

## LONG TERM CARE MARKET & PRODUCTS



Presented by  
The Kansas Insurance Department  
Sandy Praeger, Commissioner

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## THE LTC MARKET

- Population Data
- Nursing Home Data
- LTC Insurance Company Data
- LTC Government Programs

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## LTC PRODUCT

- Current Morbidity Data
- Product Characteristics
- Policy Specifications
- Policy Provisions
- Regulatory Environment

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## US POPULATION DATA

Source: US Census

Age	Male	Female	Total
< 25	52,557,733	49,945,034	102,502,767
25 – 34	20,367,574	19,717,931	40,085,505
35 – 44	22,018,695	22,060,336	44,079,031
45 – 54	20,494,992	21,206,741	41,701,733
55 – 64	14,080,690	15,166,244	29,246,934
65 – 74	8,425,487	10,036,530	18,462,017
75 – 84	5,195,921	7,721,647	12,917,568
85 +	1,524,903	3,362,495	4,887,398
<b>Total</b>	<b>144,665,995</b>	<b>149,216,958</b>	<b>293,882,953</b>

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## US POPULATION DATA

Source: US Census

Age	Male	Female	Total
< 25	36.3%	33.5%	34.9%
25 – 34	14.1%	13.2%	13.6%
35 – 44	15.2%	14.8%	15.0%
45 – 54	14.2%	14.2%	14.2%
55 – 64	9.7%	10.2%	10.0%
65 – 74	5.8%	6.7%	6.3%
75 – 84	3.6%	5.2%	4.4%
85 +	1.1%	2.3%	1.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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## US POPULATION DATA

Source: US Census

Age	Population	Male	Female
< 25	102,502,767	51.3%	48.7%
25 – 34	40,085,505	50.8%	49.2%
35 – 44	44,079,031	50.0%	50.0%
45 – 54	41,701,733	49.1%	50.9%
55 – 64	29,246,934	48.1%	51.9%
65 – 74	18,462,017	45.6%	54.4%
75 – 84	12,917,568	40.2%	59.8%
85 +	4,887,398	31.2%	68.8%
<b>Total</b>	<b>293,882,953</b>	<b>49.2%</b>	<b>50.8%</b>

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## US POPULATION DATA

Source: US Census

Age	Male	Female	Total
0 +	144,665,995	149,216,958	293,882,953
18 +	107,175,037	113,449,153	220,624,190
21 +	100,804,347	107,450,992	208,255,339
25 +	92,108,262	99,271,924	191,380,186
35 +	71,740,688	79,553,993	151,294,681
45 +	49,721,993	57,493,657	107,215,650
55 +	29,227,001	36,286,916	65,513,917
65 +	15,146,311	21,120,672	36,266,983
75 +	6,720,824	11,084,142	17,804,966
85 +	1,524,903	3,362,495	4,887,398

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## US POPULATION DATA

Source: US Census

Age	Male	Female	Total
0 +	100.0%	100.0%	100.0%
18 +	74.1%	76.0%	75.1%
21 +	69.7%	72.0%	70.9%
25 +	63.7%	66.5%	65.1%
35 +	49.6%	53.3%	51.5%
45 +	34.4%	38.5%	36.5%
55 +	20.2%	24.3%	22.3%
65 +	10.5%	14.2%	12.3%
75 +	4.6%	7.4%	6.1%
85 +	1.1%	2.3%	1.7%

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## KANSAS POPULATION DATA

Source: US Census

Age	Male	Female	Total
< 25	511,090	479,843	990,933
25 – 34	181,687	170,746	352,433
35 – 44	196,875	196,297	393,172
45 – 54	192,170	191,867	384,037
55 – 64	122,011	127,336	249,347
65 – 74	77,585	92,217	169,802
75 – 84	52,520	76,420	128,940
85 +	16,305	38,538	54,843
Total	1,350,243	1,373,264	2,723,507

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## KANSAS POPULATION DATA

Source: US Census

Age	Male	Female	Total
< 25	37.9%	34.9%	36.4%
25 – 34	13.5%	12.4%	12.9%
35 – 44	14.6%	14.3%	14.4%
45 – 54	14.2%	14.0%	14.1%
55 – 64	9.0%	9.3%	9.2%
65 – 74	5.7%	6.7%	6.2%
75 – 84	3.9%	5.6%	4.7%
85 +	1.2%	2.8%	2.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

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## KANSAS POPULATION DATA

Source: US Census

Age	Population	Male	Female
< 25	990,933	51.6%	48.4%
25 – 34	352,433	51.6%	48.4%
35 – 44	393,172	50.1%	49.9%
45 – 54	384,037	50.0%	50.0%
55 – 64	249,347	48.9%	51.1%
65 – 74	169,802	45.7%	54.3%
75 – 84	128,940	40.7%	59.3%
85 +	54,843	29.7%	70.3%
<b>Total</b>	<b>2,723,507</b>	<b>49.6%</b>	<b>50.4%</b>

