

LONG - TERM CARE INSURANCE

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Knowledge Brief

In support of the work of the Long-Term Care Insurance (B/E) Task Force, the NAIC Research Library has compiled a summary of recent information—i.e., a “knowledge brief”—on the coverage of long-term care insurance (LTCI). This is the first issue of the NAIC CIPR/Library Knowledge Brief series, aimed at assisting regulators in quickly understanding the breadth and depth of recent information that has been produced on a key topic of interest across media and academic sources.

For news coverage in particular, we use Factiva, a global database that indexes more than 10,000 sources. Here we focus on the previous six months of U.S. news looking at recent state legislation, as well as the key themes and companies examined in the coverage of LTCI.

Recent State Legislation in the News

We find the coverage of five states actively considering legislation related to LTCI in 2019:

- o [Maryland SB 650](#): Income Tax – Credit for Long-Term Care Premiums.
 - In Senate Budget and Taxation Committee as of March 22, 2019.
- o [Washington HB 1087](#): Develops a public option LTCI plan.
 - Passed House
 - In Senate Health and Long-Term Care Committee as of March 22, 2019.
- o [Illinois HB 2847](#): Prohibits denying coverage to or increasing premiums on living organ donors.
 - In House Insurance Committee as of March 22, 2019.
- o [Florida SB 258](#): Prohibits life and long-term care (LTC) insurers from using genetic information.
 - In Senate Health Policy Committee as of March 22, 2019.
- o [Connecticut SB 563](#): An Act Concerning an Income Tax Deduction for Long-Term Care Insurance Premiums.
 - Referred out of Senate Special Committee on Aging March 5, 2019.

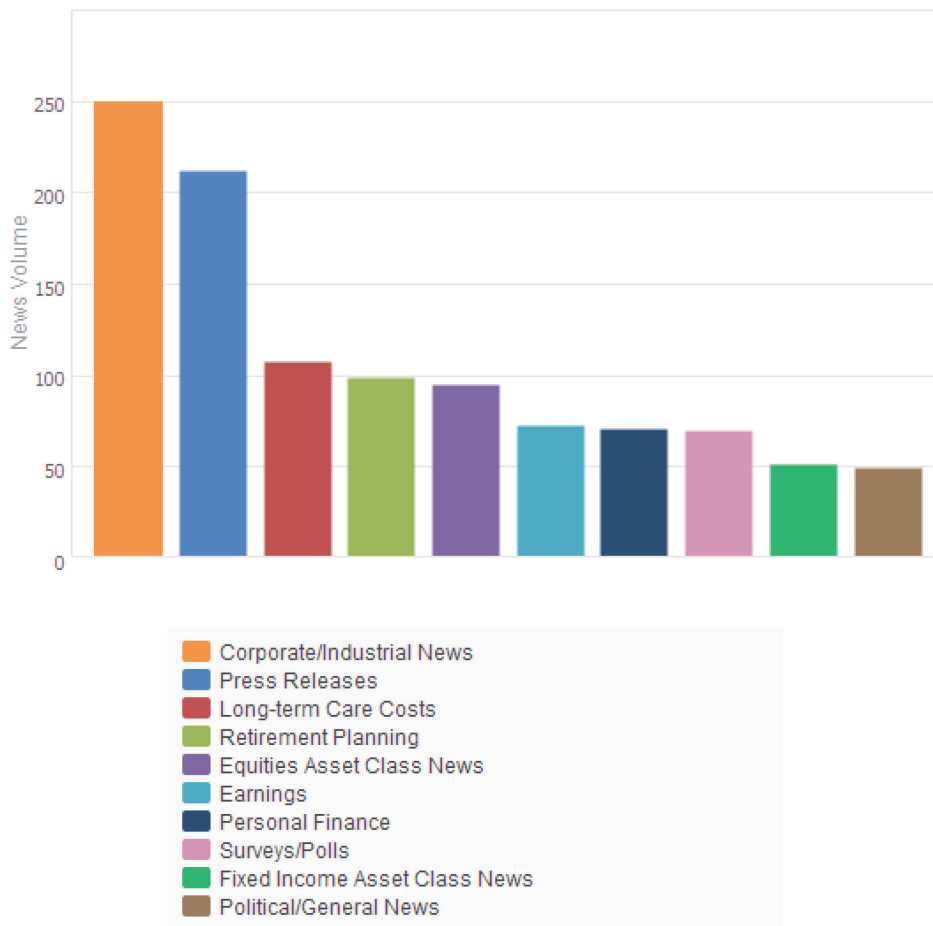
News Coverage Themes

From a news search over the past six months focused on the U.S. only, there were nearly 1,000 articles focused on LTCI. The figure below illustrates their classification according to Factiva's indexing algorithm. Beyond the top two Factiva index classifications of corporate/industrial news and press releases, we see that the key themes of LTC costs and retirement planning represent approximately 20% of the total news articles produced in the past six months.

