



## THE BOTTOM LINE

on

### **A Public/Private Partnership on Long Term Care Insurance**

There has been growing discussion about designing a public/private partnership to encourage Americans to purchase LTC insurance coverage. The Academy has published a Monograph, *Long-Term Care: Actuarial Issues in Designing Voluntary Federal-Private LTC Insurance Programs* (January, 1999) which reviews the issues raised by these proposals. The Monograph outlines the following concerns:

It is estimated that 7.3 million elderly Americans are in need of long term care (LTC). However, only 6 to 7 percent of the elderly currently have some type of long term care insurance to help with medical costs. Public programs (Medicare and Medicaid) cover only about 55 percent of LTC costs. Designing an effective voluntary LTC partnership program that builds on the existing private LTC insurance market will be a complex task. Issues such as access to coverage, financing, plan design, marketing, administration and regulation need to be addressed.

- **Access To Coverage:** The insurance program could be guaranteed for everyone or limits be placed on eligibility based on financial need, age, health status or citizenship. Benefits provided by the partnership program would need to be coordinated with existing LTC programs such as Medicare.
- **Financing:** Tax policy should encourage the purchase of LTC insurance at relatively early ages.
- **Plan Design:** Any successful program must strike a balance between *simplicity* (the fewer number of standardized plans - the easier for people to compare choices) and *flexibility* (let the market work without unreasonable limits - LTC insurance is in a state of evolution).
- **Marketing:** Effective marketing is necessary for financial viability. Either the government or the private market could be responsible for marketing the LTC insurance program.
- **Administration:** Ground rules need to be established for marketing and consumer education, underwriting, claims administration and setting premium rates.
- **Regulation:** The program would be regulated by the federal government or by the states or by some combined effort.

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