

Alternative Solutions

Who Buys LTC Insurance? ...Why? (or Why Not)? Latest Findings and Reflections on 25 Years of Analysis

Monday March 27, 2017

2:00 – 3:15 pm



17th Annual Intercompany Long Term Care Insurance Conference

Session Producer and Speakers



- Eileen J. Tell, ET Consulting
- Marc A. Cohen, Ph.D., Clinical Professor of Gerontology in the McCormack Graduate School of Policy and Global Studies at UMass Boston; Senior Advisor, LifePlans, Inc.
- Susan Coronel, America's Health Insurance Plans (AHIP)

AGENDA



1. Analysis of Buyers, Non-Buyers, and Individuals 50+ Over 25 Years
 - Socio-Demographic Characteristics
 - Attitudes Regarding LTC Risk and Financing
2. How and Why Policy Design Features People Purchase Have Evolved Over Time
3. Understanding Why Individuals Do and Do Not Purchase Policies
4. Factors That Would Make Individuals More Interested in Purchasing
5. Insights Into Current Issues Industry Faces
 - Premium Rate Increases
 - Combo Products

Method and Sample



Method	Sample Size
Mail and digital survey to buyers	1,326 buyers
Mail and digital survey to non-buyers	225 non-buyers
Phone survey of random sample of Americans age 50+	800 individuals
Analysis of recently sold individual LTCI policies	8,791 policies
Participating companies	Bankers Life and Casualty Genworth Financial John Hancock LTC Partners MedAmerica Mutual of Omaha New York Life

Socio-Demographic Characteristics of Buyers, Non-Buyers and 50+, 2015-2016



Socio-Demographic Characteristic	Buyers	Non-Buyers	General Population 50+
Average Age	60	61	64
Gender			
Male	46%	53%	46%
Female	54%	48%	54%
Marital Status			
Married	75%	73%	60%
Income			
Less than \$20K	1%	2%	18%
\$20K-\$34,999	7%	8%	16%
\$35K-\$49,999	10%	11%	13%
\$50K-\$74,999	21%	16%	17%
\$75k+	61%	63%	36%
Assets			
Less than \$20k	3%	8%	31%
\$20k-\$49,999	7%	7%	19%
\$50k-\$99,999	8%	9%	12%
\$100k+	82%	76%	43%
Education Level			
College graduate	68%	73%	28%
Someone in household employed	68%	71%	50%

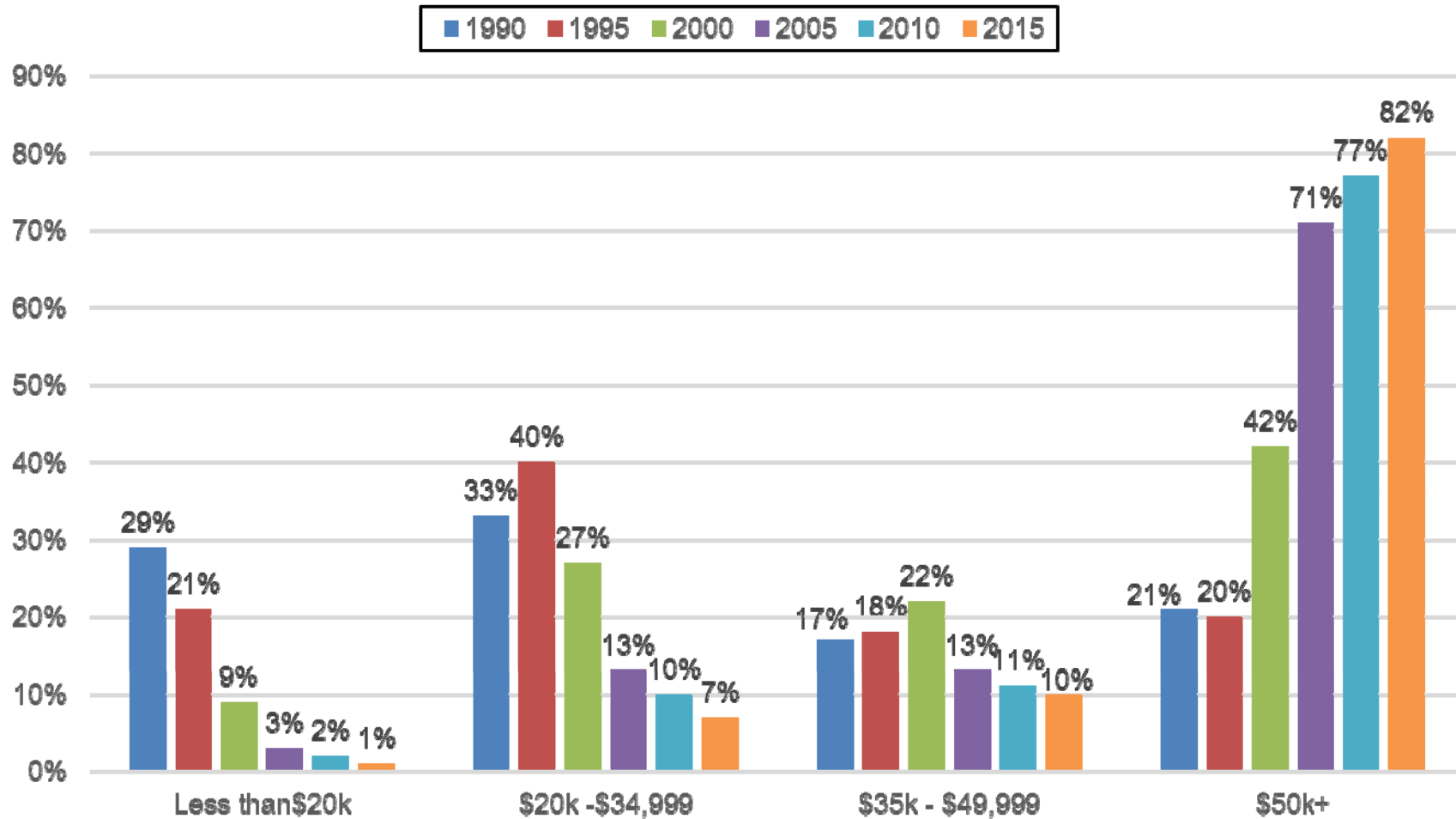
Socio-Demographic Characteristics of LTCI Buyers, by Purchase Year



Socio-Demographic Characteristics	1990	1995	2000	2005	2010	2015
Average Age	68	69	67	61	59	60
Gender						
Male	37%	39%	45%	43%	46%	46%
Female	64%	61%	55%	57%	54%	54%
% Married	68%	62%	70%	73%	69%	75%

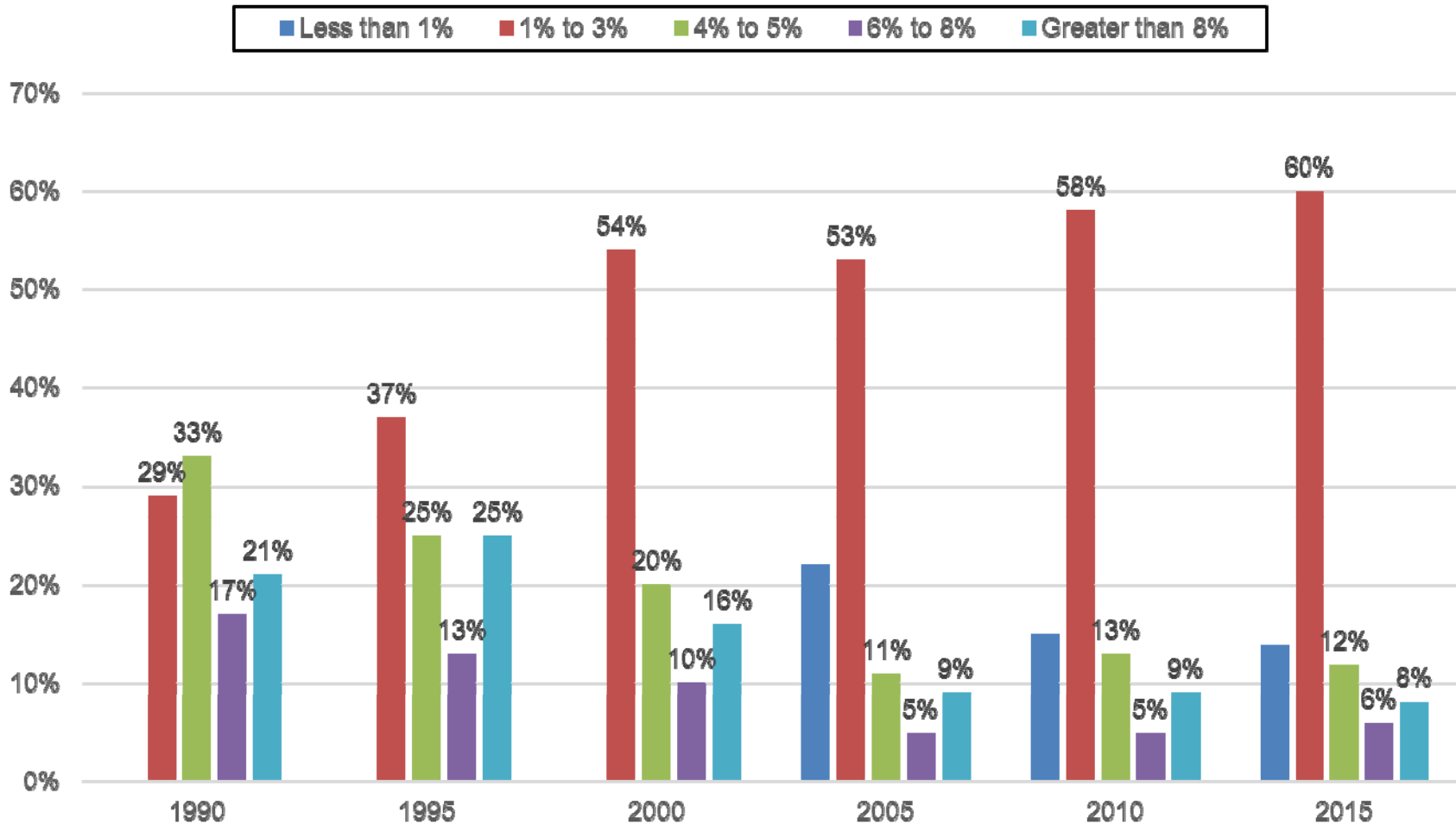
Source: LifePlans, Inc. analysis of AHIP buyer surveys.

