

2025

SUPPLEMENTAL HEALTH,
DI & LTC CONFERENCE

Expanding Horizons

Let's Play: This Is Long-Term Care



Navigate With Confidence



SOCIETY OF
ACTUARIES



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This is Long Term Care

LTC Acronyms	LTC Current Events	Potpourri	LTC Actuarial	LTC Benefits
\$100	\$100	\$100	\$100	\$100
\$200	\$200	\$200	\$200	\$200
\$300	\$300	\$300	\$300	\$300
\$400	\$400	\$400	\$400	\$400
\$500	\$500	\$500	\$500	\$500

Results

Q: LTCI stands for this type of insurance designed to cover the costs of long-term care services.

→ Show Answer

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A: Long-Term Care Insurance



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Phew! That should have been an easy one! **Long-term care insurance** is a type of insurance designed to help cover the cost of care services that assist individuals with chronic illnesses, disabilities, or other conditions that limit their ability to perform basic activities of daily living (ADLs).

Q: IBNR refers to a type of reserve actuaries set aside for claims

→ Show Answer

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A: Incurred but not yet reported

Several unique characteristics make IBNR estimation particularly interesting:

- Long-tail nature of LTC claims
- Significance of morbidity and mortality assumptions
- Variability of LTC claim experience
- Product design impact
- Data quality and modeling

Q: This acronym represents a contract feature that increases benefit amounts over time to keep up with inflation.

→ Show Answer

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A: BIO (Benefit Increase Option) or COLA (Cost of Living Adjustment)

BIO or Benefit Increase Options are riders that allow policy benefits to increase annually or periodically. They are also called Cost of Living Adjustments. Options may include 1%-5% annual increases, either using simple or compound inflation calculations, may be based on a consumer price index (CPI), or come in the form of a buy-up every 3 years (GPO).

Q: This term, abbreviated as TQ, refers to policies that meet specific federal standards and offer tax advantages.

→ Show Answer

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A: Tax-Qualified

A tax-qualified long-term care insurance plan is a policy that meets federal requirements outlined in the Health Insurance Portability and Accountability Act (HIPAA) of 1996, allowing the benefits to be received tax-free and premiums to be potentially deductible, depending on the policyholder's age and tax situation.

To qualify, the plan must require that the insured be certified by a licensed health care practitioner as chronically ill—meaning they are unable to perform at least **two of six activities of daily living (ADLs)** for at least **90 days**, or they require substantial supervision due to a **severe cognitive impairment** (such as Alzheimer's disease). The policy must also offer certain consumer protections, such as guaranteed renewability and inflation protection (for certain buyers), and must not provide for a cash surrender value.

Q: The NAIC, which provides regulatory guidance on long-term care insurance, stands for this.

→ Show Answer

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A: National Association of Insurance Commissioners

The National Association of Insurance Commissioners (NAIC) is a U.S. standard-setting and regulatory support organization governed by the **chief insurance regulators from all 50 states, the District of Columbia, and U.S. territories**. Its mission is to coordinate regulation of the insurance industry across states to promote consumer protection, fair competition, and financial stability.

Q: From 2000-2020, the incidence of Alzheimer's diagnosis has increased by what %?

