CIPR Event:
Solutions and Innovations in Long-Term Care

May 18, 2016
10:00 a.m. – 11:50 a.m.
Kansas City, Missouri
Welcome to the NAIC Center for Insurance Policy and Research (CIPR) Event: Solutions and Innovations in Long-Term Care. The mission for the CIPR is to serve federal and state lawmakers, federal and state regulatory agencies, international regulatory agencies, and insurance consumers, by enhancing intergovernmental cooperation and awareness, improving consumer protection and promoting legitimate marketplace competition. To help achieve this mission, the CIPR hosts four annual events that bring together a number of dynamic and informative speakers and panelists. These events offer a forum for opinion and discussion on major insurance regulatory issues.

Our nation has a growing need to ensure its aging population and their caregivers receive the support and services they need. This event will explore potential innovations to address challenges in the long-term care insurance market, including emerging changes in product design, distribution, and pricing. Regulatory goals, including recent NAIC initiatives to address the changing market, will also be covered.

While you are here, I encourage you to take some time to explore the Crown Center and downtown areas of Kansas City. I hope you enjoy the event and your stay!

Sincerely,

Eric Nordman
Director of CIPR and Regulatory Services
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MEET THE CIPR TEAM

Eric Nordman, CPCU, CIE, is the director of the NAIC Regulatory Services Division and the CIPR. He directs the Regulatory Services Division staff in a wide range of insurance research, financial and market regulatory activities, supporting NAIC committees, task forces and working groups. He has been with the NAIC since 1991. Prior to his appointment as director of the Regulatory Services Division, Mr. Nordman was director of the Research Division and, before that, the NAIC senior regulatory specialist. Before joining the NAIC, he was with the Michigan Insurance Bureau for 13 years. Mr. Nordman earned a bachelor’s degree in mathematics from Michigan State University. He is a member of the CPCU Society and the Insurance Regulatory Examiners Society.

Kris DeFrain is the NAIC Director of the Research and Actuarial Department. She is currently charged as primary NAIC staff for the Principle-Based Reserving and the Casualty Actuarial and Statistical Task Forces. She manages a staff of actuaries, statistical analysts, insurance contract experts, and research analysts working on regulatory solvency and market-related issues, providing regulatory services, and conducting research for the Center for Insurance Policy and Research. She received her bachelor’s degree in finance/actuarial science from the University of Nebraska in 1989. Ms. DeFrain received her FCAS designation from the Casualty Actuarial Society (CAS), where she previously served as Vice President—International. She is a member of the American Academy of Actuaries and a Chartered Property and Casualty Underwriter.

Shanique (Nikki) Hall is the manager of the NAIC Center for Insurance Policy and Research (CIPR). She joined the NAIC in 2000 and currently oversees the CIPR’s primary work streams, including: the CIPR Newsletter; studies; events; webinars and website. Ms. Hall has extensive capital markets and insurance expertise and has authored copious articles on major insurance regulatory and public policy matters. She began her career at J.P. Morgan Securities as a research analyst in the Global Economic Research Division. At J.P. Morgan, Ms. Hall analyzed regional economic conditions and worked closely with the chief economist to publish research on the principal forces shaping the economy and financial markets. Ms. Hall has a bachelor’s degree in economics from Albany State University and an MBA in financial services from St. John’s University. She also studied abroad at the London School of Economics.

Anne Obersteadt is a researcher with the NAIC Center for Insurance Policy and Research (CIPR). Since 2000, she has been at the NAIC performing financial, statistical and research analysis on all insurance sectors. In her current role, she has authored several articles for the CIPR Newsletter, a CIPR Study on the State of the Life Insurance Industry, organized forums on insurance related issues, and provided support for NAIC working groups. Before joining CIPR, she worked in other NAIC Departments where she published statistical reports, provided insurance guidance and statistical data for external parties, analyzed insurer financial filings for solvency issues, and authored commentaries on the financial performance of the life and property/casualty insurance sectors. Prior to the NAIC, she worked as a commercial loan officer for U.S. Bank. Ms. Obersteadt has a bachelor’s degree in business administration and an MBA in finance.

