

Alternative Solutions

Calculating The Value of Private LTC Insurance

Tuesday, March 24, 2015

10:45 – 12:00



15th Annual Intercompany Long Term Care Insurance Conference

- **SPEAKERS:**
 - Marc Cohen, PhD., Chief Research and Development Officer, LifePlans, Inc.
 - Jodi Anatole, Independent Consultant

- **MODERATOR:**
 - Eileen J. Tell, Senior Vice President, LTCG

- Alternate “presentation” and “discussion” throughout the session.
- Marc will present methodology & findings
- Jodi respond, react and raise issues throughout
- Time for Q&A as well

Alternative Solutions

An Analysis of the Benefits of Private Insurance for Long-Term Services and Supports

by

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LifePlans, Inc.

Colorado Springs

March 2015

ILTCI

15th Annual Intercompany Long Term Care Insurance Conference

Background



- In 2002, LifePlans, Inc. authored a white paper on behalf of America's Health Insurance Plans (AHIP) that presented findings demonstrating the benefits of having a long-term care insurance policy at that time.
- Currently, more than 10,000 people a day are turning 65 and most have little but their own resources to rely on to pay for any future long-term care LTC costs in a setting of their choosing
- Despite recent market difficulties, many continue to believe that the private LTC insurance market can and should play a more significant role in addressing the nation's LTC financing needs
- Private LTCI has had – and will continue to have -- a positive impact on hundreds of thousands of policyholders and their families and is likely already leading to reductions in public expenditures.
- A number of major studies conducted over the past decade provide important and new information about the role of this insurance and its effects.

Purpose of Study

- Provide updated information and analysis on issues related to evaluating the impacts of LTCl
 - Impact on care received by disabled elders living in the community or in institutional settings
 - Impact on consumer choice, level and type of caregiver involvement, and out-of-pocket costs of care
- Include new information that supports and illustrates the value of having LTCl
 - Current state of the market in terms of policy value, policies sold, claim reserves
 - Understand the relationship between premiums and benefits
 - Understand how the insurance affects the use of and expenditures on public programs like Medicaid

Selected Key Research Questions

- What is the potential value of private LTC policies held by the public today?
- What is the relationship between the amount of coverage people purchase and the cost of care and how has this relationship changed over time?
- What is the relationship between premiums and benefits and how has this relationship changed over time?
- What are the various impacts of private LTC insurance on the care received by disabled elders living in the community or in institutional settings?
- How does having a LTC insurance policy affect the use of and expenditures by the primary public payer of public programs-- Medicaid?
- Does having a private LTC insurance policy have a positive impact on consumer choice, level and type of caregiver involvement, and out-of-pocket costs of care?

Method



- Analyze data from recent claimant and Buyer/ Non-Buyer Studies, NAIC Data and other sources
- Review national data on service use and payer source to assess impacts of insurance on these parameters (NHATs)
- Synthesize aggregate national expenditure data so as to estimate impacts of growth in insurance on Medicaid
- Review literature and findings on the impacts of LTCI ownership and family caregiving

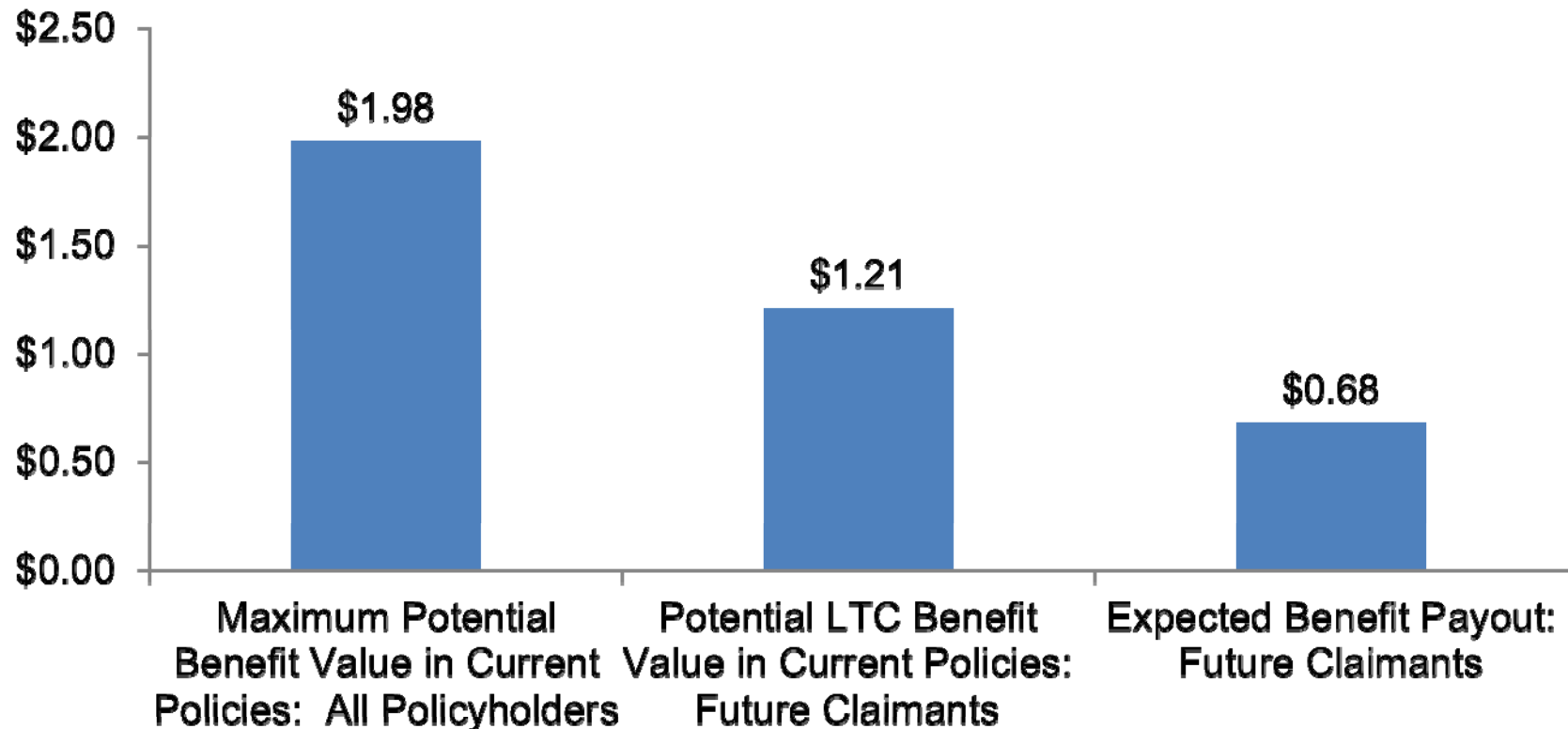
Current Industry Parameters (2012)

Parameters	Values
Policies In-force	7.4 million
Earned Premiums	\$11.2 billion
New Claim Reserves	\$7.7 billion
Cumulative claims paid 1992-2012	\$75.6 billion
Number filing new claims	72,000
Number of In-force Claimants	262,000
Average Claim Reserve	\$106,000

Private sector financing of LTC is growing at a rate more quickly than are other sources of financing.

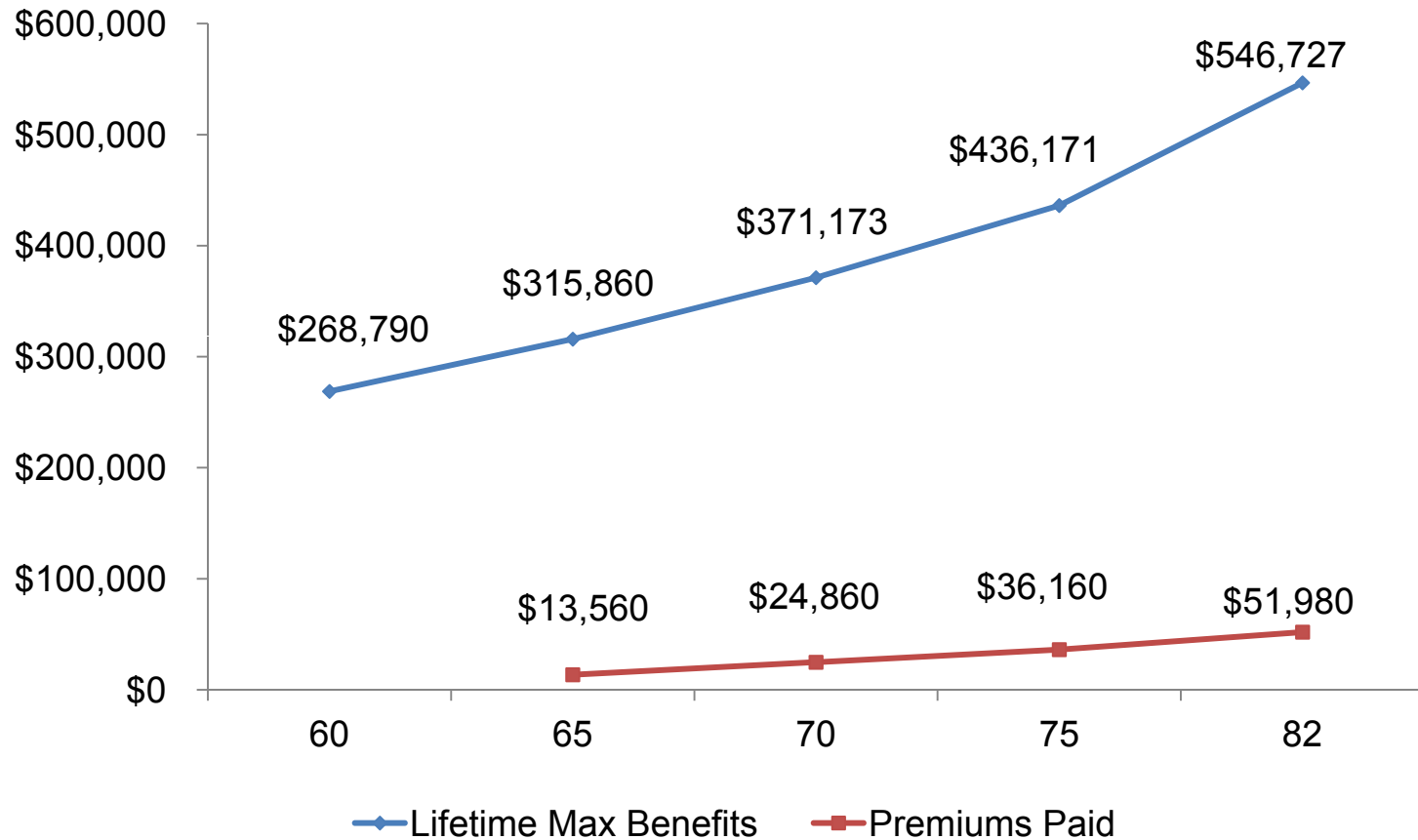
SOURCE: NAIC LTC Insurance Experience Reports for 2012, 2014