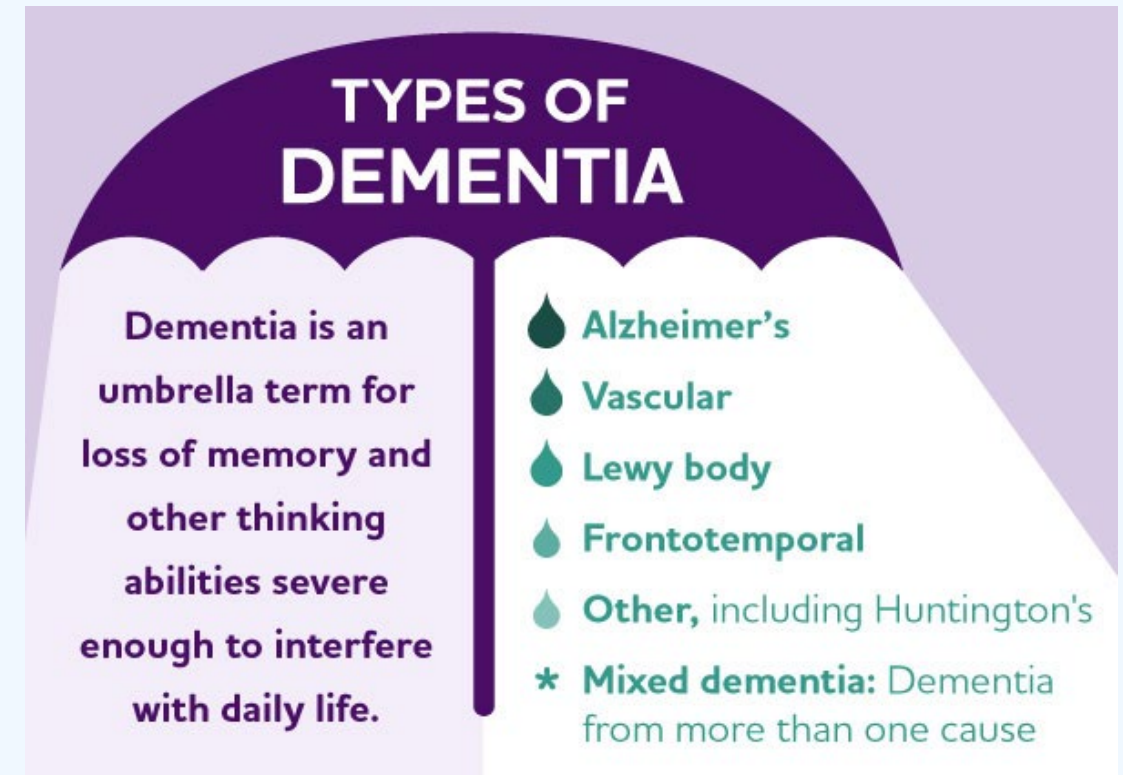
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A: 141%

Over the last two decades, Alzheimer's disease (AD) diagnosis has evolved from relying primarily on clinical observations to incorporating biomarkers and imaging techniques, with a growing focus on detecting the disease in its earliest stages. Looking ahead, research efforts are focused on developing more accurate and accessible diagnostic tools, including blood-based biomarkers, and on identifying preventive strategies to delay or even halt disease progression.



<https://www.alz.org/alzheimers-dementia/what-is-dementia>

Alzheimer's Association 2025 Alzheimer's Disease Facts and Figures

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Recent advancements in Alzheimer's research and treatment:

Recent advancements in Alzheimer's research include the approval of new drugs like lecanemab (leh-CAN-eh-mab) and donanemab (doh-NAN-eh-mab), which slow cognitive decline in early-stage patients by targeting amyloid plaques.

Other breakthroughs involve innovative approaches like focused ultrasound for blood-brain barrier opening, nasal sprays for tau protein targeting, and the discovery of a peptide that inhibits a key protein complex in Alzheimer's. These advancements offer hope for more effective treatments and even potential prevention strategies in the future.

Alzheimer's Association 2025 Alzheimer's Disease Facts and Figures

Q: What is the WISH Act?

→ Show Answer

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A: The WISH Act is a proposed bill that aims to establish a federal long-term care insurance benefit for seniors to receive care services and support in their preferred setting. It would be funded through a payroll tax of 0.3% for workers and employers.

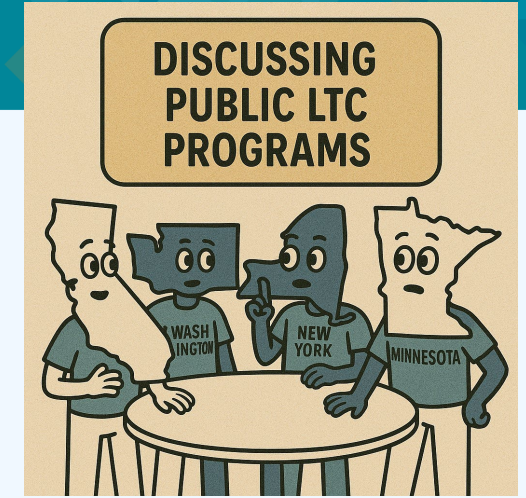


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As of mid-2025, the **WISH Act** (Well-Being Insurance for Seniors to Be at Home Act) is in its **early stages** in the **119th Congress**.

