Alternative Solutions

The Bipartisan Policy Center (BPC) Long-Term Care Initiative

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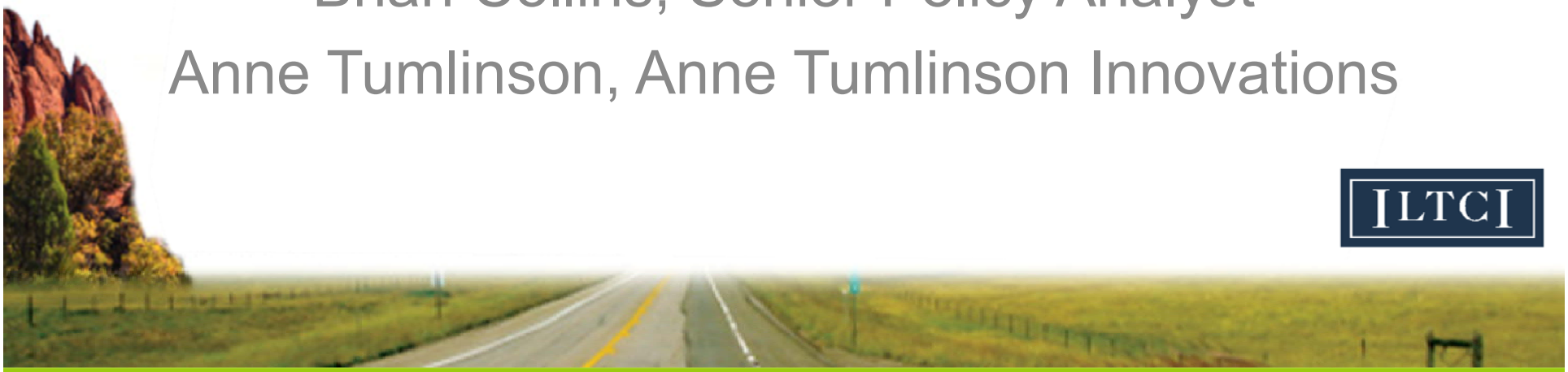

ILTCI

15th Annual Intercompany Long Term Care Insurance Conference

Participants

- Katherine Hayes, Speaker
- Brian Collins, Speaker
- Anne Tumlinson, Moderator

Who We Are

- Founded in 2007 by former Senate Majority Leaders Howard Baker, Tom Daschle, Bob Dole, and George Mitchell

- For more information see: www.bipartisanpolicy.org

Our Leaders

- Former Senator Tom Daschle (D-SD)
- Former Senator Bill Frist (R-TN)
- Former CBO Director Alice Rivlin
- Former Governor and HHS Secretary Tommy Thompson

Scope of Project

- Long-Term Services and Supports
  - Financing (2015)
  - Delivery (2016)
- Populations of Focus
  - Older Americans with disabilities
  - Working-age Americans with disabilities

Our Process

- Health Project Model:
  - Research
  - Outreach (stakeholders, experts, congressional and agency staff)
  - Development of policy options
  - Modeling of policy options
  - Revise policy options
  - Report Recommendations
  - Partner with BPCAN, BPC's 501(c)(4) lobbying arm to communicate with congressional and agency staff

Political and Legislative Environment

- Short term
  - LTSS financing is not on the agenda
    - CLASS Act repealed & LTC Commission report
    - LTC seen as important, but costly with no easy answers
  - Focus of policymakers is on near-term, 2016 elections, and some "must-do's"
    - The "Doc Fix"
    - Funding for Children's Health Insurance Program
    - Possible short-term solutions on ACA based on Supreme Court Decision on *King v. Burwell*
    - Budget and appropriations
    - Debt limit (recently reinstated)
    - Other issues (Highway trust fund & SSDI solvency)
    - Tax extenders

Political and Legislative Environment

- Long term (post-2016 elections)
  - Increased pressure to reduce spending on health-related programs, especially Medicare and Medicaid
  - Deficits will begin to increase again in the coming years
  - Bipartisan concern about retirement readiness
  - Bipartisan concern about work incentives, encouraging employment among working-age people with disabilities
    - Example: Passage of ABLE Act in late 2014

Integration of Acute and LTSS Delivery

- Separate but related project
  - Recommendations expected in early 2016
- Focus will be on integration of health, LTSS, and other social services
  - Identify successful models, address policy and legal barriers to replication and scaling
  - Funded by Peterson Center on Healthcare
  - Collaboration with Commonwealth, HSPH, IOM
- BPC's analytics by Acumen LLC
  - Work with Congressional Budget Office, Institute of Medicine, MedPAC, MACPAC, and states