The potential value in LTCI contracts is significant



Note: Based on analysis of policy design information and policyholder purchasing patterns between 1990-2010

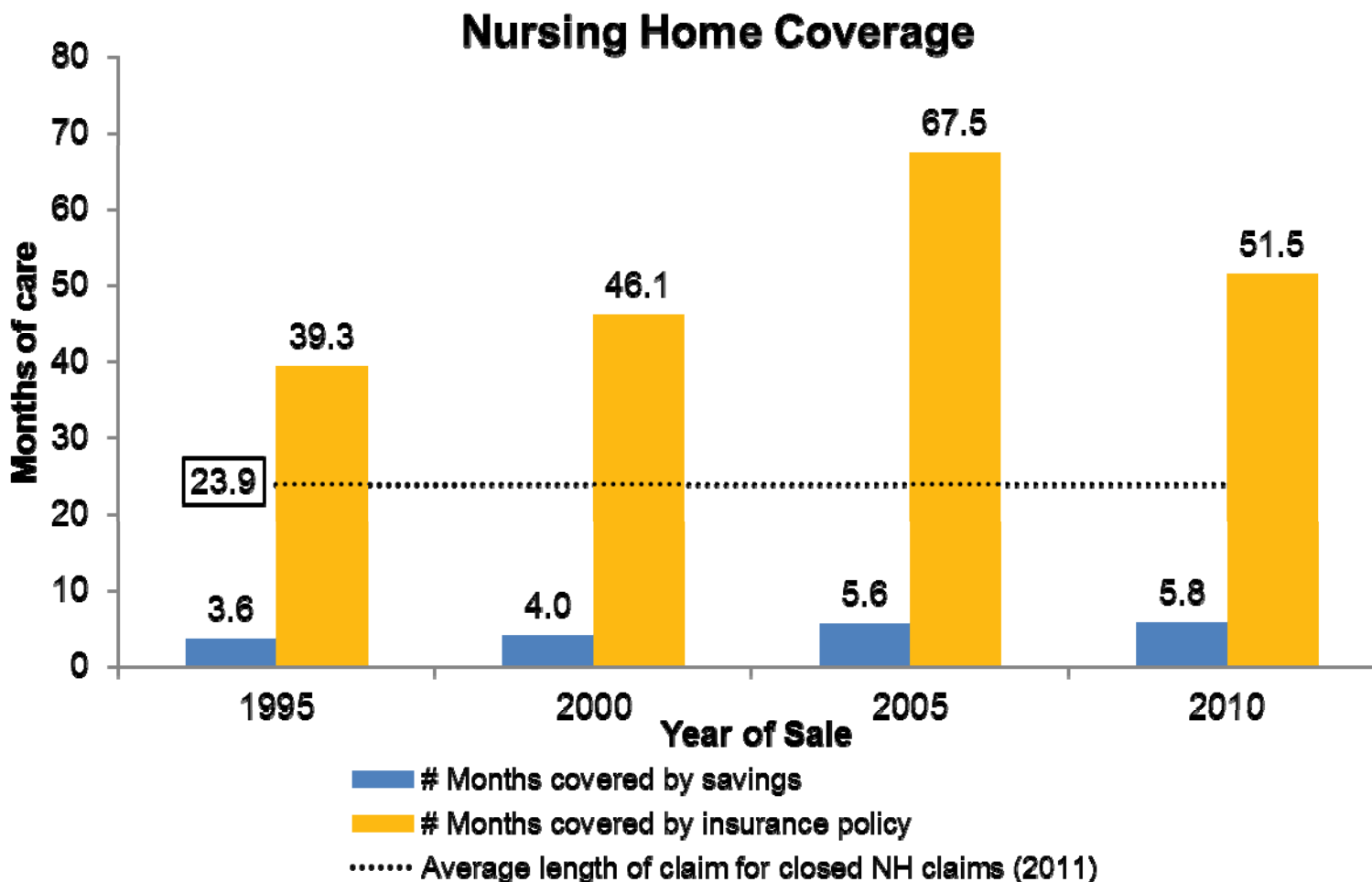
LTC insurance policies provide high value to claimants relative to premiums paid



Note: Benefit value increases over time because most policies have inflation protection.

Source: LifePlans analysis of data from *Who Buys Long-Term Care Insurance in 2010-2011? A Twenty-Year Study of Buyers and Non-Buyers (In the Individual Market, 2012)* (AHIP), 2012.

Financing LTC costs through insurance is more cost efficient than using personal savings

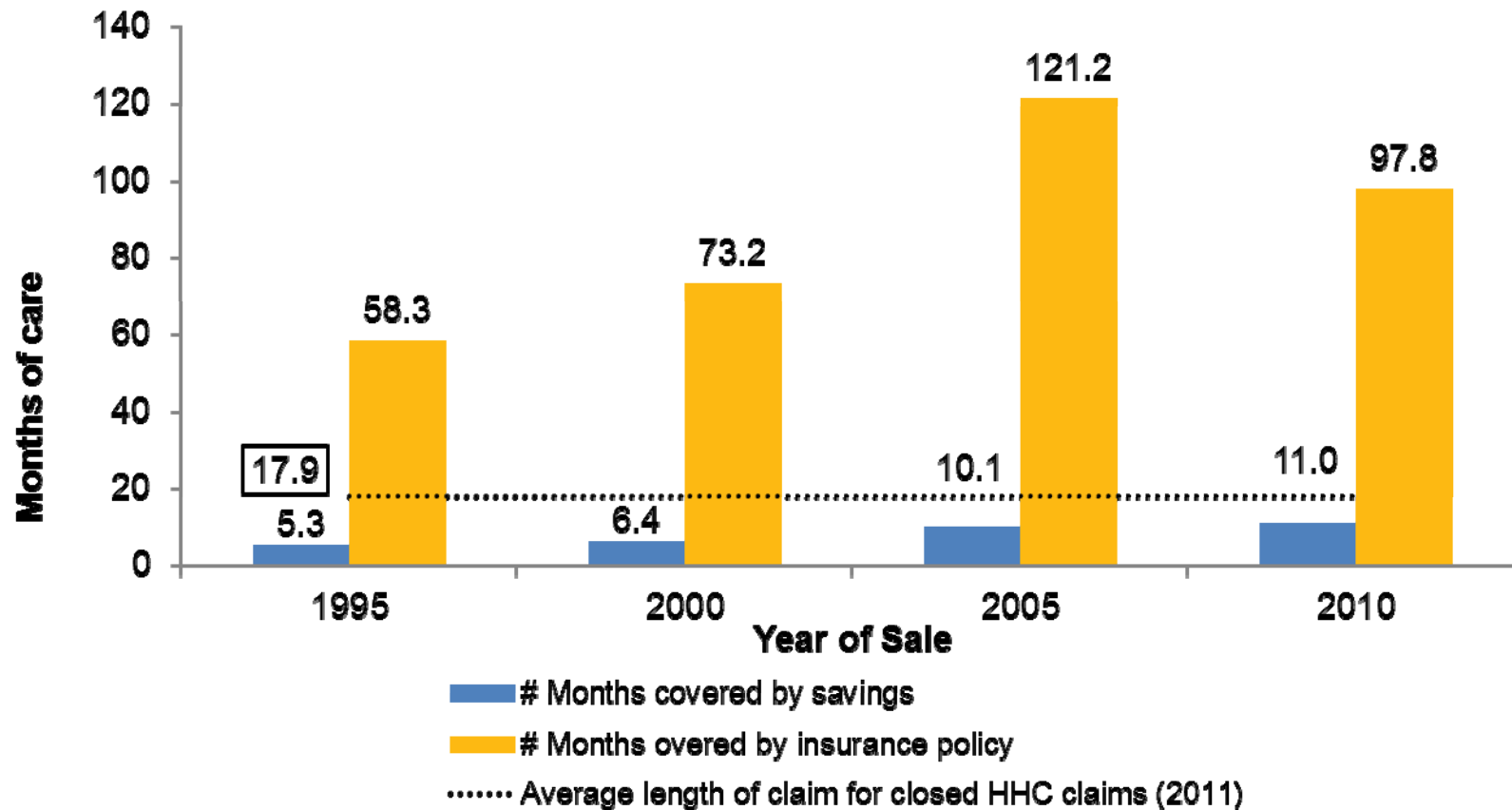


Note: Average length of nursing home claim (closed claims, 2011) from LifePlans, Inc. analysis of LTC insurance industry claimant data, 2011, newly weighted by market share; Savings is equal to the amount of premium that would have been allocated to insurance.

