

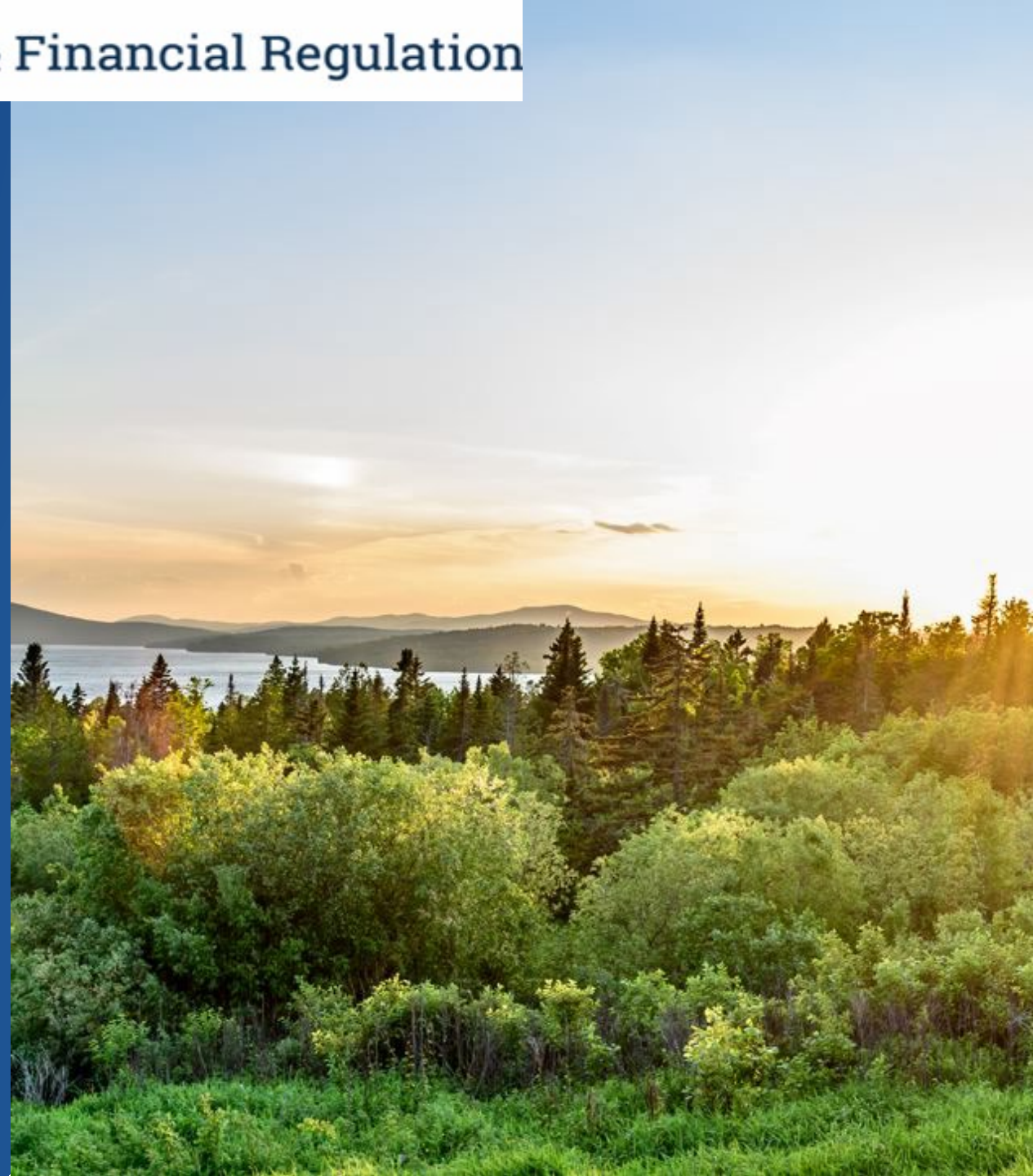


# Maine Bureau of Insurance

## Long Term Care Insurance

132<sup>nd</sup> Maine Legislature  
Health Coverage, Insurance, and  
Financial Services Committee

