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Long-Term Care Insurance

OCTOBER 2015

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LONG-TERM CARE INSURANCE

Portability

The Commission on Long-Term Care was established[1] to study various aspects of the delivery and financing of long-term care services and supports. In September 2013, the Commission released its report to Congress.[2] Regarding financing these services through private insurance, the report provided a number of observations, including a concern about the portability of long-term care insurance (LTCI). As part of a new series on long-term care issues, the American Academy of Actuaries' Long-Term Care Reform Subcommittee developed this issue brief to offer a more complete examination of portability in LTCI.

EXCERPTS FROM THE REPORT

The report includes the following recommendation on this topic:

> "Allow LTCI policy portability: allow policy portability through such mechanisms as multi-state compacts, possibly developed in consultation with the National Association of Insurance Commissioners."

> "Currently, long-term care insurance products often suffer from a lack of portability. For instance an individual who purchases an LTC insurance policy while living and working in New York and subsequently moves to Florida upon retirement may find difficulty accessing benefits after moving to a new state. This lack of portability discourages take-up of private LTC policies, increasing the burden on public programs in the process."

1 Section 643 of the American Taxpayer Relief Act of 2012 (P.L. 112-240): https://beta.congress.gov/112/plaws/publ240/PLAW-112publ240.pdf

2 Commission on Long-Term Care Report to the Congress (Sept. 30, 2013): http://www.gpo.gov/fdsys/pkg/GPO-LTCCOMMISSION/pdf/GPO-LTCCOMMISSION.pdf

SUMMARY OF PORTABILITY

All LTCI policies in force today as well as those currently being issued, whether individual or group, are guaranteed renewable for life as long as required premiums are paid. As such, coverage will continue and benefits will be available for care in the United States. Some contracts also provide coverage outside the United States, with some contracts providing full coverage and others providing more limited benefits in foreign countries. Consequently, the second quote above as it pertains to the United States is not entirely accurate. Given the complex nature of long-term care, factors such as establishing an individual's eligibility for services, ensuring an individual has satisfied the benefit requirements, recognizing network coverage changes, and identifying the appropriate care needed may create an impression that LTCI is not portable. This brief will explore some of these issues to provide more clarity.

FACTORS RELATED TO PORTABILITY

Technical nature of the coverage may be misunderstood. LTCI coverage can appear complicated and technical, which creates the perception that benefits are not portable. It is not unusual for insured individuals and their families to have difficulties discerning the types of care that are covered by their particular contract and the types of medical and health issues that qualify them for coverage. As such, interpretation of coverage requirements can lead to a perception that there is a lack of portability, especially if the care providers being used have very different terminology than those outlined in the insurance contract, claim forms, or other insurance company communications. Lack of portability also may appear to be the case when a contract is written in one state in which the requirements are described in language familiar to that state insurance department and aligns with the facility licensing of that state only. Confusion also can occur with some older contracts that describe facilities in different terms or do not specifically describe the types of facilities that exist today, some of which were not contemplated when a policy was drafted. None of these situations, however, preclude benefits from being payable in another state if the policyholder/beneficiary requires comparable care. Ensuring that the needed and desired care is consistent with the policy coverage may require technical review and analysis by the insurer.

Insurance companies typically provide care coordinators that are available to help covered persons and their families navigate these challenges. Specifically, LTC insurers provide assistance to policyholders during the claim initiation process. Customers are encouraged to contact a claims service center at the onset of a disability to have the requirements of their policies explained in detail and to obtain information on covered providers in the local area in which the claimant resides or plans to receive care. Obtaining this information up front helps to avoid the potential for non-covered services to be used. Claimants and their families typically will receive assistance with coordinating updates to plans of care; reassessing needs over time, which may necessitate a change in care provider; and identifying such appropriate informal and formal sources of long-term care services and supports. However, geographic

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locations of care in the United States are not significant barriers to receiving qualifying benefits.

Coverage networks. Similar to preferred provider networks for medical care, insureds within coverage networks would have access to reduced costs or greater benefits when using network providers. If LTCI products develop within a network that had a limited geographic area, there could be an issue with using full policy benefits in other geographic locations. However, as of the publication of this document, network-related LTCI products have not seen significant distribution.

State Partnership programs. Regarding benefits provided under a state Partnership LTCI program, the conditions for Medicaid eligibility for Partnership policyholders in the originating state may not be honored in another state. When policyholders receive benefits under their Partnership policy, they receive a credit of all or a portion of those amounts to reduce the amount of assets that need to be spent down in order to qualify for Medicaid coverage in the originating Partnership state. However, if policyholders change their state of residence, the new state may not recognize the reduced amount. As such, policyholders may be required to spend down more in order to qualify for Medicaid coverage in that state. While facilitation of the portability of Medicaid eligibility may need to be addressed, the issue of disparate spend-down requirements should not impact an insured's ability to use the benefits of their LTCI policy among states.

CONCLUSION

Long-term care insurance is portable. Related factors can contribute to notions of perceived non-portability, including the technical nature of the contract; different terminology used between providers and insurers, as well as among different states; coverage networks; and the structure of state Partnership programs. However, as long as policyholders' premiums are paid, coverage must continue and benefits will be available in the United States.