

Long Term Care Financing

Prepared for:
**Joint Legislative Executive Committee on Aging and
Disability**

July 14, 2014



Barriers and Solutions For Consumers

**What
Are
People
Saying?**

**Why
Don't
They
Plan?**

Top 5 Barriers Consumers Tell Me They Have

1. It won't happen to me – It will as the caregiver or recipient
2. My family will take care of me – The average family has 1.7 children and they don't live near the parents
3. I can afford this myself – The majority of people can't and don't run the numbers
4. It's in my Health Plan – Health care is not long term care
5. The Government will figure it out

Who Pays?

The Majority of consumers don't know that there are only 4 ways to pay

1. Family
2. Medicare/Medicaid
3. Self Funding
4. Private Insurance

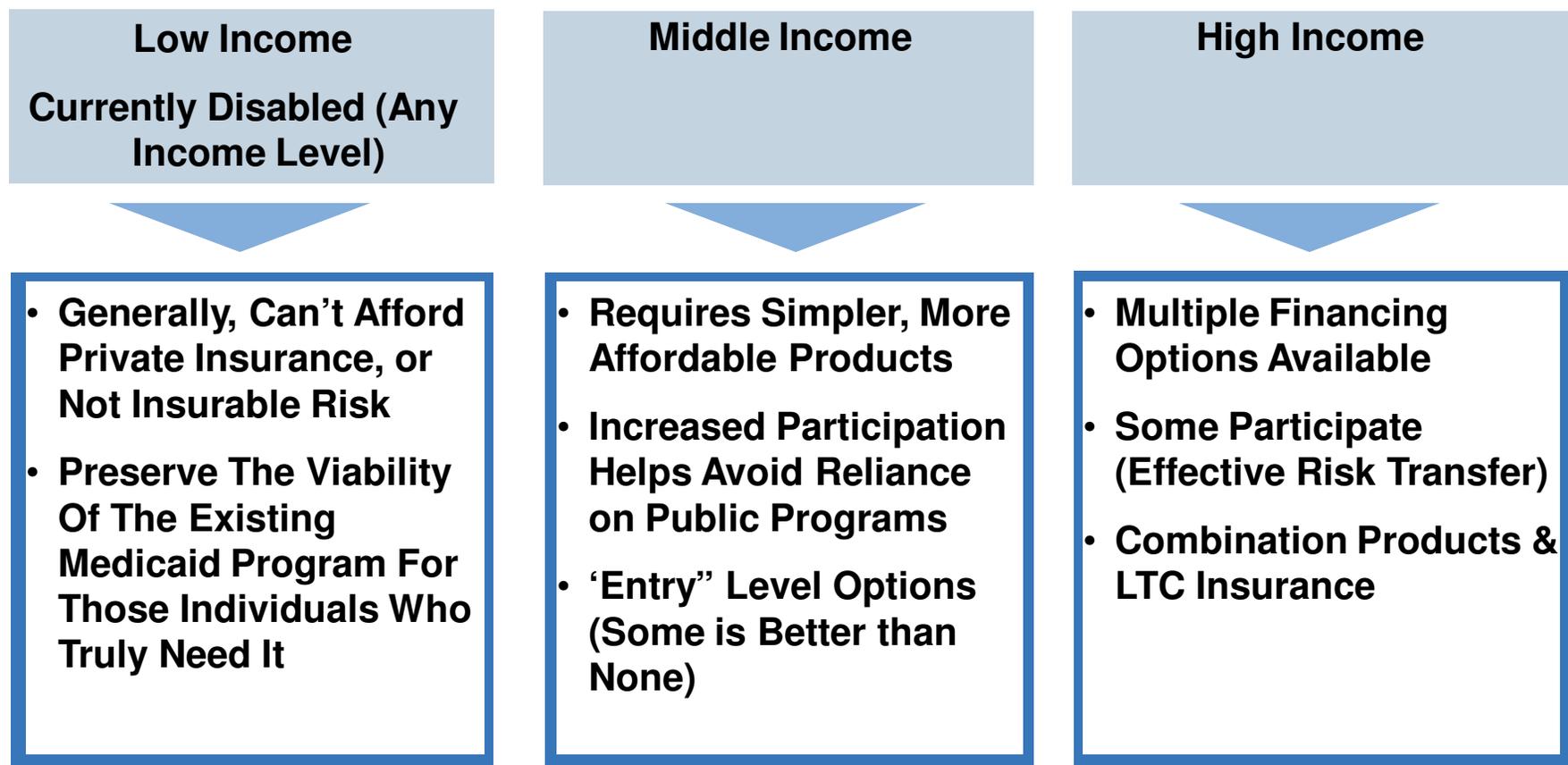
Barriers and Solutions For Consumers

What
Should
People
Do?

4 Principles

1. **Think past the present** – Plan now and avoid an unexpected impact to your retirement strategy
2. **Enlist an expert** – A good financial professional helps brings factual structure and planning
3. **Consider Family Realities** – Don't assume what works today will work in 10 to 20 years
4. **Put It in Writing** – Monitoring your changing goals and adjusting the plan accordingly helps you stay on track

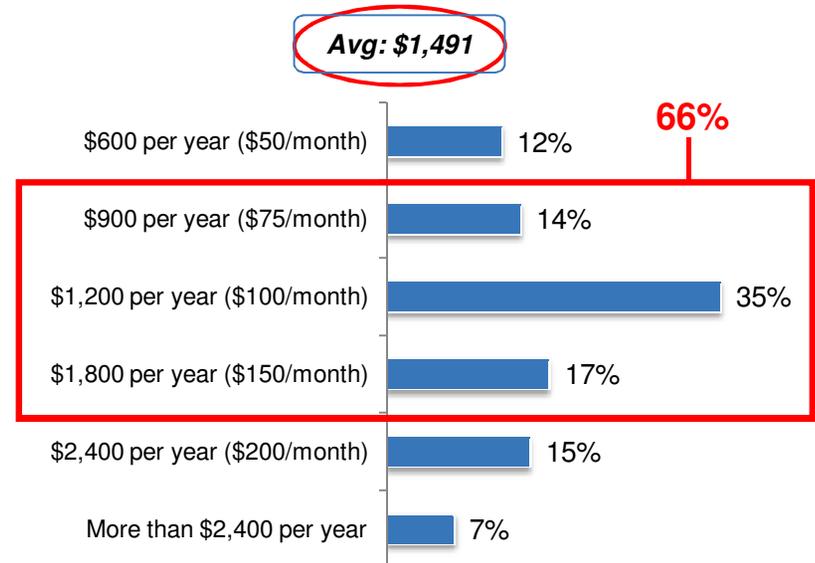
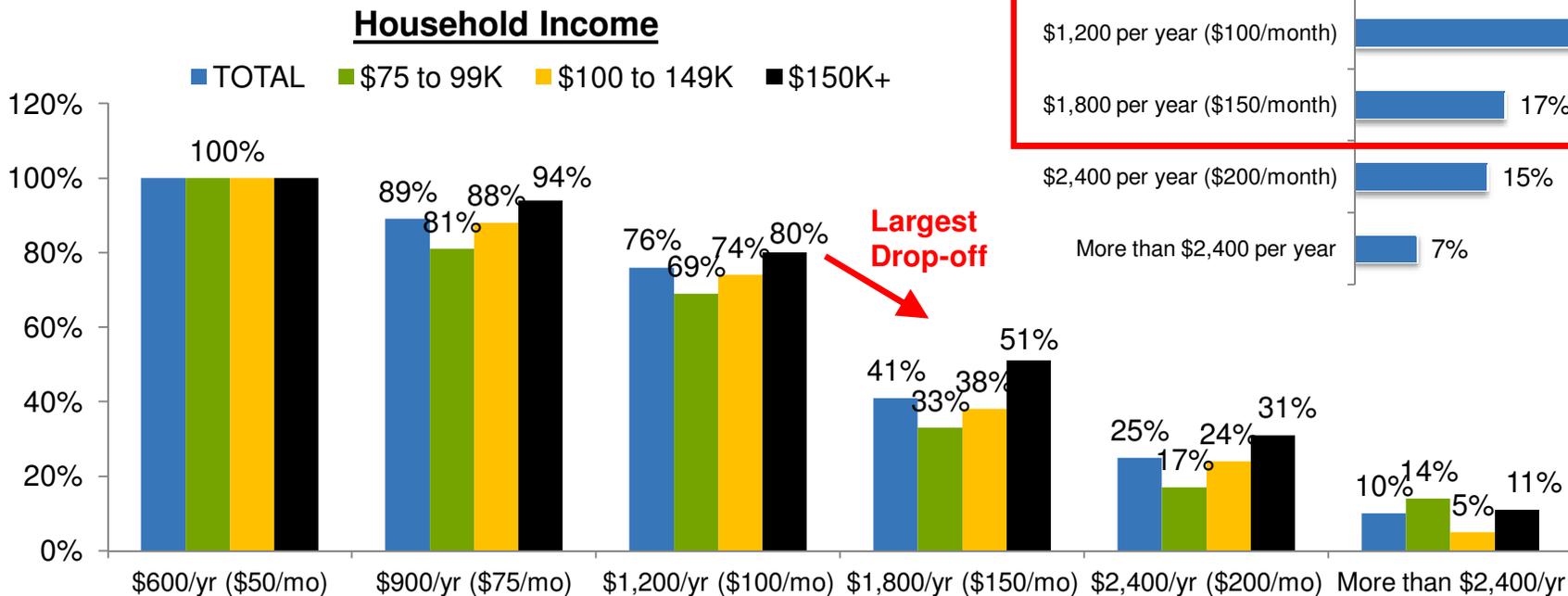
Participation in Private LTC Financing Solutions