LTC Financing – Modeling Policy Options

- Milliman for pricing estimates for a number of groups
  - How changes to the design of LTC insurance would affect premiums
- Urban DYNASIM microsimulation model for **long-term** estimates of impact on government and household finances, distributional analysis
  - Projects household retirement income and assets for 75 years
  - Includes Social Security, DB pensions, DC pensions, out-of-pocket healthcare and LTSS spending, Medicaid (over 65), SSI, budget and tax models
  - Can project how various policy options would impact households (assets, poverty, Medicaid eligibility), governments (spending and tax, trust funds)
- Modeling TBD for Medicaid under 65 population

LTC Financing – Modeling Policy Options

- Modeling will inform, but not determine, recommendations
  - Preliminary baseline projections complete
  - Results and public release of policy options expected this summer
  - BPC recommendations expected by end of 2015
- Three major categories of proposals
  - Private-market LTC Insurance
  - New insurance programs
  - Changes to Medicaid
- Today's presentation will focus on the first category (private market)

Envisioning a Reformed Private LTCI Market

- **Disclaimer:**
  - Inclusion of ideas in discussion **does not** mean they will be recommended (and lack of inclusion doesn't mean other ideas won't be recommended) by project leaders
  - Results of this discussion will inform, but will not necessarily drive BPC decision-making process and ultimate outcome

Envisioning a Reformed Private LTCI Market

- Policy design
  - Non-level premiums
  - Annually rerated premiums
  - High-cash-deductible or long-elimination-period policies
  - Cost-sharing in policies (such as co-insurance)
  - Alternatives to standard inflation protection, such as inflation protection based on an index
  - Cash-benefit policies (or service-benefit policies convertible into a reduced cash benefit level)
  - High-deductible coverage paired with a catastrophic, public reinsurance program

Envisioning a Reformed Private LTCI Market

- Policy distribution
  - Integrate LTCI with employer-sponsored retirement plans, such as 401(k) and 403(b) plans
    - Auto-enrollment of participants (with ability to opt-out) into a default policy design
      - What is an appropriate default for this case?
    - What to do about budget-scoring implications (offset substantial revenue effect)?
  - Integrate LTCI with Medigap and Medicare Advantage Plans
    - Ability to integrate health and LTSS coverage
    - Auto-enrollment with opt out?
    - Front-end or catastrophic benefit?

Audience Feedback on Sample Policy Ideas

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  - Inclusion of ideas in discussion **does not** mean they will be recommended (and lack of inclusion doesn't mean other ideas won't be recommended) by project leaders
  - While feedback will inform BPC project leader decisions, it will not determine their decisions

Audience Feedback on Sample Policy Ideas

- **Voting options:**

  Overall, do you think this option would have a meaningful impact on consumer penetration? – In other words, would it result in some combination of increased coverage/take-up by consumers, increased availability of policies from carriers, and/or lower premiums?

  1. **Strongly agree**
  2. **Somewhat agree**
  3. **Not sure**
  4. **Somewhat disagree**
  5. **Strongly disagree**

Policy Option 1a: Fixed annual premium increases

Allow/encourage policies with premiums that are not intended to remain level, but would **increase annually based on a fixed percentage (2 percent/year)** until a certain age (75 years) at which point they would be intended to remain level going forward.

- Note: like the current market, these premiums would not be guaranteed, and they could be revised if significant adverse experience develops at the agreement of state insurance commissioners.

1. Strongly agree
2. Somewhat agree
3. Not sure
4. Somewhat disagree
5. Strongly disagree

Policy Option 1b: CPI-indexed premiums

Allow/encourage policies with premiums that are not intended to remain level, but would **increase annually based on an index (CPI)** until a certain age (75 years) at which point they would be intended to remain level going forward.

- Note: like the current market, these premiums would not be guaranteed, and they could be revised if significant adverse experience develops at the agreement of state insurance commissioners.

1. Strongly agree
2. Somewhat agree
3. Not sure
4. Somewhat disagree
5. Strongly disagree

Policy Option 2: Annual premium adjustment

Allow/encourage policies with premiums that would be **adjusted annually to reflect the most updated assumptions** (on mortality, morbidity, lapse rates, investment rates, etc.). Because the premium rates would be updated annually, the initial premiums would include a smaller load for moderate adverse experience.

1. Strongly agree
2. Somewhat agree
3. Not sure
4. Somewhat disagree
5. Strongly disagree

Policy Option 3a: CPI-based inflation prot.

