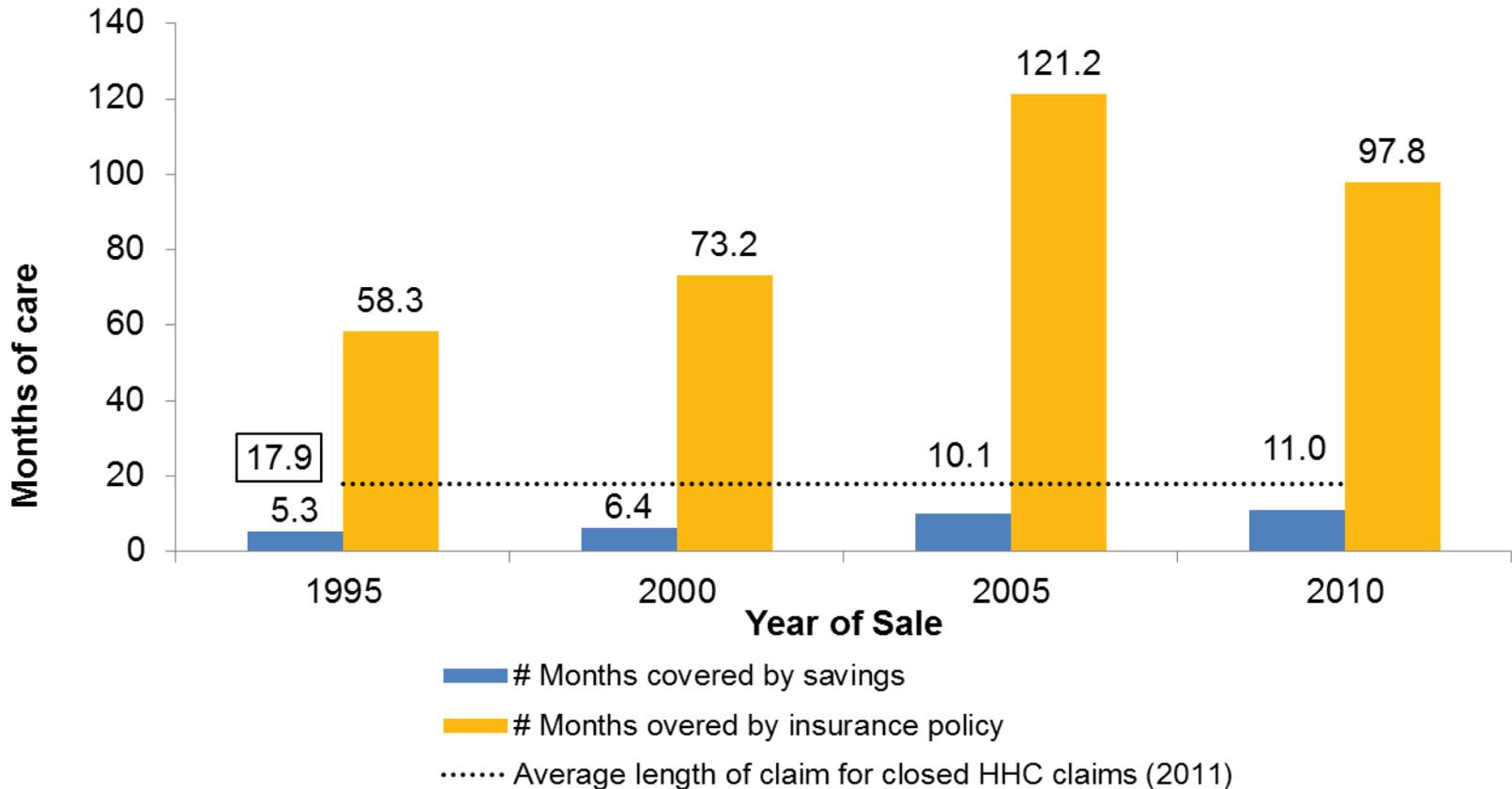
Financing LTC costs through insurance is more cost efficient than using personal savings



Note: Average length of nursing home claim (closed claims, 2011) from LifePlans, Inc. analysis of LTC insurance industry claimant data, 2011, newly weighted by market share; Savings is equal to the amount of premium that would have been allocated to insurance.

Financing LTC costs through insurance is more cost efficient than using personal savings

Home Health Care Coverage



Note: Average length of home health claim (closed claims, 2011) from LifePlans, Inc. analysis of LTC insurance industry claimant data, 2011, newly weighted by market share. Savings is equal to the amount of premium that would have been allocated to insurance.



