

Commissioner's Column

November 2016

Long-Term Care Insurance Challenges & Market Outlook

At its core insurance is about protecting people from risks and yet one risk that many of us fail to talk about, let alone plan adequately for, is the potential need for care as we reach advanced age. Long-term care insurance helps policyholders prepare for the events that can impact a lifetime of saving. The cost of nursing home care increases by 4.5 percent annually, nearly twice the rate of inflation and it's projected that the average cost of a one-year stay in a nursing home will increase from \$81,000 today to \$146,000 in 2030, according to the American Council of Life Insurers.

Without this important coverage there can be devastating effects on retirement income and financial security for the person who is ill and also for their surviving spouse or any family caregivers. While the amount of time that a person may need care is often limited, some people will need a lot of care for a lengthy amount of time. According to the Department of Health and Human Services, just over half (52 percent) of individuals turning 65 will have a high need for long-term care over their lifetimes with the average need running two years. But for a quarter of seniors, the need will run longer.

Just as health care has experienced significant changes over the last 30 years, so has long-term care (LTC) insurance. A National Association of Insurance Commissioners (NAIC) report published earlier this year states that fewer than 20 insurers had significant business (more than 2,500 individual or group policies annually) in 2011. By 2014, this figure had dropped to only a dozen companies selling at least 2,500 individual policies and five selling group policies.

There is no question as to how important these policies are but the pricing has reached crisis proportions. One major player in the LTC insurance market both nationally and in Louisiana is requesting a 60 percent premium rate increase due to shortfalls in underpriced long-term care products that were purchased by policyholders over the years. Other insurers are experiencing similar operating losses and regulators across the country are facing the issue of equity in increases among the accurately priced new policies and the old policies that severely miscalculated increases in life expectancy and cost of care.

As insurers have gained more experience and insight into how the policies are utilized, premiums have increased which is a hard pill for consumers to swallow. As products have become more costly, buyers are coming from groups with higher than average median incomes and assets. According to the NAIC Center for Insurance Policy and Research (CIPR), most purchasers of long term care insurance are married, college-educated and employed at the

time of purchase. Insurers are responding by creating hybrid products, combining long-term care benefits with life insurance and annuities.

Policymakers have also worked to expand the private insurance market by creating state partnership programs. These programs are a partnership between state Medicaid programs and the private insurance industry and Louisiana is one of that majority of states that have implemented such a program. The Louisiana Long-Term Care Partnership Program helps protect residents from being forced to exhaust their assets to become Medicaid eligible if they are faced with requiring long-term care. The Louisiana Department of Insurance maintains a list of companies licensed to sell Long-Term Care Partnership policies and it is available on our website. Louisiana has established reciprocity with the majority of other states so that partnership program policies purchased in other states are transferable to Louisiana and vice versa. Agents who are interested in selling long-term care partnership policies must complete eight hours of training required by the state and be able to demonstrate an understanding of partnership policies.

Long-term care insurance is an important tool which helps people to live out their golden years in dignity and without fear of being able to afford care when they most need it. The CIPR reports privately insured individuals receive between 30-35 percent more total hours of care than do those without insurance. These hours can be vital to someone recovering from surgery or dealing with an illness contracted later in life and the benefits of long-term care policies have more far-reaching positives than just for the policyholders. Families and communities benefit when plans are put in place when people are of sound mind and body. The industry benefits when the public is educated and willing to purchase financially sound policies that help the market grow. We all benefit when our families and neighbors have peace of mind.