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## KANSAS POPULATION DATA

Source: US Census

Age	Male	Female	Total
0 +	1,350,243	1,373,264	2,723,507
18 +	992,378	1,036,048	2,028,426
21 +	927,399	974,692	1,902,091
25 +	839,153	893,421	1,732,574
35 +	657,466	722,675	1,380,141
45 +	460,591	526,378	986,969
55 +	268,421	334,511	602,932
65 +	146,410	207,175	353,585
75 +	68,825	114,958	183,783
85 +	16,305	38,538	54,843

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### KANSAS POPULATION DATA

Source: US Census

Age	Male	Female	Total
0 +	100.0%	100.0%	100.0%
18 +	73.5%	75.4%	74.5%
21 +	68.7%	71.0%	69.8%
25 +	62.1%	65.1%	63.6%
35 +	48.7%	52.6%	50.7%
45 +	34.1%	38.3%	36.2%
55 +	19.9%	24.4%	22.1%
65 +	10.8%	15.1%	13.0%
75 +	5.1%	8.4%	6.7%
85 +	1.2%	2.8%	2.0%

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### KANSAS vs US POPULATION DATA

Source: US Census

Age	Kansas	US
0 +	100.0%	100.0%
18 +	74.5%	75.1%
21 +	69.8%	70.9%
25 +	63.6%	65.1%
35 +	50.7%	51.5%
45 +	36.2%	36.5%
55 +	22.1%	22.3%
65 +	13.0%	12.3%
75 +	6.7%	6.1%
85 +	2.0%	1.7%

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### STATE POPULATION DATA

Source: US Census

Rank	State	Population
1	California	35,935,728
2	Texas	22,507,449
3	New York	19,241,987
4	Florida	17,410,642
5	Illinois	12,723,486
6	Pennsylvania	12,415,905
7	Ohio	11,467,890
8	Michigan	10,120,456
9	Georgia	8,836,225
10	New Jersey	8,705,620

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### STATE POPULATION DATA

Source: US Census

Rank	State	Population
11	North Carolina	8,547,839
12	Virginia	7,465,608
13	Massachusetts	6,421,477
14	Indiana	6,242,402
15	Washington	6,208,595
16	Tennessee	5,905,535
17	Missouri	5,759,077
18	Arizona	5,748,285
19	Maryland	5,562,365
20	Wisconsin	5,513,295

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### STATE POPULATION DATA

Source: US Census

Rank	State	Population
21	Minnesota	5,104,911
22	Colorado	4,604,969
23	Alabama	4,533,692
24	Louisiana	4,519,269
25	South Carolina	4,201,321
26	Kentucky	4,149,135
27	Oregon	3,597,371
28	Oklahoma	3,526,283
29	Connecticut	3,506,319
30	Iowa	2,956,740

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### STATE POPULATION DATA

Source: US Census

Rank	State	Population
31	Mississippi	2,905,215
32	Arkansas	2,754,762
33	Kansas	2,723,507
34	Utah	2,390,890
35	Nevada	2,336,580
36	New Mexico	1,904,764
37	West Virginia	1,816,761
38	Nebraska	1,748,568
39	Idaho	1,394,342
40	Maine	1,318,274

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## STATE POPULATION DATA

Source: US Census

Rank	State	Population
41	New Hampshire	1,300,507
42	Hawaii	1,263,819
43	Rhode Island	1,081,469
44	Montana	927,583
45	Delaware	831,007
46	South Dakota	771,480
47	Alaska	655,943
48	North Dakota	634,858
49	Vermont	621,876
50	Dist of Columbia	553,952
51	Wyoming	506,921

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## KANSAS NURSING HOME DATA

Source: Medicare.gov

Region	Count	Beds	Occ	Occ %
Kansas	368	24,244	20,673	85.3%
US	16,323	1,777,082	1,467,870	82.6%

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## KANSAS NURSING HOME DATA

Source: Medicare.gov

Status	Count	Beds	%	Occ	Occ %
Profit	186	13,654	56.3%	11,516	84.3%
Non-Profit	135	8,748	36.1%	7,652	87.5%
Governm't	47	1,842	7.6%	1,505	81.7%
Total	368	24,244	100.0%	20,673	85.3%

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## KANSAS NURSING HOME DATA

Source: Medicare.gov

Status	Count	Beds	%	Occ	Occ %
Medicare	11	260	1.1%	182	70.0%
Medicaid	103	4,989	20.6%	4,278	85.7%
Both	254	18,995	78.3%	16,213	85.4%
Total	368	24,244	100.0%	20,673	85.3%

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## KANSAS NURSING HOME DATA

Source: Medicare.gov

Status	Count	Beds	%	Occ	Occ %
Hospital	46	1,625	6.7%	1,283	79.0%
Non-Hosp	322	22,619	93.3%	19,390	85.7%
Total	368	24,244	100.0%	20,673	85.3%

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## KANSAS NURSING HOME DATA

Source: Medicare.gov

Status	Count	Beds	%	Occ	Occ %
Chain	182	12,321	50.8%	10,537	85.5%
Individual	186	11,923	49.2%	10,136	85.0%
Total	368	24,244	100.0%	20,673	85.3%

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## LTC INSURANCE COMPANY DATA