The **WISH Act is not yet law**—it's currently **pending in the House Ways and Means Committee**, with early bipartisan interest but no formal advancement yet. At this point, it remains a proposal.

The WISH Act

(Well-Being Insurance for Seniors to be at Home)

- **Proposed Payroll Tax:**
 - 0.3% payroll tax on workers and employers (total of 0.6% combined).
- **Proposed LTC Benefit:**
 - Cash benefit of approximately \$3,600/month (indexed to inflation).
- **Eligibility:**
 - Individuals must be unable to perform at least two activities of daily living (ADLs) or have cognitive impairment.
- **Waiting Period:**
 - Must have contributed for at least 10 years to be eligible for full benefits.

WA Cares Fund

- **Earning benefits:**
 - Each year you work at least 500 hours, you earn a qualifying year. Once you meet the contribution requirements (typically 10 years of contribution without a break of 5 or more consecutive years), you can access the full benefit amount.
- **Benefit amount:**
 - The lifetime benefit amount starts at \$36,500 and will grow with inflation.
- **What the benefit covers:**
 - The WA Cares Fund can help pay for a variety of long-term care services, including in-home care, home modifications, and other supports to help people stay at home.
- **Benefits available:**
 - Benefits become available in July 2026.

Q: What is the current average annual premium for a 60-year-old trying to purchase an individual LTC policy with a 3-year benefit period and with benefit inflation protection (this implies the daily benefit increases by some factor, typically 3/5%, each year to account for inflation.)

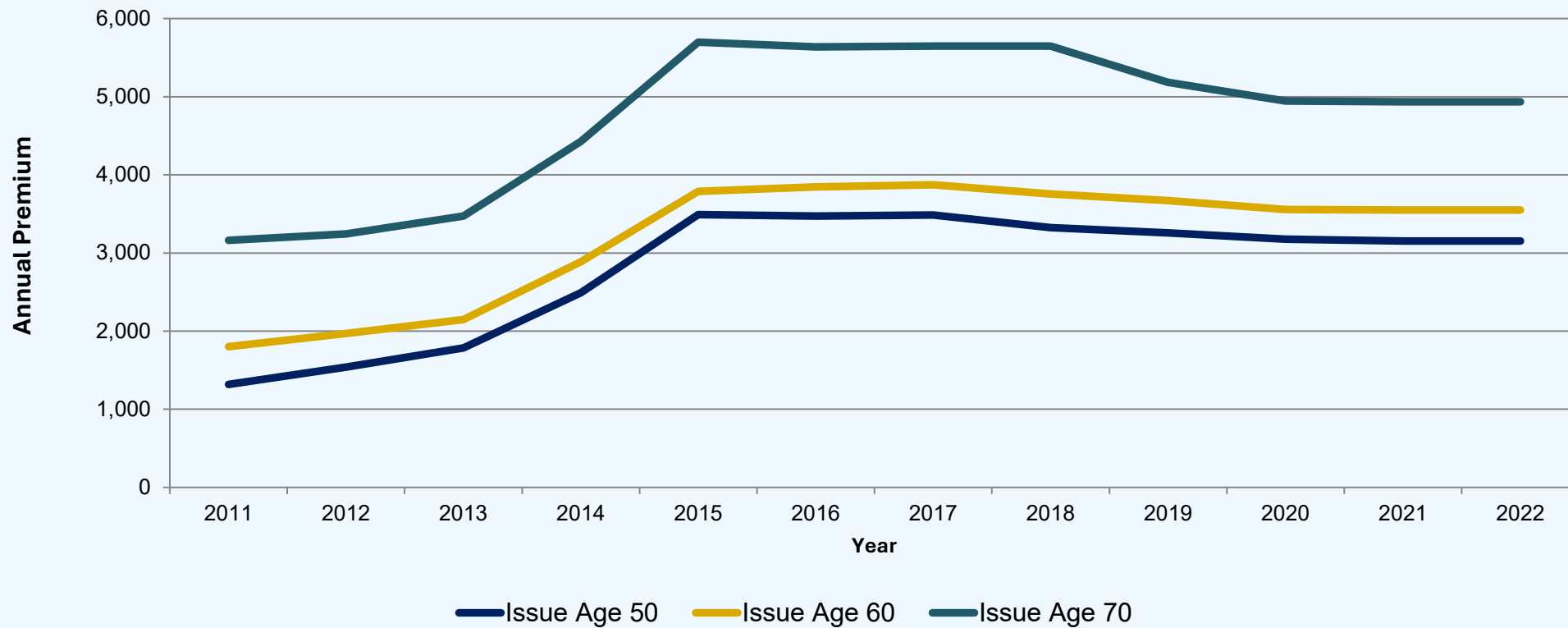
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A: ~\$3500 per year