Consumers Want to Spend \$100 / Month

Two-thirds of interested consumers want to pay between \$900 and \$1,800 per year. The proportion of consumers willing to pay different premium amounts is similar across household income levels.

Top 2 Box Purchase Interest After pricing
(n=318)

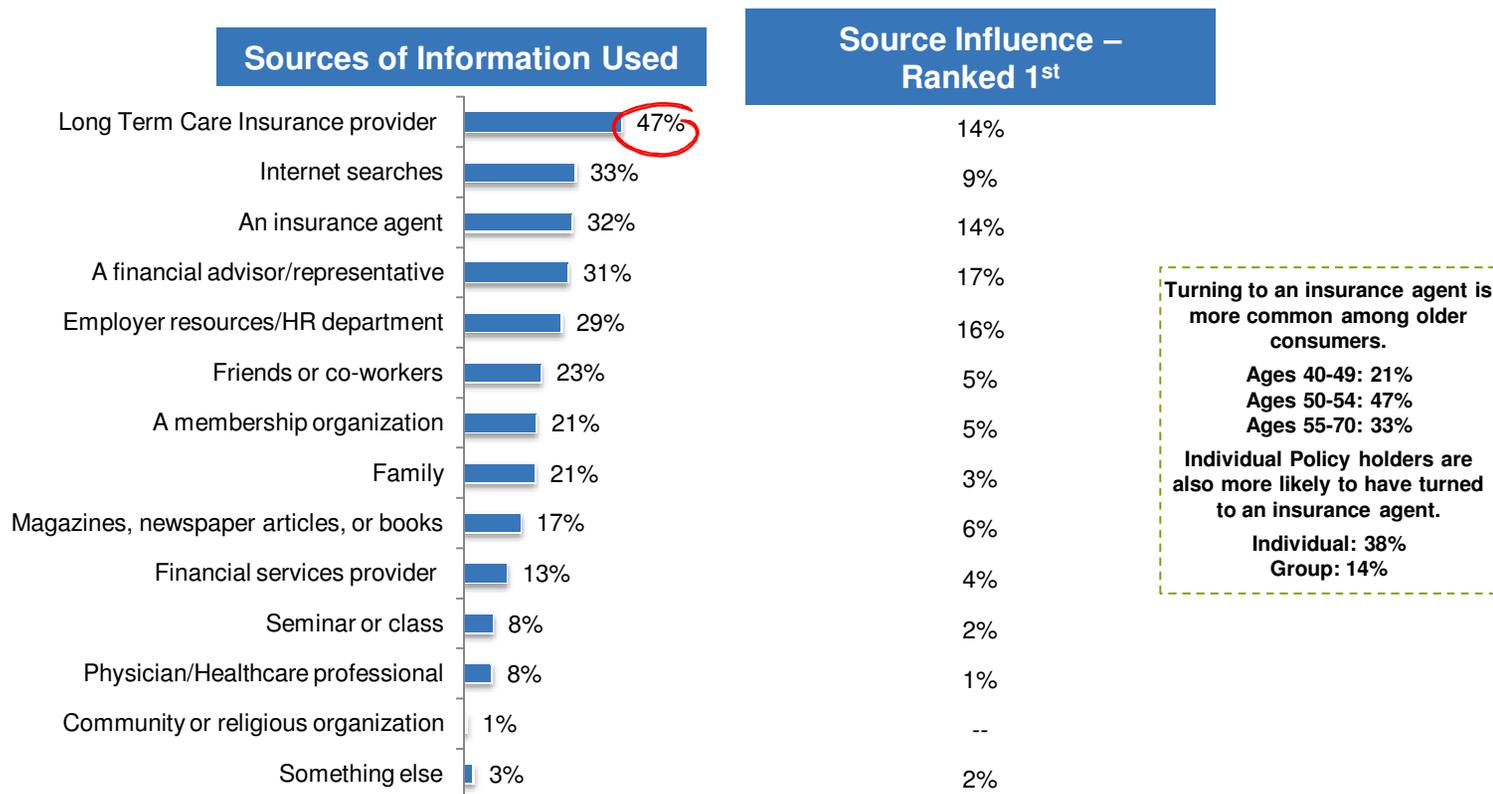


Q18_V. What is the maximum amount you would consider paying for your Long Term Care Insurance coverage?

Consumers Are Looking Online For Info

Consumers most commonly turn to the LTCI provider, internet searches, financial professionals, or their employer for gathering information about LTCI.