LTCI - top subjects

24 Sep 2018 — 26 Mar 2019

ANALYSIS BY **FACTIVA**



Publications Only

Highlights of Recent News Coverage

From these 1,000+ indexed articles, we narrowed the search to specifically focus on four areas of interest to state insurance regulators: rate increases; underwriting; product innovations; and coverage of specific companies. Below are brief summaries of news stories representative of each category, along with the share of coverage from the reduced set of 34 selected articles (a full list of articles is referenced in the appendix of this brief).

1. Rate Increases (39%)

- o “Just Saying No to LTCI Rate Hikes Won’t Work: Regulator” (*ThinkAdvisor*, 26 March 2019)
 - Rate increases and selling off old business cannot be counted on as solutions.
 - Developing tools and systems to more precisely diagnose and track insureds with dementia.

2. Underwriting (14%)

- o “Took a DNA test? It may hurt your chances of getting a long-term care insurance policy” (*The Miami Herald*, 18 October 2018)
 - Federal law only prohibits using genetic information in health insurance; however, some states provide extra consumer protection in this area.
 - Even direct-to-consumer testing such as 23andMe should be disclosed to insurers during the application process if asked

3. Product Innovations (11%)

- o “What You Need to Know About Hybrid Long-Term-Care Insurance” (*The Wall Street Journal*, 20 November 2018)
- o Hybrid LTC/life insurance products are growing in popularity. In 2017, roughly three times more hybrid policies were sold than pure LTC policies. Although more expensive, premiums for these products have remained fairly stable in recent years

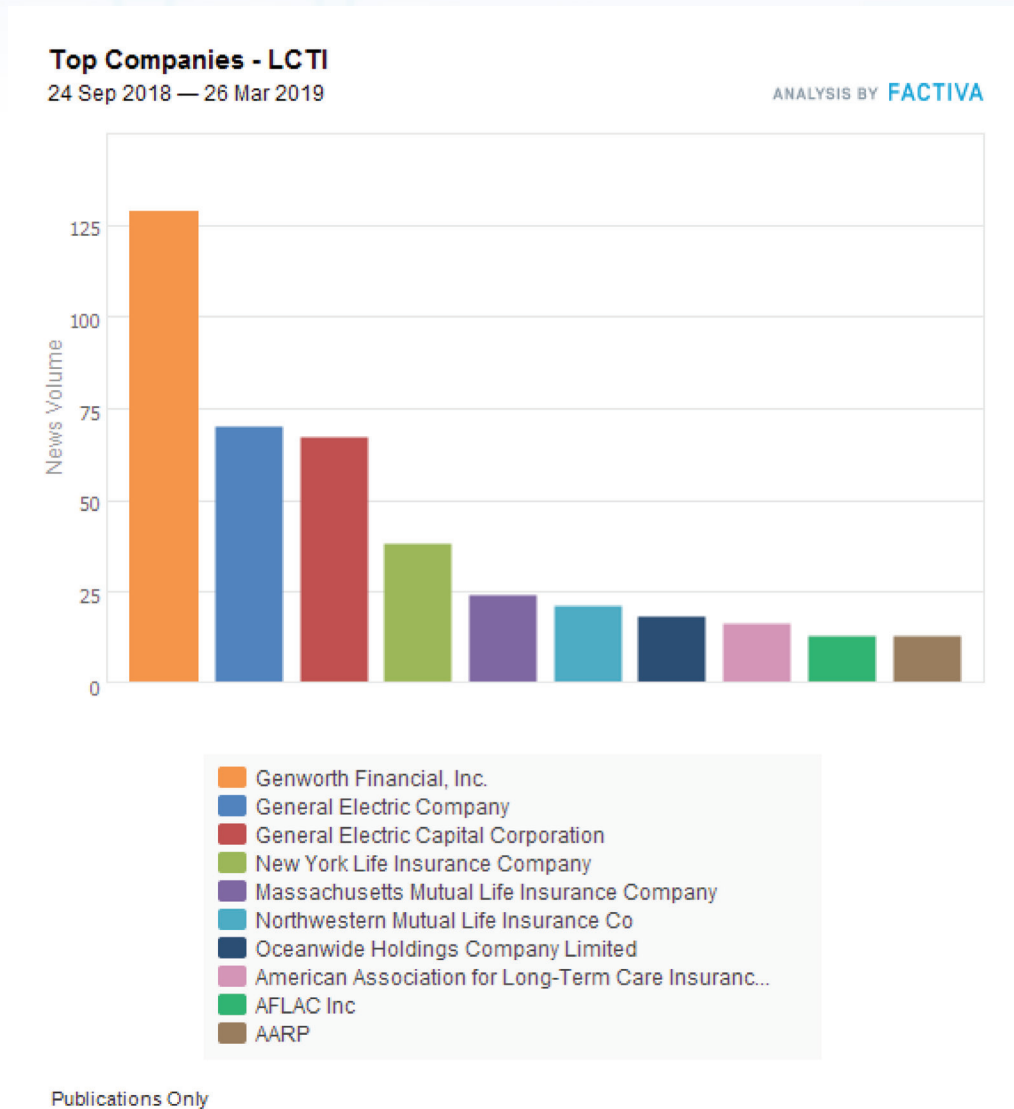
4. Company Issues (36%)