Encourage policy designs that include **inflation protection based on an index** (such as CPI or wages) instead of a fixed percentage (such as 3, 4, or 5 percent).

1. Strongly agree
2. Somewhat agree
3. Not sure
4. Somewhat disagree
5. Strongly disagree

Policy Option 3b: 2% inflation protection

Encourage policy designs that i**nclude inflation protection based on a lower fixed percentage** (i.e. 2 percent annually) than those typically marketed today (such as 3, 4, or 5 percent).

1. Strongly agree
2. Somewhat agree
3. Not sure
4. Somewhat disagree
5. Strongly disagree

Policy Option 4a: Cash deductible

Encourage/allow policy designs that use **cash deductibles** (instead of an elimination period) before benefits are paid.

Initial deductibles (examples below) would be updated annually at the same rate as the benefit inflation protection.

Examples: $5,000; $10,000; $25,000; $50,000; $100,000

1. Strongly agree
2. Somewhat agree
3. Not sure
4. Somewhat disagree
5. Strongly disagree

Policy Option 4b: Deductible + coinsurance

Encourage/allow policy designs that **add 10 percent coinsurance** to each of the example cash deductible policies. Initial deductibles updated annually at the same rate as the benefit inflation protection. Examples:

- $5,000 plus 10% coinsurance
- $10,000 plus 10% coinsurance
- $25,000 plus 10% coinsurance
- $50,000 plus 10% coinsurance
- $100,000 plus 10% coinsurance

1. Strongly agree
2. Somewhat agree
3. Not sure
4. Somewhat disagree
5. Strongly disagree

Policy Option 5: Benefits based on ADL loss

Allow/encourage policy designs that increase benefit levels as ADLs increase (for example, 3 ADLs would qualify for a larger benefit than 2 ADLs; maximum benefit would be reserved for 4 ADLs or cognitive impairment).

1. Strongly agree
2. Somewhat agree
3. Not sure
4. Somewhat disagree
5. Strongly disagree

Policy Option 6a: Public reinsurance

Develop a public reinsurance program, funded internally by reinsurance premiums; participation would be voluntary for carriers. The reinsurance program would finance 90 percent of the claims that exceed 5 years of payment at the maximum daily benefit level.

- The purpose of the program would be to move the far right tail risk from the carrier to the government for an actuarially sound reinsurance premium, which would enable consumers to secure long-duration and lifetime coverage that is no longer widely available in the market and cover catastrophic LTSS needs with insurance, rather than spending down to Medicaid.

1. Strongly agree
2. Somewhat agree
3. Not sure
4. Somewhat disagree
5. Strongly disagree

Policy Option 6b: Public reinsurance for 4+ ADL loss

Develop a public reinsurance program, funded internally by reinsurance premiums; participation would be voluntary for carriers. The reinsurance program would finance 90 percent of the claims that exceed 5 years of payment at the maximum daily benefit level.

- **Alternative: Restrict reinsurance coverage to policyholders with minimum 4 ADLs or cognitive impairment** (meaning that coverage for policyholders not meeting this higher trigger would end after 5 years times the maximum daily benefit amount).

1. Strongly agree
2. Somewhat agree
3. Not sure
4. Somewhat disagree
5. Strongly disagree

Policy Option 6c: High-deductible public reinsurance

Develop a public reinsurance program, funded internally by reinsurance premiums; participation would be voluntary for carriers. The reinsurance program would finance 90 percent of the claims that exceed 5 years of payment at the maximum daily benefit level.

- **Alternative: Restrict reinsurance program to high-deductible policies (such as $10,000 or $25,000).**

1. Strongly agree
2. Somewhat agree
3. Not sure
4. Somewhat disagree
5. Strongly disagree

Policy Option 7a: Front-end coverage

Encourage policy designs with limited lifetime and periodic benefit levels (such as $50,000 to $100,000 pool of money with a $100 to $150 daily maximum) to provide front-end LTSS coverage for home- and community-based care.

1. Strongly agree
2. Somewhat agree
3. Not sure
4. Somewhat disagree
5. Strongly disagree

Policy Option 7b: Front-end cash benefit

Encourage policy designs with limited lifetime and periodic benefit levels (such as $50,000 to $100,000 pool of money with a $100 to $150 daily maximum) to provide front-end LTSS coverage for home- and community-based care.

- **Alternative: Encourage the use of cash for the above benefit design.**

1. Strongly agree
2. Somewhat agree
3. Not sure
4. Somewhat disagree
5. Strongly disagree

Policy Option 7c: Service vs. cash benefit

Encourage policy designs with limited lifetime and periodic benefit levels (such as $50,000 to $100,000 pool of money with a $100 to $150 daily maximum) to provide front-end LTSS coverage for home- and community-based care.