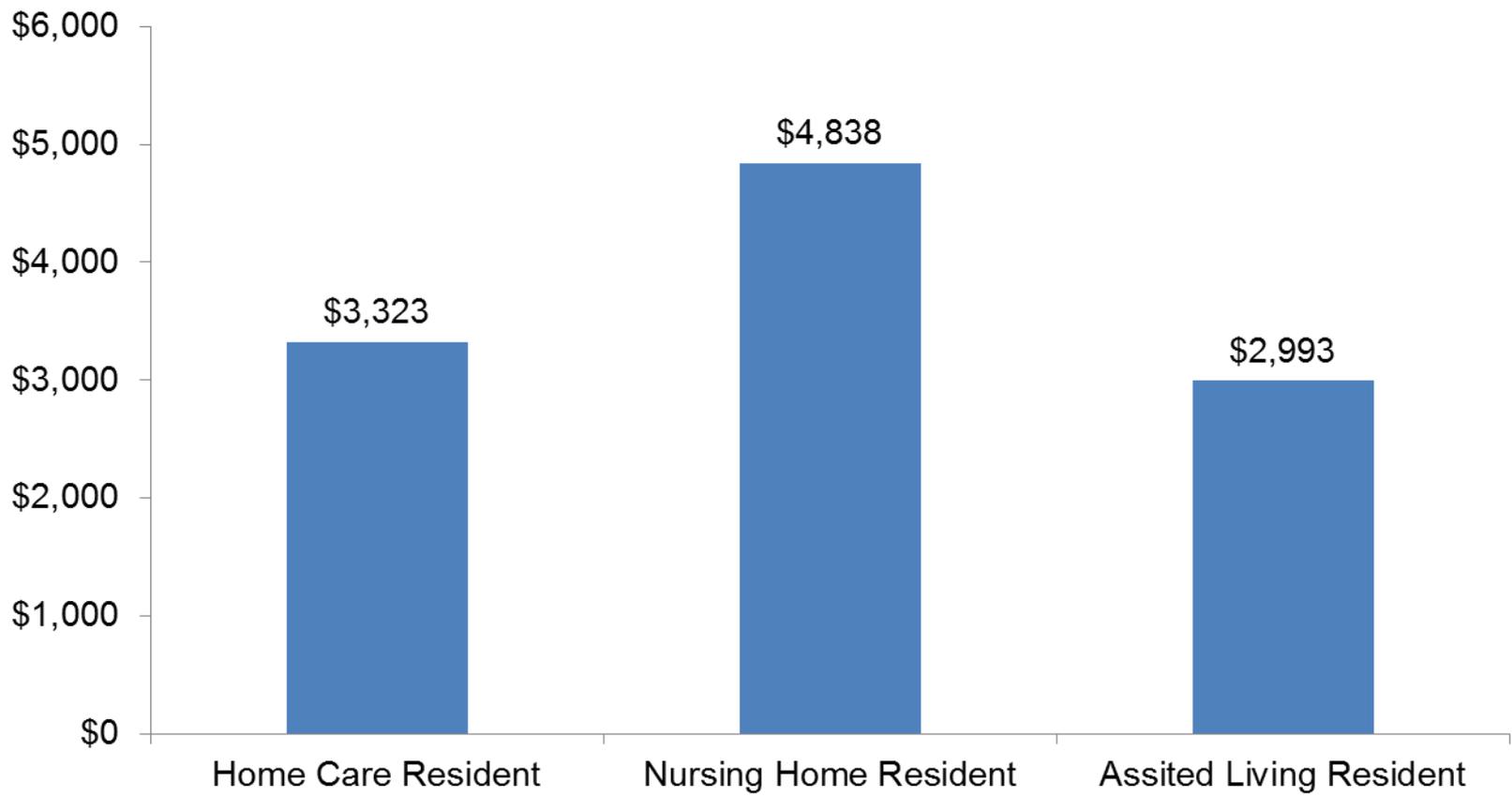
Claims-Related Benefits



Most LTC claimants are well served by companies when it comes to claims payments

- By 2012 \$78 billion in incurred claims and annual incurred claims approaching \$8 billion.
- Data suggests that roughly 95% of all submitted claims are paid.
- Of people receiving claims payments, 94% had no disagreement with the insurer and 3% had a disagreement that was resolved satisfactorily.
- 90% of claimants felt their policy provided flexibility in service choice.
- Half of claimants felt that in the absence of their policy, they would have to seek institutional care or would not be able to afford service levels.
- Most people (77%) do not find it difficult to file a claim.