Source: NAIC

Year	Premium / Policy	Claim / Premium
1998	1,046	35.2%
1999	1,076	36.7%
2000	1,110	37.2%
2001	1,221	36.3%
2002	1,174	40.4%
2003	1,191	41.1%

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## LTC INSURANCE COMPANY DATA

Source: NAIC

### Kansas vs. United States 2003

Region	Premiums	Claims	Lives
Kansas	624,625,179	323,944,261	59,920
US	6,723,734,000	2,765,350,000	5,644,157

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## MARKET SUPPLY AND DEMAND US

Age	Population	Beds / Pop	LTCIP / Pop
0 +	293,882,953	0.6%	1.9%
18 +	220,624,190	0.8%	2.6%
21 +	208,255,339	0.9%	2.7%
25 +	191,380,186	0.9%	2.9%
35 +	151,294,681	1.2%	3.7%
45 +	107,215,650	1.7%	5.3%
55 +	65,513,917	2.7%	8.6%
65 +	36,266,983	4.9%	15.6%
75 +	17,804,966	10.0%	31.7%
85 +	4,887,398	36.4%	115.5%

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## MARKET SUPPLY AND DEMAND KS

Age	Population	Beds / Pop	LTCIP / Pop
0 +	2,723,507	0.9%	2.2%
18 +	2,028,426	1.2%	3.0%
21 +	1,902,091	1.3%	3.2%
25 +	1,732,574	1.4%	3.5%
35 +	1,380,141	1.8%	4.3%
45 +	986,969	2.5%	6.1%
55 +	602,932	4.0%	9.9%
65 +	353,585	6.9%	16.9%
75 +	183,783	13.2%	32.6%
85 +	54,843	44.2%	109.3%

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### LTC INSURANCE COMPANY DATA Source: NAIC Kansas Top 10 LTC Companies

Company	State of Domicile	Market Share
GE Capital	DE	16.24%
TransAmerica	IA	14.96%
Bankers Life	IL	13.92%
Conseco	PA	6.9%
Mutual Protective	NE	6.51%
Continental	IL	5.05%
Allianz Life	MN	3.64%
United American	DE	3.34%
Thrivent Financial	WI	3.31%
Lincoln Benefit	NE	2.56%

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### LTC INSURANCE COMPANY DATA

Source: KID 2004 SHOPPERS GUIDE

#### Average Premiums \$ 100 Daily Benefit

Benefit Period	Elimination Period	Age	Age	Age
		55	65	75
3 Year	30	406	873	2,475
5 Year	30	521	1,109	3,093
Lifetime	30	643	1,382	3,846
3 Year	90	367	776	2,196
5 Year	90	446	946	2,640
Lifetime	90	588	1,232	3,366

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### LTC INSURANCE COMPANY DATA

Source: KID 2004 SHOPPERS GUIDE

#### Change In Average Premium By Age

Benefit Period	Elimination Period	Age 55	Age 65	Age 75
3 Year	30	100.0%	215.2%	610.2%
5 Year	30	100.0%	212.9%	593.8%
Lifetime	30	100.0%	214.8%	597.7%
3 Year	90	100.0%	211.4%	598.4%
5 Year	90	100.0%	212.1%	591.9%
Lifetime	90	100.0%	209.5%	572.4%

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### LTC INSURANCE COMPANY DATA

Source: KID 2004 SHOPPERS GUIDE

#### Change In Average Premium By Benefit Period

Benefit Period	Elimination Period	Age 55	Age 65	Age 75
3 Year	30	100.0%	100.0%	100.0%
5 Year	30	128.4%	127.0%	125.0%
Lifetime	30	158.6%	158.3%	155.4%
3 Year	90	100.0%	100.0%	100.0%
5 Year	90	121.5%	121.9%	120.2%
Lifetime	90	160.2%	158.8%	153.3%

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### LTC INSURANCE COMPANY DATA

Source: KID 2004 SHOPPERS GUIDE

#### Change In Average Premium By Elimination Period

Benefit Period	Elimination Period	Age 55	Age 65	Age 75
3 Year	30	100.0%	100.0%	100.0%
5 Year	30	100.0%	100.0%	100.0%
Lifetime	30	100.0%	100.0%	100.0%
3 Year	90	90.5%	88.9%	88.7%
5 Year	90	85.6%	85.3%	85.4%
Lifetime	90	91.4%	89.1%	87.5%

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## LTC INSURANCE COMPANY DATA

Source: KID 2004 SHOPPERS GUIDE

### Age 65 Premiums For \$ 100 Daily Benefit

Benefit Period	EP	Ave	Min	Max	Max / Min
3 Year	30	873	570	1,218	213.7%
5 Year	30	1,109	642	1,557	242.5%
Lifetime	30	1,382	912	2,200	241.2%
3 Year	90	776	516	1,190	230.6%
5 Year	90	946	624	1,297	207.9%
Lifetime	90	1,232	828	1,950	235.5%

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## LTC GOVERNMENT PROGRAMS

Source: Medicare.gov

- Medicare
  - Federal Social Insurance Program
- Medicaid
  - Federal-State Means Tested Program