Dimitris Karapiperis joined the NAIC in 2001 and he is a researcher with the NAIC Center for Insurance Policy and Research. He has worked for more than 15 years as an economist and analyst in the financial services industry, focusing on economic, financial market and insurance industry trends and developments. He studied economics and finance at Rutgers University and the New School for Social Research, and he developed an extensive research background while working in the public and private sector.

Tiffany Fosgate joined the NAIC in 2012 and is the administrative assistant to the Research and Actuarial department, including the CIPR team. She assists with preparing for CIPR events, organizes speakers’ accommodations and prepares CIPR newsletters for print and distribution. She previously worked in the Financial Regulatory Services department before coming to the Research and Actuarial team. Prior to the NAIC, she was employed with UMB at a branch primarily known for its commercial business. She continues her education in insurance regulation while assisting her team with the newsletter and event preparation.
Learning Objectives

At the completion of this program, attendees will be able to:

- Explain what made long-term care insurance successful in the early days
- Identify issues with traditional long-term care insurance
- Explain the need for private long-term care insurance
- Explain the role private and public options play in reforming long-term care
- Identify new and proposed long-term care products and their advantages and disadvantages
- Explain how long-term care needs differ by income and age segments and how these varying needs can be met
- Explain how the sales and claim processes for long-term care products can be simplified
- Identify concerns that existing reserving regulations and guidance may not cover new long-term care products
- Explain the potential for emerging or potential long-term care products to reduce the potential for future rate increases
CIPR Event: Solutions and Innovations in Long-Term Care

As of 5/4/2016

May 18, 2016
Sheraton, Chicago Room
Kansas City, MO

10:00 Introduction and Overview
   ~ Nick Gerhart, Commissioner
      Iowa Insurance Division

10:05 Long-term Care Issues
   This presentation will provide an overview of long-term care issues and the need to fund long-
   term services and support.
   ~ Vincent L. Bodnar, ASA, MAAA, Chief Actuary
      Long-Term Care Group, Inc. (LTCG)

10:30 Panel Discussion
   Panelists will discuss regulatory goals and potential innovations to address challenges in the
   long-term care insurance industry, including potential and emerging changes in product design,
   distribution, pricing, etc. and NAIC initiatives to address the changing market.

   Moderator:
   ~ Nick Gerhart, Commissioner
      Iowa Insurance Division

   Panelists:
   ~ John Cutler, Senior Fellow
      National Academy of Social Insurance
   ~ Bonnie Burns, NAIC Funded Consumer Representative
   ~ Deb Mitra, Senior Vice President – Business Strategy
      Genworth U.S. Life Division
   ~ Jan Graeber, Director and Chief Actuary L & H
      Texas Department of Insurance

11:50 Adjourn
CIPR Event: Solutions and Innovations in Long-Term Care

VINCE BODNAR
CHIEF ACTUARY
LTCG

Vince Bodnar is recognized as one of the leading long-term care insurance experts in the country. He was recently named one of the 20 most creative people in insurance by LifeHealthPro.com. He has 31 years of experience with life and health insurance products, with a concentration in long term care since 1990. He has led projects related to in-force management, experience analysis, strategic planning, financial analysis, projections, reinsurance, reserve valuations, product design and pricing.

Mr. Bodnar joined LTCG from Towers Watson. Prior to that he was with DaVinci Consulting Group LLC, which he co-founded. Prior positions include principal with Milliman, Inc., chief actuary for one of Genworth’s strategic business units, and consulting actuary for KPMG. Projects led by Mr. Bodnar in the area of long-term care include: long-term care morbidity, lapse and mortality experience studies; development and implementation of first-principles long-term care projection models; preparation of independent claim and gross premium valuation reserves; reconciliation of client projection model assumptions to emerging experience; premium rate increase filings; life and annuity long-term care combination product development; and actuarial appraisals of insurance companies and blocks of business.