In terms of the value of the information gathered, the provider, financial professionals, and employers rank at the top.



Q26. When engaged in learning about Long Term Care Insurance, what sources did you turn to for gathering information or knowledge?

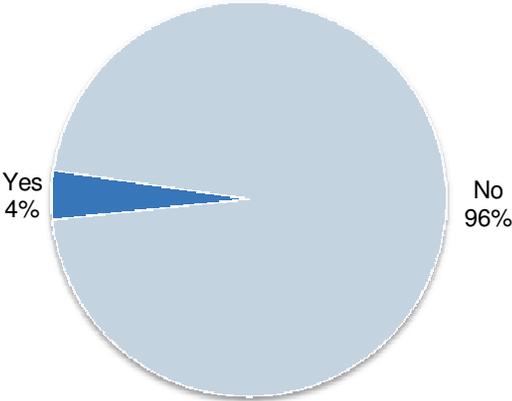
Q27. Please rank order these sources according to their relative value to your understanding.

Have you used Government resources to help you learn about Long Term Care or LTCI?

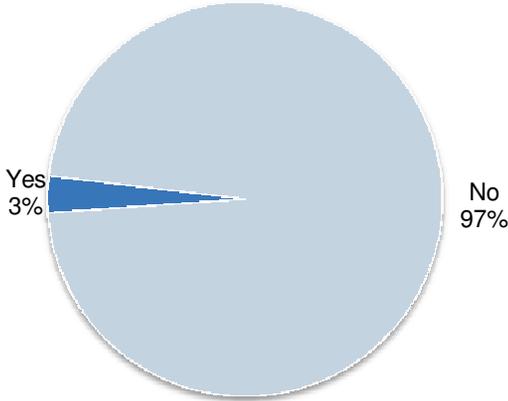
Government resources are rarely used for learning about LTCI

- Among the few who have used government resources, mentions include Veterans Affairs, Medicare/Medicaid, and state resources in NY, IN, KS, WI, CA, WA, CO, and MO.