Income of Buyers, by Purchase Year



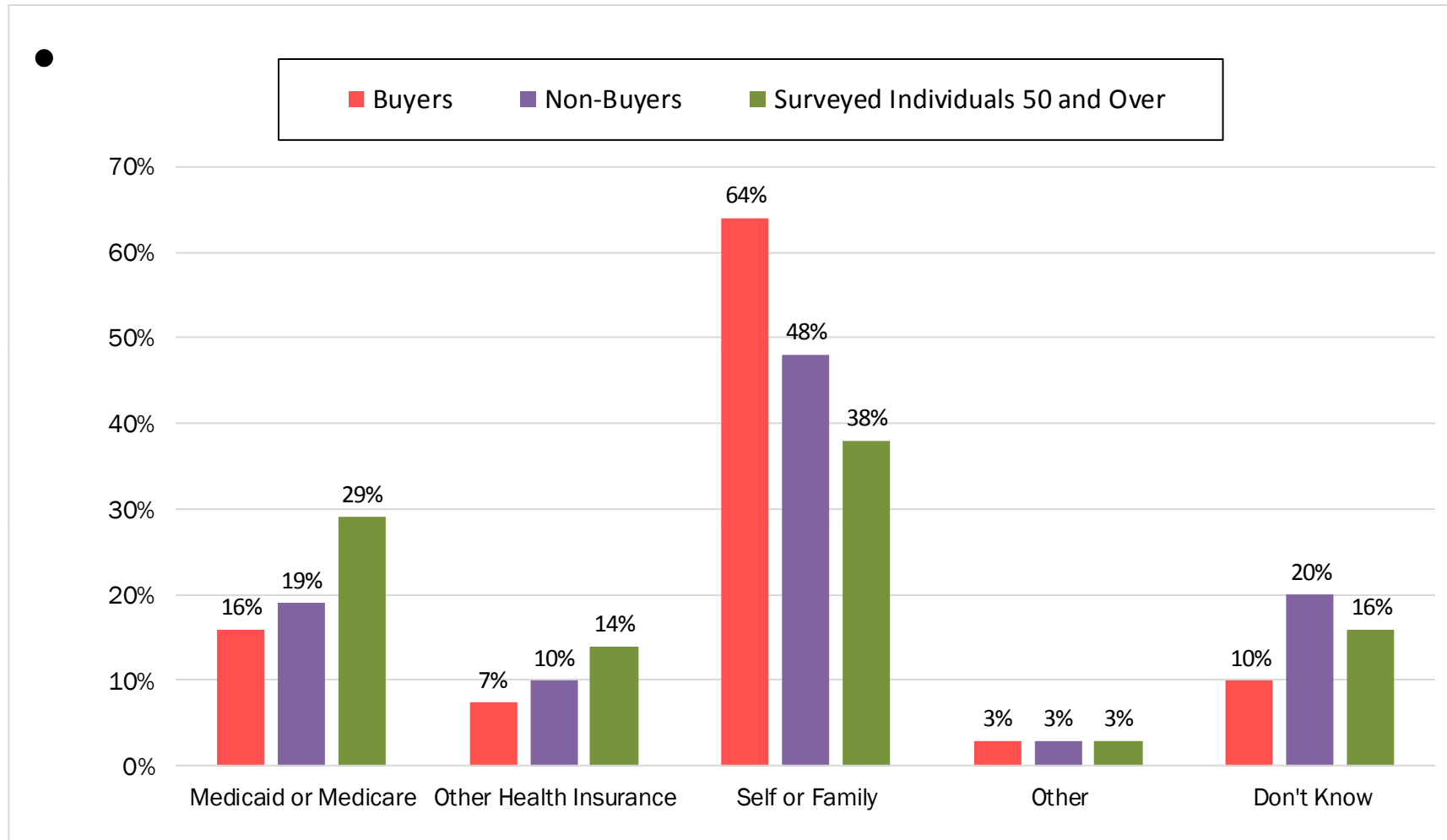
Source: LifePlans, Inc. analysis of AHIP buyer surveys.

Percentage of Buyers' Income Spent on LTC Insurance Premiums



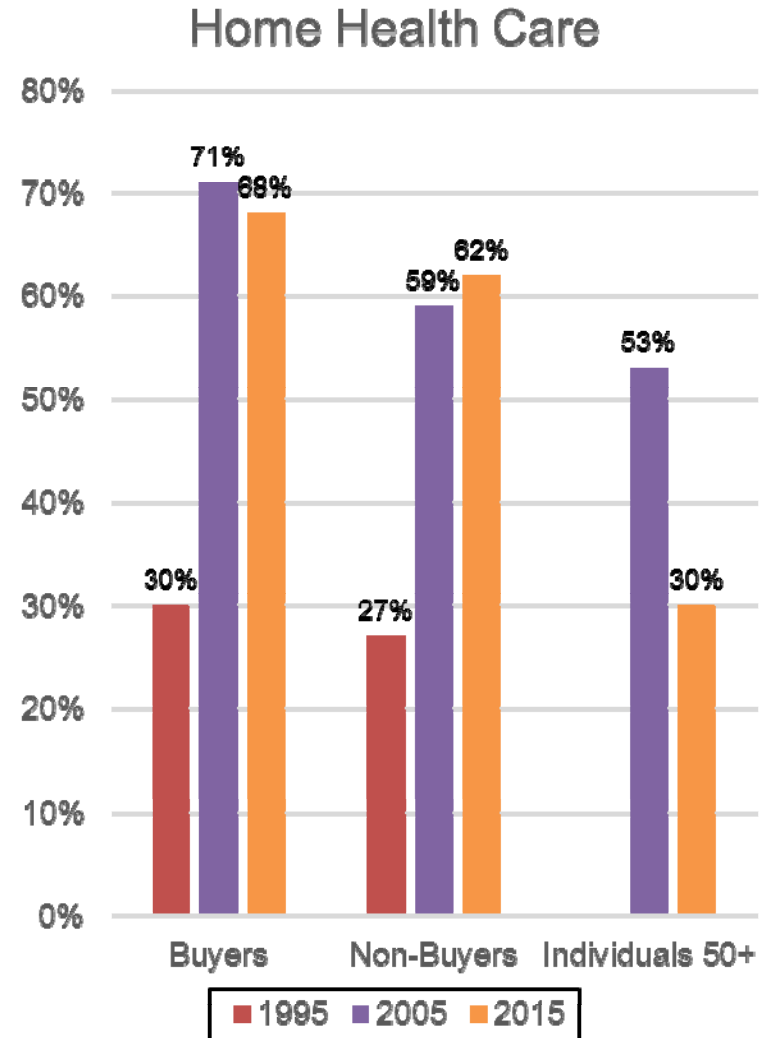
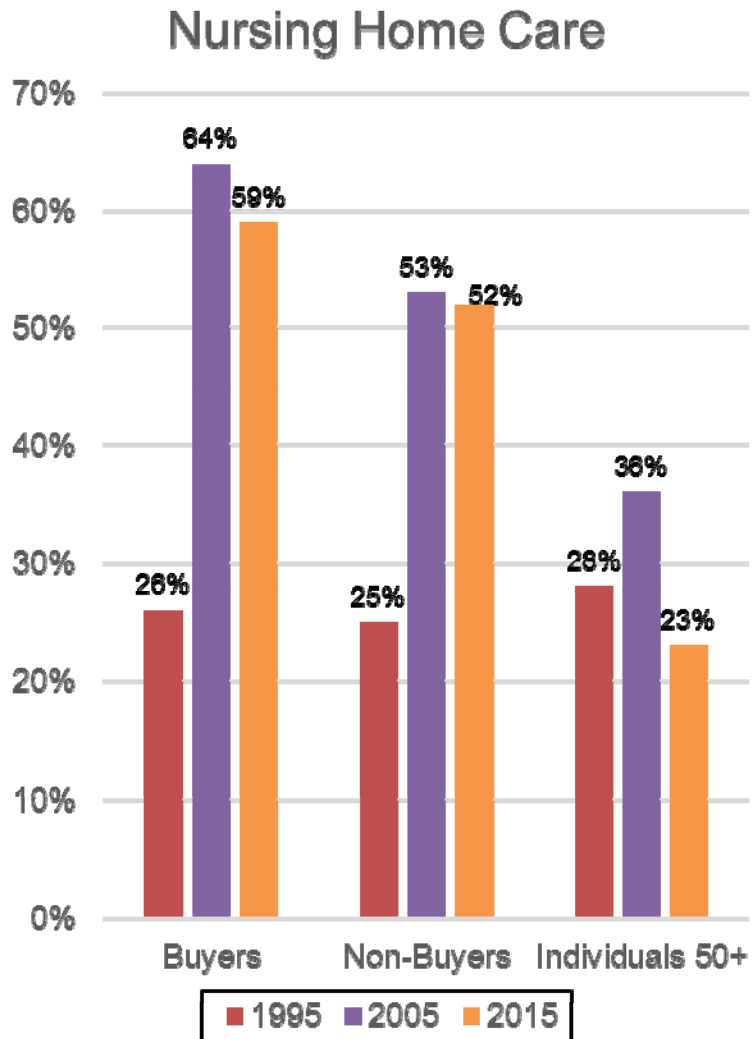
Source: LifePlans, Inc. analysis of AHIP buyer surveys.