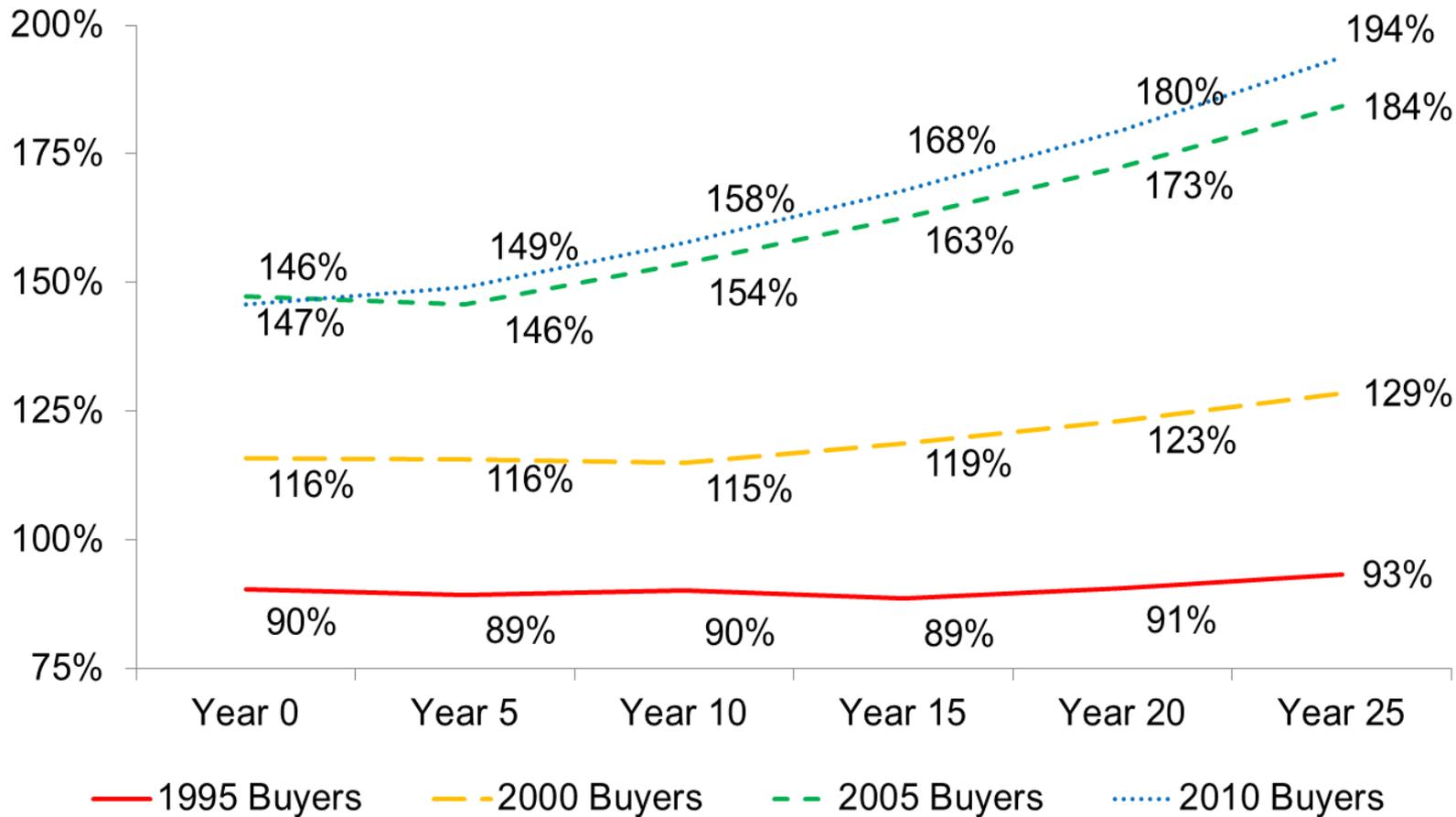
Monthly Out-of-Pocket Expenditures Saved by LTC Insurance Claimants (2014 dollars)



Source: Department of Health and Human Services (DHHS), *Decisions, Choices, and Care Management among an Admissions Cohort of Privately Insured Disabled Elders*, 2006; and MetLife Mature Market Institute, *Market Survey of Long-Term Care Costs*, 2012.