Average Market Premium Available - 3 Year Benefit Period and Benefit Inflation Protection



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Q: The last of the Baby Boomers turned age 60 in what year?

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A: 2024

The Baby Boomer Generation is typically defined as those individuals born between 1946 and 1964.

The Gen X Generation begins turning 60 this year, in 2025!

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A Changing Target Market

Target market's generation has changed

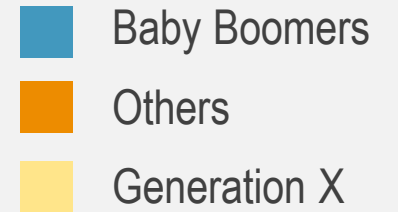
LTC Standalone

- Issue age 72 in 2000: born in 1928

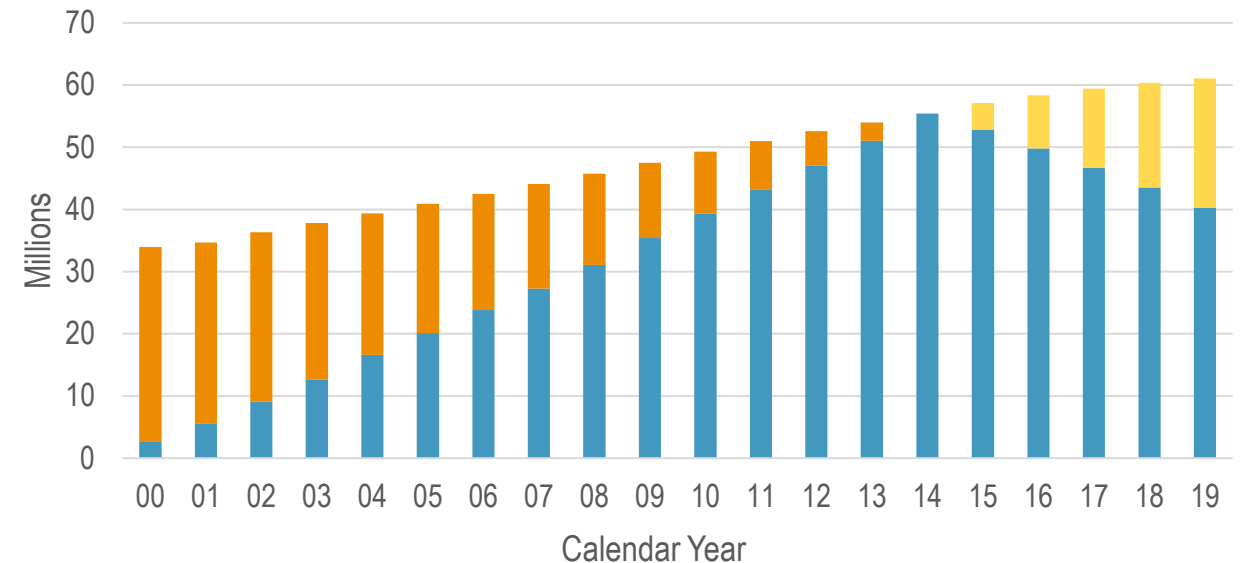
Today's Product

- Issue age 55 in 2024: born in 1969

New consumer attitudes—want immediate value, no time/patience for distribution, less interest in wealth transfer



Target Market: Persons aged 55-69



Q: By 2030, those over the age of 65 will make up what percentage of the U.S. population?

→ Show Answer

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A: 20%

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Q: This is the average number of years a person turning 65 today is expected to need some form of long-term care.