- o “Long-Term Care Insurance Policies Weigh Down GE and Other Companies: Only about a dozen companies, including Northwestern, Mutual of Omaha and Transamerica, now offer such products” (*The Wall Street Journal*, 3 December 2018)
 - A combination of a long-term, low-interest rate environment and a large, unpredictable inflation rate for health care is the main contributor.
 - When LTCI initially became popular in the 1980s, approximately 75 companies were selling these products. Only around a dozen companies have remained in the market.
 - Although General Electric (GE) stopped selling LTCI policies in 2006, risk assumptions for these plans were not reviewed again until 2017, triggered by a projected surge in claims.

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Additionally, the figure below shows the breakdown of news coverage by company mentioned. Genworth and General Electric represent slightly more than 60% of the companies mentioned.



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Recent Peer-Reviewed Research

In addition to the news search, we also looked to the recent published academic literature for related research articles. Below are some of the key recently published articles that we found.

1. “[Moral hazard and long-term care insurance](#)” (*The Geneva Papers on Risk and Insurance*, 21 January 2019)

- Konetzka, R.T., He, D., Dong, J. et al. *The Geneva Papers on Risk and Insurance – Issues and Practice (2019)*. <https://doi.org/10.1057/s41288-018-00119-1>.
- This article uses data from the National Institutes of Health (NIH) and the U.S. Social Security Administration (SSA) Health and Retirement Study (HRS) to assess the moral hazard of nursing home and home care use in private LTCI.
- “We find evidence of significant moral hazard in home care use and a potentially meaningful but noisy effect on nursing home use. Policymakers designing incentives to promote private long-term care insurance should consider the consequences of moral hazard.”

2. “[Effects of long-term care insurance on financial well-being](#)” (*The Geneva Papers on Risk and Insurance*, 3 December 2018)

- Dong, J., Smieliauskas, F. & Konetzka, R.T. *The Geneva Papers on Risk and Insurance - Issues and Practices (2018)*. <https://doi.org/10.1057/s41288-018-00113-7>.
- This article uses data from the NIH and SSA HRS to examine financial outcomes of individuals with LTCI.
- “These results suggest that although private LTCI does not entirely protect insured individuals against large medical expenditure, it improves the general financial well-being of insured individuals, potentially by reducing Medicaid-related disincentives to asset accumulation, motivating individuals to save more and reduce intergenerational wealth transfers.”

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Appendix

- Jakab, Spencer. (2018, October 2). New GE Has Same Old Problems. *The Wall Street Journal*.
- Jones, Casey and Stewart, Kenneth L. (2018, October 4). They force steep sacrifices and could get worse; Long-term care policies costly. *San Angelo Standard-Times*.
- Zawacki, Tim. (2018, 5 October). Legal battles forestall liquidations of 3 insurers. *SNL Insurance Daily*.
- Andrews, Michelle. (2018, 18 October). Took a DNA test? It may hurt your chances of getting a long-term care insurance policy. *The Miami Herald*.
- Barlyn, Suzanne. (2018, 26 October). Long-term care policies loom over U.S. life insurance results. *Reuters News*.
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- Ranger, Laurel. (2018, 6 November). Alzheimer Disease Biomarkers Expose Individuals to Long-Term Care Insurance Denial. *Clinical Advisor*.
- Winokur Munk, Cheryl. (2018, 21 November). Four Things to Know About LTC Policies: These long-term care products are growing more popular, but consumers should know about the downsides. *The Wall Street Journal*.
- Staff Reporter. (2018, 21 November). California Public: Faces \$1-Bil. Class Action Over Rate Hikes. *Class Action Reporter*.
- Iacurci, Greg. (2018, 26 November). Private equity eyes insurers' LTC business. *Investment News*.
- Chiglinsky, Katherine and Basak, Sonali. (2018, November 28). The \$15 billion money pit dragging General Electric down. *The Boston Globe*.
- Soule, Alexander. (2018, November 29). Connecticut regulator approves Transamerica LTC hike. *The Hour*.
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- Kolata, Gina. (2019, January 10) Facing Legal Action, Insurer Now Will Cover People Taking Truvada, an H.I.V.-Prevention Drug. *The New York Times*.
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- Anderson, Cathie. (2019, 24 January). 'I feel deeply ripped off.' Steep hikes in long-term care premiums jolting many consumers. *The Sacramento Bee*.
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- Hurtibise, Ron. (2019, 3 February). Premiums skyrocket for long-term care insurance. *South Florida Sun-Sentinel*.
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- Ress, David. (2019, 17 March). Insurers want to hike premiums; Companies Seeking a 339.6 percent increase in rates. *Daily Press*.
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