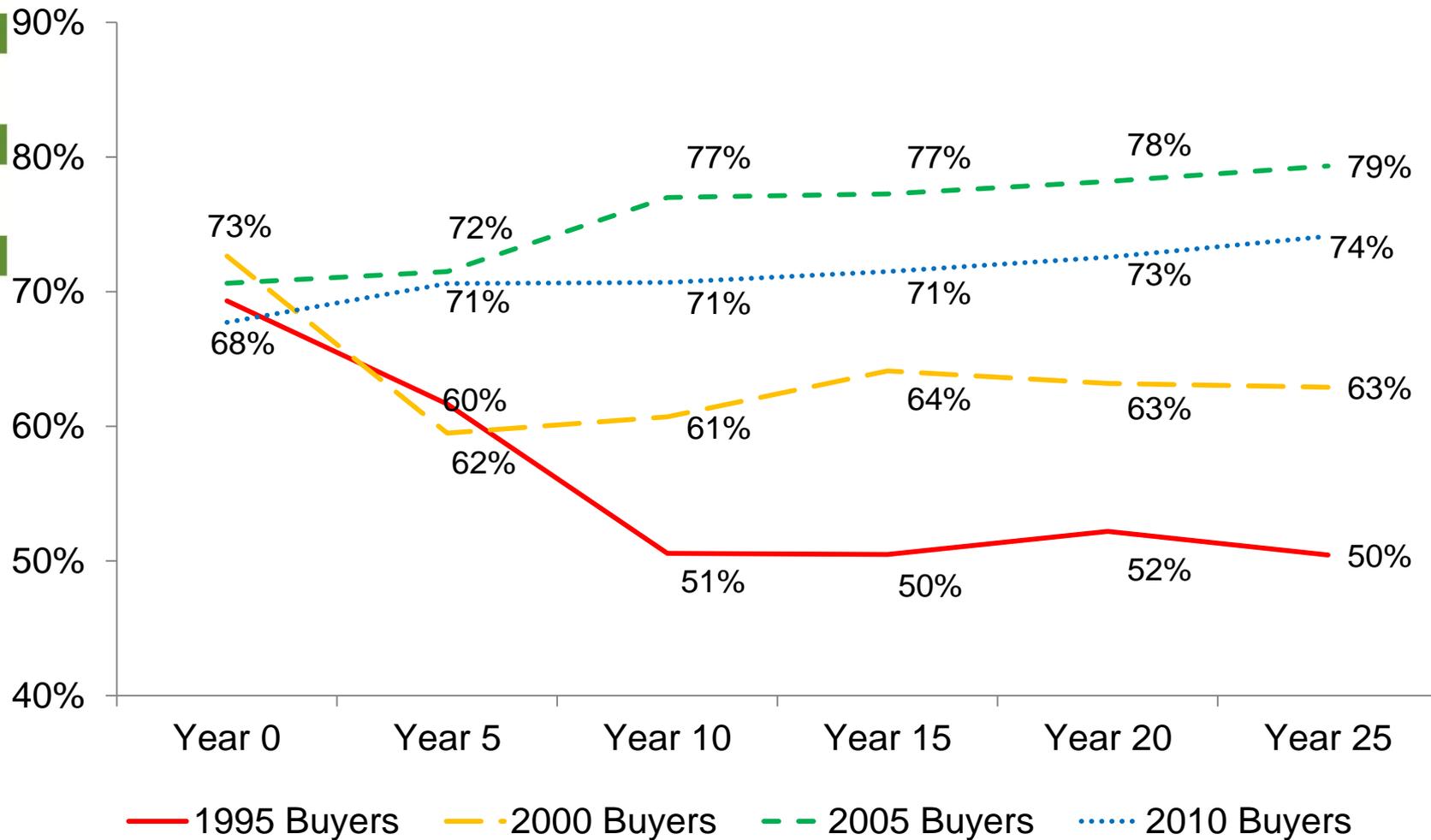
Note: Data were adjusted to 2014 costs with assumptions of 1%, 3.5%, and 4% increases in the costs of home care, nursing home, and assisted living care (respectively).

Percentage of Daily Home Care Cost Covered by LTC Insurance



Note: LifePlans analysis. It is assumed that an individual uses roughly five hours of care a day, and the projected increase in costs is 1.85%, based on historical cost of care data. Inflation protection features in policies are accounted for.

Percentage of Daily Costs likely to be covered by LTCI by purchase year: Nursing Home Care