→ Show Answer

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A: 3 years

The **average length of stay** in long-term care varies depending on the care setting:

Nursing Home Care

- The average length of stay in a nursing home is approximately **1 year (12 months)**
- Many residents stay less than 6 months; others several years based on health status

Assisted Living Facilities

- Average length of stay ranges from **22 to 30 months (about 2 years)**.
- Assisted living is less intensive and often used for longer transitional care

Home Health Care / Home-Based Long-Term Care

- Length of stay varies widely but often ranges from **a few months to several years**, depending on needs and funding.

Q: This type of long-term care claim is the most common, accounting for a significant portion of total LTC insurance claims.

→ Show Answer

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A: Home Health Care

About 70% to 80% of long-term care services in the U.S. are provided **in home settings** (including care by family caregivers, home health aides, and other home-based services)

The remaining **20% to 30%** occurs in institutional settings like **nursing homes, assisted living facilities, and adult day care centers**

Why So Much Care at Home?

- Many people prefer to stay in their own homes as long as possible
- Home care can be more cost-effective and flexible
- Family caregivers provide a substantial portion of home care
- Advances in home health technologies and services support aging in place

Average Cost of Care by Site of Care

\$32.59

**Home Health Aide
Per Hour Wage**

Increase of 6.4% year over year

\$126,555

**Nursing Home
Annual Cost**

Increase of 10.6% year over year

**Assisted Living Facility
Annual Cost**

\$60,054
Studio

\$66,126
One-
Bedroom

\$67,872
Two-
Bedroom



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DAILY DOUBLE!

Q: This government program does not cover long-term care costs, except in limited circumstances such as skilled nursing care following a hospital stay.

→ Show Answer

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A: Medicare

Medicare is a **federal health insurance program** in the United States primarily for people **age 65 and older**, but also available to certain younger individuals with **disabilities, end-stage renal disease (ESRD)** or **ALS (Lou Gehrig's disease)**

Medicare is administered by the **Centers for Medicare & Medicaid Services (CMS)** and is funded through **payroll taxes, premiums, and general revenue**

Medicare is:

- **Not free** — Most people pay premiums (especially for Part B and Part D)
- **Doesn't cover everything** — It doesn't cover long-term care, dental, vision, or hearing in most cases
- Often paired with **Medigap (supplemental insurance)** to help cover out-of-pocket costs

Q: The most common elimination period (EP) for long-term care insurance policies is this many days.

→ Show Answer

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A: 90 days

Elimination periods (EP) can be defined in terms of **service days** or **calendar days**. **Service days** means the number of days services were needed. **Calendar days** means service met within a certain time frame. For example, a 90 day elimination period based on service days means 90 days of services received. A 90 day elimination period based on calendar days means care received within a 90 day period of time.

Q: At its peaks, in the 1990's, there were over this many carriers marketing some type of LTC policy.

→ Show Answer

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A: >125

LTC Insurance Players Today

LARGE INSURERS MARKETING TRADITIONAL LTC



LARGE INSURERS WITH RUNOFF LTC



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Q: Actuaries use this type of reserve to ensure that sufficient funds are available to pay future LTC insurance claims.

→ Show Answer



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A: Claim reserve

Level premiums are anticipated to pre-fund an increasing claim cost



-  Premium rate
-  Claim cost per policy

Four forces contribute to increasing claim costs:

- Older people more likely to need long-term care
- Wear-off of underwriting effect
- Benefits increase for policies with inflation protection
- Married people becoming widows and widowers (which have higher costs)

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Q: In the 1990s and early 2000s, insurers failed to anticipate improvements in this key demographic factor, leading to longer claim durations than expected.

→ Show Answer

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A: life expectancy

- Insurers in the 1980s and 90s often based LTC insurance premiums on general population mortality and lapse assumptions, along with non-LTC insurance product experience.
- These assumptions proved inaccurate, leading to underpriced premiums and significant financial losses for insurers.

Q: Actuaries initially overestimated the impact of this financial factor, assuming higher returns on reserves than what actually materialized.

→ Show Answer

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A: Investment yield (interest rate)

Yesterday's Assumption, Today's Reality

	THEN	NOW
Low Interest Rates	8%	3%
Low Lapse Rates	5%	1%
Increasing Longevity	1980 CSO	2012 IAM
Evolving Care Delivery	Nursing Home	Assisted Living Facility
Carrier Selling	100+	10
Distributors	45,000	2,000

- Higher claims costs vs. originally estimated
- Increasing capital pressure under NAIC RBC framework
- Administrative challenges with increasing claims volumes
- Regulatory uncertainty – political not actuarial
- Wary consumers – smart buy to risky buy

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ACTUARIAL LTC CONSIDERATIONS



Q: A key driver of adverse experience in LTC pricing was the failure to predict that this assumption, which accounts for how often a claimant recovers and leaves claim status, would be lower than expected.

