

ESSENTIAL CRITERIA TO CONSIDER IN LONG-TERM CARE REFORM

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Agenda

- Introduction
- Evaluation Criteria for LTC Reform
- Other Academy Resources / Papers
- Quiz & Wrap-up
- Q & A



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Introduction

□ Why LTC Reform?

- The need for LTC financing is on the rise as the baby boomer generation ages
- Private LTC insurance only accounts for 5% of the LTC financial sources in America today.
- Financial burden will fall increasingly on individual income and assets and on the Medicaid system.



Introduction

- What is the goal of this Academy LTC criteria?
 - In 2012, the American Academy of Actuaries hosted a roundtable, “A National Conversation on Long-Term Care Financing,” to discuss potential reforms to the LTC system
 - Building further upon that conversation, the Academy’s LTC Criteria Work Group developed criteria that should be considered in any discussion on reform
 - Some recent attempts at reforming how long-term care is financed in the United States have failed because they did not adequately consider these seven essential criteria.



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Coverage

- Number of people enrolled with coverage
 - ▣ Total count vs. subsets of population
 - ▣ Population attributes are critical to understand
- Subsets have varying needs and ability to afford
 - ▣ Demographics
 - ▣ Health status
 - Current needs
 - Expected future needs
 - ▣ Wealth / income



Coverage

- System type: largest driver of level / make-up of coverage
 - ▣ Mandatory, Voluntary, Hybrid
- Design elements to address mix by population attributes
 - ▣ Mandatory
 - ▣ Underwriting
 - ▣ Vesting periods
 - ▣ Limiting target population (e.g., those with lower needs)
 - ▣ Active / passive enrollment



Comprehensiveness of Benefits

- Location of care
 - Current examples: nursing facility, assisted living facility, at home
 - Clear definitions and rules for transitions
 - Address future evolution of new / innovative settings
- Eligibility of care
 - Current examples: inability to perform ADLs or cognitive impairment
 - Variations tied to care setting or benefit levels



Comprehensiveness of Benefits

- Level of care
 - ▣ Maximum paid during a period (e.g., daily / monthly)
 - ▣ Benefit type (e.g., cash vs. reimbursement)
 - ▣ Inflation protection
- Limits of total coverage
 - ▣ Deductible (e.g., elimination period / dollar amount)
 - ▣ Duration (e.g., pool-of-money / days of service)
 - ▣ Interaction with other programs



Understandability and Choice

- Must balance ease of understanding with flexibility
- Recognize that needs of individuals / families vary widely
- Simpler reform designs?
 - Limit user choice
 - Easier to understand and administer
- Complex reform designs?
 - Flexible to users and adapts over time
 - More difficult to understand and administer



Understandability and Choice

- Education
 - ▣ LTC needs and costs
 - ▣ Benefits provided by system
- Controls
 - ▣ Complexity related to risk management and cost containment
- Consumer options
 - ▣ Participation in system
 - ▣ Level of benefits
 - ▣ Place of care



Affordability

- Individual vs. family unit purchaser
 - ▣ Multiple wage earners
 - ▣ Combined need for care
- Working years vs. retirement
 - ▣ Changes over lifetime for income and assets to fund coverage
 - ▣ Changes over lifetime for level of LTC needed
- Taxes & Other expenditures
 - ▣ Purchaser's perspective after taxes
 - ▣ Remaining funds for LTC after “necessities”



Affordability

- Guarantees / limits
 - ▣ Less guarantees create more uncertainty
 - ▣ Purchasers must evaluate long-term affordability
- Program required payment structure
 - ▣ Changing premiums re-determined annually?
 - ▣ Level or scheduled premiums?
- Perceived value of coverage
 - ▣ Expected benefits and catastrophic protection versus premiums paid in



Quality of Care

- Quality Measurement and Assessment Framework
 - ▣ Both quantitative and qualitative
 - ▣ A standardized framework
 - ▣ A framework should be set up in anticipation of the ongoing evolution of types of care
 - ▣ Quality of measure should cover multiple domains
- Quality Incentives
 - ▣ Quality incentives should be considered for all industry and for each individuals



Quality of Care

- Quality Incentives (cont'd)