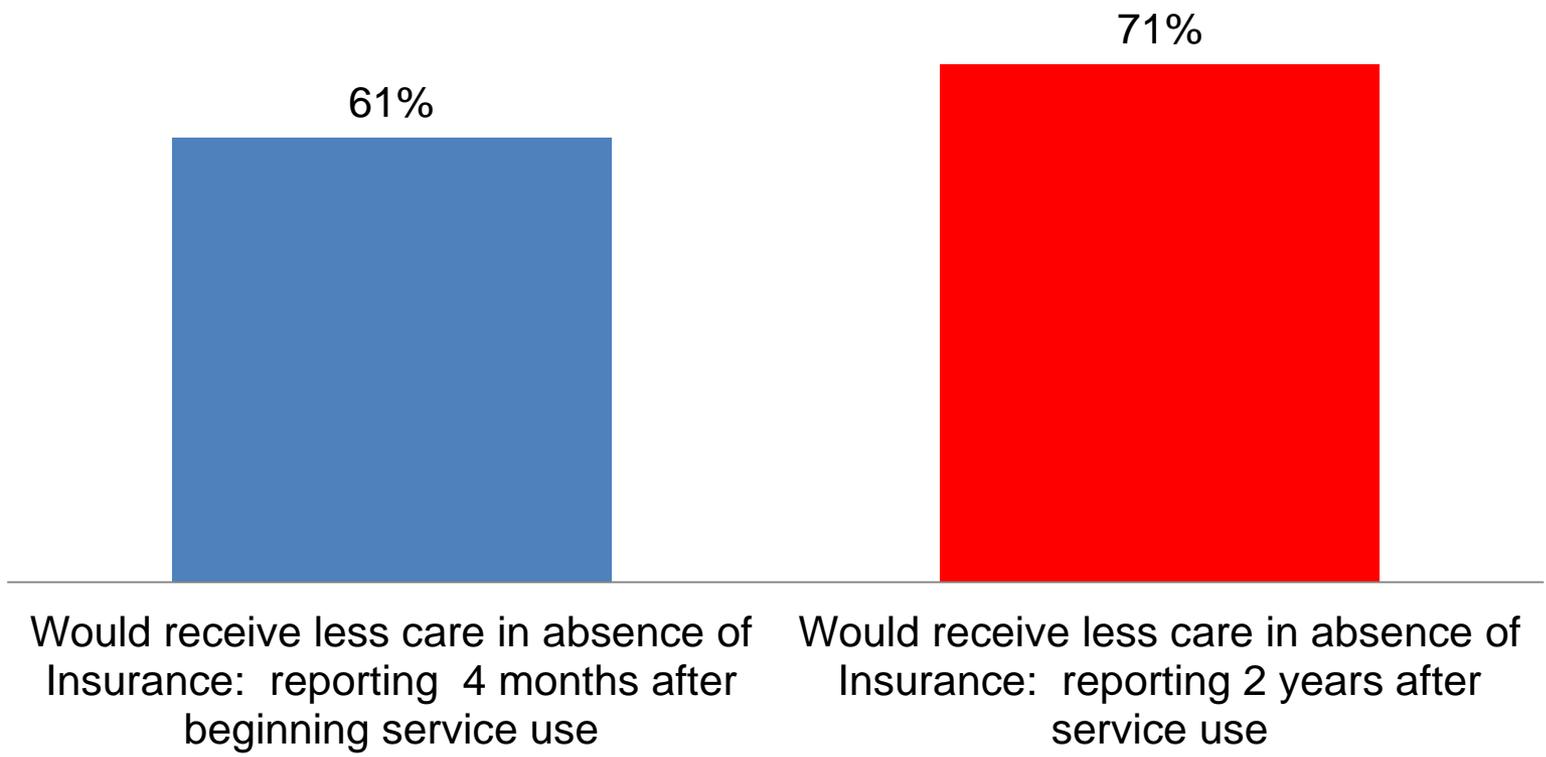


Note: LifePlans analysis. A projected increase in costs of 3.8%, based on historical cost of care data, was assumed.