→ Show Answer

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A: Claim recovery rate

Initial Pricing Challenges:

- Lack of data
- Underestimation of morbidity
 - Insurers underestimated the likelihood of claims (morbidity) and the duration of those claims, leading to lower-than-necessary premium levels.
- Claim expense assumption
 - Assumptions about the costs of administering claims (expenses) were also sometimes underestimated
- Interest rate environment
- Lapse rates
 - Lower-than-expected lapse rates mean more policies remain in force, increasing the potential for claims

DAILY DOUBLE!

Q: As claims experience emerges and interest rates remain lower than originally priced, this financial action has become increasingly common for closed block of LTC business.

→ Show Answer

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A: Rate Increases

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Q: How does an individual qualify for benefits?

→ Show Answer

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A: Either by needing assistance with 2 out of 6 ADLs or because of severe cognitive impairment.

ACTIVITIES OF DAILY LIVING



EATING



BATHING



TOILETING



TRANSFERRING



DRESSING



CONTINENCE

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Q: Most LTC policies are either reimbursement- based or this pay type, which pays a fixed dollar regardless of actual costs.

→ Show Answer

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A: Indemnity (or cash benefit) policies

How they work: Once you qualify for benefits, these policies pay out a pre-determined, fixed daily or monthly cash benefit, **regardless of the actual cost of care you receive.**

Payout process: You receive the monthly cash benefit directly. There's no need to submit receipts or track expenses for reimbursement.

Benefits:

- Offers greater flexibility in how you use the benefit, including paying family members for care, modifying your home, or saving the funds.
- Can be advantageous if you anticipate having significant informal care needs.
- May potentially receive more money each month than your actual care expenses, especially in the early stages of care when costs might be lower.

Considerations:

- Generally, have higher premiums compared to reimbursement policies.
- Benefits may be taxable under certain circumstances if the payout exceeds the IRS per diem limit for long-term care benefits. You are responsible for any potential tax obligations.
- May come with stricter benefit duration limits compared to some reimbursement plans.

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LTC Reimbursement Pay Policies

How they work: These policies reimburse you for the *actual* cost of qualified long-term care expenses, up to a daily or monthly maximum benefit amount specified in your policy.

Payout process: You (or your care provider) pay for care expenses first and then submit receipts to the insurance company for reimbursement.

Benefits:

- Typically have lower premiums compared to indemnity policies.
- Your benefits may last longer if your actual care costs are consistently below your maximum daily or monthly benefit amount.
- Benefits are usually tax-free, provided they are used for qualified long-term care expenses.

Considerations:

- Requires tracking and submitting receipts for reimbursement.
- May not cover informal care provided by family members or unlicensed caregivers.
- If care costs exceed your maximum daily or monthly benefit, you'll be responsible for the difference.

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Q: Name two different types of long term care solutions / policy designs.

→ Show Answer

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A: Stand alone or individual, hybrid/asset based, or group.

A **stand-alone long-term care (LTC) insurance policy** is a **traditional insurance policy** specifically designed to cover the cost of **long-term care services**. These policies are *not linked* to life insurance or annuities. They strictly pay for qualifying long-term care expenses. These policies are generally **lower cost upfront** than hybrid policies but may increase over time (not guaranteed level). If LTC services are never needed, there is **no payout or cash value**.

A **hybrid long-term care policy**—also known as **asset-based LTC** or **linked-benefit LTC**—is a life insurance policy or annuity that **combines LTC coverage with a death benefit or cash value**. Unlike traditional LTC insurance, if you don't need care, your premiums still provide a benefit—typically a life insurance payout or return of premium.

A **group LTC policy** is offered through employers or associations. There may be limited or no required underwriting as compared to an individual LTC policy. However, there is typically less flexibility in tailoring benefits to individual needs with a group policy when compared to individual policies.

Q: When a policyholder uses up their entire pool of LTC benefits, this is said to have occurred.