Financing LTC costs through insurance is more cost efficient than using personal savings



Home Health Care Coverage

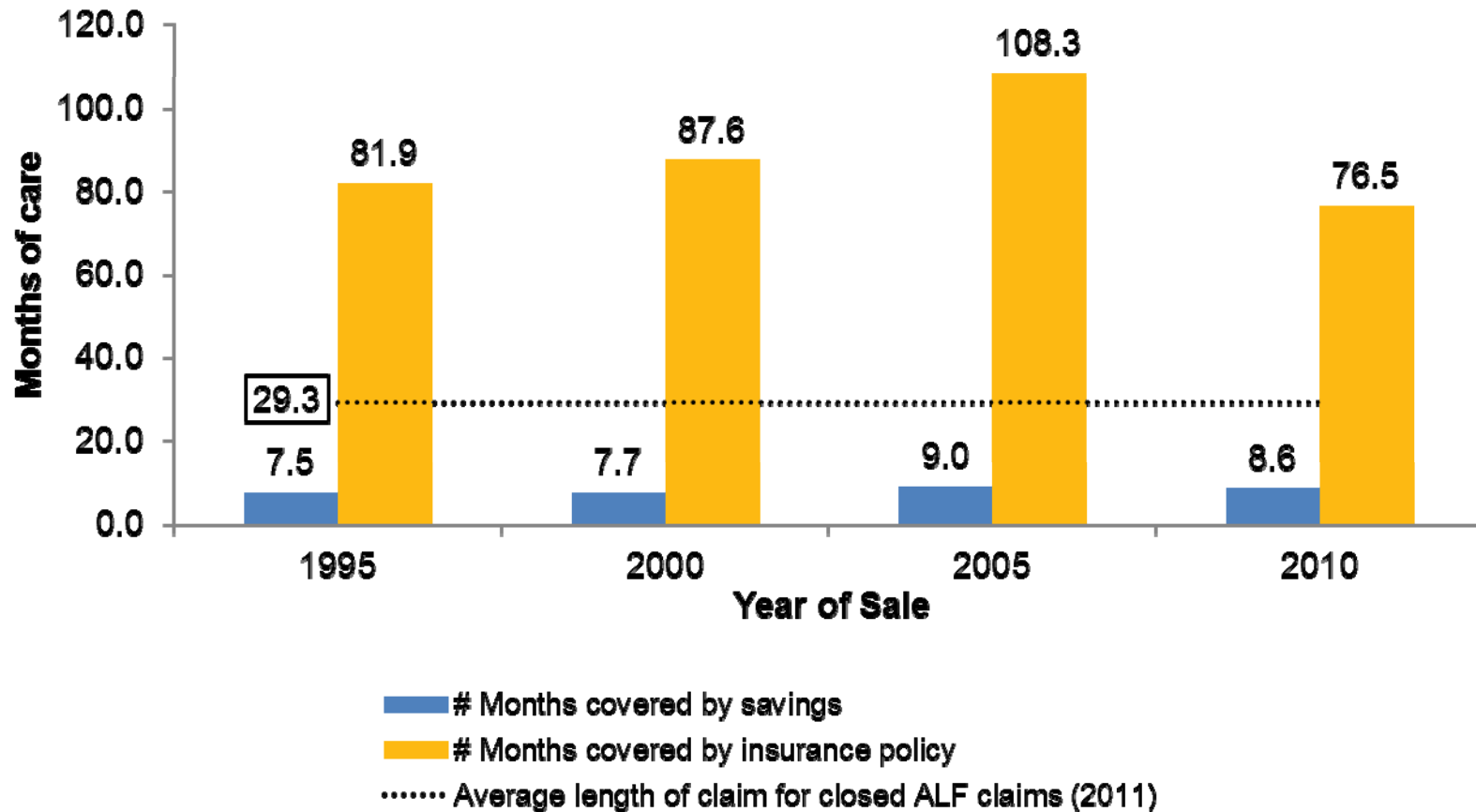


Note: Average length of home health claim (closed claims, 2011) from LifePlans, Inc. analysis of LTC insurance industry claimant data, 2011, newly weighted by market share. Savings is equal to the amount of premium that would have been allocated to insurance.

Financing LTC costs through insurance is more cost efficient than using personal savings



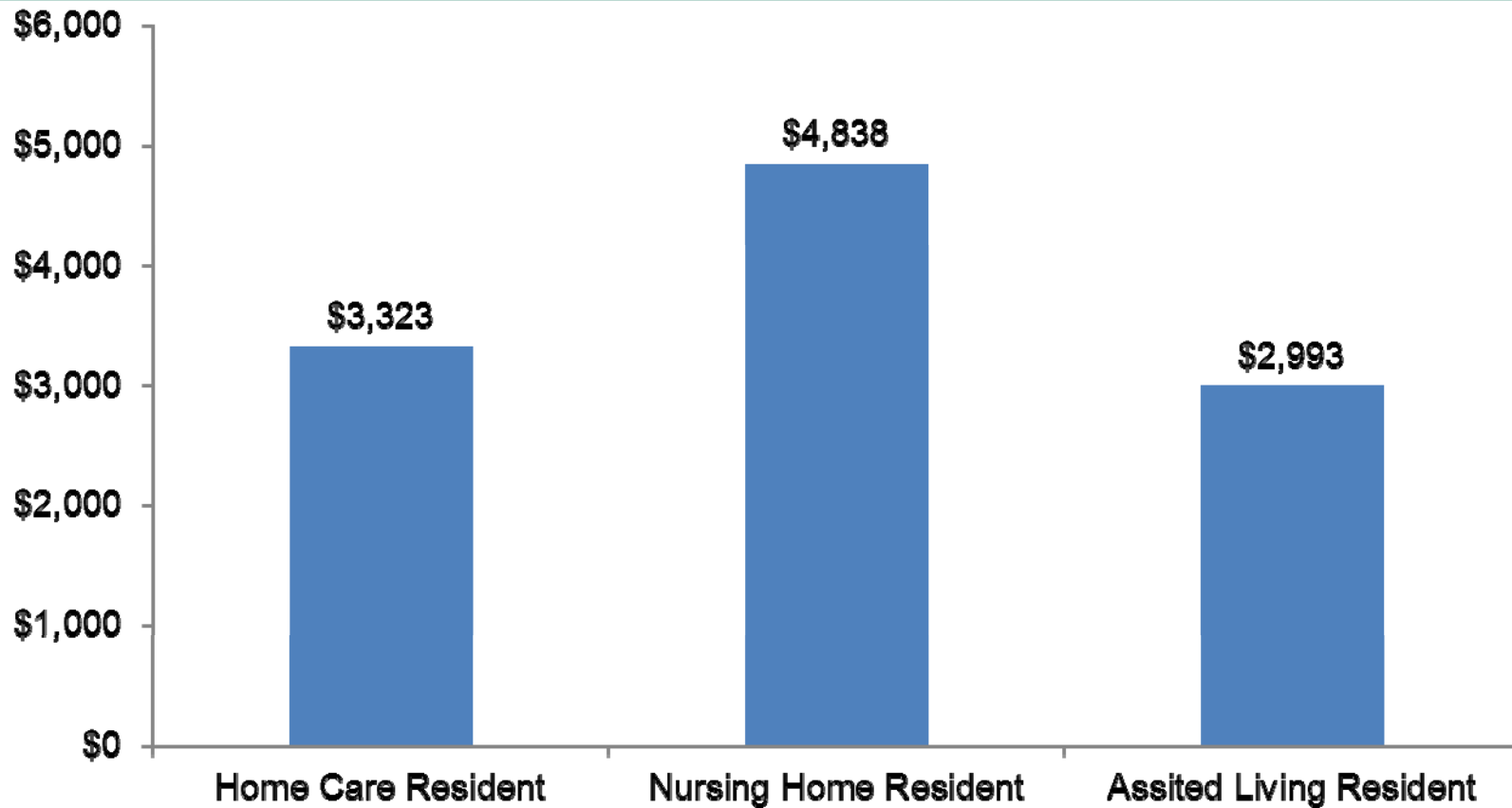
Assisted Living Facility Coverage



Note: Average length of assisted living claim (closed claims, 2011) from LifePlans, Inc. analysis of LTC insurance industry claimant data, 2011, newly weighted by market share. Savings is equal to the amount of premium that would have been allocated to insurance.