Perceived Relationship between Amount of Care and Insurance

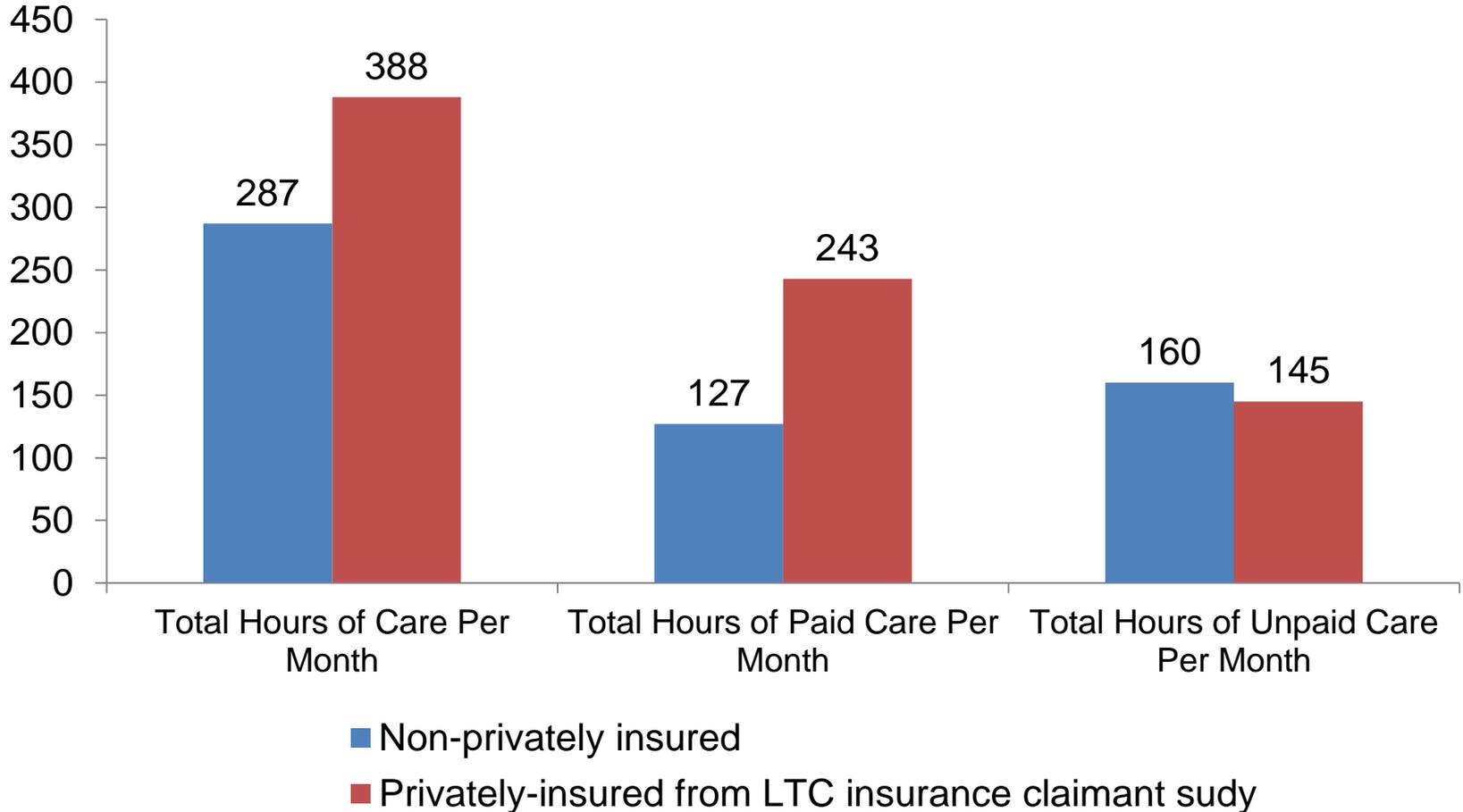


100%
75%
50%
25%
0%



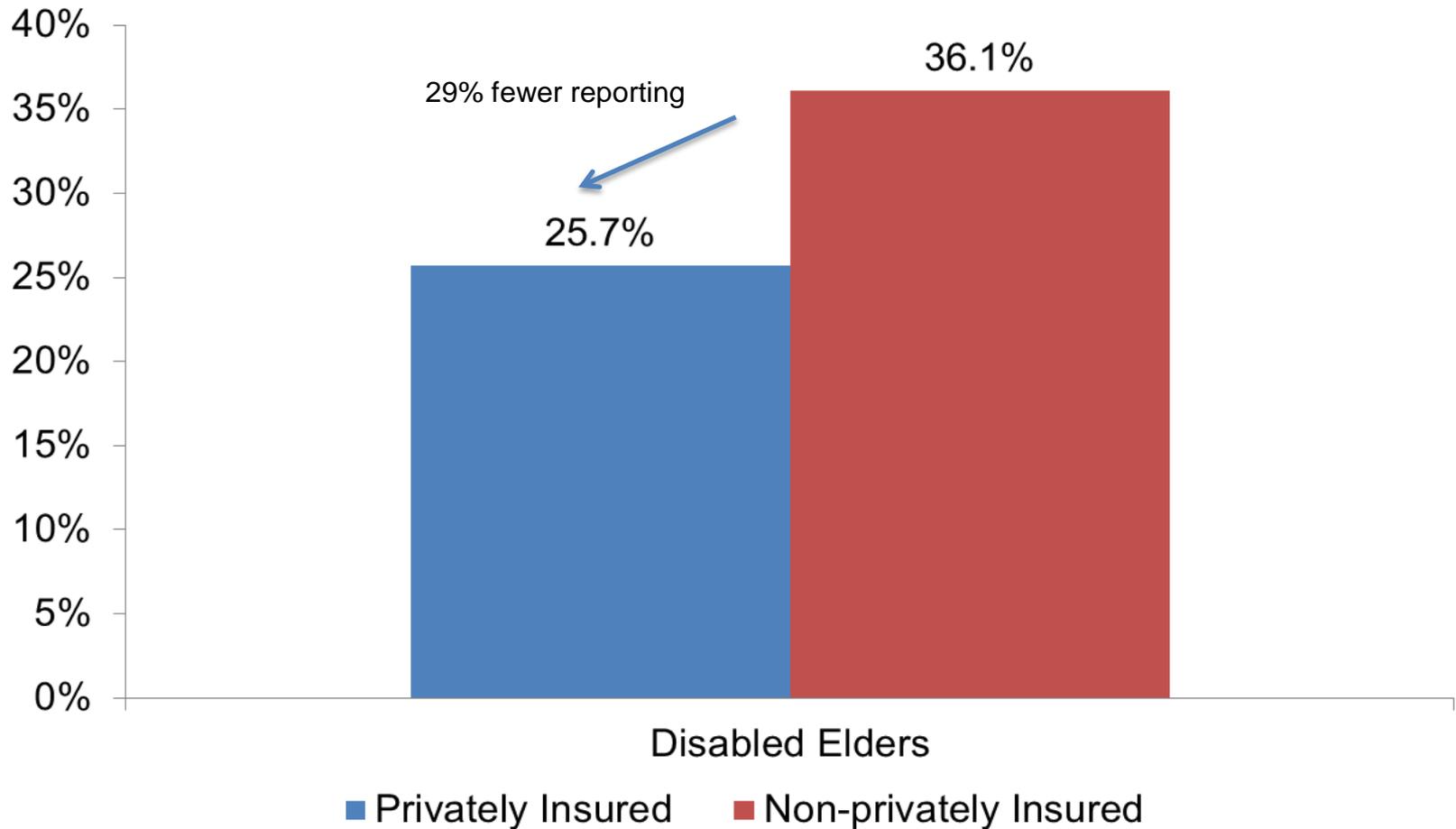
Source: U.S. Department of Health and Human Services (DHHS), *Following an Admissions Cohort: Care Management, Claim Experience, and Transitions among an Admissions Cohort of Privately Insured Disabled Elders over a Twenty-Eight Month Period, Final Report, 2008.*

Monthly Hours of Care for Home Care Claimants by Insurance Status



Sources: U.S. Department of Health and Human Services (DHHS), *Service Use and Transitions: Decisions, Choices, and Care Management among an Admissions Cohort of Privately Insured Disabled Elders*, 2006; and National Institute on Aging, *National Health and Aging Trends Study (NHATS)*, 2011.

