

Long-Term Care News

Aging and Long-Term Care Insurance: A National Policy Perspective

by Chris Orestis and Eli Rowe



D.C. to discuss the perspective of national policymakers regarding the current state of the LTC insurance industry.

Blancato is a recognized expert and leader on the topic of aging, having spent 30 years in Washington, D.C. involved in this issue. He was staff director on the House Select Committee on Aging's Human Services Subcommittee from 1977-1988. He currently serves on the Policy Committee and Executive Committee of the 2005 White House Conference of Aging, as appointed by Speaker of the House of Representatives Nancy Pelosi. He was executive director of the 1995 White House Conference on Aging, as appointed by the president of the United States. In 1998, Blancato was a delegate to the White House Conference on Social Security. He has worked closely with the insurance industry over the years through numerous initiatives with the major trade organizations and carriers of LTC insurance, and serves on the boards of numerous advocacy and charitable organizations with the mission of improving the quality of life for the aging.

The aging baby boom generation and the burgeoning LTC financing crisis that lays in their wake has been a subject of national discussion for well over a decade. No one institution, be it public or private, will be able to handle the care of our nation's aging population alone. The debate about this issue has been ongoing since the administration of FDR conceived of social security; then Lyndon Johnson ushered in the era of Medicare and Medicaid.

We were fortunate enough recently to sit down with Robert Blancato, a principal and president of Matz, Blancato & Associates at their K Street office in Washington,

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Q: Recently in *The New York Times* there was an article about LTC insurance claims practices. What is your opinion of that article?

A: The article was an unfortunate example of journalistic opportunism to create a more sensational “exposé” than was deserved. First of all, the article was written about the practices of one company, but the way in which it was portrayed would lead many to believe that this was how an entire industry conducts its business. That is unfair journalism and it could not have been done at a worse time.

This country needs to focus its energies on creating comprehensive solutions to deal with the coming crisis in financing the care of our aging population. Fear mongering and casting an unfairly wide net do not help us attain the real goal of harnessing the collective energies and resources of the private and public sectors in finding ways to ensure an appropriate quality of life for those who can no longer care for themselves.

As is the culture of Washington, D.C. during a national election cycle, I would not be surprised to see hearings on this issue as inquiries by the major candidates for president have gone to GAO (the Government Accounting Office) looking into discrepancies between LTC insurance and Medicaid funding for services rendered. This is time and energy that should be spent on solutions and unfortunately could end up instead being spent on investigations.

Q: Where are there examples of positive dialogue and progress on this issue?

A: One of the better examples that I can point to is the 2005 White House Conference on Aging. This is a once a decade gathering of a cross section of disciplines, interest groups and experts

from across the United States, with delegations sent from every state, that has been hosted by the president of the United States since President Truman in 1950. The mission statement of the conference (as enacted by law *85-908*) is to, “promote the dignity, health, and economic security of older Americans.” Twelve hundred delegates worked together to prioritize 50 major issues that would impact the aged over the next decade. Second only to renewing the “Older Americans Act” (originally enacted as a result of the 1961 Conference on Aging), the delegates called for a national strategy and effort to address issues around quality, choice, financing and defining roles and responsibilities for long-term care of the elderly as their highest priority.

In my opinion this recommendation from the conference report is a blueprint for action that represents the thinking of the best minds from every state in the union and should be taken up by Congress immediately. The report acknowledges the fact that this is a task too big for any one sector or institution and that the crisis is a ticking time bomb that should be moved to the front burner—before we are forced to operate in crisis mode.

Q: How do you explain the delays in taking real action and responsibility on the political and consumer fronts?

A: Unfortunately, it is human nature to wait until there is a crisis to act. Although the prospect of living in a nursing home that is funded by Medicaid dollars, and the quality of life that it would afford is a bleak sounding future, it seems so abstract to us that we either ignore or are unwilling to believe that this could be our fate. Priorities that are here and today command our attention and dollars, and too many of us delay getting ready for the final days until it is too late.