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## LTC GOVERNMENT PROGRAMS

Source: Medicare.gov

- Medicare Who Is Covered ?
  - Covers Citizens or Permanent Residents Age 65 and Older
  - Individuals Under Age 65 With Disabilities
  - Individuals With End Stage Renal Disease (ESRD)

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## LTC GOVERNMENT PROGRAMS

Source: Medicare.gov

- Medicare

### Part A – Pays for:

Inpatient Hospital  
Skilled Nursing Facility  
Some Home Health Care

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## LTC GOVERNMENT PROGRAMS

Source: Medicare.gov

- Medicare

### Part B – Pays for:

Medicare Eligible Physician Services  
Outpatient Hospital Services  
Certain Home Health Services  
Durable Medical Equipment

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## LTC GOVERNMENT PROGRAMS

Source: Medicare.gov

### Medicare Part A – Hospital 2005 Deductibles

Days	Medicare	You	Your Total
1-60	Cost - \$ 912	\$ 912	\$ 912
61-90	Cost less \$ 228/day	\$ 228/day	\$ 6,840
91-150	Cost less \$ 456/day	\$ 456/day	\$ 27,360
151 +	\$ 0	All Costs	\$ 35,112 +

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## LTC GOVERNMENT PROGRAMS

Source: Medicare.gov

### Medicare Part A – Skilled NF 2005 Deductibles

Days	Medicare	You	Your Total
1-20	Full Cost	\$ 0	\$ 0
21-100	Cost less \$ 114/day	\$ 114/day	\$ 9,120
101 +	\$ 0	All Costs	\$ 9,120 +

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## LTC GOVERNMENT PROGRAMS

Source: Medicare.gov

### Medicare Part B - 2005 Deductibles

Medicare	You
80% Cost over \$ 110	20% Cost + \$ 110 Annually

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## LTC GOVERNMENT PROGRAMS

Source: Medicare.gov

### Medicare Part A - Premium 2005

Medicare Covered Employment Quarters	Monthly Premium
40 +	\$ 0
30 – 39	\$ 206
< 30	\$ 375

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**LTC GOVERNMENT PROGRAMS**

Source: Medicare.gov

**Medicare Part B – Premium 2005**

**\$ 78.20 per month**

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**LTC GOVERNMENT PROGRAMS**

Source: Medicare.gov

**Medicare Requirements For SNF:**

1. Medicare Part A Coverage & days remaining in benefit period.
2. Inpatient hospital stay of at least 3 consecutive days.
3. Doctor ordered services (RN, LPN, PT, OT Speech-language, Audiologists etc.).
4. Skilled care must be required on daily basis.

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**LTC GOVERNMENT PROGRAMS**

Source: Medicare.gov

**Medicare Requirements For SNF:**

5. Skilled services must be for medical condition treated in 3 day hospital or SNF.
6. Skilled services must be reasonable and necessary for treatment.
7. SNF must be certified by Medicare.

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## LTC GOVERNMENT PROGRAMS

Source: Kansas Department on Aging

- **Medicaid**

- Jointly Funded by Federal & State Govt
- Administered by State Govt
- Covers low-income individuals
- Mandatory Federal Eligibility Criteria
- States may create additional Eligibility Criteria

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## LTC GOVERNMENT PROGRAMS

Source: Kansas Department on Aging

- **For Federal Funding Medicaid**

- Nursing Home Care (21 and over)
- Medically Necessary Home Health Care
  - \* Skilled Nursing Services
  - \* Home Health Aids
  - \* Medical Supplies & Equipment
  - \* Physical and Other Therapies

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## LTC GOVERNMENT PROGRAMS

Source: Kansas Department on Aging

For Federal Funding Medicaid States may optionally include:

- Personal Care Programs
  - \* Help people with basic ADL
- Home & Community Based Care Waiver (HCBC)
  - \* Services for specific groups
  - \* Provide services on less than statewide basis
  - \* Provide wider range of benefits (non-med, social)
  - \* Use higher income eligibility standard

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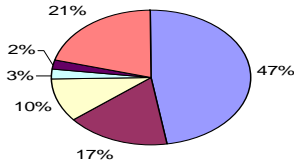
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## LTC GOVERNMENT PROGRAMS

Source: Georgetown University

### National Spending of Long Term Care \$ 179.6 Billion (2002)

Medicaid \$ 84.7 Billion	Medicare \$ 30.7 Billion
Private Ins \$ 18.2 Billion	Other Private \$ 4.6 Billion
Other Public \$ 4.2 Billion	Out of Pocket \$ 37.2 Billion




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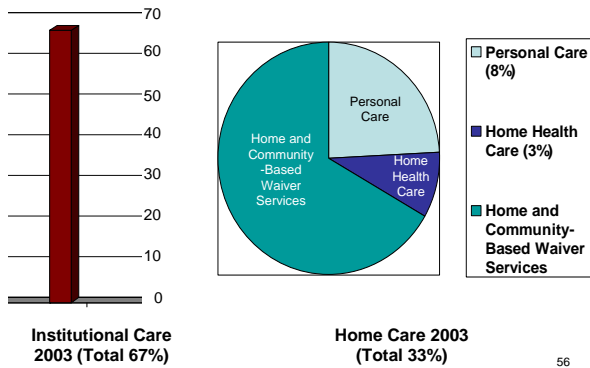
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### Distribution of Medicaid's Long Term Care Spending By Type of Service (2003)