- ▣ List of incentive targets

- The supply of providers, evidence-based care, appropriate care location, appropriate care transition, consumer transparency, suitability and accountability of the provider of care and prevention

- Quality Awareness

- ▣ Awareness from both patient and provider perspectives

- ▣ Awareness can be achieved through education

- ▣ Education should include information on fall prevention, wellness management, medication management, safety features, services and providers



Cost Control & Risk Management

- A risk evaluation system should be developed prior to program implementation
 - ▣ System may depend on project models, sensitivity tests, and stress testing
 - ▣ Evaluations of emerging risks used to identify, assess, measure, mitigate, and manage various risks faced by the program
- Cost controls should be established that allow for alignment of interests of all stakeholders
 - ▣ Features that limit benefits and unintended utilization
 - ▣ Alignment of interest between user and financier
 - ▣ No individual should be able to profit from using services



Cost Control & Risk Management

- Performance of the program should be evaluated based on the predefined criteria, and cost controls should be modified as needed
 - ▣ Pre-planned feedback mechanism that studies the effectiveness of the reform
 - ▣ Ongoing evaluation of the program should be designed around the controls and risk evaluation that were initially developed
 - ▣ Various political and economical risk scenarios should be evaluated before implementation
 - ▣ Include appropriate margin to the assumptions
 - ▣ Clear definition of relevant statistics should be defined



Financial Soundness / Sustainability

- Can consumers be confident that the program will indeed deliver what was promised?
 - ▣ Minimize the program's bankruptcy risks by effectively controlling the costs
 - ▣ Pay-as-you-go
 - ▣ Partially pre-funded system
- Is the program too complex or too simplistic?
 - ▣ Funding systems
 - ▣ Product design



Financial Soundness / Sustainability

- Does the financial program make appropriate use of the funds invested?
 - Sound investing of the program fund
 - Public program versus private program
 - Trade-off between risk and return
- Can the designers ensure that the program interacts well with existing private insurance and public programs?
 - How does new program interact with current public/private programs
 - Displace all of part of the existing programs
 - Coverage to persons not currently covered by existing programs
 - Definition of qualifying events



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Academy LTC Series

Academy LTC public policy website

- Recent papers
 - Portability
 - Pricing Flexibility
 - Product Design Flexibility
 - Understanding Premium Rate Increases On Private LTC Insurance Policyholders
- Potential future papers
 - Considerations for incorporating LTC within Medicare program
 - Looking at past losses in LTCI
 - LTC / Medicaid intersection



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Wrap-up Quiz

1) LTC provides help with everyday self-care activities, such as eating or getting out of bed, and household activities, such as preparing meals or managing medications.

- True
- False



Wrap-up Quiz

2) Who needs long-term care?

- ❑ Seniors with conditions like dementia or complications after a stroke
- ❑ People with physical disabilities, like cerebral palsy or spinal cord injury
- ❑ People with intellectual disabilities, like Down's syndrome or autism
- ❑ All of the above



Wrap-up Quiz

3) Who provides most long-term care?

- Unpaid caregivers such as family members
- Doctors
- Nurses
- Home health aides and personal care attendants



Wrap-up Quiz

4) Where is long-term care provided?

- Nursing facilities
- Group homes
- Private houses or apartments
- All of the above



Wrap-up Quiz

5) Who pays the most formal long-term care?

- Medicare
- Medicaid
- Private insurance
- Individuals out-of-pocket



Wrap-up Quiz

6) What was the typical annual cost of private room nursing facility care nationwide in 2016?

- \$37,000
- \$54,000
- \$79,000
- \$92,000



Wrap-up Quiz

7) For an individual turning 65 today, what is chance over his/her lifetime of needing formal, paid LTC?

- 1%
- 25%
- 50%
- 75%



Wrap-up Quiz

8) For those using formal, paid LTC, how many years on average over his/her lifetime will an individual turning 65 today need care?

- 0 – 1 years
- 1 – 2 years
- 2 – 3 years
- 3+ years



Wrap-up Quiz

9) How many people are expected to turn 65 today in U.S.?

- 500
- 1,000
- 5,000
- 10,000



So Why Should You Care About LTC Reform?

- Many will need care at some point in their lifetime
- Care is expensive and needed for multiple years
- Burden on families and Medicaid program
- Aged population in U.S. is growing rapidly



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