Who Would Pay for LTC? (2015)

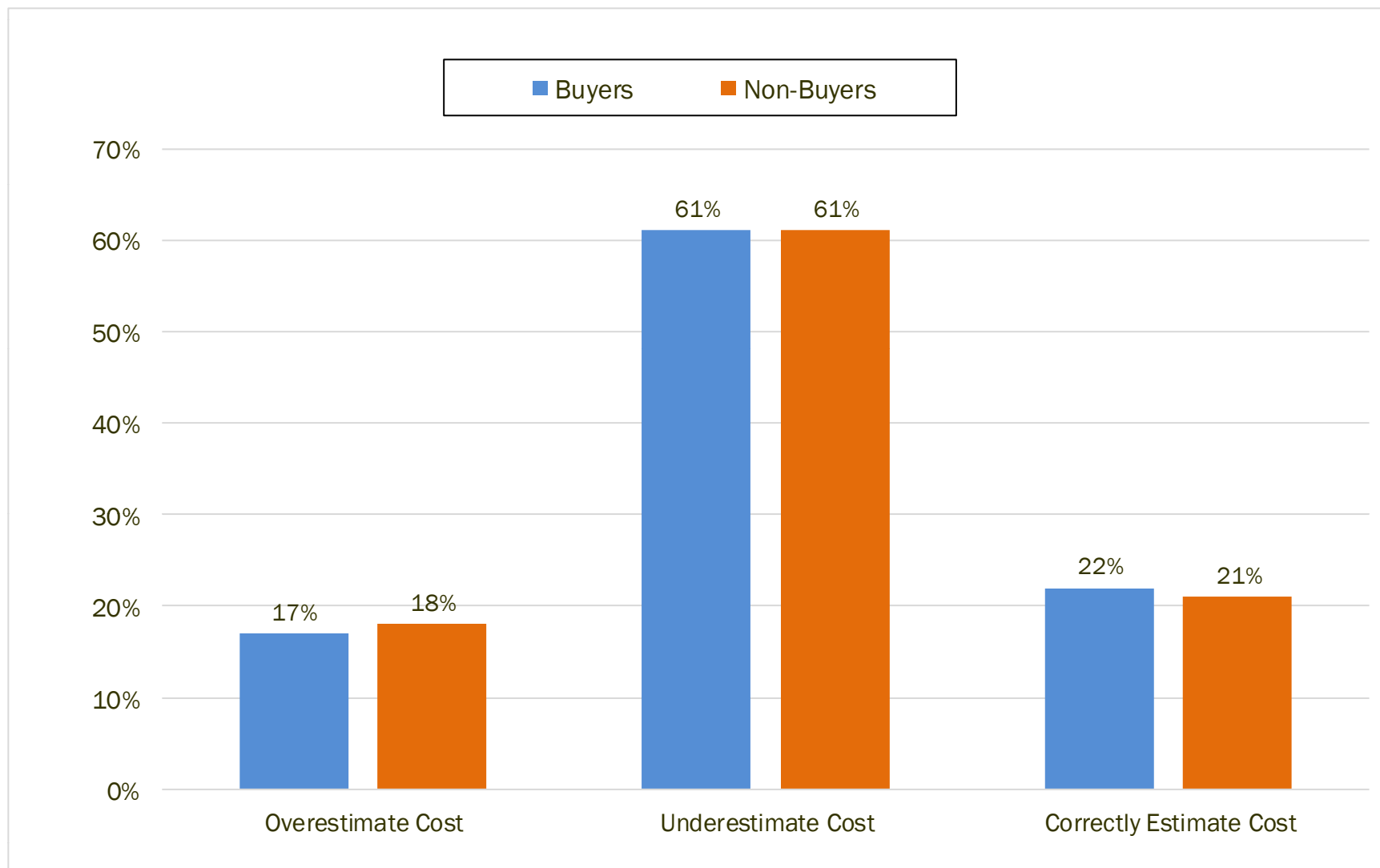


Source: LifePlans, Inc., analysis of 2015 AHIP surveys of buyers, non-buyers, and the general population.

Percent Believing They Have Greater than 50% Chance of Needing...



How Well Do Buyers and Non-Buyers Estimate Nursing Home Costs? (2015)



Source: LifePlans, Inc., analysis of 2015 AHIP surveys of buyers and non-buyers; analysis of data from the 2015 John Hancock Cost of Care Study.

Opinions About LTC Among Buyers and Non-Buyers 1990-2015



	Buyers				Non-Buyers			
Opinions About LTC	1990	2000	2010	2015	1990	2000	2010	2015
<i>It is important to plan now for the possibility of needing LTC services.</i>								
Strongly Agree	62%	63%	63%	63%	42%	33%	41%	31%
Agree	38	36	36	36	53	59	52	61
Disagree	---	1	1	---	4	7	6	8
Strongly Disagree	---	---	---	1	1	1	1	-
<i>I worry about how I would pay for care if needed.</i>								
Strongly Agree	46%	22%	20%	23%	44%	32%	40%	29%
Agree	42	50	51	50	42	49	41	47
Disagree	10	24	22	23	12	15	17	20
Strongly Disagree	2	5	7	4	3	3	2	3

Source: LifePlans, Inc. analysis of AHIP buyer and non-buyer surveys.

Opinions About LTC Among Buyers and Non-Buyers 1990-2015



	Buyers				Non-Buyers			
Opinions About LTC	1990	2000	2010	2015	1990	2000	2010	2015
<i>The insurance industry sells adequate coverage for services.</i>								
Strongly Agree	9%	10%	9%	8%	7%	4%	6%	5%
Agree	58	62	69	60	34	45	39	32
Disagree	28	23	19	27	43	37	39	44
Strongly Disagree	5	5	3	5	17	14	16	19
<i>If I ever needed care, the government would pay most of the costs.</i>								
Strongly Agree	6%	5%	3%	3%	14%	16%	12%	4%
Agree	11	10	8	6	19	17	19	11
Disagree	52	42	43	47	44	34	36	43
Strongly Disagree	31	42	46	44	23	33	33	42

Source: LifePlans, Inc. analysis of AHIP buyer surveys.

LTC Insurance Policies Bought Over Time



Policy Characteristics	1990	1995	2000	2005	2010	2015
Policy Type						
NH only	63%	33%	14%	3%	1%	1%
NH and HC	37%	61%	77%	90%	95%	96%
HC only	--	6%	9%	7%	4%	3%
DBA for NH care	\$72	\$85	\$109	\$142	\$153	\$161
DBA for home care	\$36	\$78	\$106	\$135	\$152	\$155
Integrated policy elimination period	---	46 days	47 days	81 days	90 days	91 days
NH benefit duration	5.6 years	5.1 years	5.5 years	5.4 years	4.8 years	4.0 years
Inflation protection	40%	33%	41%	76%	74%	66%
Annual premium	\$1,071	\$1,505	\$1,677	\$1,918	\$2,283	\$2,727

Source: LifePlans, Inc., analysis of data from AHIP studies of policies sold.

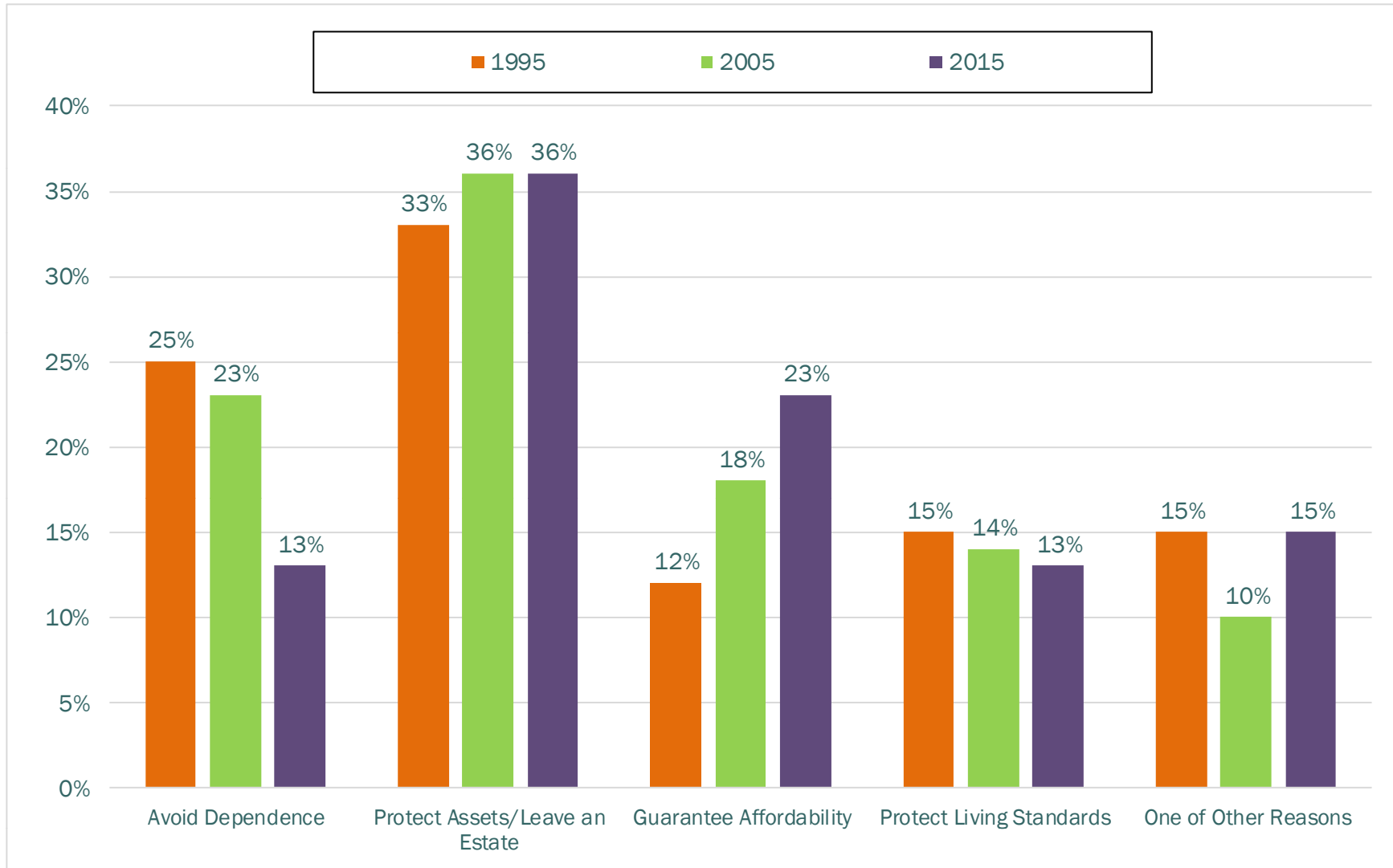
Impact of Changes in Policy Parameters on Premiums



