

## The Conspiracy Theory of LTC Insurance

Why are we hearing so much bad press about long-term care insurance all of a sudden? The authors of much of it would have you believe it's because of a plethora of failed attempts to collect benefits. Much of the attention stems from a March 26 *New York Times* article that asserted that one in four long-term-care insurance claims in California were denied. The *Des Moines Register* has been printing a point-by-point investigation of LTC insurance problems since July.

Karen Ignagni, President and CEO, America's Health Insurance Plans said:

*“We appreciate the opportunity to report what we have learned and give a clear assessment of our commitment to providing retirement and health security. In brief, we conducted a comprehensive survey of long-term-care insurance companies - representing 92 percent of the long-term-care insurance market - using data submitted to insurance departments across the country.*

*Nationally, our survey found that only 3.3 percent of long-term-care insurance claims are denied... The numbers our survey found for California mirror the national numbers and are nowhere near the high number reported in the Times. In addition, representatives of the California Department of Insurance have been quoted as saying that their own internal review has revealed inaccuracies in their reports and that they are doing a comprehensive review.*

*In addition to low denial rates, companies that are actively offering products in the market report that a full 80 percent of their policies have never had a rate increase.”*

Things have been finally looking up for long-term care insurance due to these positive events:

- 1) The Own Your Future campaign – Tennessee was the 16<sup>th</sup> state to send mailings to everyone in the state between the ages of 45-65 (some states have mailed 50-70) over the Governor's signature saying it's a good idea to plan for long-term care. Our state had a 5.3% response and this isn't atypical for the program in other states. The strong message here is “If the governor thinks it's important, so should you.”
- 2) The Deficit Reduction Act effective February 8, 2006 has made Medicaid LTC benefits much more difficult to access for those who are transferring assets or otherwise gaming the system.
- 3) The Long-Term Care Insurance Partnership is making a long-awaited expansion. About a dozen states are diligently going through the steps to make this extremely important program a reality and many more will follow.

- 4) The NAIC has passed producer training requirements of at least eight hours initially and at least four hours every other year for all sellers of LTC insurance, and I don't care what anyone says, a better trained producer will result in more sales. (Yes, Phil Sullivan and I are introducing a training course to satisfy these requirements at [www.LTCiTraining.com](http://www.LTCiTraining.com).)
- 5) We've survived the rash of rate increases and some companies are still standing without having one or with having only a moderate increase.
- 6) Pricing has somewhat stabilized as companies are adjusting to the realistic (low) lapse rates and lower interest rates.
- 7) More companies are advertising LTC insurance which is increasing public awareness.
- 8) The reverse mortgage industry is finally getting good press. This will help people who are "cash poor, house rich" find the money to pay for LTCI.

**New individual LTCI premium for the first quarter of 2007 was up for the first time in four years!! And even more amazing, employer-sponsored group sales are up almost 50% in both lives and new premium!!** (LIMRA 2007) We have an unprecedented opportunity to sustain and improve this growth, particularly with the consumer education and producer training surrounding the Long-Term Care Partnership expansion.

With things going so much better, why all of a sudden are we facing so much criticism? Let me ask it another way: Why are critics coming out of the woodwork to dismantle the good news?

The Government Accountability Office has issued two reports – one that says very little transferring of assets to access Medicaid LTC benefits is happening and a second to say that the Long-Term Care Partnership won't save money for Medicaid so like, why do it?

Naysayers on the producer training are saying the occasional producer won't do the training, so it will trim the number of LTCi sellers.

I guess you can say that I'm extremely disturbed about these events, but I don't think the criticism is stemming from a failure to collect LTCI benefits. I have a different theory – you can call it *The Conspiracy Theory of LTC Insurance* if you like.

When I read the attacks on long-term care insurance, I get the same sick feeling I get whenever I read a *Consumer Reports* article that attacks LTCI, and I believe the same motivation that is behind the CR articles is behind this wave of negative publicity. **The majority of the critics are those who advocate a government-funded LTCI program and whenever long-term care insurance looks like it is grabbing a toehold, it becomes their mission to beat it down.**

We owe it to the families we serve and will serve with long-term care insurance that we simply can't go without a fight. There are too many families who have been helped in a wonderful way by this insurance and we must continue to get it to as many people as we can.

The GAO studies? On the first one, how do educated people expect to find an abundance of people who will raise their hand and say that they transferred assets? On the second one, how is it that the original four Partnership states make up 22% of the total long-term care insurance policies ever sold? And how is it that only about 200 people have accessed Medicaid among all four states in the 15-year history of the Partnership?

I just attended the first Partnership Summit in Washington DC as a participant and a presenter. It was such a moving experience to see state regulators from Medicaid and the insurance departments working together with insurance industry representatives and consumer advocates from organizations like Agency on Aging. There were even some provider representatives there. We were all discussing how the Partnership can be positioned to serve the masses, a message near and dear to my heart.

The producer training critics? If we do the job we need to do on consumer education – and the Partnership provides the perfect catalyst for this – consumers will ask their financial planner, P&C agent, life insurance agent, investment analyst, etc. about long-term care insurance and they will simply be too embarrassed not to get the appropriate training in order to sell it. (Even if these financial representatives work with a long-term care insurance specialist, they will still have to complete the training in order for their name to go on the application to split commission.)

Finally, as a result of misunderstanding some research about claims utilization, the American Association for Long-Term Care Insurance is quoted in *USAToday* as saying that just 7% of all women and 2% of all men who are healthy enough to qualify for long-term care insurance policies will need long-term care for more than two years, so reading that, I think to myself, why would anyone even consider long-term care insurance anyway for such a low risk? In talking with the researcher, I learned that those stats are at a specific point in time for a 65 year old and there are different stats for each age. The same study said that there's an 18% chance that a 55 year old will need longer than 5 years. (Dawn Helwig and Deborah Grant, "How to 'Right Size' LTCi Protection to Match Real LTCi Claims Usage", Milliman Consultants and Actuaries, *Sales Strategies*, 2005)

However, it isn't fair to just measure paid care. What about the \$300+ billion of caregiving that occurs each year that is attributed to informal caregivers who make up by far the majority of the caregivers? And what will happen as the availability of family caregivers continues to decline over time because of rising divorce rates,

increasing childlessness and declining family sizes? Don't we think more paid caregivers will be needed?

I've always been the first to say that just as public dollars can't totally solve the long-term care crisis, neither can private dollars, but we should be doing everything we can to help both work together. For every dollar paid by private LTC insurance, that's a dollar freed up that Medicaid or any other public program will be able to use to help someone less fortunate.

**The Partnership opportunity for consumer education and producer training won't come along again in our lifetime.** Let's make the most of it. We all need to do our fair share to provide consumer education in our communities, and please – *don't treat the producer training as just a requirement.* Our training course is designed to make you the BEST and most prepared LTCI professional in your community with the most current and cutting-edge information, so if you care about being the best you can be, then our course is for you! 😊

My challenge to the critics is to stop trying to punch holes in the very thing that has the very real potential of saving the dignity of our families and the American economy as the baby boomers march relentlessly into their aging years.

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