

Long-Term Care Insurance: Public Policy Update

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The Academy, through its public policy work, seeks to address pressing issues that require or would benefit from the application of sound actuarial principles. The Academy provides unbiased actuarial expertise and advice to public policy decision makers and stakeholders at the state, federal, and international levels in all areas of actuarial practice.



Long-Term Care in the News

- Early data point to nursing homes and other long-term care (LTC) facilities exhibiting especially high levels of COVID-19 infection rates and case mortality rates.
- President Biden on March 31 proposed The American Jobs Plan, including \$400 billion for LTC, with focus on shift to home and community-based services.



Academy Work on LTC Issues

The Academy has a long track record of engaging federal policymakers and the National Association of Insurance Commissioners (NAIC), providing an actuarial perspective on LTC insurance (LTCI).



Academy Long-Term Care/Disability Committee

The committee monitors legislation and regulatory activities and is charged with developing background papers intended to inform and educate policymakers on issues related to long-term care.



Academy LTC Reform Subcommittee

This subcommittee addresses actuarial issues affecting long-term care plans. It monitors and comments on developments in this area and works with policymakers to assist in developing public policies in connection with long-term care insurance policies.



Federal Interagency Task Force

Members of the LTC Reform Subcommittee submitted comments following their discussion with the Federal Interagency Task Force on Long-Term Care Insurance in 2019. These comments reiterate and expand on their original discussion including addressing regulatory hurdles to innovation.



NAIC Presentations

AMERICAN ACADEMY OF ACTUARIES' LONG-TERM CARE (LTC) VALUATION WORK GROUP

Warren Jones, MAAA, FSA, FCA
Chairperson, LTC Valuation Work Group

Bob Yee, MAAA, FSA
Lapse Subgroup Leader

Bruce Stahl, MAAA, ASA
Mortality Subgroup Leader



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Presentation to NAIC LTC Actuarial Working Group - August 4, 2020





Congressional Testimony

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Laurel Kastrup, then-chairperson of the Academy's Health Financial Reporting and Solvency Committee, testified November 2016 at a U.S. House Subcommittee on Government Operations hearing on the federal long-term care insurance program.



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Academy Issue Briefs



Academy Issue Briefs

- [Essential Criteria for Long-Term Care Financing Reform Proposals](#)
- [The 'Use It or Lose It' Concern](#)
- [Regulatory Options for LTC Innovation](#)
- [COVID-19 Impact on LTCI](#)



Reforming LTC Financing

Some recent attempts at reforming how long-term care is financed in the United States have failed because they did not adequately consider certain essential criteria.



Reforming LTC Financing

Academy issue brief sets forth Essential Criteria for Long-Term Care Financing Reform Proposals.



Reforming LTC Financing

Seven essential criteria:

1. Coverage (with reference to how many individuals are covered by the reform).
2. Comprehensiveness of benefits.
3. Quality of care.
4. Understandability and choice.



Reforming LTC Financing

Seven essential criteria:

5. Affordability.
6. Risk management and cost control.
7. Financial soundness and sustainability.



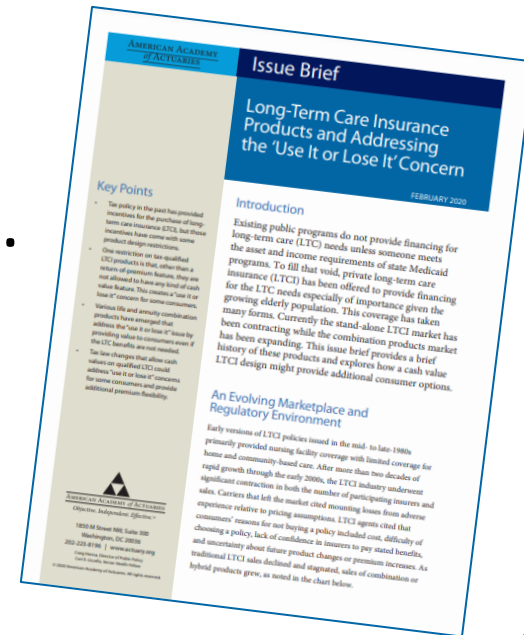
The ‘Use It or Lose It’ Concern

- One restriction on tax-qualified LTCI products is that, other than a return-of-premium feature, they are not allowed to have any kind of cash value feature. This creates a “use it or lose it” concern for some consumers.