Mr. Bodnar is an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries. He is currently the Vice-Chair and was recently the Chairperson of the Society of Actuaries Long-Term Care Insurance Section. He was the Chairperson of the 2007 and 2011 Intercompany Long-Term Care Insurance Conferences and currently serves on the conference’s board. He frequently speaks at insurance meetings and has published papers on the topic of long-term care.
BONNIE BURNS
NAIC FUNDED CONSUMER REPRESENTATIVE

Bonnie Burns has more than 35 years of experience in Medicare, Medicare supplemental insurance, and long-term care insurance and actively promotes improved consumer protection in state and federal legislative efforts concerning long-term care insurance products. She has served as a consumer representative to the NAIC for many years, representing consumers in the development of Model Laws and Regulations used by states to regulate insurance companies and the marketing and sales of insurance products to older consumers. Ms. Burns is a consultant to California Health Advocates (CHA), providing training on long term care insurance, and representing CHA on policy issues related to financing long term care for the middle class state.

Ms. Burns has extensive experience in the research and development of educational material addressing long-term care insurance, writing various consumer materials for organizations and public agencies in California and other states. She is regarded as a national expert in her field and has been quoted in many national publications and broadcast media outlets. She has been awarded a “Beneficiary Services Certificate of Merit” by the Centers for Medicare and Medicaid Services, received a service award from the National Association of Insurance Commissioners, and has been honored as a Money Magazine “Hero.”
JOHN CUTLER  
SENIOR FELLOW  
NATIONAL ACADEMY OF SOCIAL INSURANCE

Over the last 25 years, in both the public and private sectors, John Cutler has developed and applied unique expertise in the areas of health care, Medicare, long-term care insurance, disability, aging and insurance benefit design. Since his retirement from the federal government, he has maintained a consulting business and is a senior fellow for the National Academy of Social Insurance, as well as a special advisor to the Women’s Institute for a Secure Retirement (WISER). He is also active in several Society of Actuary committees and was one of the award winners for his paper for the SOA’s monograph series on “Managing the Impact of Long-Term Care Needs and Expense on Retirement Security” in 2014.

Until July 2015, he served in the new National Healthcare Operations health care reform office of the U.S. Office of Personnel Management (OPM). His work on the Multi-State Plan Program at OPM helped stand up insurance products on the health care Marketplaces (Exchanges) nationwide. Prior to that, he was a senior policy analyst at OPM (2006-2011) and was the architect and project leader for the Federal Long-Term Care Insurance Program (2000-2003).

From 2005 to 2006, Mr. Cutler was detailed to the Center for Planning and Policy Development with the U.S. Administration on Aging (AoA). He was responsible for assisting with the re-authorization of the Older Americans Act and Long-Term Care Awareness Campaign sponsored by the U.S. Department of Health and Human Services (HHS). He was involved in the development of the National Clearinghouse for Long-Term Care Information (found at www.longtermcare.gov), which is the mechanism by which Congress and the Administration help educate Americans about long-term care planning.

Mr. Cutler joined the federal government in 1997 as a health policy analyst in the Office of the Assistant Secretary for Planning and Evaluation (ASPE) at HHS. His responsibilities for policy and research included long-term care financing and insurance, Medicare, Medicaid, aging and disability issues. Prior to that, he worked for 8 years at AARP, with responsibility for regulatory and compliance matters involving AARP's long-term care and Medigap insurance, as well as other products.

Prior to that, he was a partner in MacMeekin, Cutler & Woodworth, a small law firm in Washington, DC dedicated to Pacific and territorial legal matters.

Mr. Cutler holds a BA degree from the University of Virginia in government and foreign affairs and a Juris Doctor from the University of Georgia. He is a member of the Bar in the District of Columbia.
Iowa Governor Terry Branstad appointed Nick Gerhart to serve as Insurance Commissioner in February 2013. Commissioner Gerhart serves on the NAIC Executive (EX) Committee, Life Insurance and Annuities (A) Committee, Financial Condition (E) Committee and International Insurance Relations (G) Committee. In addition, he is a board member of the NIPR.

Commissioner Gerhart was named by the U.S. Department of the Treasury (Treasury Department) in 2014 to serve on the Federal Advisory Committee on Insurance (FACI), which advises the Federal Insurance Office (FIO) on domestic and international policy. He has represented the NAIC at the International Association of Insurance Supervisors and at the EU-U.S. Insurance Dialogue Project.