Levels of Unmet/Under-met Need by Insurance Status

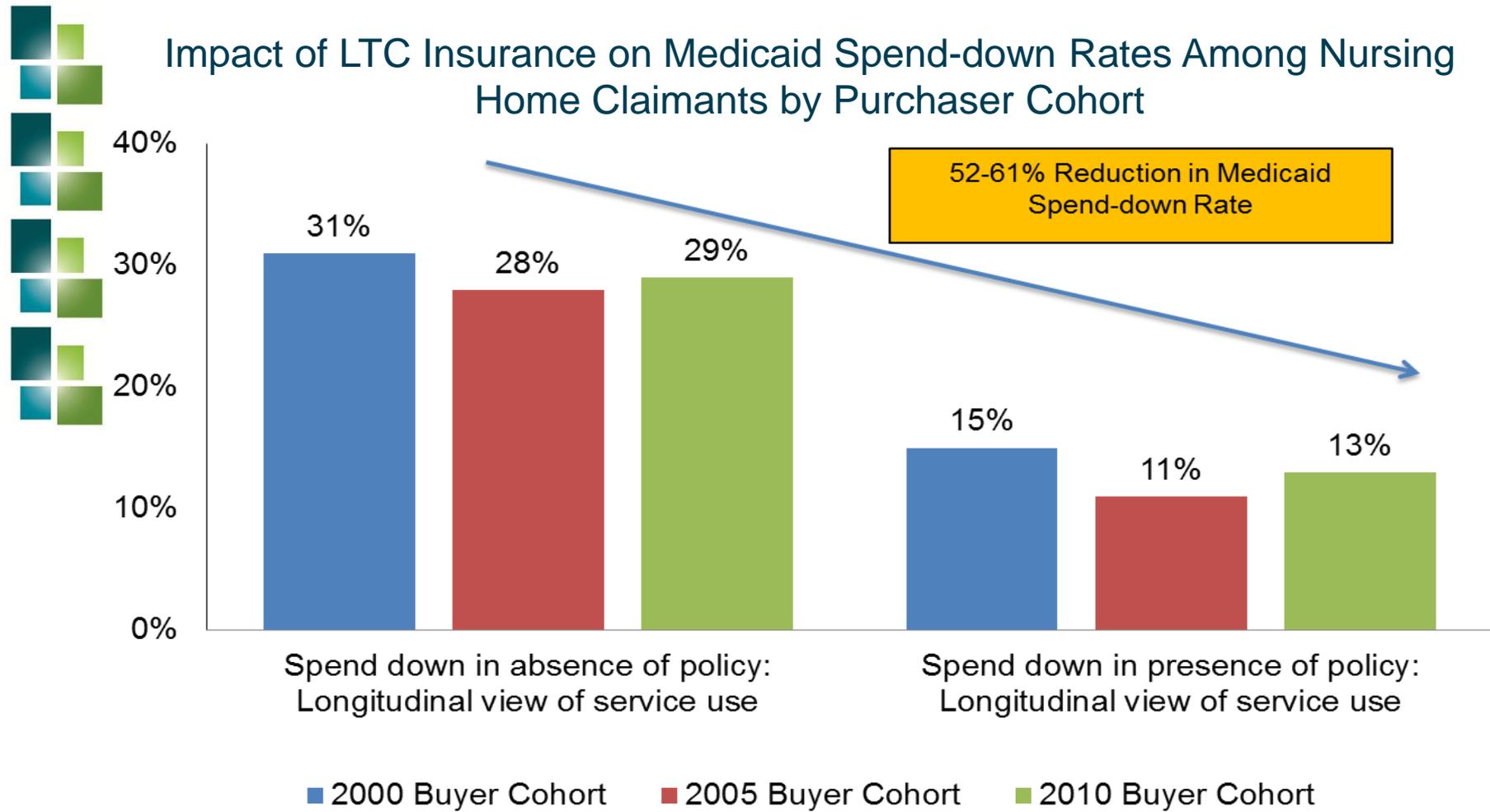


Source: National Institute on Aging (NHATS), 2011.