Policy Parameters	2010	2015	Impact of Change on Premium Levels
Coverage			
Comprehensive	95%	96%	1.1%
Duration	4.8 years	4.0 years	-16.7%
Daily benefit			
Nursing home	\$153	\$161	5.2%
Home care	\$152	\$155	2.0%
Elimination period	90 days	93 days	-.7%
Inflation protection			-8.0%
Simple	12%	8%	
Compound	49%	47%	
Indexed to CPI	13%	8%	
None	26%	34%	
Average age	59	60	5.6%
Total projected impact of changes			-12.1%
Actual change in premium	\$2,283	\$2,727	19.4%

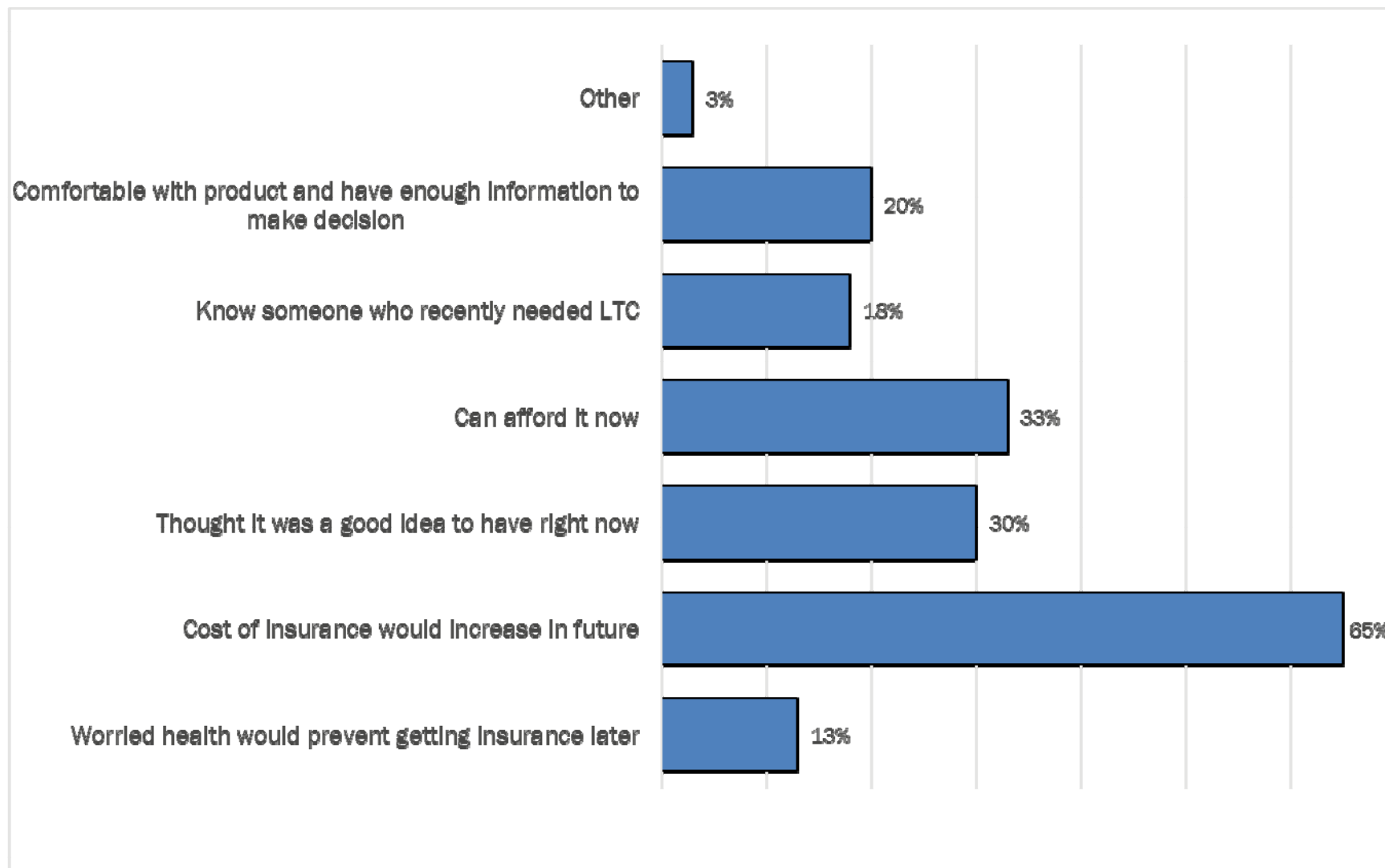
Source: LifePlans Premium Sensitivity Model.

Most Important Reason for Buying LTCI Over Time



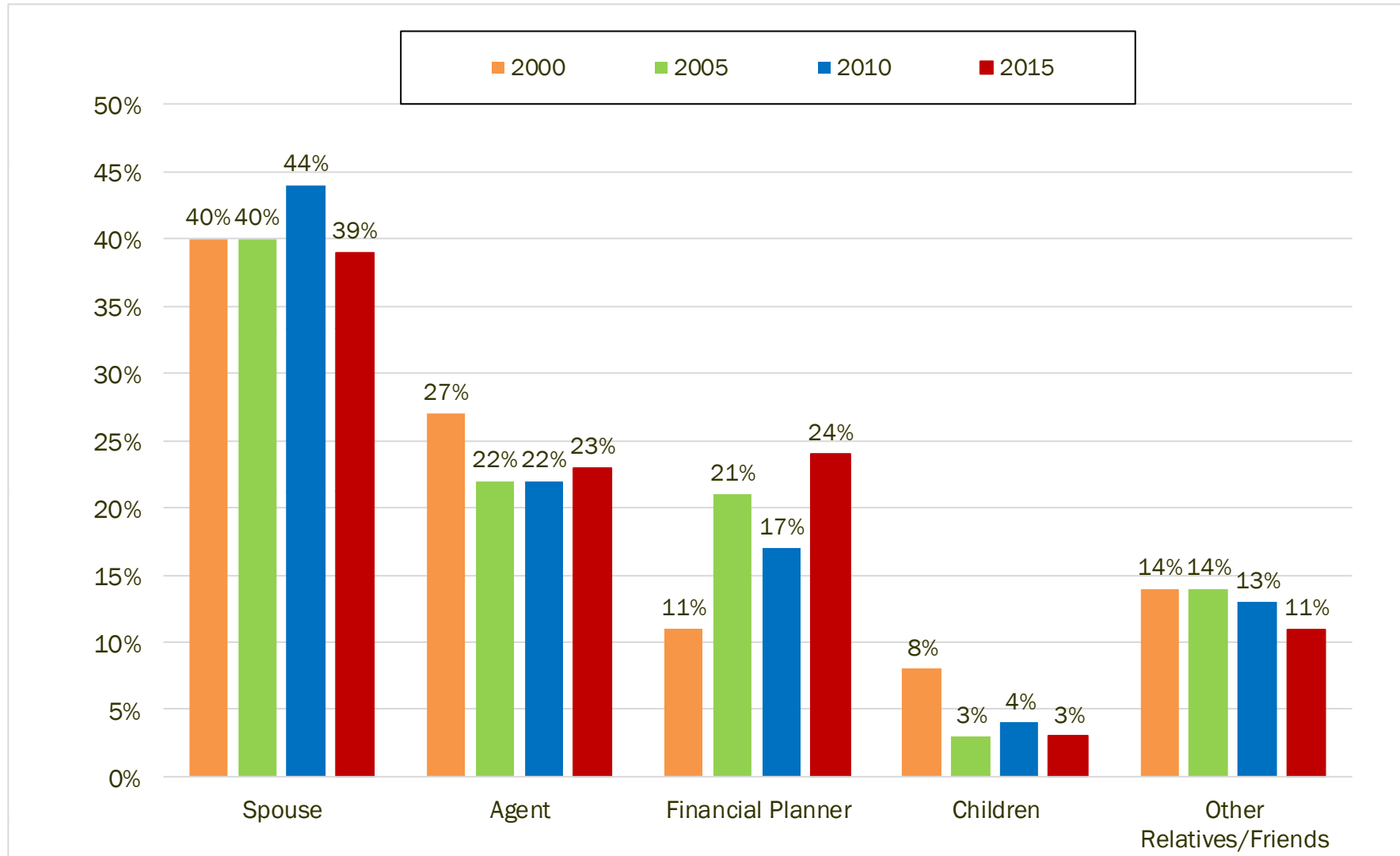
Source: LifePlans, Inc., analysis of AHIP buyer surveys.