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# Overview of Long Term Care

- ❑ As the state with the oldest median age, Maine has an acute need for long term care (LTC) services and funding sources to help pay for these services.
- ❑ According to the US Department of Health and Human Services, approximately 70% of people age 65+ will need long term care at some point in their life.
- ❑ Many people rely on family members and friends to serve as caregivers.
- ❑ While LTC insurance can help pay for long term care, many people cannot afford the premiums for these policies and those with LTC insurance are facing large premium increases.

# The Cost of Long Term Care Services

Service	Average Monthly Cost (2023)
Home Health Care	
Homemaker Services	\$7,245
Homemaker Health Aide	\$8,008
Adult Day Health Care	\$1,733
Assisted Living Facility – Private Room	\$8,712
Nursing Home	
Semi-Private Room	\$12,197
Private Room	\$13,155

- The monthly cost of long term care services can be beyond the means of many people.
- Furthermore, these services may be needed for an extended period.

# Funding Long Term Care Services

Four main sources of funding for LTC services:

1. Individuals / Families
  - Savings, sale of home, family members, reverse mortgage
2. Medicare
  - Will pay for a limited amount of nursing home care after a hospital stay
3. Medicaid
  - State and federal program for eligible low-income individuals with limited assets
4. Long Term Care Insurance
  - Commercial policies sold to individuals or through an employer group
  - Based on national data, fewer than 10% of people are covered by LTC insurance

# What Is Long Term Care Insurance?

- ☐ LTC insurance must provide at least 12 consecutive months of coverage for medically necessary services.
- ☐ To be eligible, the insured must have a chronic physical or mental impairment, as determined by a physician.
- ☐ After satisfying an elimination (or waiting) period, the policy pays a defined amount for covered services.
- ☐ Most policies pay a specific dollar amount, such as \$120,000 or \$200 per day for up to 600 days of care.
- ☐ If the daily reimbursements are less than the maximum daily benefit, benefits may be extended until the overall maximum is reached.

# The National LTC Insurance Market

- ❑ LTC insurance first became available in the early 1980's. The policies when sold were relatively inexpensive due to the lack of experience with rating this type of product.
- ❑ As LTC insurance experience evolved:
  - Premiums did not accurately reflect the increase in long term care costs,
  - Sustained low interest rates impacted insurers' investment income,
  - Inflation escalators were too generous,
  - Lapse rates were lower than expected, and
  - Life expectancy was longer than predicted.
- ❑ Companies came to realize LTC insurance policies were underpriced.
- ❑ While policies are guaranteed renewal, premium increases are allowed on a class basis, meaning by block of business and benefit type. Increases may not be based on health status or claims experience.
- ❑ After many years of low stable premiums, many policyholders are experiencing significant rate increases.

# Maine's LTC Insurance Market

- ❑ Roughly 34,000 Maine LTC insurance policyholders, with annual written premiums of \$56 million.
- ❑ 50% of policyholders are under age 70.
- ❑ Recently approved rate increases ranged from 2% to 72%.
- ❑ Proposed rate increases are as high as 233%.
- ❑ New sales of LTC insurance are rare.



# Maine's LTC Insurance Rate Review

- ❑ With limited exceptions, proposed rate changes must be submitted to the Bureau for review and approval.
- ❑ At the time the rate request is filed with the Bureau, insurers must notify policyholders.
  - The initial notice to policyholders occurs before the rate request is reviewed by the Bureau.
- ❑ The Bureau uses internal resources along with contracted actuaries to assist in the rate review.
- ❑ Rates must not be excessive, unfairly discriminatory, or inadequate.