Claims-Related Benefits

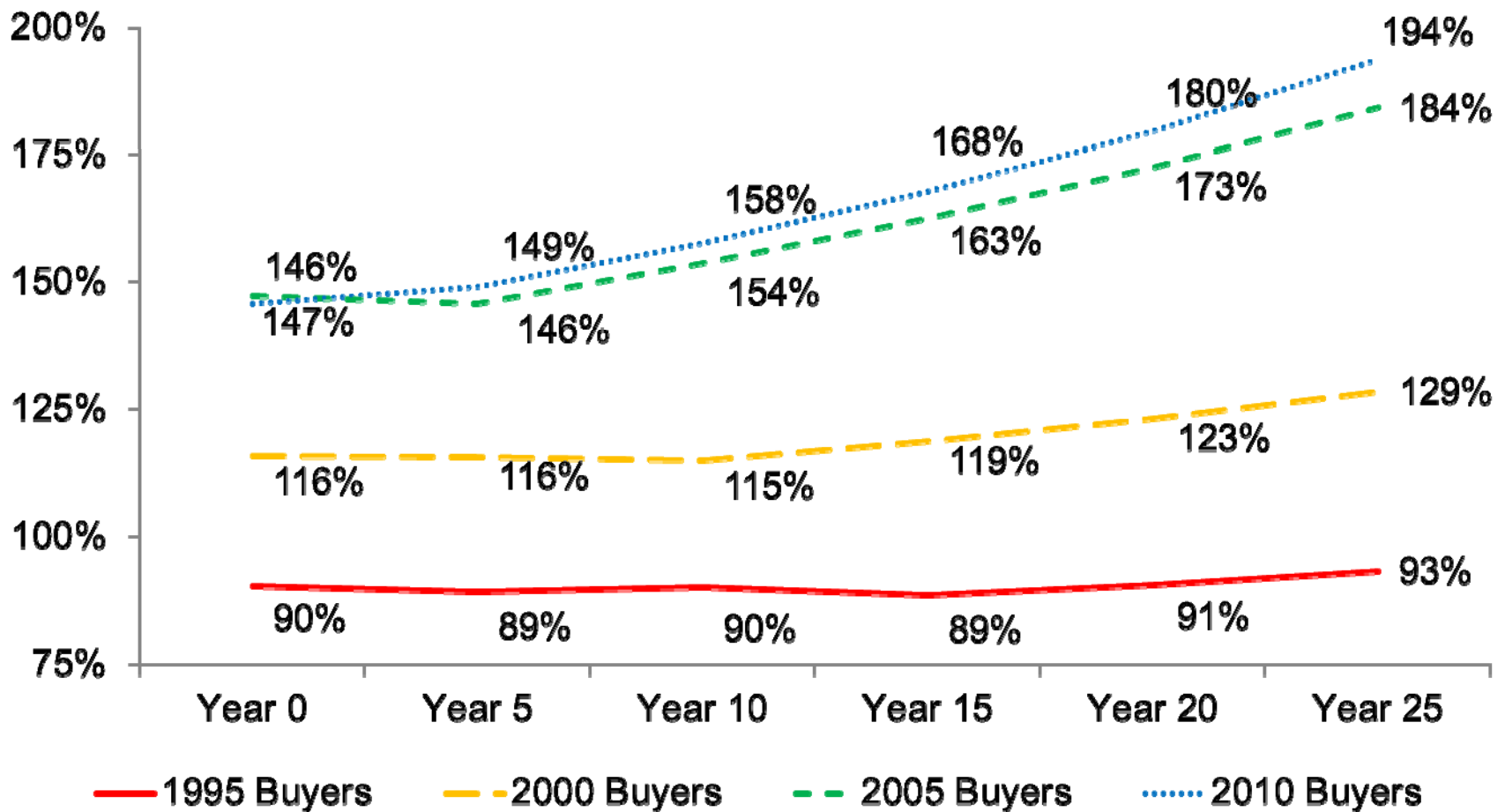
Monthly Out-of-Pocket Expenditures Saved by LTC Insurance Claimants (2014 dollars)



Source: Department of Health and Human Services (DHHS), *Decisions, Choices, and Care Management among an Admissions Cohort of Privately Insured Disabled Elders*, 2006; and MetLife Mature Market Institute, *Market Survey of Long-Term Care Costs*, 2012.

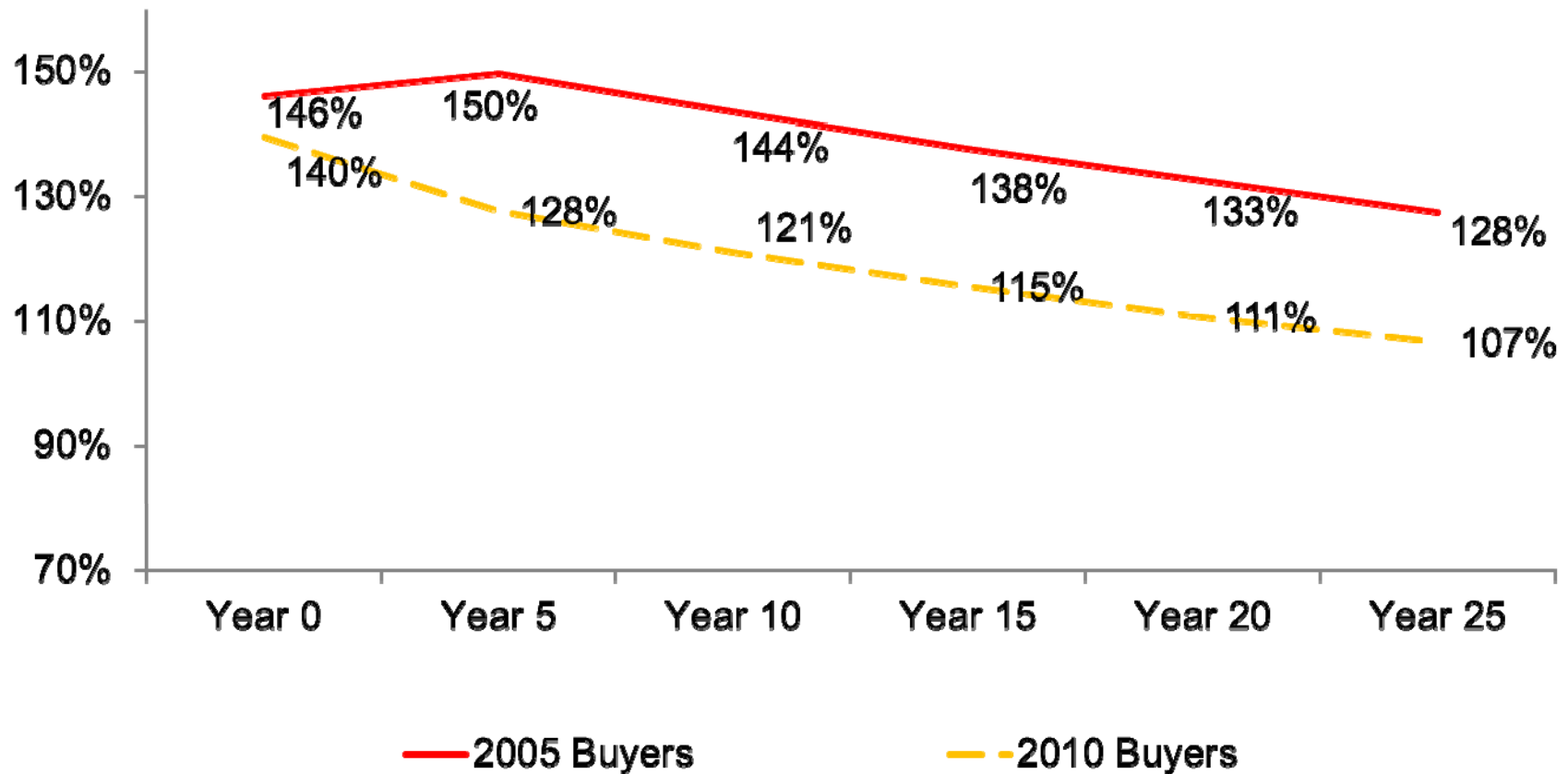
Note: Data were adjusted to 2014 costs with assumptions of 1%, 3.5%, and 4% increases in the costs of home care, nursing home, and assisted living care (respectively).

Percentage of Daily Home Care Cost Covered by LTC Insurance



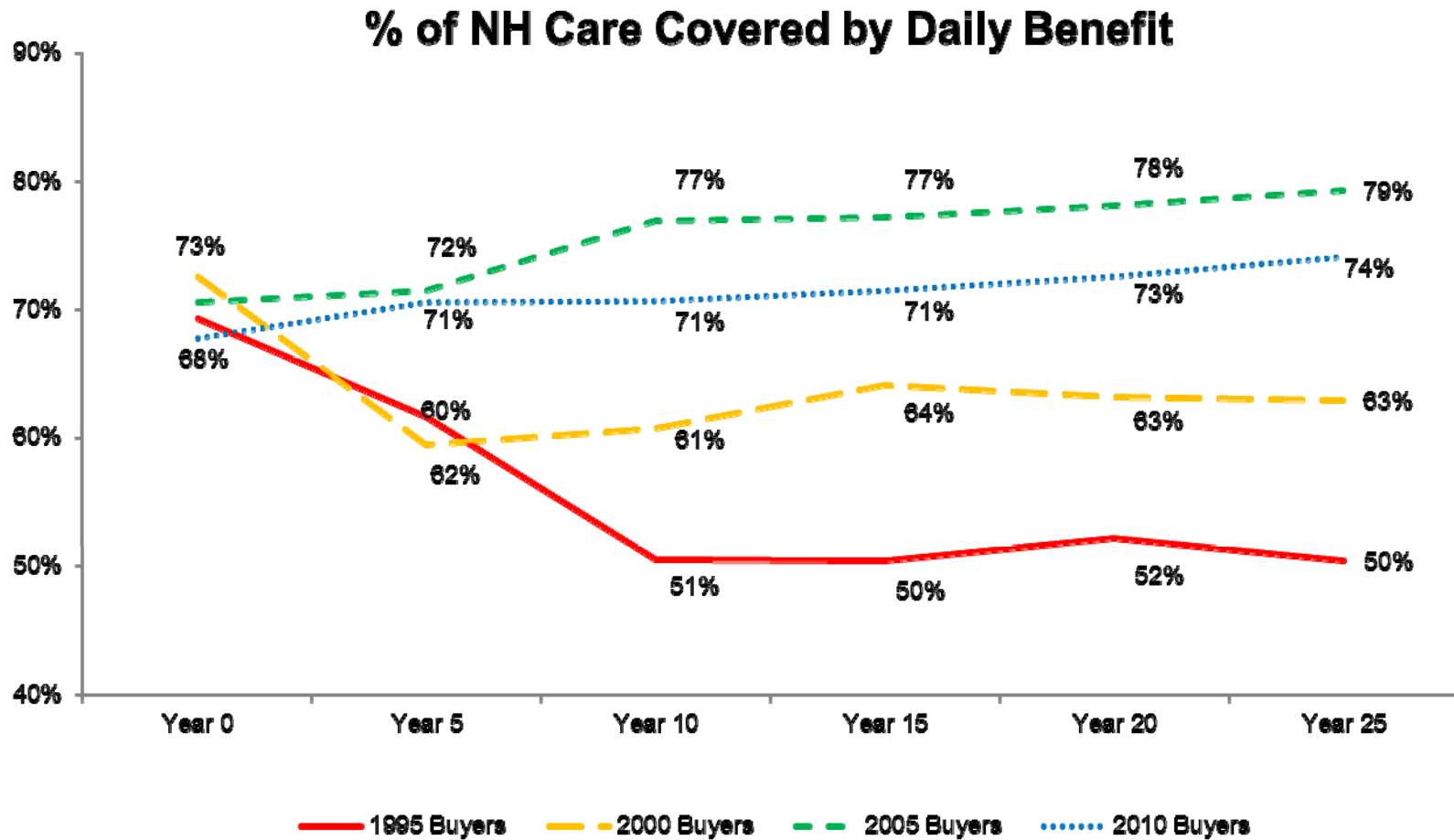
Note: LifePlans analysis. It is assumed that an individual uses roughly five hours of care a day, and the projected increase in costs is 1.85%, based on historical cost of care data. Inflation protection features in policies are accounted for.