Reasons Individuals Bought Their Policies Now Instead of Waiting



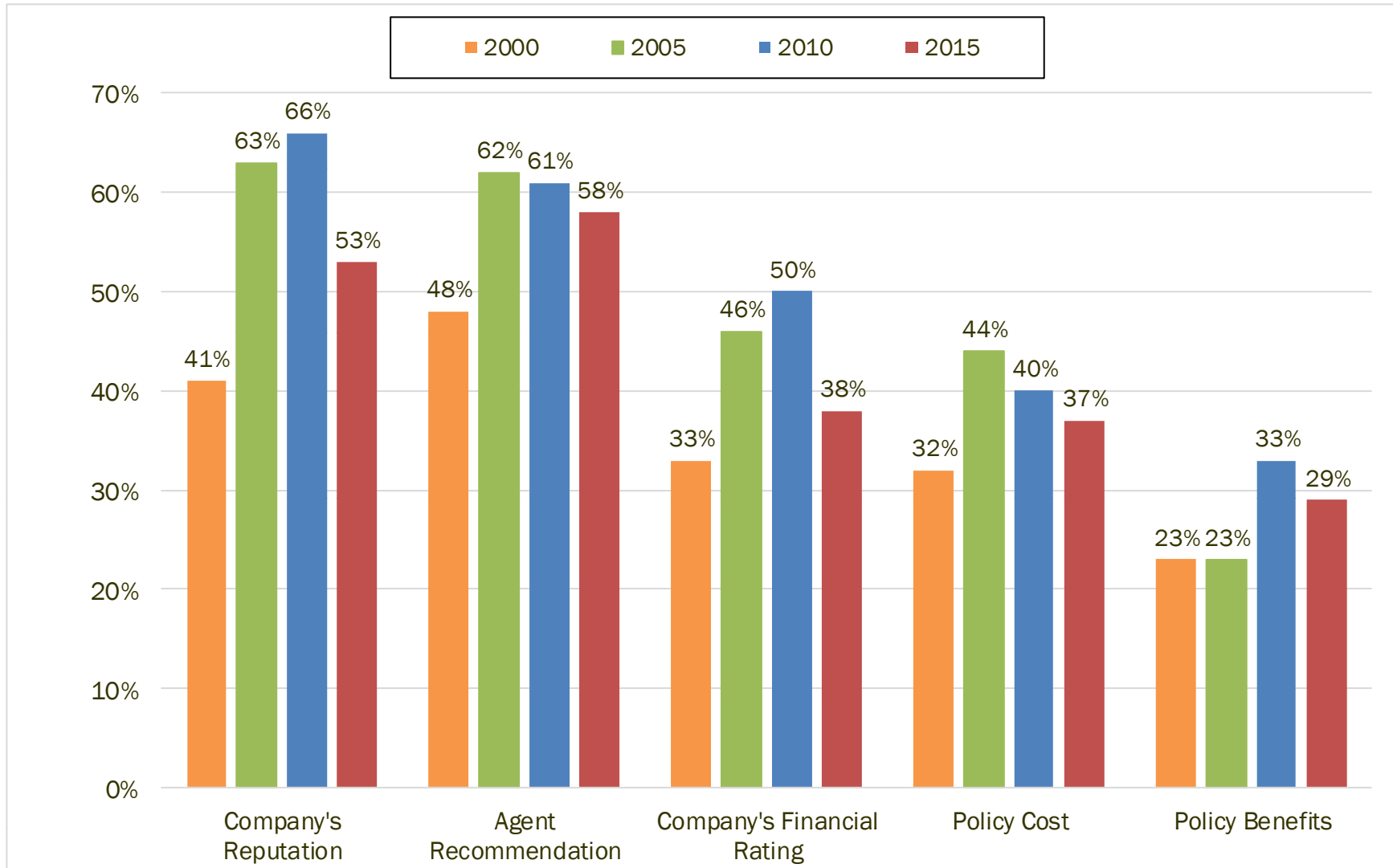
Source: LifePlans, Inc., analysis of 1,326 buyers in 2015.

Who Was Most Important In Buyer's Purchase Decision?



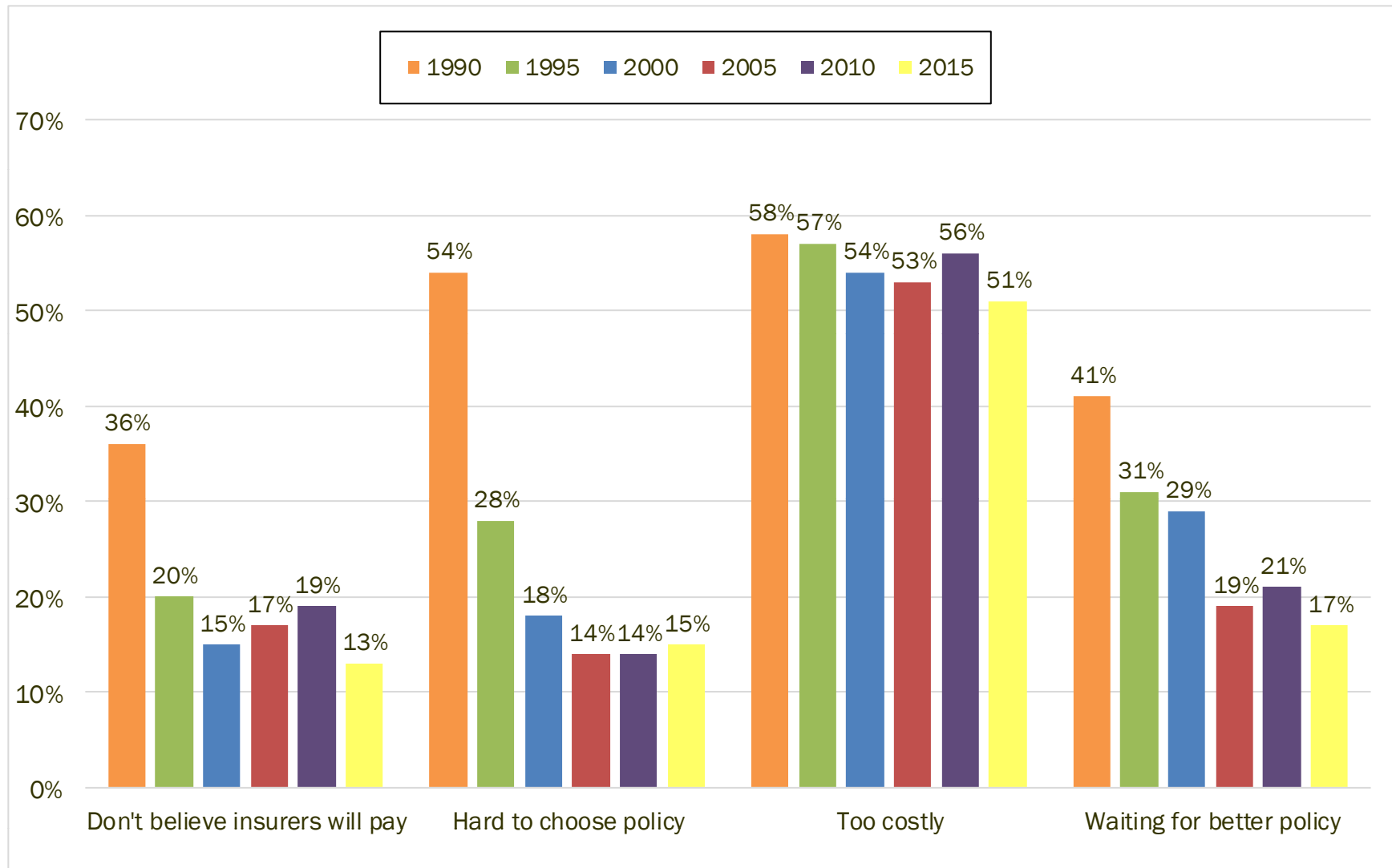
Source: LifePlans, Inc., analysis of AHIP buyer surveys.

Factors Cited by Buyers as Important to Purchasing From a Specific Company



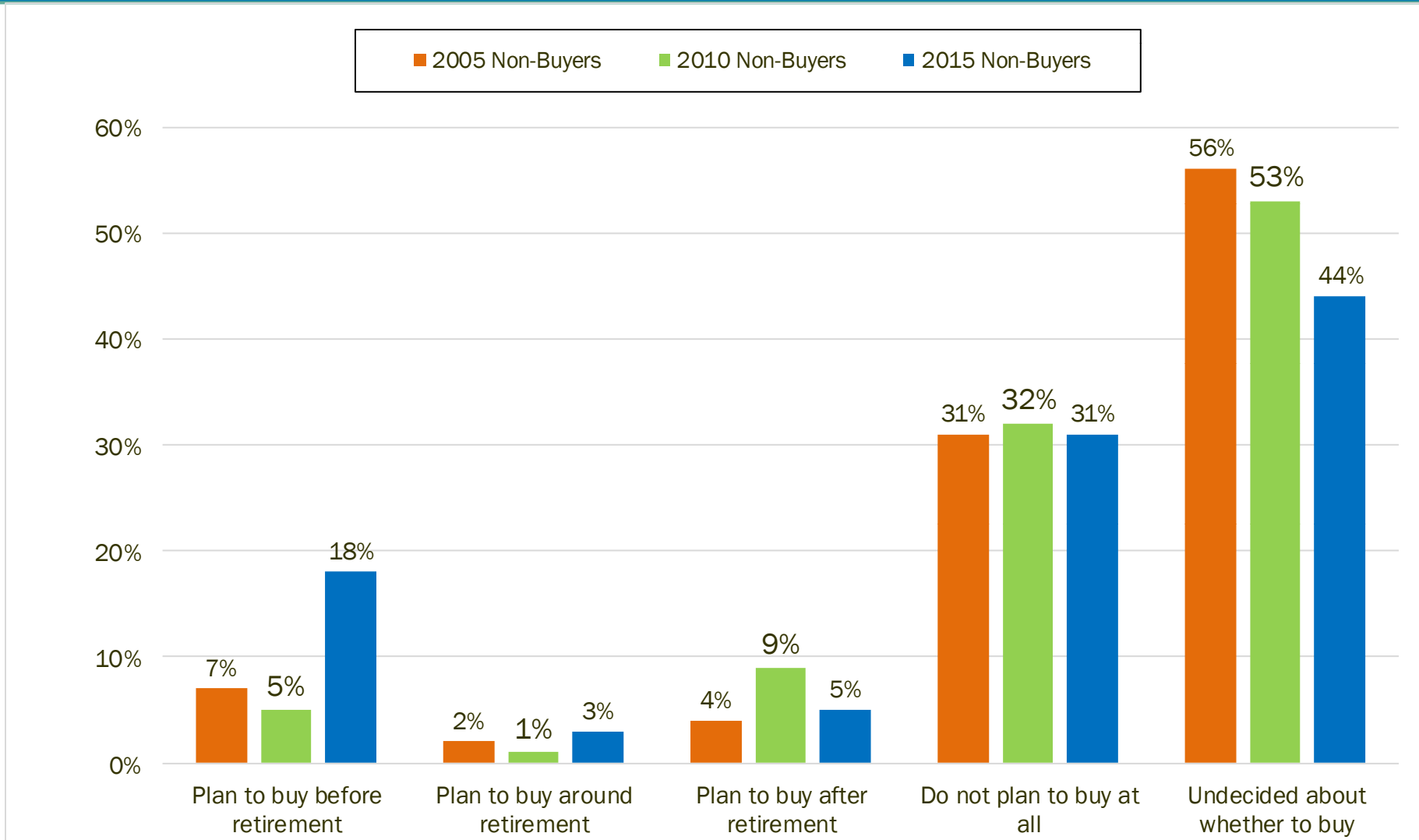
Source: LifePlans, Inc., analysis of AHIP buyer surveys.