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A: Benefit exhaustion

When you purchase an LTC insurance policy, you typically select a daily or monthly benefit amount and a benefit period. The benefit period is often expressed in years, but it's important to understand that it actually represents a minimum duration and determines the total dollar amount, or pool of money, available in your policy.

For example, a policy with a \$100 daily benefit and a four-year benefit period would initially create a total pool of \$146,000 ($\$100 \times 365 \text{ days} \times 4 \text{ years}$). However, if your daily care expenses are less than your maximum daily benefit, the unused portion remains in your benefit pool and can effectively extend the duration of your coverage beyond the initial stated benefit period.



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Q: This provision allows a spouse or partner to access remaining LTC benefits after the other insured's pool has been exhausted.

→ Show Answer

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A: Shared Care Rider

Key Features:

Benefit Pooling:

- Couples with shared care riders can effectively combine their individual policy benefits.

Access to Unused Benefits:

- If one spouse's benefits are used up, they can access the remaining benefits of their partner's policy.

Potential Third Pool:

- Some policies may offer a third, shared pool of benefits that both individuals can access after exhausting their individual coverage.

Identical Policies:

- Shared care riders typically require both partners to have LTC insurance policies with the same features and benefits.

Cost:

- Shared care riders generally increase premiums, but they can offer significant value in terms of increased coverage and potential cost savings if one spouse requires long-term care for an extended period.

Benefit for Couples:

- This feature is particularly useful for couples who want to ensure they both have access to the care they need, regardless of who needs it first or for how long.

Questions & Discussion

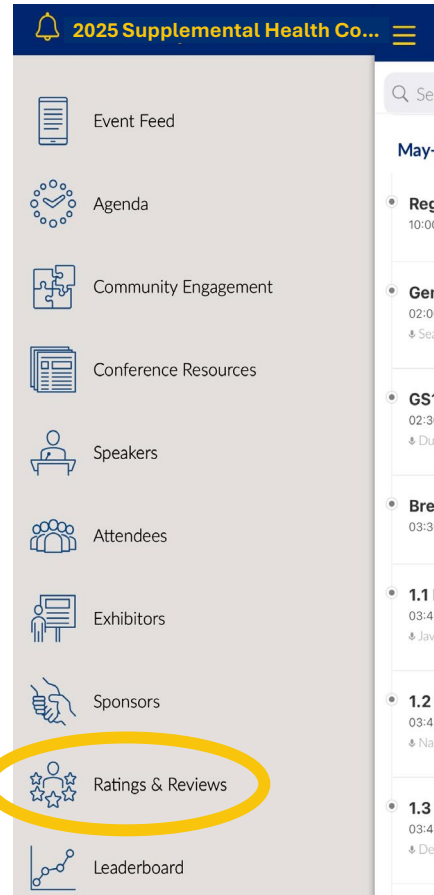


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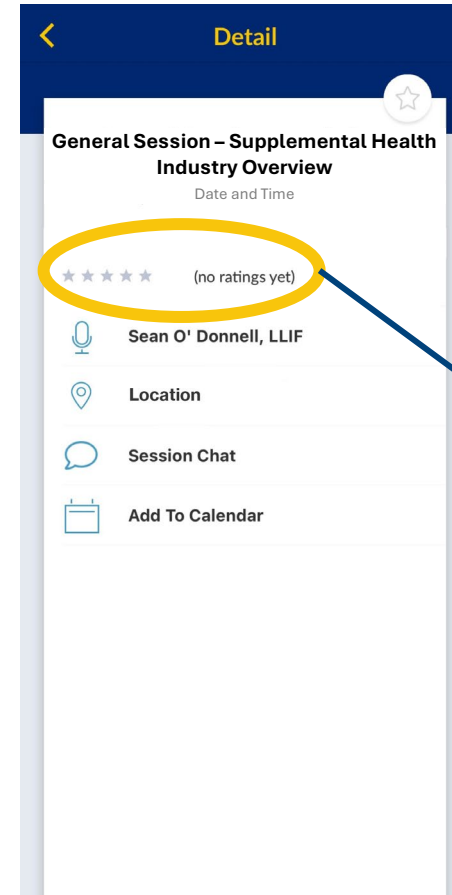
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Module Option



Agenda Option



Thank You



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