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It is the same dynamic for lawmakers. They are concerned about spending priorities and budgets that will have immediate impact and the long-term care crisis can seem like it is a long time away, and slips on the list of priorities. Unfortunately, the end results for us as individuals and as a country if we delay are the same—too little, too late—and a poor quality of life could be the end result.

Q: What are some potential “tipping points” to spur action?

A: Any significant efforts to reform entitlements will create a whole lot of action on this issue. But remember, this is the third rail of politics and not many dare touch it. A couple of examples of attempts to make changes that would have an impact in this area include: tightening asset transfer rules which would make it more difficult to qualify for Medicaid—the default payer of LTC services by a vast majority, and “re-balancing” efforts to direct money away from skilled nursing facilities (nursing homes) and towards more community and home/family based care giving. Neither of these efforts has made a significant impact yet. Again it boils down to the simple fact that people don’t pay attention to this issue until it hits home and then changes from being a theoretical problem for others to a real problem for the individual.

Q: What will it take to get lawmakers to help stimulate private market solutions?

A: First and foremost LTC insurance will need to escalate the pace of modernizing to stay relevant with how the public wants to deal with care giving. The vast majority of people want to handle care at the community and in-home level. Policymakers would like to encourage this direction because it decentralizes responsibility and instills in family care givers a personal stake to negotiate in the market for the best value and price of care. Lawmakers favor personal

responsibility in health care reform as is evidenced by market innovations such as health savings accounts, and they are equally interested in seeing the LTC market go in this direction as well.

Insurance companies need to keep up with this rapid pace of evolution and must modernize product offerings if they are going to improve their chances at obtaining meaningful tax qualified status from lawmakers. As LTC policies continue to become multi-dimensional, more constituencies will have a stake in the game and the chances for political and market advancement will increase. The emergence of plans combining life insurance and LTC insurance is an example of market innovation, but the tax code has yet to catch up.

Insurers need to continue examining trends and better understand what the consumer wants. Products designed towards in-home care and supporting family care givers will be a bigger winner in the market and on Capitol Hill than products geared towards nursing home care.

Q: Is there enough awareness about private market solutions and the burgeoning crisis?

A: There are some examples of effective public advocacy and awareness initiatives over the years. The LTC Clearinghouse has been doing good work for years. The “Own Your Future” campaign made some inroads in the states where their focused communication effort was deployed. Another example is the broad based coalition, Americans for Long-Term Care Security that I headed up out of Washington, D.C. for a number of years.

I also thought that the launch of the Federal Long-Term Care Insurance program was very effective. They launched the plan for federal employees back around 2001 and it was a very well coordinated communication/education/

marketing program that drove a lot of new subscribers. The challenge is being able to sustain that level of activity. A stop and start campaign is only effective for a short time and then you need to start all over again at a later date.

The recent *New York Times* article is a setback for public perception and acceptance of LTC insurance as a viable solution. The industry still needs to overcome quality issues and a negative perception. It is also difficult to overcome the theoretical versus reality problem with a life issue that seems far off in the future, and one most people don't want to contemplate.

This reality also makes things difficult for the industry politically, because lawmakers have a mixed opinion about LTC insurance and the future crisis continues to be more theoretical than reality for them as well. This makes it a "second tier" issue compared to health insurance or covering children. There is still not enough confidence in the market or urgency about the future crisis to move tax incentives that would have a real impact on sales.

Conclusion

Blancato's observations are common sense and ring true. The LTC insurance industry has been waiting a long time for the level of sales to match the urgency of the pending crisis. People (and lawmakers) by nature will only react to a crisis when it has entered their lives and becomes reality. How much less expensive and disastrous would it have been to spend money preparing New Orleans to handle a Hurricane Katrina instead of confronting the aftermath? It was known for years that it was just a matter of when and not if the big storm would hit—the only question was one of preparedness. The same is the case with the aging baby boomers and the impact they will have when *that* storm hits. It is just a matter of when, not if, and it will take the insurance industry, health care providers, individuals and lawmakers all facing this reality and working towards a common goal of preparedness to avoid the potential devastation.*



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