Reasons for Non-Purchase



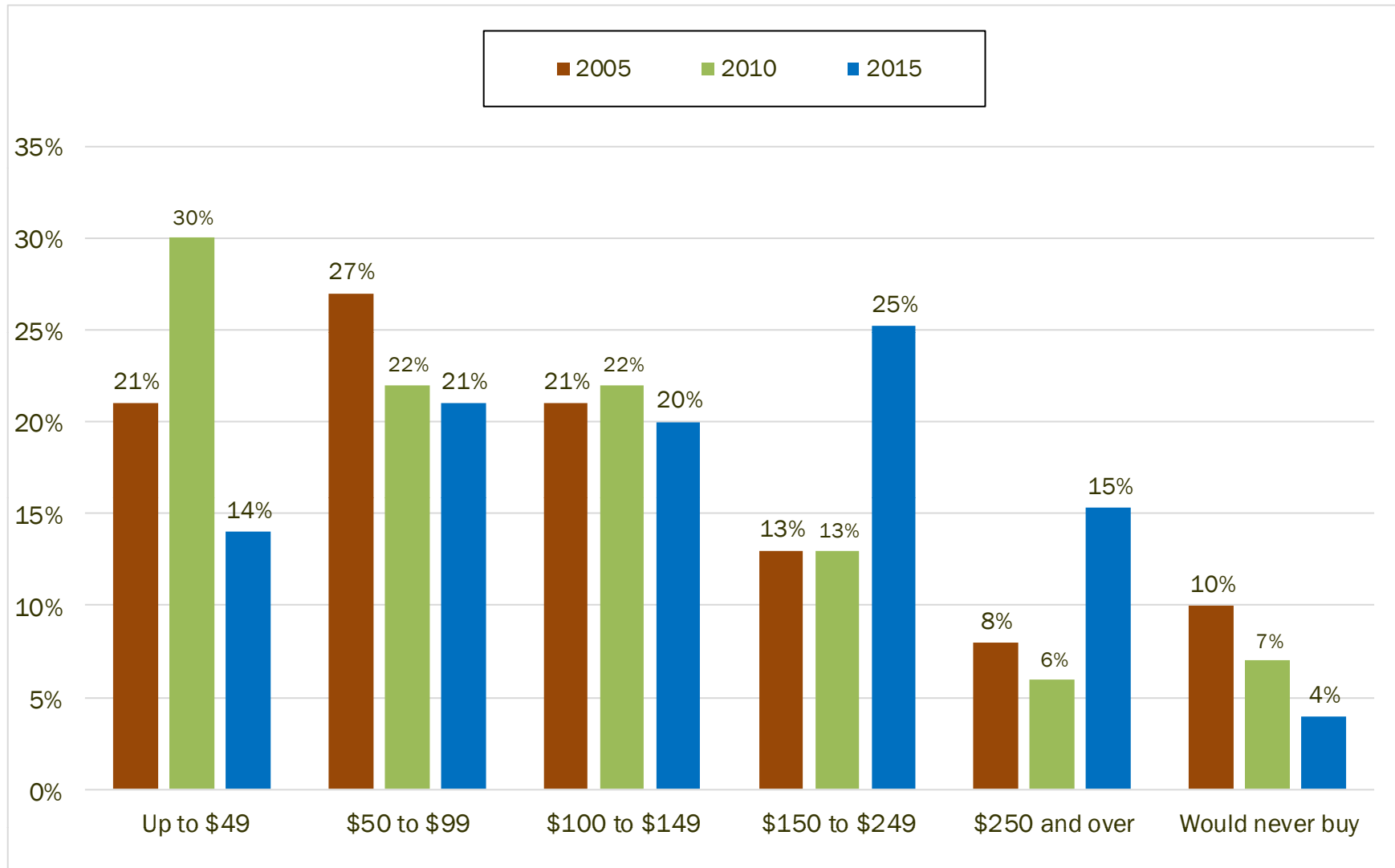
Source: LifePlans, Inc., analysis of AHIP non-buyer surveys

Non-Buyers' Plans for Purchasing LTC Insurance



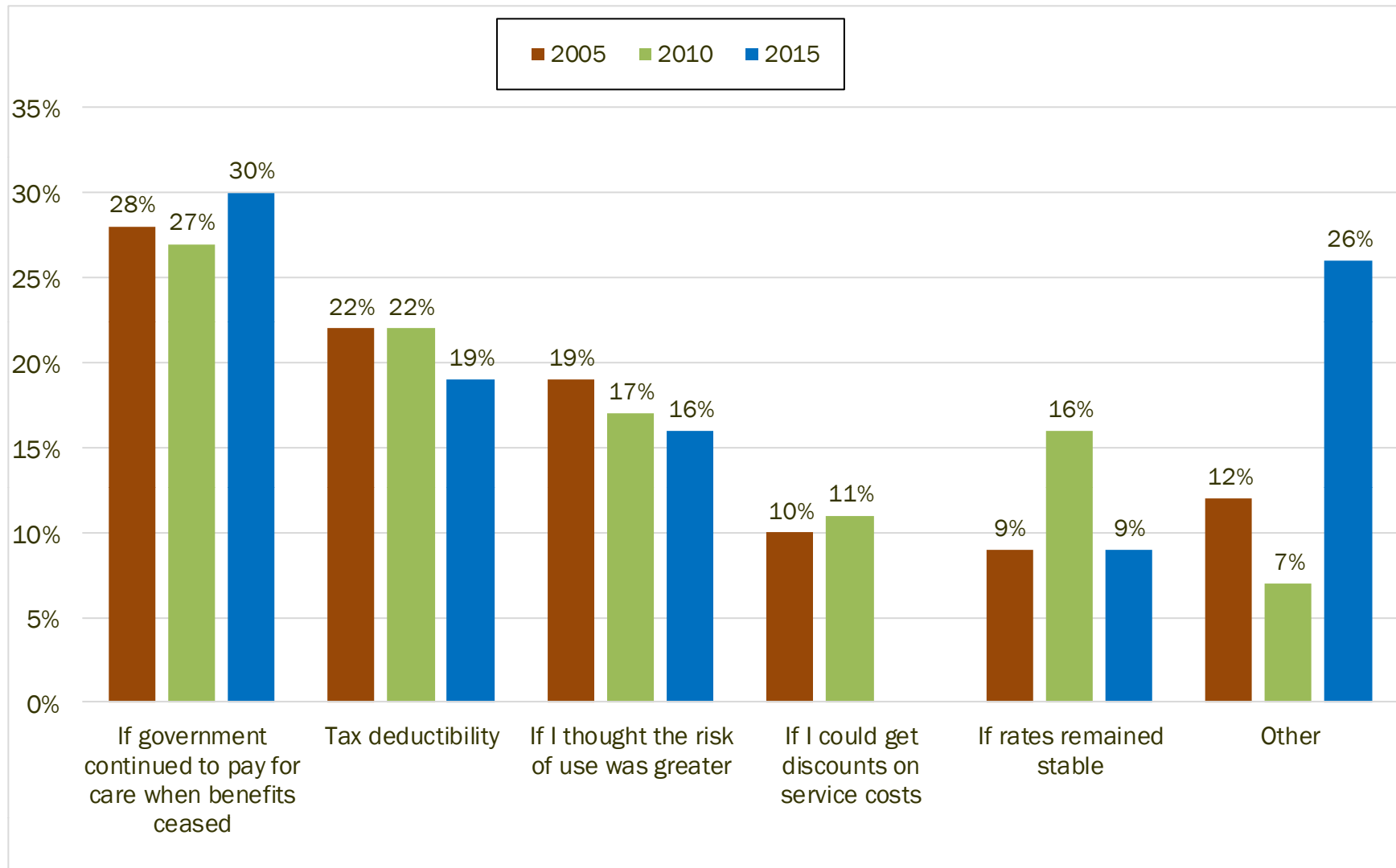
Source: LifePlans, Inc., analysis of AHIP non-buyer surveys.