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## LTC GOVERNMENT PROGRAMS

Source: Kansas Department on Aging

### Medicaid Qualification for Nursing Home Benefit

- Asset Tests
- Income Tests
- Legitimate Impoverishment
- Criminalization of Medicaid Planning

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## LTC GOVERNMENT PROGRAMS

Source: Kansas Department on Aging

### Medicaid Qualification Example (Spouse)

#### Exempt Assets

- Home and Contents
- One Car (per family)
- Burial plot, casket, etc. (per person)
- Funeral Plan within limits
- Personal Possessions (wedding rings, clothes)

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## LTC GOVERNMENT PROGRAMS

Source: Kansas Department on Aging

### Medicaid Qualification Example (Spouse)

#### Non-Exempt Assets

- Spouse keeps greater of first \$ 19,020 or 1/2 of assets with Maximum of \$ 95,100
- Assets owned at time of spouse enters Nursing Home
- Institutionalized Spouse must spend down his/her share to \$ 2,000 to become eligible for Medicaid

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## LTC GOVERNMENT PROGRAMS

Source: Kansas Department on Aging

### Medicaid Qualification Example (Spouse)

#### At Home Spouse Income

- Spouse keeps all of his/her income
- Spouse can keep \$ 1,562 per month of total income of both spouses
- If shelter expenses (rent, mortgage, taxes or insurance) > \$ 207 per month an allowance up to \$ 2,319 per month
- Special Allowance of \$ 521 per month for dependent family member living at home

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## LTC GOVERNMENT PROGRAMS

Source: Kansas Department on Aging

### Medicaid Qualification Example (Spouse)

#### Institutionalized Spouse Income

- \$ 30 per month personal allowance
- Incurred medical expenses not paid by Medicaid or 3<sup>rd</sup> party such as cost of health insurance premiums
- At home spouse income allowance

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## LTC GOVERNMENT PROGRAMS

Source: Kansas Department on Aging

### Medicaid Qualification Example (Spouse)

#### Medicaid Recovery of Medical Expenses

- Medicaid Recipient 55 Years or Older or
- Confined to Nursing Facility
- Law grants first-class claim against the Estate of Medicaid recipient or spouse for benefits paid to recipient
- Claim arises after death of spouse & recipient
- No recovery if surviving minor or disabled child

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## CURRENT MORBIDITY DATA

Source: SOCIETY OF ACTUARIES

- SOA LTC Inter-Company Study
- November 2004 Report
- 21 Insurance Companies
- Jan 1, 1984 – Dec 31, 2001
- 3.9 Million Exposure Records
- 12.5 Million Exposure Years

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## CURRENT MORBIDITY DATA

Source: SOCIETY OF ACTUARIES

- Individual – 69% Exposure
- Group – 31% Exposure
- Ave Issue Age 67 – Individual
- Ave Issue Age 47 – Group
- Female – 59% Exposure
- Male – 41% Exposure

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## CURRENT MORBIDITY DATA

Source: SOCIETY OF ACTUARIES

- 95,000 Claims
- \$ 4.1 Billion Paid
- 80% Claims – Nursing Home
- 15% Claims – Home Care
- 5% Claims – Both

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## CURRENT MORBIDITY DATA

Source: SOCIETY OF ACTUARIES

- Ave Claim Length 444 Days
- Ave Cost Per Day \$ 106
- 87% Claims Closed
- 75% Claims < 1 Year Duration
- Ave Attained Age on Claim Date  
Female 79.0, Male 78.8

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## CURRENT MORBIDITY DATA

Source: SOCIETY OF ACTUARIES

- 70% Claims – Female
- 30% Claims – Male
- \$ 2.9 Billion – Female
- \$ 1.2 Billion – Male

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## CURRENT MORBIDITY DATA

Source: SOCIETY OF ACTUARIES

- Ave Probability of Claim  
.69% (69 out of 10,000)
- Ave Claim Length – 444 days
- 68% Nursing Home Claims end in death.
- 49% Home Care Claims end in recovery.

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## Distribution Of In force By Age & Sex

Source: SOCIETY OF ACTUARIES

Attained Age	Male %	Female %	Total %
< 40	4.1	4.8	8.9
40 - 49	3.8	4.7	8.5
50 - 59	5.6	8.2	13.8
60 - 64	4.2	6.3	10.5
65 - 69	6.8	9.5	16.3
70 - 74	7.1	10.0	17.1
75 - 79	5.4	8.2	13.6
80 - 84	3.0	4.9	7.9
85 +	1.1	2.3	3.4
Total	41.1	58.9	100.0

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### Incidence Rates By Age & Elimination Period

