Eric,

CEJ offers the following comment on the draft revisions to the Long Term Care Guidance Manual. The draft does not provide guidance on the size of a remaining block of business below which no rate increase should be granted. As a closed block of business ages, the remaining policyholders are certain to experience greater claims (frequency and severity) than original projections for the book of business. This result is not unexpected. The LTC insurer has some ability to control the book of business by deciding when to close the book and if to offer an alternate policy to the remaining policyholders. We have seen instances of LTC insurers seeking huge rate increases for books of business with relatively few remaining policyholders -- fewer than 200 or even 100. Clearly, at some size of the remaining book, it is no longer reasonable to be granting a rate increase for at least two reasons. First, the rate increase applied to a small remaining block of policyholders will have little impact on the overall lifetime loss ratio of the block of business. Second, it is unfair and unaffordable to the few remaining policyholders in the closed block to load the rate impact of insurer pricing errors for the book of business onto the surviving policyholders. We suggest that the Guidance Manual provide guidance on how to deal with rate increase requests for small blocks and identify the size of a block below which no rate increase will be granted.

Thanks for your consideration,

Birny Birnbaum
Center for Economic Justice