How Much Would Non-Buyers Be Willing to Pay? (Monthly Premium for a Policy Meeting Their Needs)



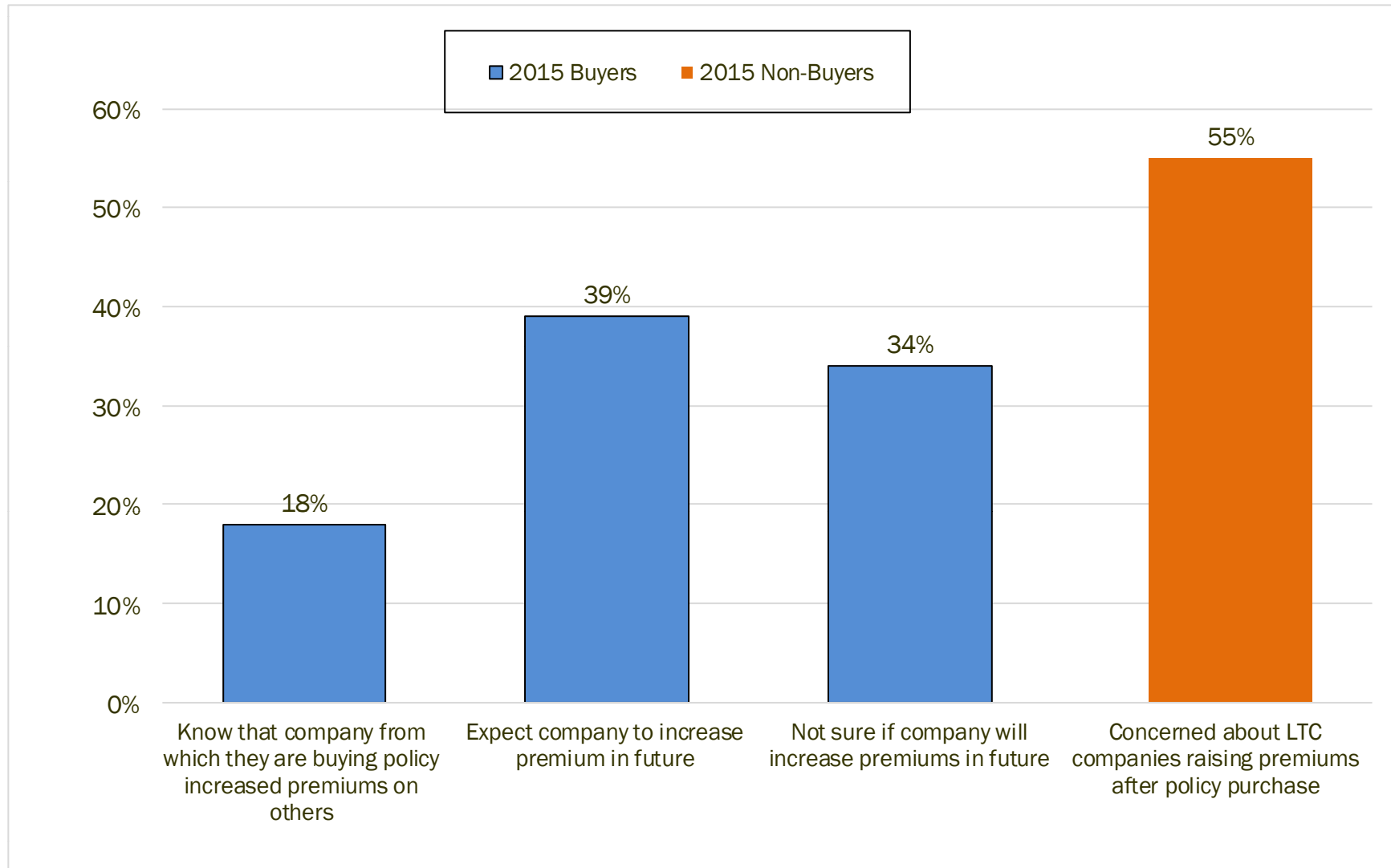
Source: LifePlans, Inc., analysis of AHIP non-buyer surveys

Most Important Factor That Would Lead Non-Buyers to Consider Buying LTC Insurance



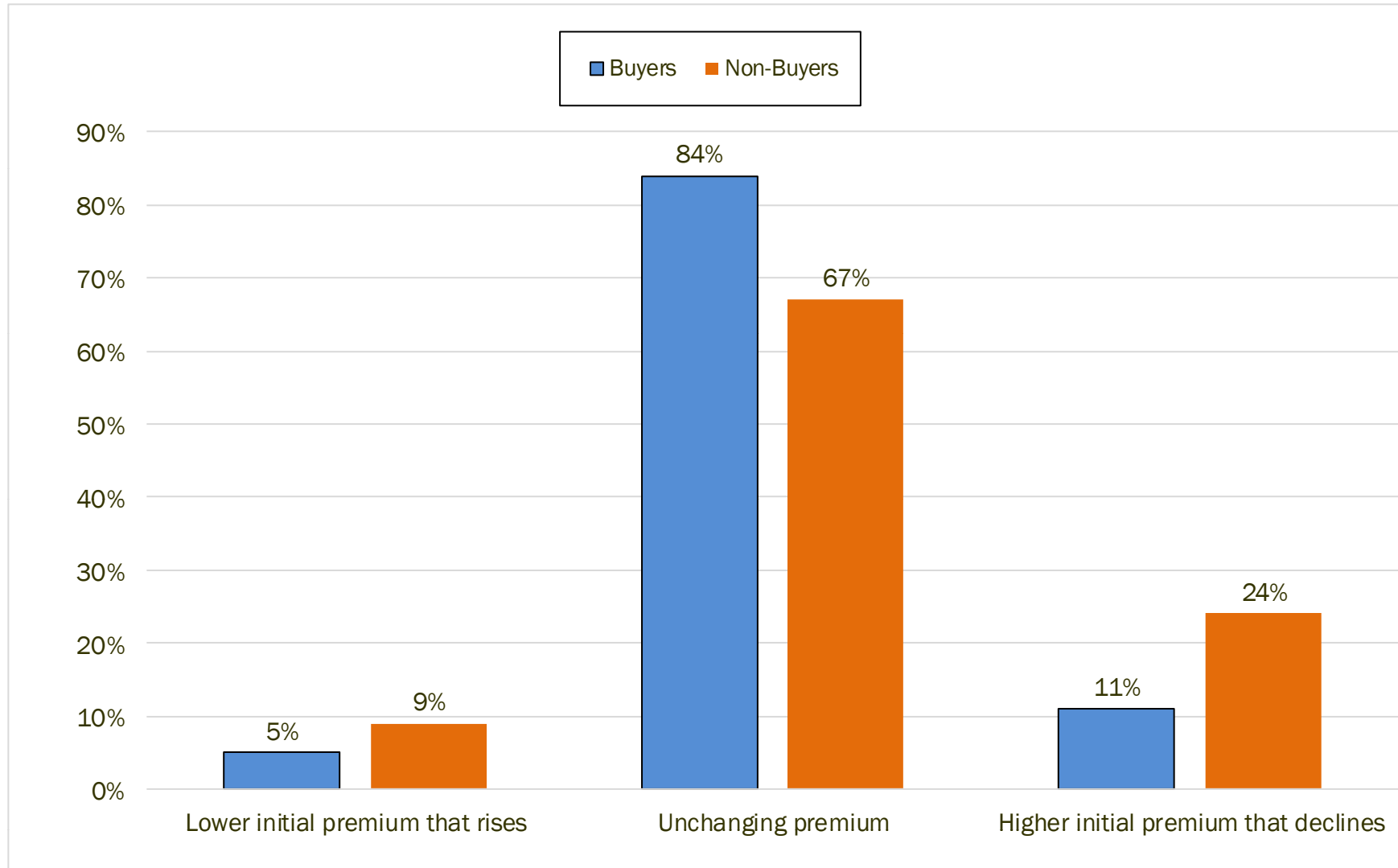
Source: LifePlans, Inc., analysis of AHIP non-buyer surveys

Buyers' and Non-Buyers' Awareness of Premium Changes



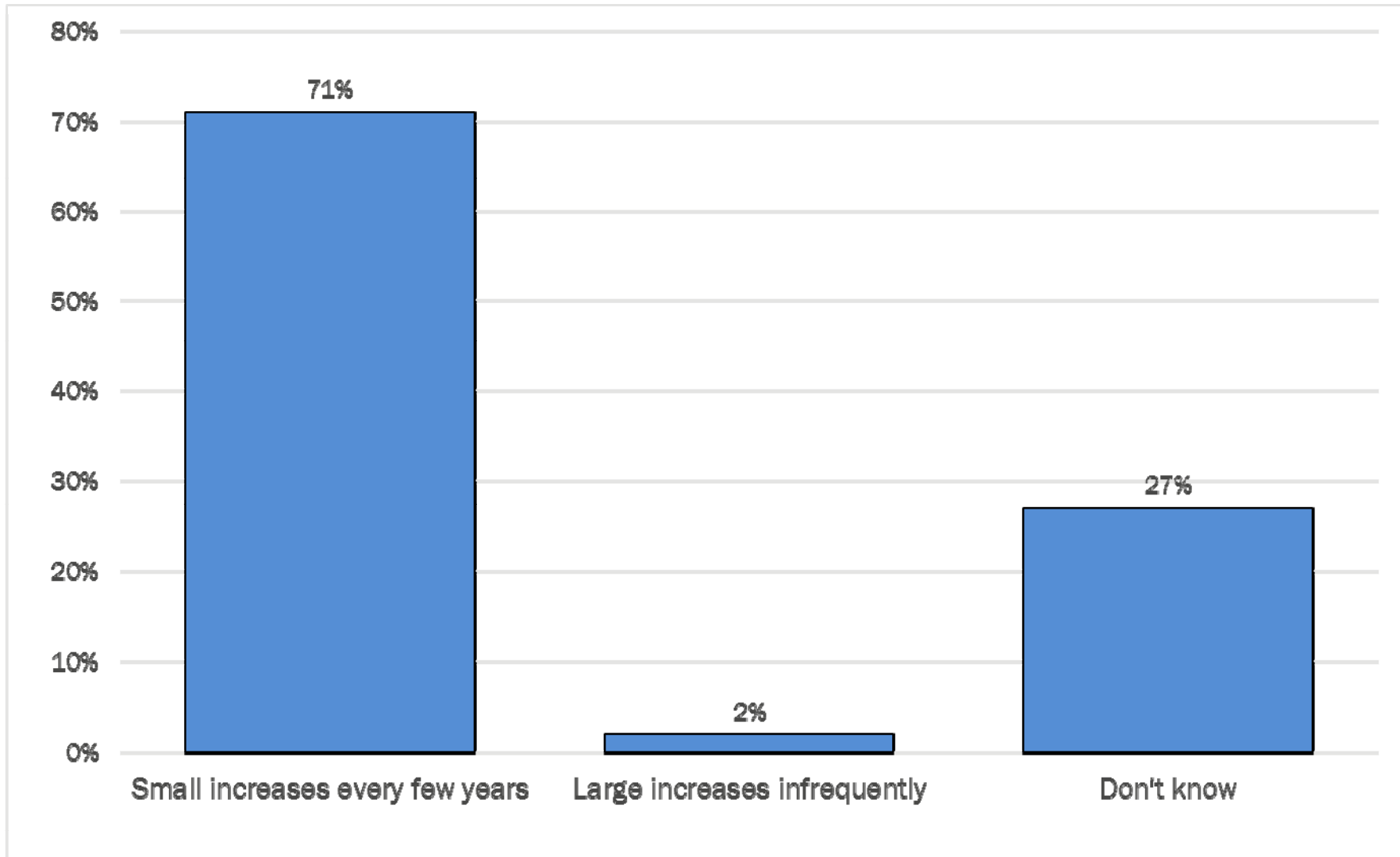
Source: LifePlans, Inc., analysis of 1,326 buyers and 225 non-buyers in 2015.