To Learn About Planning For Long Term Care



To Learn About Long Term Care Insurance



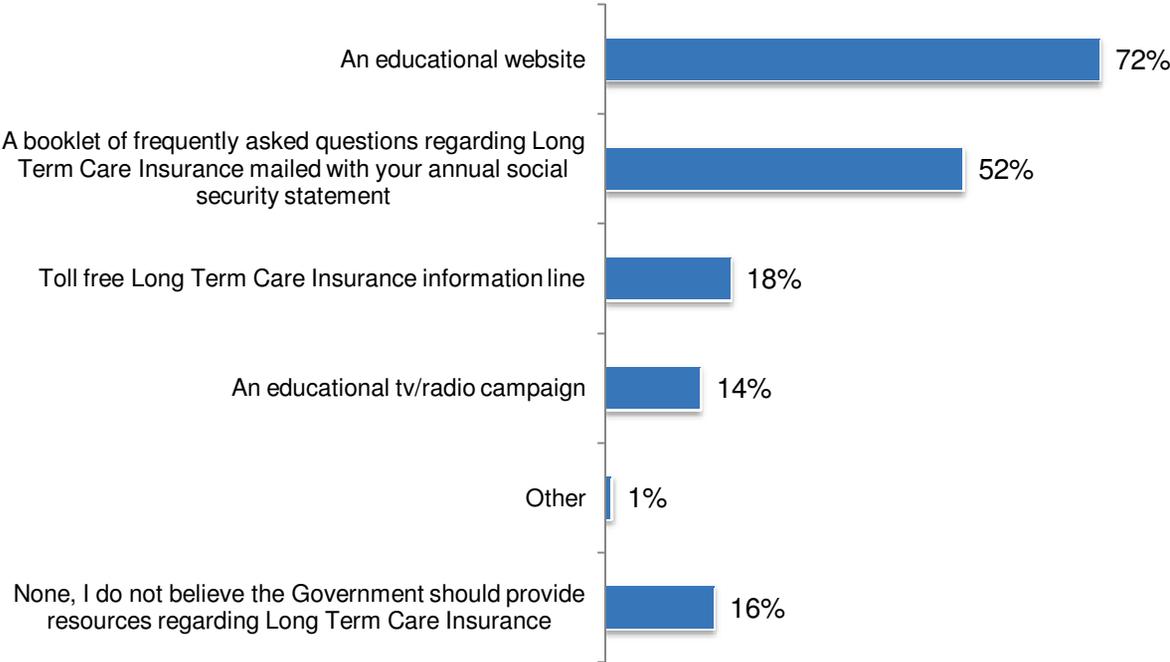
CEO_1. Have you used any Government (state and/or federal) resources to help you learn about the need to plan for long term care?

CEO_2. Have you used any Government (state and/or federal) resources to help you learn about Long Term Care Insurance?

If the Government were to provide you with resources, which of the following would you find helpful?

An educational website or a mailed booklet of FAQs would be the most helpful government resource on LTCI

– While very few have used the government as a source, a majority are receptive to the idea of getting information about LTCI from the government.



CEO_3. If the Government (state and/or federal) were to provide you with resources to help you learn more about Long Term Care Insurance, which of the following would you find helpful?

LTC Insurance Overview

What LTC insurance provides

Reimburses expenses for assistance with activities of daily living / cognitive impairment

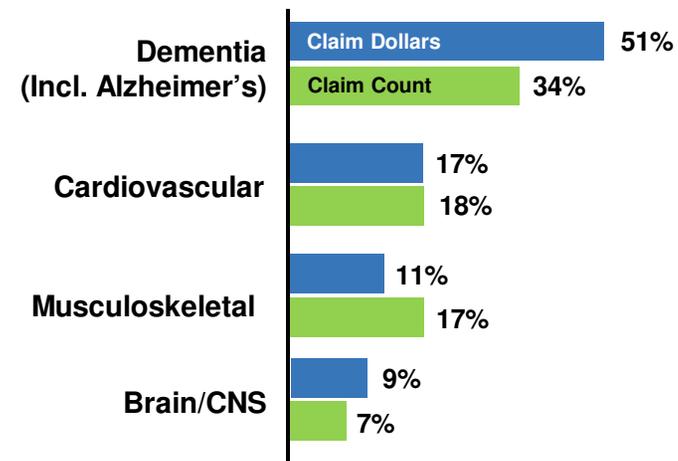
- Helps provide cash flow to pay for services
- Helps preserve assets and estate
- Provides flexibility to choose type of care
- Provides care coordination that can help families navigate LTC service system
- Alleviates burden on family caregivers

Triggers for coverage . . .