The 'Use It or Lose It' Concern

Academy issue brief explores a proposal to enhance stand-alone LTC product designs.



The ‘Use It or Lose It’ Concern

NAIC recommendations to federal policymakers have suggested that LTCI with a cash value feature could address the consumer concern about not receiving any value from their LTCI if the LTC benefits are not needed.



Regulatory Options for LTC Innovation

In 2017, the NAIC's Long-Term Care (LTC) Innovations (B) Subgroup published a list of federal policy options to present to Congress that included possible changes to support the LTCI market in positive ways and strengthen the overall framework of financing of LTC.



Regulatory Options for LTC Innovation

Academy issue brief examines some of the NAIC's proposed options specific to regulatory changes and discusses recommended changes with actuarial implications.



Regulatory Options for LTC Innovation

- Remove the HIPAA* requirement to offer 5% compound inflation with LTCI policies and remove the requirement that DRA** Partnership policies include inflation protection and allow the states to determine the percentage of inflation protection.
- Allow products that combine LTC coverage with various insurance products (including products that “morph” into LTCI).

*Health Insurance Portability and Accountability Act

** Deficit Reduction Act



Regulatory Options for LTC Innovation

- Support innovation by improving alignment between federal law and NAIC models (HIPAA and DRA).
- Explore adding a home care benefit to Medicare or Medicare Supplement and/or Medicare Advantage plans.



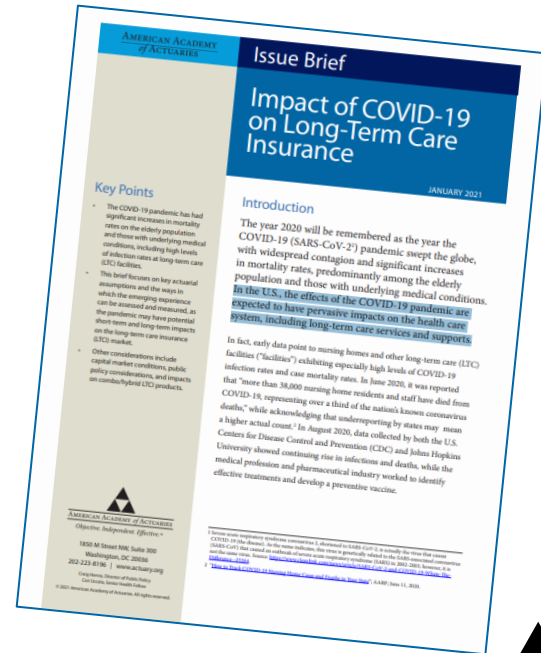
COVID-19 Impact on LTCI

In the U.S., the effects of the COVID-19 pandemic are expected to have pervasive impacts on the health care system, including LTC services and supports.



COVID-19 Impact on LTCI

Academy issue brief focuses on key actuarial assumptions and the ways in which the emerging experience can be assessed and measured.



COVID-19 Impact on LTCI

Key issues:

- Morbidity.
- Persistency.
- Capital market conditions.



COVID-19 Impact on LTCI

Key issues:

- Techniques for measuring pandemic-related experience, along with considerations related to data credibility and relevance.
- Public policy considerations.
- Impacts on combo/hybrid LTCI products.



Ongoing Academy Work



Academy LTC Projects in Progress

- Issue brief on LTC financing reform proposals that involve public programs
- Issue brief on actuarial equivalence
- LTC valuation report/mortality tables
 - Joint project with the SOA for the NAIC's Health Actuarial (B) Task Force's Long-Term Care Actuarial Working Group (LTCAWG)



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Thank You

Questions?

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