Source: SOCIETY OF ACTUARIES

Attained Age	0	20	90	All EPs
< 40	0.00%	0.00%	0.01%	0.01%
40 - 49	0.04%	0.09%	0.02%	0.03%
50 - 59	0.13%	0.14%	0.04%	0.05%
60 - 64	0.27%	0.25%	0.09%	0.14%
65 - 69	0.57%	0.42%	0.13%	0.28%
70 - 74	1.04%	0.71%	0.21%	0.53%
75 - 79	1.90%	1.11%	0.47%	0.98%
80 - 84	2.83%	1.72%	0.90%	1.62%
85 - 89	3.07%	1.97%	1.51%	1.97%
90 +	1.62%	1.66%	2.21%	1.61%
All Ages	1.53%	1.12%	0.14%	0.69%

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### Incidence Rates By Age & Sex

Source: SOCIETY OF ACTUARIES

Attained Age	Male	Female
< 40	0.01%	0.01%
40 - 49	0.03%	0.02%
50 - 59	0.05%	0.05%
60 - 64	0.12%	0.14%
65 - 69	0.25%	0.30%
70 - 74	0.48%	0.56%
75 - 79	0.87%	1.05%
80 - 84	1.37%	1.76%
85 +	1.60%	2.02%

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### Distribution Of Claims By Age & Sex

Source: SOCIETY OF ACTUARIES

Incurral Age	Male %	Female %	Total %
< 30	0.0%	0.0%	0.0%
30 - 34	0.0%	0.0%	0.0%
35 - 39	0.0%	0.0%	0.0%
40 - 44	0.1%	0.1%	0.2%
45 - 49	0.1%	0.1%	0.2%
50 - 54	0.1%	0.2%	0.3%
55 - 59	0.2%	0.4%	0.6%
60 - 64	0.6%	1.1%	1.7%
65 - 69	1.9%	3.6%	5.5%
70 - 74	5.2%	9.2%	14.4%
75 - 79	9.0%	16.7%	25.7%
80 - 84	9.4%	20.2%	29.6%
85 +	5.9%	15.9%	21.8%
Total	32.5%	67.5%	100.0%

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## Duration of Claim By Attained Age

Source: SOCIETY OF ACTUARIES

Duration	55 - 64	65 - 74	75 - 84	85 +
1 Month	83.09%	81.93%	85.56%	89.47%
2 Months	72.74%	70.73%	76.49%	81.45%
3 Months	64.99%	63.88%	70.59%	76.06%
6 Months	49.91%	52.38%	59.87%	65.57%
1 Year	35.36%	40.70%	47.46%	51.90%
2 Years	23.89%	28.94%	33.39%	34.73%
3 Years	19.17%	21.47%	23.25%	21.61%
5 Years	11.82%	11.38%	10.32%	6.94%
10 Years	4.74%	2.25%	1.03%	0.00%

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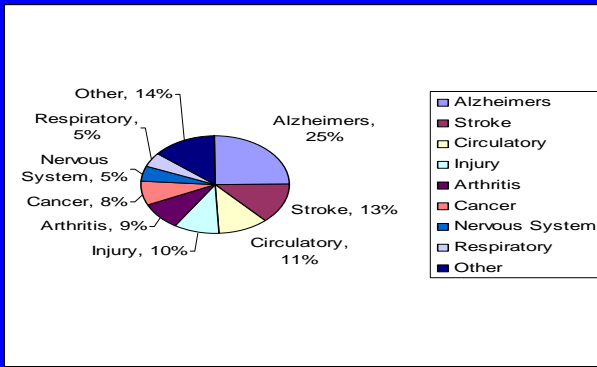
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## Nursing Home Claim Count By Diagnosis

Source: SOCIETY OF ACTUARIES




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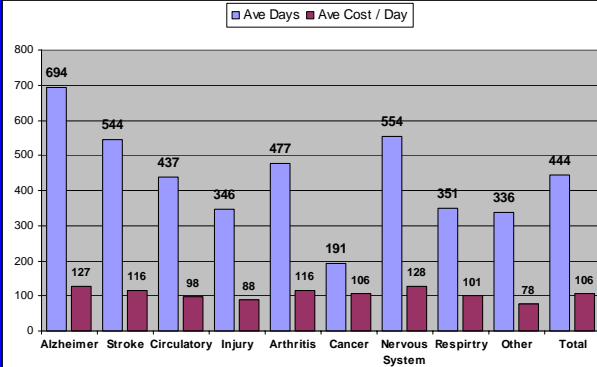
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## Nursing Home Ave Days & Costs Per Day

Source: SOCIETY OF ACTUARIES




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### Group Claims By Age, LOS & Diagnosis

Source: SOCIETY OF ACTUARIES

Incurral Age	Number of Claims	Ave Length of Stay	Leading Diagnosis
< 30	13	1,957	Nervous System
30 – 34	27	1,298	Nervous System
35 – 39	55	1,011	Nervous System
40 – 44	95	898	Nervous System
45 – 49	137	1,104	Nervous System
50 – 54	168	967	Nervous System
55 – 59	221	799	Nervous System
60 – 64	373	586	Alzheimers
65 – 69	581	553	Stroke
70 – 74	897	478	Stroke
75 – 79	1,081	482	Arthritis
80 – 84	777	469	Nervous System
85 +	242	524	Arthritis