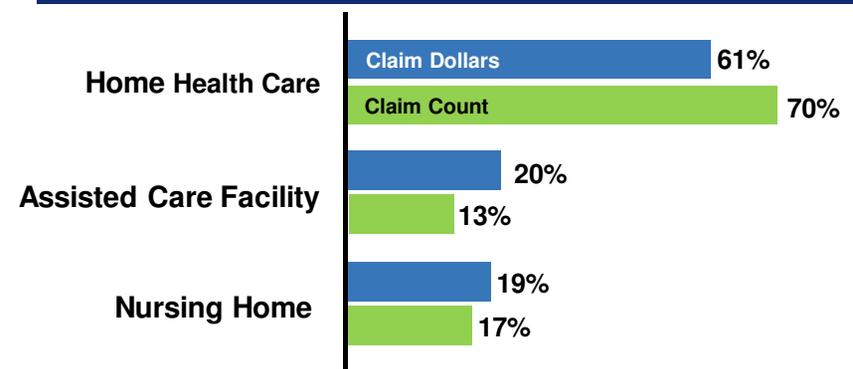
Assistance with 2 or more activities of daily living (ADL) or severe cognitive impairment that requires substantial supervision

- ADLs: Bathing, dressing, toileting, transferring, managing incontinence, eating

Why people claim⁽¹⁾



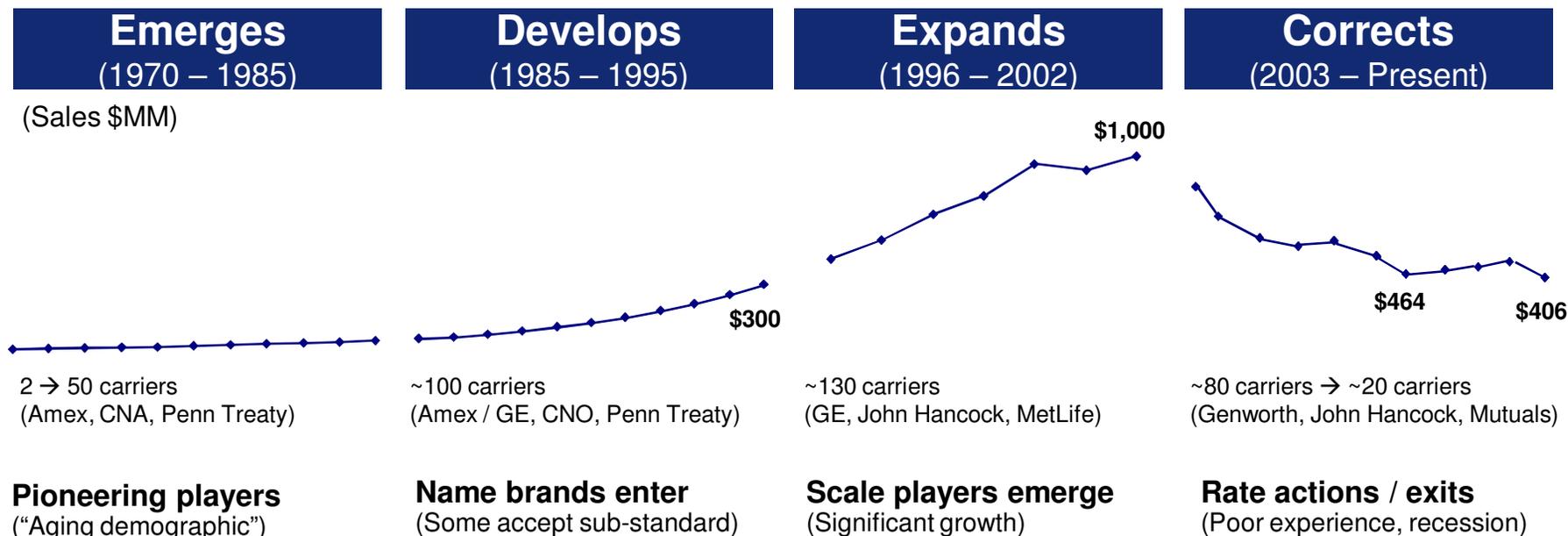
Where people claim⁽²⁾



⁽¹⁾ GNW claims experience, all products, 06/30/13

⁽²⁾ GNW claims experience, reimbursement products, 06/30/13

Industry Evolution



Key reasons why carriers have ceased selling LTC⁽¹⁾

- Capital requirements (23%)
- Product performance and ability to manage rate increases (regulatory uncertainty) (23%)
- Revised risk assessment (12%)
- New management – not interested in LTC (12%)

**Primary drivers of product performance...
lapse rate, interest rates,
morbidity and mortality**

1) "Long-Term Care Insurance: A Product And Industry In Transition," Presented To NAIC Senior Issues Task Force, November 28, 2012

Proposed Solutions: Knowledge And Advocacy

Education & Awareness Campaigns Should Include Both Public and Private Support

Government and private industry should collaborate to educate consumers about the need for LTC planning

- Include addressing misconceptions about available funding solutions and the likelihood of a future need
 - Address role of Healthcare, Medicare and Medicaid in funding LTC Services
- Public service messaging and government-sponsored communications

Increase funding for programs, such as “Own Your Future” (that combined public and private resources) that have been unfunded, despite successfully increasing consumer awareness and action

72% of Consumers polled by Genworth believe that “An educational website or a mailed booklet of FAQs would be the most helpful government resource on long term care insurance”

“Bending the Cost Curve”

Address Underlying Drivers of LTC Costs

Increase funding for Alzheimer’s research.

- 6th leading cause of death but NIH funding for Alzheimer’s research – \$480MM in 2011 (less than 1/10th the \$6.0B spent on cancer research funding)

Expand programs that promote and incentivize healthy aging among older Americans through Administration on Aging (AoA) funding and support from the National Council on Aging (NCOA).