- **Alternative: Encourage the use of a services-reimbursement benefit with option to convert to a reduced cash benefit for the above design.**

1. Strongly agree
2. Somewhat agree
3. Not sure
4. Somewhat disagree
5. Strongly disagree

Policy Option 8a: Retirement plan funds

Allow participants to use funds from employer-sponsored retirement plans, such as 401(k) and 403(b) plans, for the purchase of LTC insurance.

1. Strongly agree
2. Somewhat agree
3. Not sure
4. Somewhat disagree
5. Strongly disagree

Policy Option 8b: Auto-enroll plan participants in LTCI

Allow participants to use funds from employer-sponsored retirement plans, such as 401(k) and 403(b) plans, for the purchase of LTC insurance, **and encourage plan sponsors to automatically enroll participants age 50 and above with at least $50,000 in plan savings into a default LTC insurance policy.**

- Example default plan design: cash deductible of $5,000, 10-percent coinsurance, 3-year benefit period, $150 daily-benefit maximum, and 3-percent-compound inflation protection. 5-year vesting period (instead of underwriting) to enable passive enrollment. Participants could opt-out at any time. Participants could make limited changes to policy parameters (deductible, benefit period, etc.) for a limited time.

1. Strongly agree
2. Somewhat agree
3. Not sure
4. Somewhat disagree
5. Strongly disagree

Contact Info

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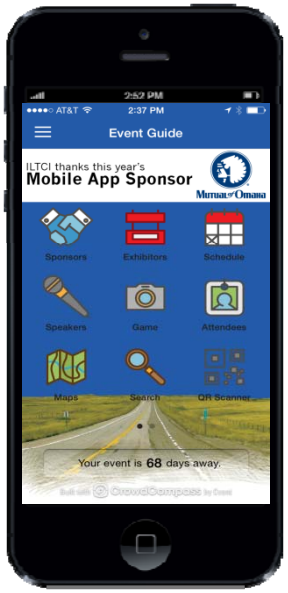

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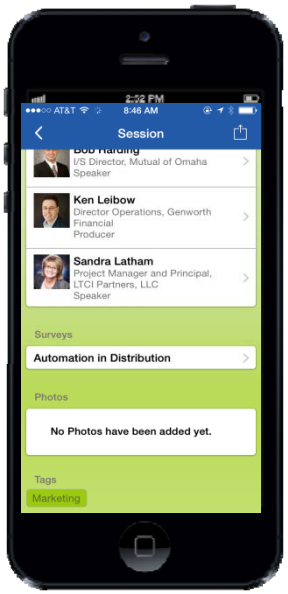

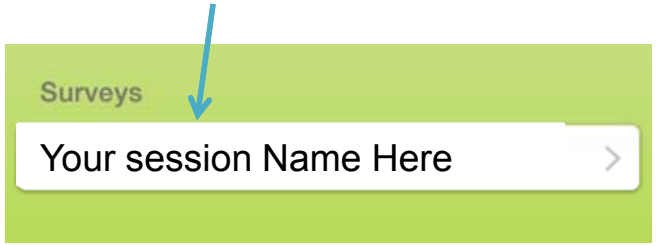

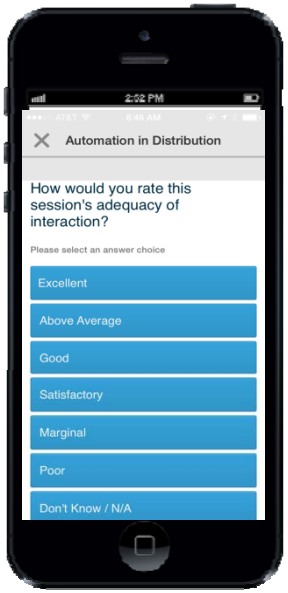

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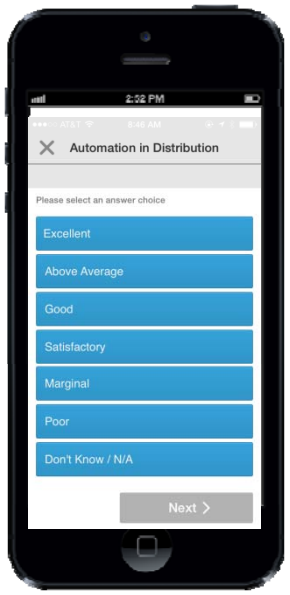

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