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### POLICY SPECIFICATIONS

Issue Ages –

0 to 100

18 to 85 Most Common

Daily Benefit Range –

\$ 20 to \$ 500

\$ 50 to \$ 300 Most Common

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### POLICY SPECIFICATIONS

Benefit Periods (BP) –

1 Year to Lifetime

Elimination Periods (EP) –

0 to 365 Days

Maximum Benefit Amount –

Max Daily Benefit x Days in BP

Max Monthly Benefit x Months in BP

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### Benefit Periods 1997 – 2001 Issues

Source: SOCIETY OF ACTUARIES

Benefit Period	Individual	Group
1	0.3%	0.0%
2	13.4%	2.3%
3	27.4%	12.7%
4	34.4%	0.3%
5	2.0%	79.8%
6	15.7%	0.4%
7 – 9	5.2%	0.1%
10 +	1.6%	4.4%
Total	100.0%	100.0%

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### Elimination Periods 1997 – 2001 Issues

Source: SOCIETY OF ACTUARIES

Elimination Period	Percent
0	4.2%
20	2.9%
30	7.8%
60	6.7%
90	46.8%
100	7.7%
>100	1.4%
Unknown	22.5%
Total	100.0%

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### Maximum Benefit Amount 1997 – 2001 Issues

Source: SOCIETY OF ACTUARIES

Max Amount	Individual	Group
< \$25,001	10.0%	15.5%
\$25,001 to \$50,000	8.4%	26.8%
\$50,001 to \$100,000	21.3%	22.6%
\$100,001 to \$150,000	25.7%	14.5%
\$150,001 to \$250,000	23.9%	13.0%
\$250,001 and Over	10.7%	7.5%
Total	100.0%	100.0%

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**POLICY SPECIFICATIONS**

**Benefit Pools –**

1 to 3

1 Most Common

**Benefit Provision –**

Indemnity

Reimbursement

Cash Benefit

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**POLICY PROVISIONS**

**Page 1 of the Contract (Face Page)**

- a. Company Name & Address.
- b. Long Term Care Insurance Contract  
Tax Qualified or Not Tax Qualified
- c. Policy Form Number Lower Left Corner.
- d. Benefits Provided for Premiums paid.
- e. 30 Day Right To Examine.
- f. Limited Benefit Policy – READ IT  
CAREFULLY
- g. Right to Change Premiums (GR)
- h. Important Notice about Application

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**POLICY PROVISIONS**

**Benefit Eligibility**

- Certified as Disabled Chronically ILL
- Plan of Care Prescribed by LHCP
- Coverage is In Force
- Max Benefit Amount Not Exhausted
- Services Provided meet Qualified  
Long Term Care Services

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**POLICY PROVISIONS**

**Benefit Eligibility**

- **Licensed Health Care Practitioner**  
Physician, Registered Professional Nurse,  
Licensed Social Worker.
  
- **Plan of Care**  
Written Individualized Plan which specifies  
needs, type, frequency and providers of  
care.

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**POLICY PROVISIONS**

**Benefit Eligibility**

- **Chronically ILL**  
Certified by a LHCP that you are unable to  
perform without hands on or standby  
assistance at least 2 ADLs for expected period of at  
least 90 days or you require supervision to protect  
yourself from threats to health and safety due to a  
Severe Cognitive Impairment.

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**POLICY PROVISIONS**

**Benefit Eligibility**

- **Activities of Daily Living (ADLs)**
  1. Bathing
  2. Dressing
  3. Toileting
  4. Transferring
  5. Continence
  6. Eating

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**POLICY PROVISIONS**

**Benefits and Covered Services**

- Facility Care
  - Nursing Facility
  - Skilled Nursing Home
  - Intermediate Nursing Care Home
  - Assisted Living Facility
  - Residential Health Care Facility
- Home and Community Care
  - Home Health Care
  - Adult Day Care
  - Hospice Care
  - Respite Care

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**POLICY PROVISIONS**

**Benefits and Covered Services**

- Facility Care
  - Room and Board
  - Ancillary Services (Physical, occupational, speech respiratory therapy, wound care, medication management)
  - Patient Supplies provided by Nursing Home (Do not cover drugs or convenience items)
- Home and Community Care
  - Home Health Care services
  - Maintenance or Personal Care services
  - Homemaker services (meal prep, cleaning, laundry)
  - Adult Day Care services and transportation

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**POLICY PROVISIONS**

**Benefits and Covered Services**

- Bed Reservation Benefit
  - Pays Facility Care Benefits if charged while temporarily absent from Facility.
  - 30 to 60 Days max per Calendar Year
- Restoration of Benefits
  - Resets Maximum Benefit Amount
  - Certified Recovery from Disability (180 Days)
  - Policy not in Non-forfeiture Status

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**POLICY PROVISIONS**

**Common Additional Benefits**

- **Ambulance Service Benefit**
- **Home Modification Benefits**  
(Ramps, Grab Bars, Wheel Chair Access, Widen Doorways)
- **Home Benefit**  
( Medical Alert System, Durable Medical Equipment)
- **International Coverage Benefit**
- **Caregiver Training Benefit**

