

Long-Term Care Reform Options

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Health, Long-Term Care & Health Retirement Issues Committee
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Qualities and/or Criteria of a Financing System

Identifying criteria or goals for understanding the trade-offs that may be necessary, include:

- Financial soundness/sustainability;
- Affordability;
- Coverage (eligibility);
- Efficient use of system funds;
- Comprehensiveness (benefits);
- Choice.



April 27, 2012 Academy Letter

Approaches to reduce consumer and state Medicaid program costs:

- Enabling state Medicaid LTC programs to provide effective care for the indigent population for which they were originally intended;
- Promoting alternative approaches to address LTC risks;
- Truly encouraging partnership programs;
- Supporting the development of private LTC.



Disability Estimates

Age-Specific Residual Life Expectancy by Age, Disability Group, and Sex

Age	Non-Disabled	Mild or moderate disability	More severely disabled	Total Life Expectancy
MALES				
65	12.34	1.50	1.50	15.33
75	6.77	1.37	1.61	9.76
85	2.89	1.04	1.75	5.68
95	.81	.61	1.91	3.34
FEMALES				
65	13.65	2.97	2.83	19.44
75	6.99	2.55	2.96	12.50
85	2.47	1.74	3.03	7.24
95	.52	.78	2.54	3.84

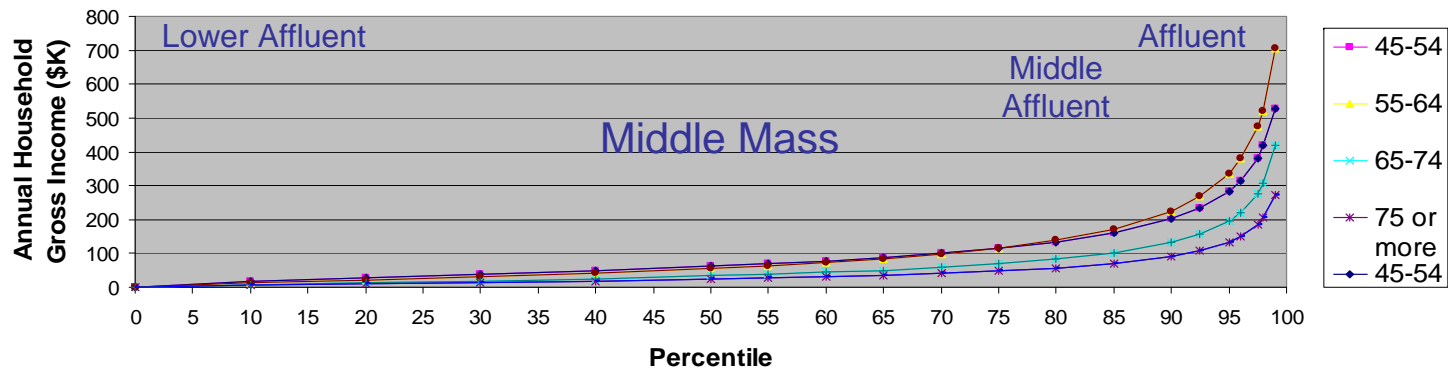
Stallard, Eric “Estimates of the Incidence, Prevalence, Duration, Intensity, and Cost of Chronic Disability Among The U.S. Elderly”, *North American Actuarial Journal*, Vol. 15, No. 1



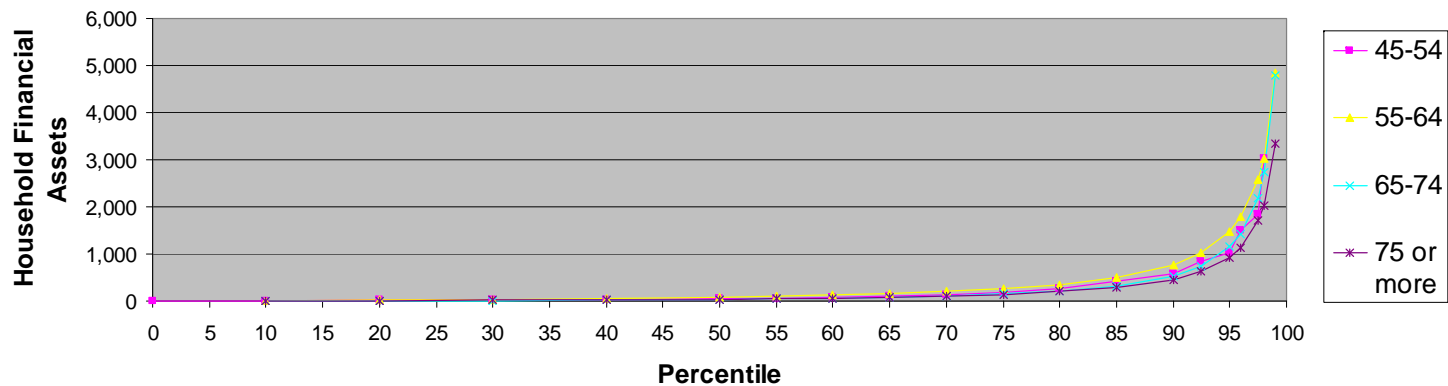
Population Segment Profiles

based on the 2007 Survey of Consumer Finances

Household Annual Gross Income (\$K) - Percentiles by Age Band



Household Financial Assets (\$K) - Percentiles by Age Band



Wealth of Middle-Income Households Age 55 to 64

Analysis based on 2004 Survey of Consumer Finances

Household Type	Number of Households	Median Income	Est. Median Net Worth	Non-Financial Assets	Financial Assets	Non-Financial Assets %
Middle Mass Households (25% to 75% of households by net worth)						
Married	5.2 million	\$75,000	\$348,000	\$240,000	\$108,000	69%
Single Female	2.5 million	\$28,000	\$111,000	\$75,000	\$36,000	68%
Single Male	1.4 million	\$41,000	\$125,000	\$89,000	\$36,000	71%
Mass Affluent Households (75% to 85% of households by net worth)						
Married	1.0 million	\$132,000	\$1,300,000	\$884,000	\$416,000	68%
Single Female	.5 million	\$58,000	\$415,000	\$299,000	\$116,000	72%
Single Male	.3 million	\$79,000	\$465,000	\$349,000	\$116,000	75%

Note: Financial assets exclude the value of defined benefit pensions and Social Security.

Source: Society of Actuaries – Segmenting the Middle Market: Retirement Risks and Solutions, 2009.



Overview of Society of Actuaries Research

Committee on Post-Retirement Needs and Risks

- A Comprehensive Look at Managing Post-Retirement Risks
- **Underlying puzzle**
 - People say they prefer life income
 - People choose lump sums when they can
 - More people say they will purchase long-term care insurance than do
- **Underlying challenges**
 - Financial and math literacy
 - Misperceptions
 - Short planning horizon
 - Denial – it is not going to happen to me



Refining LTC Insurance

1. Allow for shorter benefit periods and longer elimination periods.
2. Remove or lower the mandatory offer of inflation protection.
3. Allow for longer waiting periods in which no benefits are payable.
4. Allow for flexible premiums.
5. Allow for purchase of coverage with pre-tax dollars and in cafeteria plans.
6. Expand the sales force.
7. Encourage combo products with additional base plans.



Academy Activities

- Federal Long-Term Care Task Force
- Revision of the Long-Term Care Rate Stability Practice Note
- LTC Credibility Monograph Work Group
- A National Conversation on Long-Term Care Financing

For more information about the Academy's LTC activities go to: <http://actuary.org/category/site-section/public-policy/health/health-long-term-care>



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