PERCENTAGE OF DAILY ASSISTED LIVING COST COVERED BY LTC INSURANCE



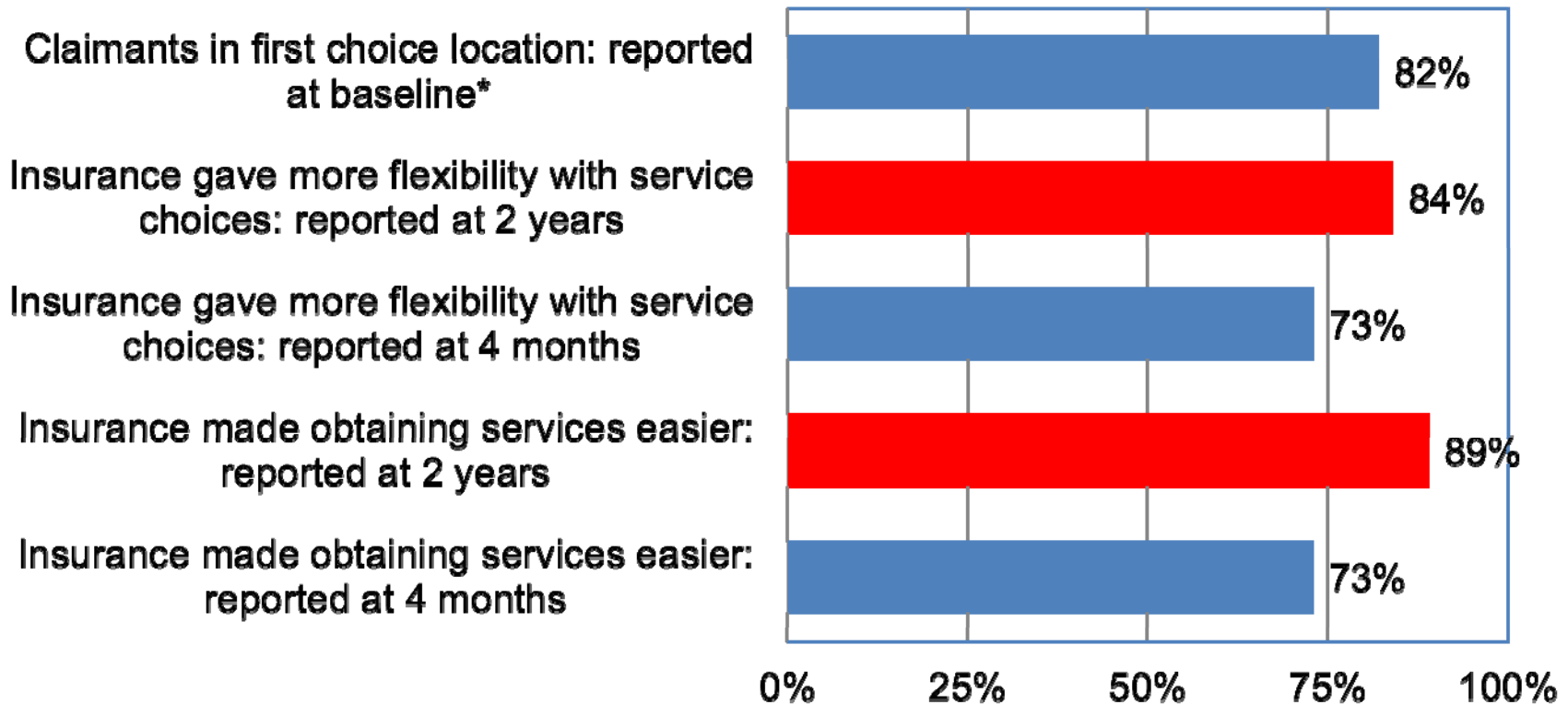
Note: LifePlans analysis. A projected increase in costs of 4.6%, based on historical cost of care data, is assumed. Inflation protection features in policies are accounted.

Percentage of Daily Costs likely to be covered by LTCI by purchase year: Nursing Home Care



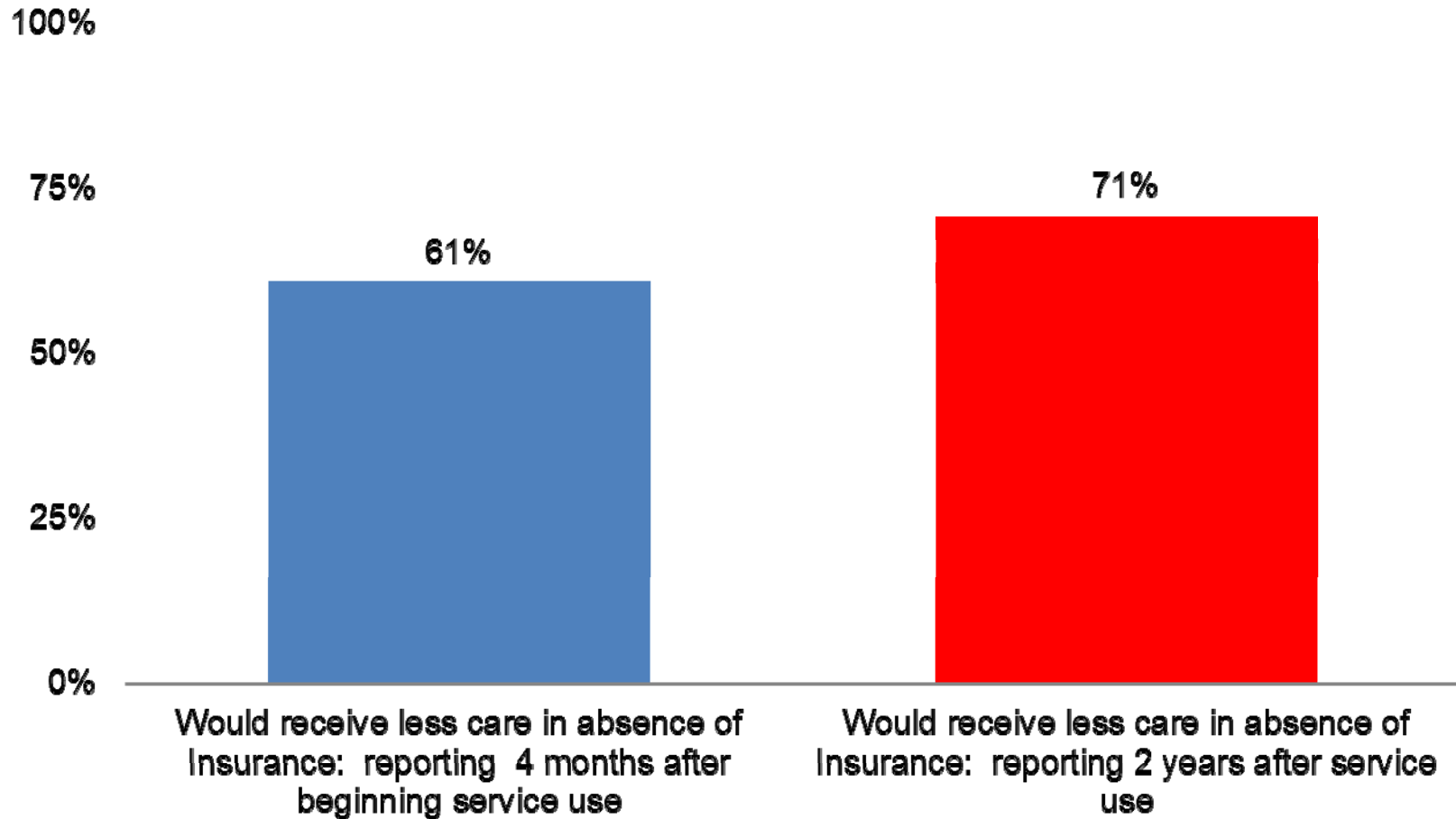
Note: LifePlans analysis. A projected increase in costs of 3.8%, based on historical cost of care data, was assumed.

