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AMERICAN ACADEMY *of* ACTUARIES

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April 27, 2012

Sen. Jake Corman (PA)  
Chairperson, Health, Long-Term Care and Health Retirement Committee  
c/o Candace Thorson  
National Conference of Insurance Legislators  
385 Jordan Road  
Troy, NY 12180

Re: Request for Comments on LTC Reform Options

Dear Sen. Corman:

On behalf of the American Academy of Actuaries'<sup>1</sup> Federal Long-Term Care (LTC) Task Force, I offer these comments in response to the National Conference of Insurance Legislators' (NCOIL) request for information on strategies to reduce costs related to LTC coverage. The task force that developed this response includes actuaries with a broad spectrum of expertise in LTC financing and Medicaid—actuaries who understand and can explain the advantages and disadvantages of various approaches to LTC, including providing an analysis of the Community Living Assistance Services and Supports (CLASS) Act.<sup>2</sup>

We welcome the opportunity to work with NCOIL on its goal to reduce LTC costs while maintaining benefits. Generally, any LTC financing system should be evaluated using several key criteria: the financial soundness and sustainability of the system, the affordability of the coverage, eligibility, and the appropriateness of the incentives created.

The Academy task force has identified a number of approaches that address both LTC costs and effectiveness. We also provide a few examples of more specific reform options that could be considered. It will be important, however, to evaluate any option to determine potential effects of any reform on private LTC insurance, Medicaid, and consumers and highlight any tradeoffs based on the criteria above.

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<sup>1</sup> The American Academy of Actuaries is a 17,000 member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualifications, practice, and professionalism standards for actuaries in the United States.

<sup>2</sup> American Academy of Actuaries and Society of Actuaries joint letter to the Senate Health, Education, Labor, and Pensions Committee, providing an analysis of the proposed CLASS Act (July 2009): [http://www.actuary.org/pdf/health/class\\_july09.pdf](http://www.actuary.org/pdf/health/class_july09.pdf)

Several general approaches to reducing consumer and/or state Medicaid program costs related to LTC and/or LTC insurance, while maintaining appropriate benefits, include:

- *Enabling state Medicaid LTC programs to provide effective care for the indigent population for which they were originally intended.* This may include tightening financial eligibility rules and encouraging home health care options for those eligible for Medicaid LTC services.
- *Promoting alternative approaches to address LTC risks.* Examples of alternative approaches could include encouraging limited benefit plans and combination insurance plans as well as exploring state-based public insurance demonstration programs.
- *Encouraging Partnership programs.* Options that could be considered include ensuring that eligibility rules are consistent between Medicaid and any programs that enable combination products to become partnership-eligible, and allowing home health care benefits.
- *Supporting the development of private LTC insurance.* Options that could be offered to ensure more people have affordable options and have access to LTC coverage include allowing shorter benefit periods, longer elimination periods, last-survivor benefits, and the purchase of LTC insurance with pre-tax funds, as well as modifying requirements for inflation protection.

As stated, these are just a few areas that could be explored to address the costs and availability of coverage for LTC, and it is important to note that many of these approaches are not mutually exclusive.

For additional information, we recommend that you consider the research in the following papers, which provide a range of perspectives that may help states in their quest to effectively reform/revise relevant LTC laws and regulations:

- A 2011 article by Eric Stallard in the *North American Actuarial Journal*, “Estimates of the Incidence, Prevalence, Duration, Intensity, and Cost Of Chronic Disability Among The U.S. Elderly,”<sup>3</sup> that identifies total lifetime LTC costs and details the differences in the cost of care between the home health and nursing home care settings.
- A 2011 working paper, “Why Don’t Retirees Insure Against Long-Term Care Expenses? Evidence from Survey Responses,” in which Jeffrey Brown, Gopi Shah

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<sup>3</sup> <http://www.soa.org/library/journals/north-american-actuarial-journal/2011/no-1/naaj-2011-vol15-no1.aspx>

Goda, and Kathleen McGarry highlight a number of factors that make individuals more or less likely to purchase LTC insurance.

- A 2011 *Journal of Public Economics* paper, “The Impact of State Tax Subsidies for Private Long-Term Care Insurance on Coverage and Medicaid Expenditures,”<sup>4</sup> in which Gopi Shah Goda demonstrates that state tax subsidies support the federal budget more than state governments.

We look forward to working with you on these important issues.

To initiate a more robust dialogue, however, we request the opportunity for a member of our task force to appear before the NCOIL Health, Long-Term Care and Health Retirement Committee, at NCOIL’s 2012 Summer Meeting to provide a more detailed examination of these and other options to help address the current challenges facing states with respect to LTC financing. We have enjoyed presenting information related to LTC issues, specifically on the CLASS Act, to the same committee at the past two summer NCOIL meetings and look forward to participating again.

If you have any questions, please contact Heather Jerbi, the Academy’s senior health policy analyst at 202.785.7869 or [Jerbi@actuary.org](mailto:Jerbi@actuary.org).

Sincerely,

P. J. Eric Stallard, MAAA, ASA, FCA  
Chairperson, Federal Long-Term Care Task Force  
American Academy of Actuaries

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<sup>4</sup> <http://www.sciencedirect.com/science/article/pii/S0047272710001611>