Incent innovation for assistive home technologies to help Americans “age in place” at home

Strengthen Caregiver Supply And Support

Build and maintain an adequate, skilled, and diverse paid workforce

- Ratio of Care Recipients to Caregivers Increasing

Improve recruitment, retention, and training of the health and long-term care workforce to provide care for the growing population of older people and people with disabilities

Develop community-based care and information exchange to help support long distance care giving (adult children)

- Empower family caregivers

Proposed Solutions: LTC Funding Expansion

All Use Of Tax Qualified Funds - 401(k), IRA, 403(b)

Allow favorable tax treatment of distributions to fund private long term care insurance or direct funding of long term care supports and services through qualified accounts

- Expands participation...Number and Lower Age
- Loss of tax revenue may be offset by Medicaid savings

Make LTCI Available to Purchase Through Cafeteria Plans

LTC insurance is among menu of benefits available through employers, with premiums excluded from gross income.

- Expands Participation
- Visibility – Increases awareness of LTC insurance as a necessary benefit
- Employer Engagement
- Leverage – exclusion from gross income allows more money to go toward funding coverage
- Will require changing IRS Code Section 125

Proposed Solutions: Collaborative Financing

Coverage

Public and Private resources share in the risk

- Establishment of public reinsurer focused on “tail risk”
- Broader coverage reduces anti-selection risk, better risk pool

Incentives: Legislation supporting tax incentives

- 73% of consumers polled by Genworth indicate that tax incentives would increase likelihood that they would purchase insurance

Cost of Care

Share learnings from public programs and private insurance to improve reliability of data and encourage market participation

- Company information on cost of care, claims drivers
- Analyze Medicaid spending to help private industry identify solution sets to minimize Medicaid expenditures

Care Delivery

Bring together public and private resources to address the issues affecting care delivery and associated costs

- Qualified Worker Shortage
- Transitions through care delivery settings
- New care delivery models