Commissioner Gerhart is a recognized thought leader on health care matters and has been at the forefront during the implementation of the federal Affordable Care Act (ACA). He also led the team that created and hosted the Global Insurance Symposium in Des Moines, IA, an event that attracted more than 350 people from all over the world to discuss emerging issues in insurance. Commissioner Gerhart is passionate about educating Iowans on insurance and investment matters and created Iowa Fraud Fighters, a statewide initiative that aims to educate seniors on how to protect themselves and not fall prey to fraudulent investment scams.

Prior to being appointed Insurance Commissioner, he worked at Sammons Financial Group and American Equity Investment Life Insurance Company.

Commissioner Gerhart is active in the Des Moines community and currently serves as vice chair of the Iowa Homeless Youth Centers. He earned his law degree and health law certificate from St. Louis University School of Law and a Masters of Health Administration from St. Louis University School of Public Health. He earned a bachelor’s degree from the University of Northern Iowa.
JAN GRAEBER
DIRECTOR AND CHIEF ACTUARY, LIFE AND HEALTH ACTUARIAL OFFICE
TEXAS DEPARTMENT OF INSURANCE

Jan Graeber is director and chief actuary of the Life and Health Actuarial Office of the Texas Department of Insurance (TDI). Ms. Graeber graduated from The University of Texas at Austin with a Bachelor of Business Administration in actuarial science. She is a member of both the Society of Actuaries and the American Academy of Actuaries.

Ms. Graeber joined the Texas Department of Insurance in 1994 and has extensive experience in the review analysis of life, accident, and health policy forms and rates. She also represents TDI on various NAIC Subgroups and Task Forces, including serving as chair of the NAIC Long-Term Care Pricing Subgroup. In addition, Ms. Graeber provides comments and recommendations regarding legislative implementation, rule and bulletin development, and assistance to TDI’s consumer protection and government relations sections with the resolution of consumer and legislative inquires and complaints regarding rating issues.
DEBAPRIYA MITRA
SENIOR VICE PRESIDENT, BUSINESS STRATEGY GENWORTH FINANCIAL – U.S. LIFE DIVISION

Debapriya Mitra serves as the senior vice president of business strategy for Genworth’s U.S. Life Division and is also responsible for leading the IncomeAssurance business venture.

Mr. Mitra joined GE Financial Assurance, the predecessor to Genworth, in 2001 and led the North American Audit function. He then served as the business development leader for Genworth’s Long-Term Care business. Prior to Genworth, Mr. Mitra held various risk management leadership roles for GE Capital’s Commercial Finance business in India.

Mr. Mitra holds an M.A in Economics from JN University, India and an MBA from Faculty of Management Studies, University of Delhi, India.

Mr. Mitra resides in Richmond, VA with his wife and two daughters and is a long-distance caregiver to his mother who resides in India. He has a keen interest in issues of senior care and developing comprehensive solutions for the growing Long-Term Care need in the United States. He is actively engaged with multiple philanthropic organizations in the Greater Richmond community.
The CIPR serves: federal and state lawmakers; federal and state regulatory agencies; international regulatory agencies; and insurance consumers. It enhances intergovernmental cooperation and awareness, improving consumer protection while promoting legitimate marketplace competition. The site provides information on current insurance regulatory developments, ongoing CIPR projects, and coverage of a wide range of insurance industry topics.

The CIPR’s organization and navigation shares many of the same elements the NAIC home page as described on Page 1.

Here are the highlights unique to CIPR pages:

1. The NAIC’s Central Office/CIPR staff can provide a great deal of information to regulators and lawmakers. Contact information providing direct access to them is vital to the CIPR site’s function.

2. Click to see the most current as well as archived issues of the CIPR Newsletter.

3. The A-Z Index of Insurance topics and issues. Click to see detailed analysis and documentation on a wide range of insurance topics and issues.

4. The Key Issues section includes a topical listing of key insurance regulatory issues.

5. The Special Reports/White Papers section provides access to NAIC special reports, white papers and articles on a wide range of insurance regulatory topics and concerns.