Premium Structure Preferences of Buyers and Non-Buyers



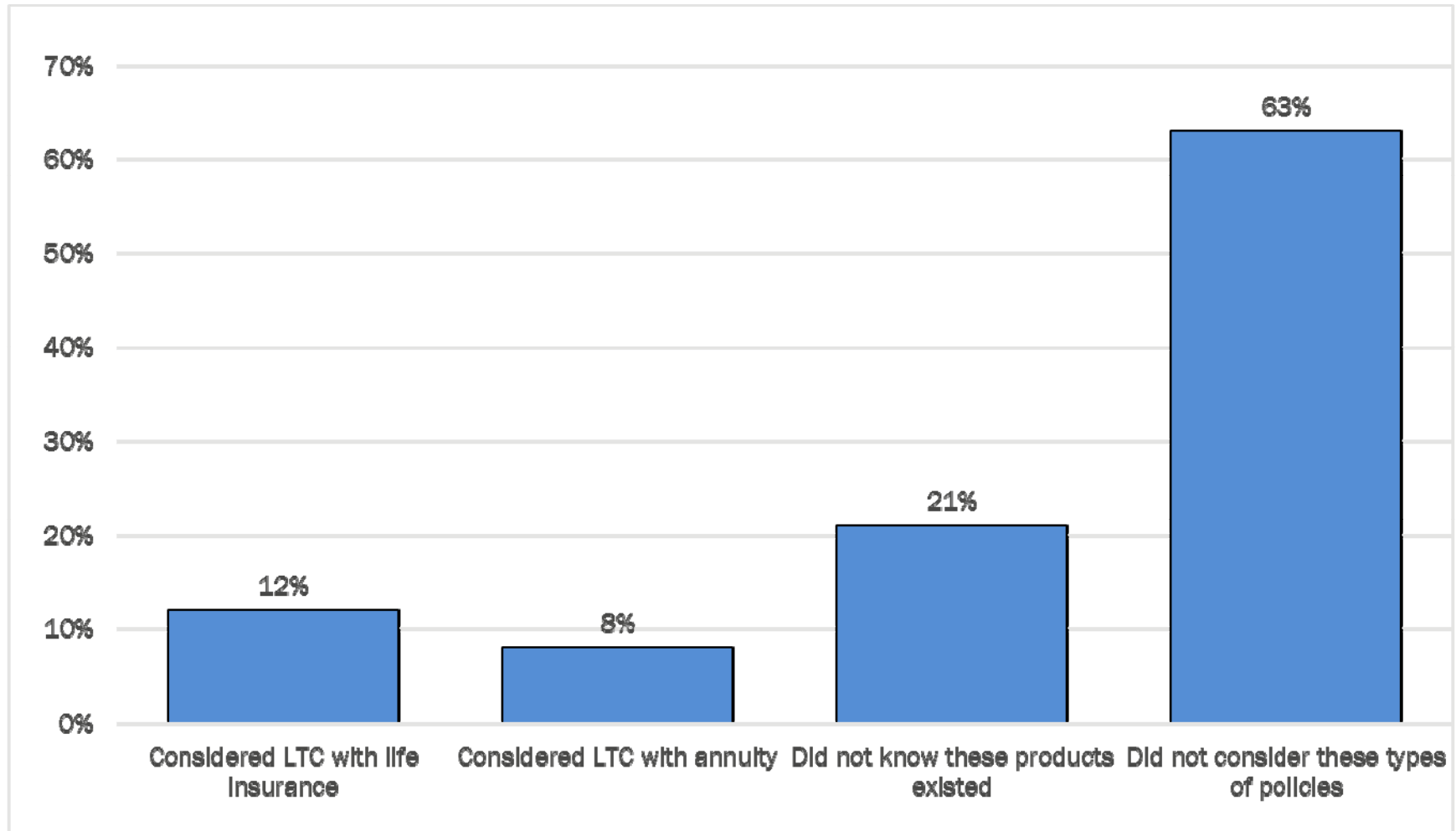
Source: LifePlans, Inc., analysis of 1,326 buyers and 225 non-buyers in 2015.

Buyers' Preferred Approach to Rate Increases



Source: LifePlans, Inc., analysis of 1,326 Buyers in 2015.

Buyers' Experience with Combination Products



Source: LifePlans, Inc., analysis of 1,326 Buyers in 2015.

CONCLUSIONS

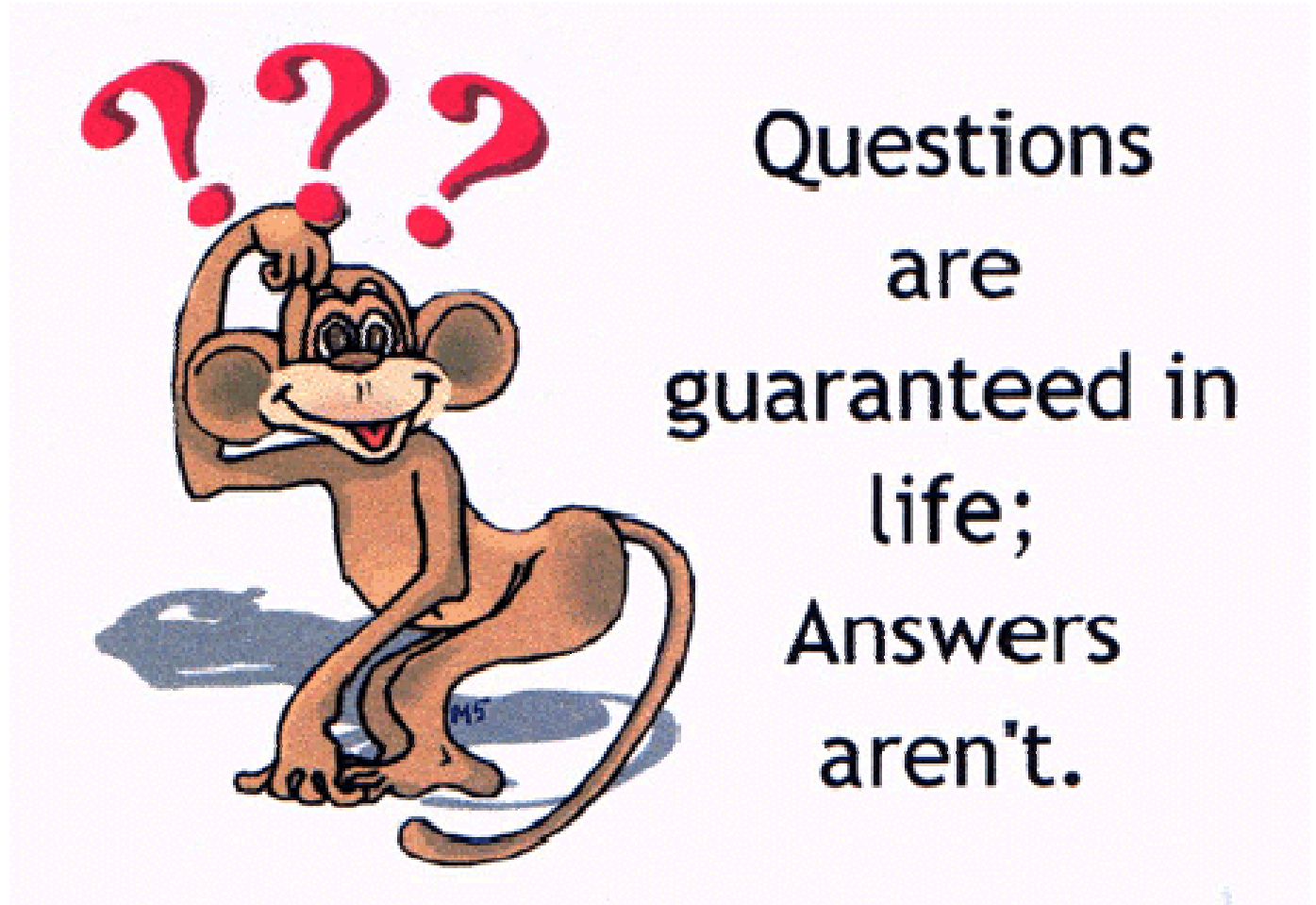


- More work needed to educate and motivate people about LTC risks, costs and planning options.
- Need to address concerns with premium costs.
- Policy discussions and research on expanding the private market are relevant and necessary.
- Critical role remains for public sector/government.

QUESTIONS



- Please ask!



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Full study is available at: <https://www.ahip.org/who-buys-long-term-care-insurance/>