Non-Financial Benefits to Claimants Reported at Four Months and Two Years after Initial Service Use



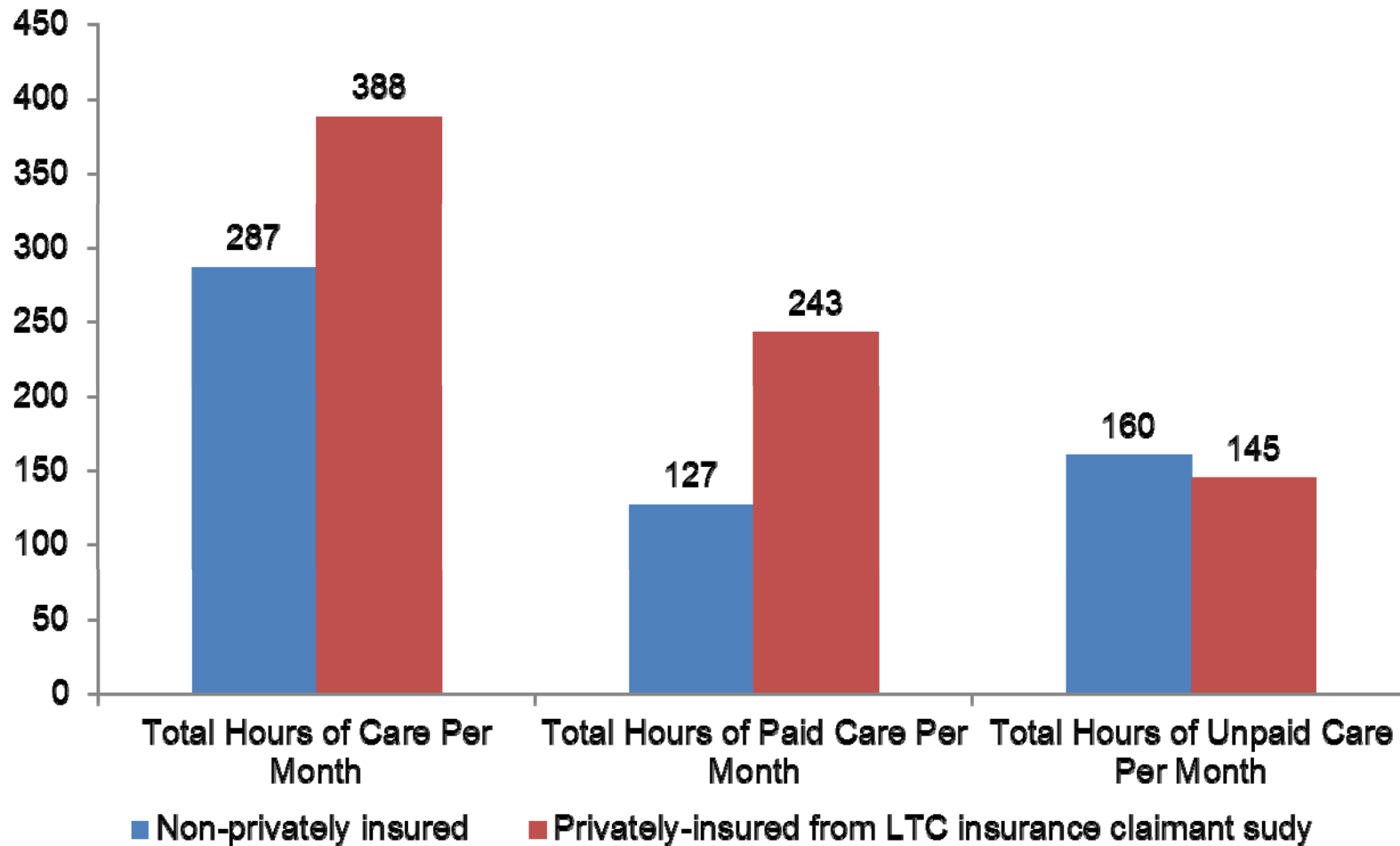
Source: DHHS, 2008

Perceived Relationship between Amount of Care and Insurance



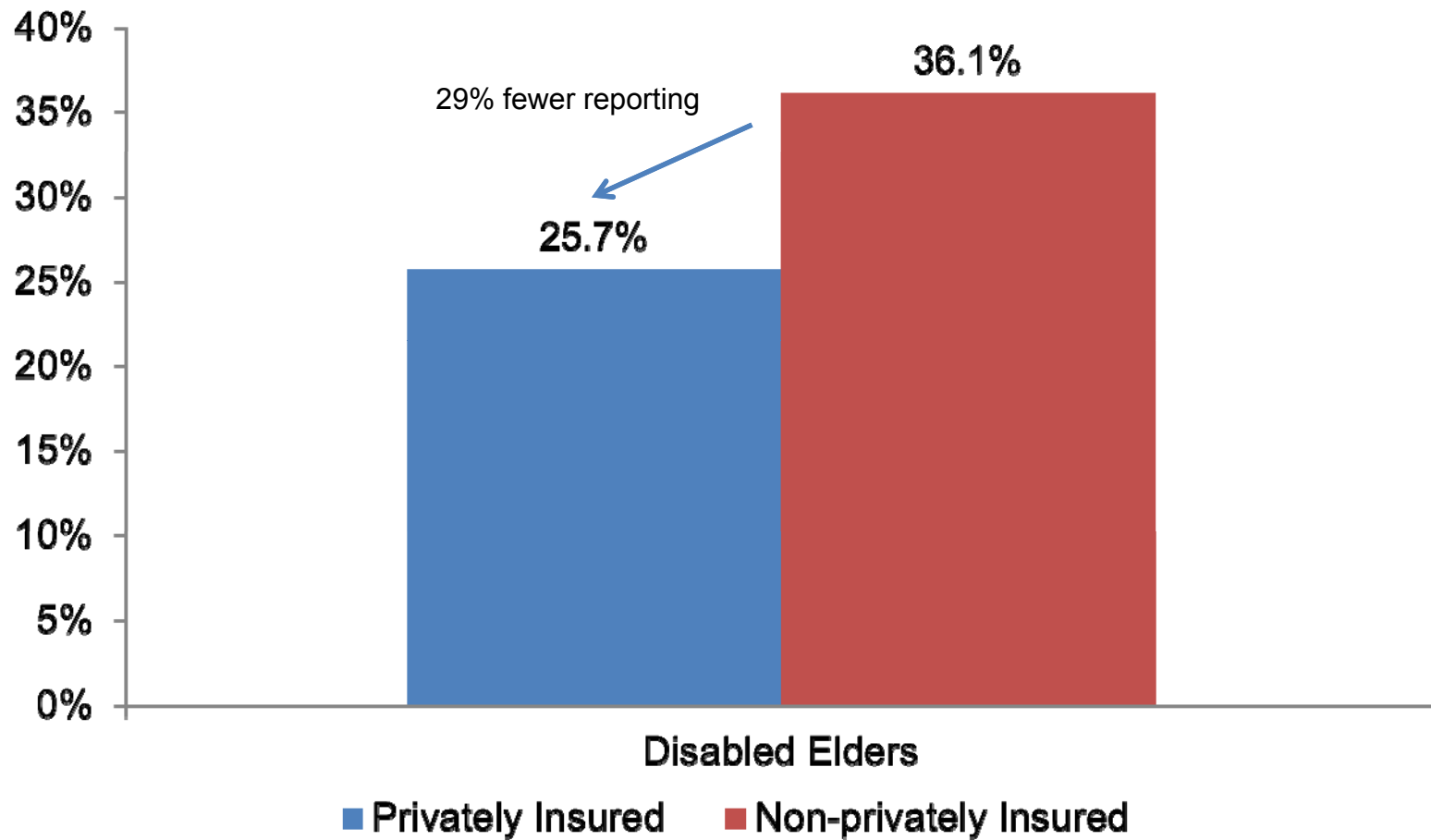
Source: U.S. Department of Health and Human Services (DHHS), *Following an Admissions Cohort: Care Management, Claim Experience, and Transitions among an Admissions Cohort of Privately Insured Disabled Elders over a Twenty-Eight Month Period, Final Report, 2008.*

Monthly Hours of Care for Disabled Home Care Recipients by Insurance Status



Sources: U.S. Department of Health and Human Services (DHHS), *Service Use and Transitions: Decisions, Choices, and Care Management among an Admissions Cohort of Privately Insured Disabled Elders*, 2006; and National Institute on Aging, *National Health and Aging Trends Study (NHATS)*, 2011.