# Maine's LTC Insurance Rate Review

- ❑ Maine has adopted two rules to guide rate review.
- ❑ Rule 420 – If Knew Approach
  - Applies to LTC policies issued prior to 10/1/04.
  - Policies must meet minimum loss ratio of no less than 60% (amount that must be spent directly on benefits) adjusted to the proposed rate level and 85% for the increased premium.
- ❑ Rule 425 – NAIC Stabilization Approach
  - Applies to LTC policies issued on or after 10/1/04.
  - Policies must meet minimum loss ratio of no less than 85% for the increased premium.

# Maine's LTC Insurance Rate Review

- ☐ If the rate request is approved, the Bureau works with insurers to moderate the impact on policyholders.
- ☐ Spread larger increases over several years and prohibit insurers from requesting additional premium increases during this period.
- ☐ Offer policyholders alternatives to reduce premiums.
  - ☐ Cut inflation protection.
  - ☐ Convert lifetime benefits to fixed period.
  - ☐ Contingent Non-Forfeiture - When premiums rise to a certain level above the original premium and a person is a certain age, if they stop paying premiums, they are able to retain benefits up to the paid premium amount.

# Long-Term Care Insurance Forums

- ❑ The Bureau has held several public forums on LTC insurance in the past and will be holding one in the coming months.
- ❑ Forums feature presentations on the rate review process, Maine's Long-Term Care Insurance Partnership Program, and claims processes.
- ❑ Policyholders, members of the public, legislators, advocates and other interested parties can submit written or in person comments.

# Emerging Issues – LTC Insurance

- ❑ Large volumes of business were written based on pricing assumptions that were inadequate.
- ❑ This raises financial solvency concerns for insurers, which have not collected the premiums they need to pay the claims.
- ❑ It also adversely affects policyholders, some of whom cannot afford to pay higher premiums that reflect the true cost of the coverage.
- ❑ The Bureau must consider insurers' financial solvency.
  - In 2016, Pennsylvania Insurance Commissioner petitioned PA court to place Penn Treaty and American Network into liquidation
  - Penn Treaty had assets of less than \$454 million and liabilities exceeding \$4.28 billion.
  - The Bureau intervened in the SHIP litigation, also in PA, regarding rate increases and benefit reduction for a company in rehabilitation.
- ❑ When an insolvency occurs, because of guarantee fund limits, benefits for some policyholders would be reduced.

# Multi-state Collaboration on LTC Issues

- ❑ The LTC insurance problem is nationwide, not just Maine.
- ❑ Bureau staff are active participants in the LTC working group established by the National Association of Insurance Commissioners (NAIC).
- ❑ Goal is to develop realistic solutions to increase popularity and accessibility of long term care insurance.
- ❑ Regulators share resources and ideas to hold companies accountable, provide effective reviews and discuss options.

# NAIC Proposals

## Innovation

- ☐ Simplify benefit choices and standardize benefit packages
- ☐ Tie to retirement savings
- ☐ “Term funded product” - premiums rise until certain age then level off
- ☐ High deductible product
- ☐ Index LTC premiums/benefits
- ☐ Have Medicare Supplement policies include LTC coverage as an option
- ☐ “Family Long-Term Care Account” - an individual/family savings account for LTC insurance

# NAIC Proposals (Continued)

## Affordability and Availability

- ☐ Incentivize employers to offer LTC insurance
- ☐ Use retirement plans to purchase LTC insurance
- ☐ Offer LTC insurance to state employees.
- ☐ Allow LTC insurance to be sold through state and federally operated health insurance marketplaces
- ☐ Allow tax deduction up front for each year LTC policy is in force



# NAIC Proposals (Continued)

## Other

- ☐ Multi-state reinsurance pool
- ☐ Consumer education
- ☐ Make LTC insurance training part of an agent's general life and health insurance training
- ☐ Rebrand LTC insurance
- ☐ Reexamine disclosure consumer gets at time of sale