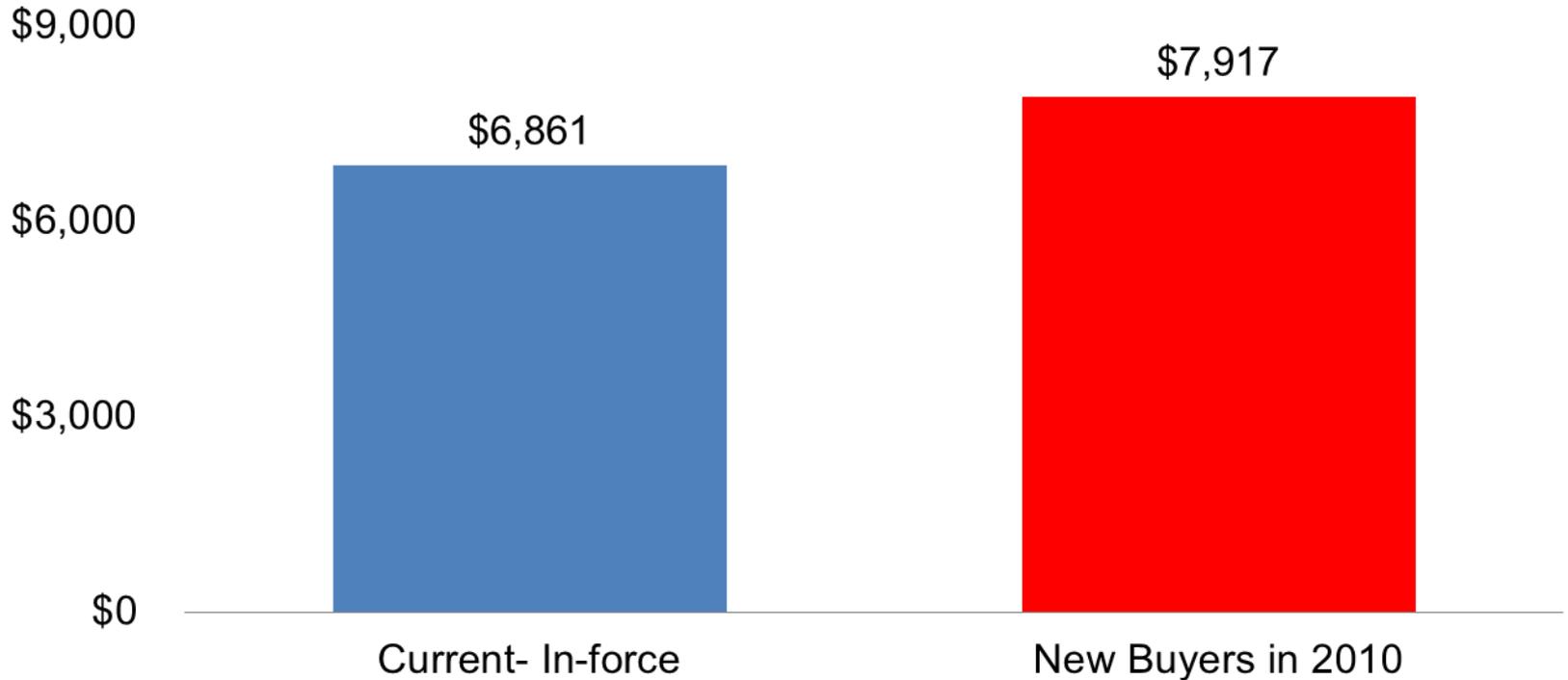
LTC Insurance and Medicaid

Impact of LTC Insurance on Medicaid Spend-down Rates Among Nursing Home Claimants by Purchaser Cohort



Note: LifePlans analysis, based on longitudinal claimant data. Key assumptions used: 2014 Medicaid resources allowances for community spouses are at each state's maximum; income is increased at 3% per year to age 65 and at 2% per year from 65 to 82; assets are increased at 5% a year to age 65 and remain constant after age 65; daily assisted living costs increase at 4.6% per year, and home care costs increase by 1.85% a year; the 2014 Medicaid eligibility income and asset limits remain the same for single buyers, and increase by 1% per year for married couples; the average length of stay in assisted living is 2.3 years and in home care 1.98 years. About 30% of claimants will use a nursing home.

Projected Lifetime Medicaid Nursing Home Savings per In-Force Policyholder and per New Buyer in 2010



Note: LifePlans analysis. Key assumptions used: 2014 Medicaid resources allowances for community spouses are at each state's maximum; income is increased at 3% per year to age 65 and at 2% per year from 65 to 82; assets are increased at 5% a year to age 65 and remain constant after age 65; nursing home costs increase by 3.5% per year starting from a base of \$234 in 2014; the 2014 Medicaid eligibility income and asset limits remain the same for single buyers and increase by 1% per year for married couples; the average length of stay in the nursing home is 1.98 years; nursing home care is accessed at an average age of 82.



Relationship between LTCI and Caregiving

- Research previously reported showed that individuals caring for elders with private LTC insurance are nearly twice as likely to be able to work as those whose elders do not have the insurance
- A working caregiver of someone with LTC insurance is less likely to experience severe social stress than a caregiver of a non-insured person.
- Care management assistance provided by companies reduces caregiver stress and such services are highly valued by claimants and by extension, their families.
- Family caregiving hours declines by about 10 percent in the presence of insurance. Thus, the time spent on hands-on caregiving, along with its associated challenges and burdens, declines in the presence of insurance.
- Taken together, these findings suggest that the presence of LTC insurance can improve the caregiving experience.



Conclusions

- There is great current and future value in private LTC insurance policies.
- For the vast majority of claimants, the insurance is providing meaningful protection and insurers are servicing claims in line with consumer expectations
- The benefits of private LTC insurance also affect caregivers in a positive manner
- A robust private insurance market will help support the growth and development of a high quality service infrastructure to meet growing demands.