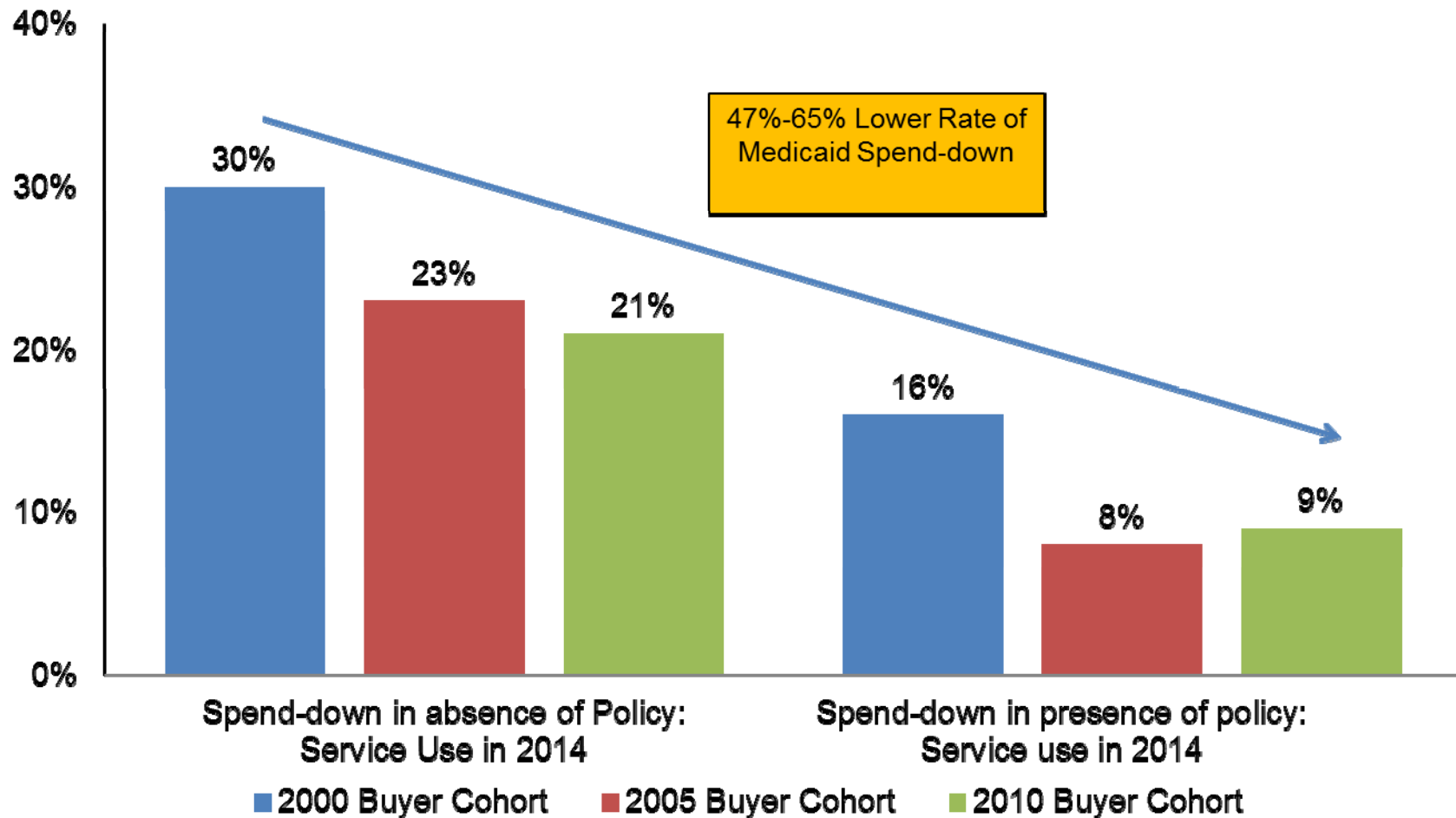
Levels of Unmet/Under-met Need by Insurance Status



Source: National Institute on Aging (NHATS), 2011.

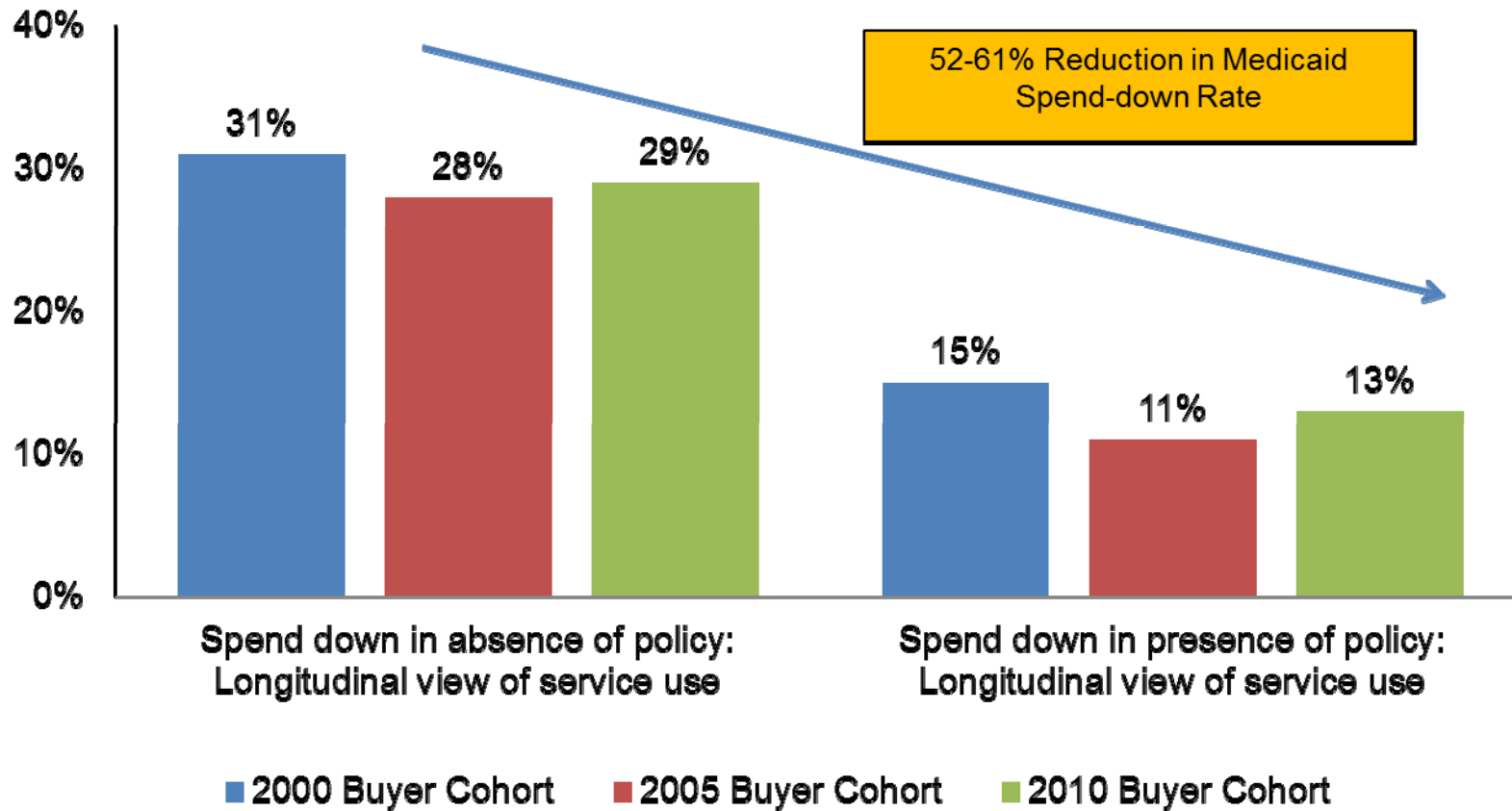
LTC Insurance and Medicaid

Impact of LTC Insurance on Medicaid Spend-down Rates Among Nursing Home Claimants by Purchaser Cohort (Current Service Use View)



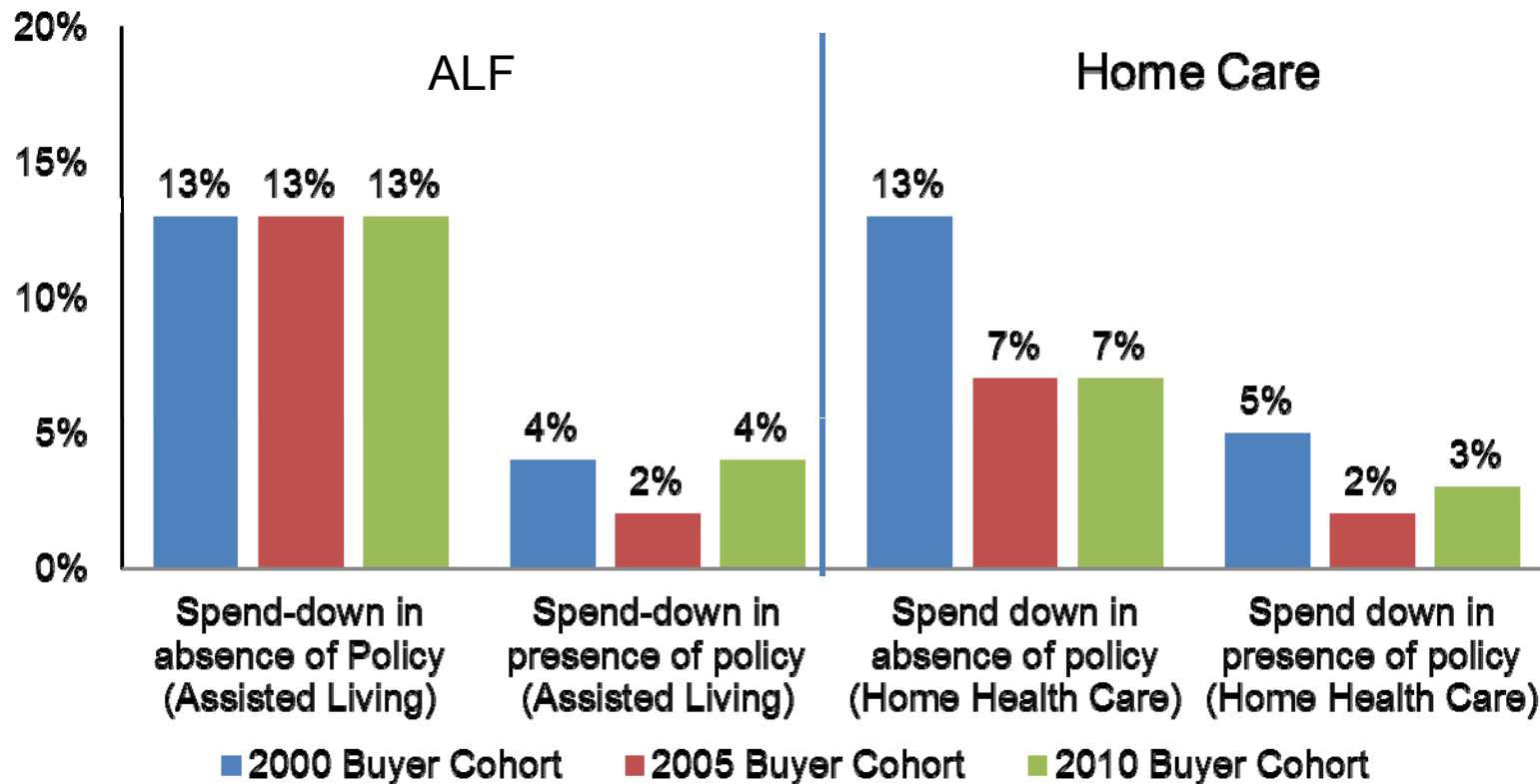
Note: LifePlans analysis. Key assumptions used: 2014 Medicaid resources allowances for community spouses are at each state's maximum; the average length of stay in the nursing home is 1.9 years; and about 30% of claimants will use a nursing home.