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**POLICY PROVISIONS**

**Elimination Period**

- **Time period during covered disability for which benefits are not payable**
- **Service Day or Calendar Day**
- **May Vary by Benefit**
- **One Time or Each Disability**

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**POLICY PROVISIONS**

**Waiver Of Premium Benefit**

- **Waived on first day of Benefit Eligibility**
- **Waived after 6 months of Benefit Eligibility**
- **May only apply if eligible for Facility and Home Care Benefits**
- **Waiver ends when Benefits stop**
- **Waive the Mode Premium**

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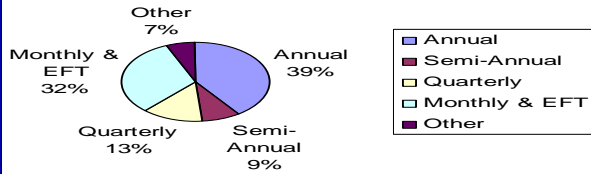
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## Mode Of Premium Payment

Source: SOCIETY OF ACTUARIES



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## POLICY PROVISIONS

### Grace Period

- 31 days after renewal premium due date
- Coverage remains in effect

### Late Payment Lapse

- Coverage Terminates after notice of non-payment of premium
- May reinstate policy at Company's option. May require new Application
- May allow special circumstances in case of Cognitive Impairment.

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## POLICY PROVISIONS

### Contingent Non-Forfeiture Benefit

- Effective after policy in force 3 Years
- Substantial Premium Increase Occurs
- Reduce Coverage so premiums don't increase
- Convert to Paid-up Status. Max Facility Care Benefit is greater of 100% of premiums paid or Facility Care Benefit on date of lapse

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## POLICY PROVISIONS

### Common Inflation Protection Riders

- Guaranteed Purchase Option
- Simple Inflation Protection
- Compound Inflation Protection

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### Inflation Protection 1997 – 2001 Issues

Source: SOCIETY OF ACTUARIES

Benefit Increase	Premium Increase	Individual	Group
None	NA	32.1%	47.5%
GPO	YES	6.0%	29.9%
Annually Before BPs	NO	7.4%	0.0%
Annually After BPs	NO	48.6%	11.8%
Annually After BPs	YES	0.9%	0.2%
Ann to Age, Cap, Yrs	NA	1.4%	10.6%
Unknown	NA	3.6%	0.0%
Total		100.0%	100.0%

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### Current Federal Legislation Health Savings Accounts

- IRC Section 223, created in Medicare Prescription Drug, Improvement and Modernization Act (MMA) Public Law 108-173
- Treasury Guidance:
  - Notices 2004-02, -23, -25 and -50
  - Revenue Procedure 2004-22
  - Revenue Ruling 2004-38
- DOL Field Assistance Bulletin 2004-01

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**Current Federal Legislation**

**Health Savings Accounts**

- HSA can be used to pay for Tax Qualified Long Term Care Insurance Premiums

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**Proposed Federal Legislation (2004)**

- H.2096/S.1335 LTC Retirement Security Act  
100% Above the Line Tax Deduction LTCIP  
FSA & Cafeteria Plans allow LTCIP  
\$ 3,000 Caregiver Tax Credit

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**Proposed Federal Legislation (2004)**

- H.4595/S.2533 Ronald Reagan Alzheimer's Act  
Double Funding for Alzheimer's Research  
100% Above the Line Tax Deduction LTCIP  
Caregiver Tax Credit  
HHS Summit on Alzheimers

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**2005 US Senate Considerations**

- 100% Above the Line Tax Deduction LTCIP
- FSA/Cafeteria Plan Qualification of LTCIP
- Pay LTCIP by Withdrawals from Qualified Pension and Savings Accounts [401(k) etc.]
- Establish Retiree Medical Benefit Accounts (RMBA) where you allocate a % of 401(k) contributions
- Establish Life-Care Annuity to Pay LTCIP as part of Social Security Program (FICA Tax)

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**2005 US Senate Considerations**

- Mandatory LTC Insurance instead of Medicaid
- Include LTC under Medicare Part B
- Require Medigap Style LTC Insurance
- Require Medicaid to Purchase LTC Insurance for Low Income
- Require Catastrophic LTC Insurance as Back Stop to Medicaid
- Mandatory Payroll Deduction for LTC Insurance

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**2005 US Senate Considerations**

- Combine PACE with LTC Insurance
- Repeal OBRA (Waxman Amendment) to encourage National Partnerships
- Continue to Explore Reverse Mortgages

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The Kansas Insurance Department  
Sandy Praeger, Commissioner

**CONSUMER HOTLINE:**  
1-800-432-2484

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420 SW 9<sup>th</sup> Street  
Topeka, KS 66612  
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Fax: 785-296-5806  
Email: [commissioner@ksinsurance.org](mailto:commissioner@ksinsurance.org)  
Website: [www.ksinsurance.org](http://www.ksinsurance.org)  
Office hours 8:00-5:00 Monday -- Friday

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## YOUR QUESTIONS ?



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