Impact of LTC Insurance on Medicaid Spend-down Rates Among Nursing Home Claimants by Purchaser Cohort (Longitudinal View)



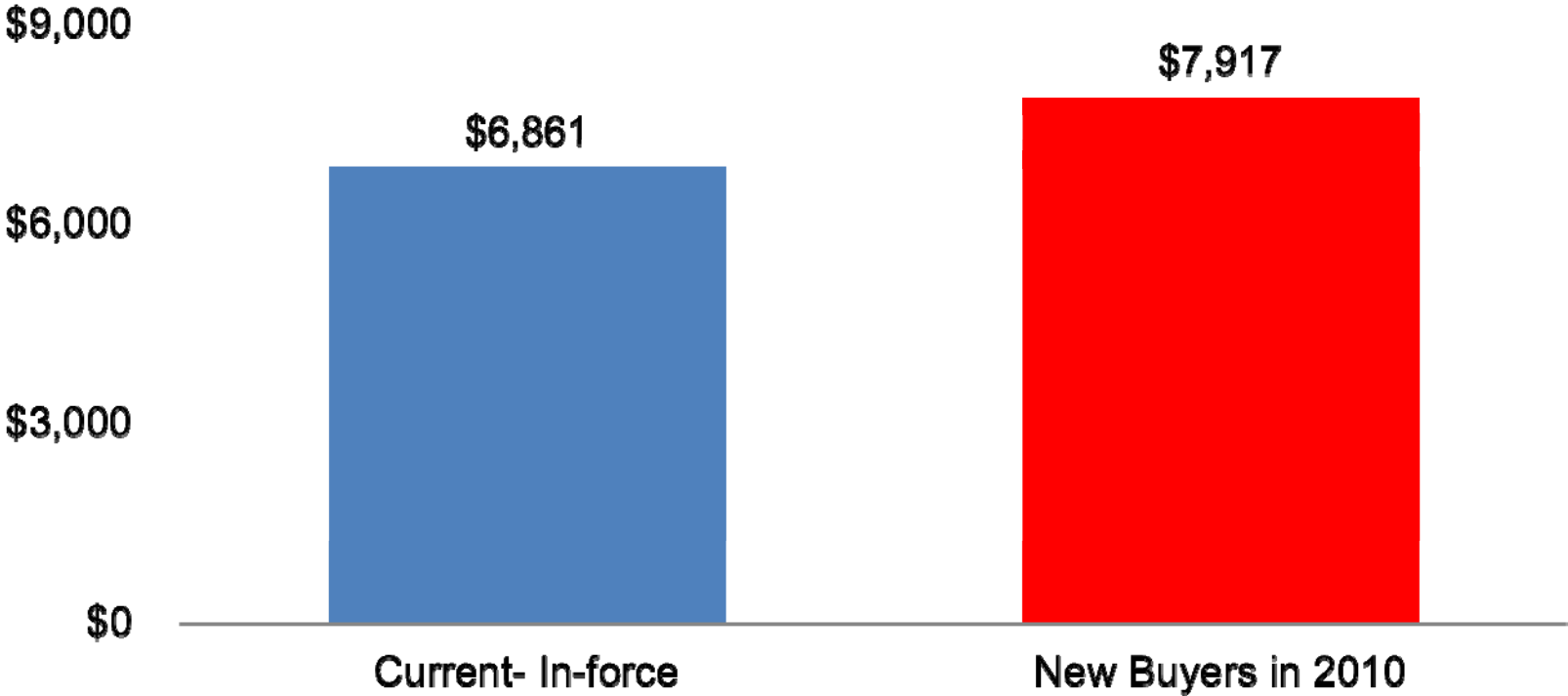
Note: LifePlans analysis, based on longitudinal claimant data. Key assumptions used: 2014 Medicaid resources allowances for community spouses are at each state's maximum; income is increased at 3% per year to age 65 and at 2% per year from 65 to 82; assets are increased at 5% a year to age 65 and remain constant after age 65; daily assisted living costs increase at 4.6% per year, and home care costs increase by 1.85% a year; the 2014 Medicaid eligibility income and asset limits remain the same for single buyers, and increase by 1% per year for married couples; the average length of stay in assisted living is 2.3 years and in home care 1.98 years. About 30% of claimants will use a nursing home.

Impact of LTC Insurance on Spending-down to Medicaid in Assisted Living and Home Care by Purchaser Cohort



Note: LifePlans analysis, based on longitudinal claimant data. Key assumptions used: 2014 Medicaid resources allowances for community spouses are at each state's maximum; income is increased at 3% per year to age 65 and at 2% per year from 65 to 82; assets are increased at 5% a year to age 65 and remain constant after age 65; daily assisted living costs increase at 4.6% per year, and home care costs increase by 1.85% a year; the 2014 Medicaid eligibility income and asset limits remain the same for single buyers, and increase by 1% per year for married couples; the average length of stay in assisted living is 2.3 years and in home care 1.98 years.

Projected Lifetime Medicaid Nursing Home Savings per In-Force Policyholder and per New Buyer in 2010



Note: LifePlans analysis. Key assumptions used: 2014 Medicaid resources allowances for community spouses are at each state's maximum; income is increased at 3% per year to age 65 and at 2% per year from 65 to 82; assets are increased at 5% a year to age 65 and remain constant after age 65; nursing home costs increase by 3.5% per year starting from a base of \$234 in 2014; the 2014 Medicaid eligibility income and asset limits remain the same for single buyers and increase by 1% per year for married couples; the average length of stay in the nursing home is 1.98 years; nursing home care is accessed at an average age of 82.

Relationship between LTCl and Caregiving



- Research previously reported showed that individuals caring for elders with private LTC insurance are nearly twice as likely to be able to work as those whose elders do not have the insurance
- A working caregiver of someone with LTC insurance is less likely to experience severe social stress than a caregiver of a non-insured person.
- Care management assistance provided by companies reduces caregiver stress and such services are highly valued by claimants and by extension, their families.
- Family caregiving hours declines by about 10 percent in the presence of insurance. Thus, the time spent on hands-on caregiving, along with its associated challenges and burdens, declines in the presence of insurance.
- Taken together, these findings suggest that the presence of LTC insurance can improve the caregiving experience.

Conclusions



- There is great current and future value in private LTC insurance policies.
- Growth in the market fueled by more middle-income purchasers is likely to lead to meaningful reductions in lifetime Medicaid costs
- There may be additional targeted tax-related strategies that could spur growth among middle income consumers that over time can be “paid for” by some of the associated reductions brought about by less reliance on Medicaid.
- A robust private insurance market will help support the growth and development of a high quality service infrastructure to meet growing demands.

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QUIZ RESULTS – You May Already Be a Winner



- How many “correct matches” do you have?
- ORDER
 - B
 - C
 - B
 - A
 - C
 - A (and/or) C
 - C
 - A

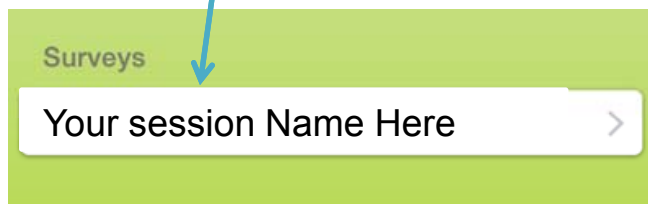
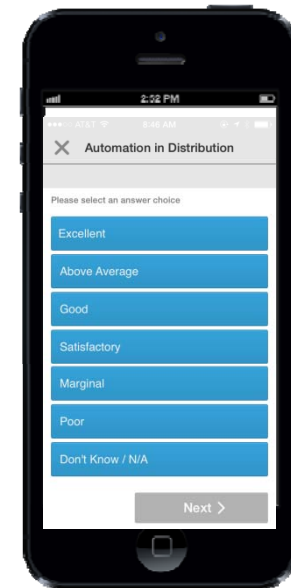
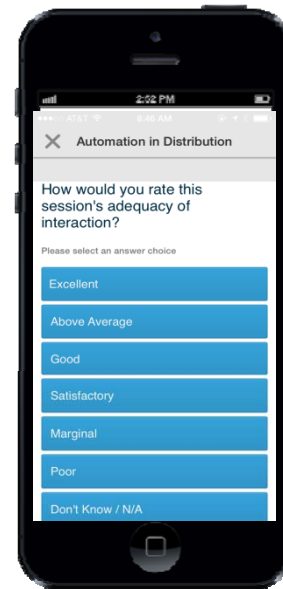
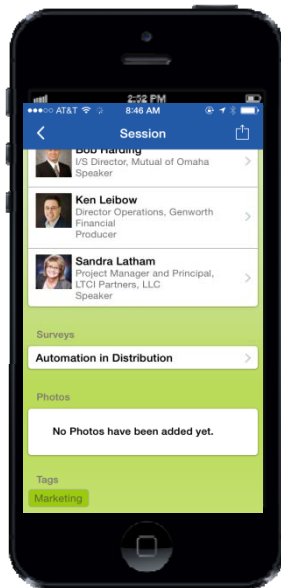
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