6. Statistics Map: this page provides access to state score cards which detail statistics about each jurisdiction’s insurance market along with that of the entire US. In addition, links to samples of NAIC research reports and data are provided.
CIPR EVENTS

The CIPR holds four events each year—three events during each of the NAIC National Meetings and one off-site event. For more information on our past events, including presentations and audio, please visit our website at: www.naic.org/cipr_events.htm.

2016 Events

- Insurance and Technology (Apr. 5)

2015 Events

- Regulation of Captives (Nov. 18)
- All About Earthquakes (Aug. 14)
- Boom or Bust? A Look into Retirement Issues Facing Baby Boomers Symposium (June 15-16)
- Risk of Pandemics to the Insurance Industry (Mar. 27)

2014 Events

- Navigating Interest Rate Risk in the Life Insurance Industry (Nov. 19)
- Implications for Increasing Catastrophe Volatility on Insurers and Consumers Symposium (Oct. 7-8)
- Commercial Ride-Sharing and Car-Sharing Issues (Aug. 16)
- Insuring Cyber Liability Risk (Mar. 28)

2013 Events

- The Future of Automobile Insurance: Telematics in the U.S. (Dec. 16)
- Exploring Insurers’ Liabilities Summit (Aug. 27)
- Health Care Reform - Tools for Oversight and Assistance in the Marketplace Symposium (Apr. 30-May 1)
- Insurance for Acts of Terrorism (Apr. 9)

2012 Events

- Financing Home Ownership Luncheon (Nov. 30)
- Flood Insurance Summit (Aug. 14)

2011 Events

- Conference on Transatlantic Insurance Group Supervision (Sep. 7-8)
By Anna M. Rappaport

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Long-term care help and services are important to many Americans. The existing provision of long-term care services in the United States is fragmented and many parts of the system are facing significant challenges. Circumstances requiring a long period of long-term care support can present a major problem for families and often lead to retirement insecurity for those who experience such episodes.

Seeking to better understand the link between long-term care and its impact on retirement, the Society of Actuaries Committee on Post-Retirement Needs and Risks, working closely with the SOA long-term care section, issued a call for papers: Managing the Impact of Long-Term Care Needs and Expense on Retirement Security: A Holistic and Multi-Generational View. These papers are published in this monograph.

This article provides an overview of the rationale for the project, provides a summary of key points, provides some basic background and discusses the topics and issues covered by these papers.

* Why This Topic Is Important

Long-term care (LTC) expenses can be devastating to the retirement income and lifetime financial security plans of households as well as their family caregivers. Households manage this risk with a variety of approaches but few have a formal plan or insurance with their primary plan to rely on family and friends for care, and their last resort for protection is usually Medicaid.

This lack of protection has put middle-class households at risk and has severely exacerbated household and societal challenges to a financially secure retirement through:

- The depletion of retirement assets due to long-term care expenses for many of the families who purchase services in response to a major long-term care event.
- The impact on the financial security of the surviving spouse.

- The added responsibility and financial burden placed on family members who care for their parents and loved ones.
- The cost of health and long-term care needs...these costs often outpace general inflation and/or the amount that individuals and families have budgeted.
- The effect of increased longevity on the likelihood of the need for care during retirement.
- The limited participation by middle-income earners in the private insurance market.
- The societal impact of an aging population on Medicare and Medicaid.

* Linking To A National Discussion

This is a period of transition in the provision of support for long-term care services, and a period of searching for solutions. Experts generally agree that new solutions are needed. The Society of Actuaries’ “Land This Plane” project highlighted the need for new solutions. The Federal Commission on long-term care in its work in 2013 agreed that the system is challenged, but with no consensus on solutions. The CLASS act, which proposed minimum amounts of support and was part of the Affordable Care Act, was never implemented. It is hoped that these papers will add to this discussion and further the consideration of new direction to meet these challenges.

* Summary Of Retirement Planning And Long Term Care—Big Ideas

The following are some of our major findings:

Many people will need support. It is most often limited, but for some people it will be a very large amount and/or support will needed over a very long time. About 20 percent of the people reaching age 65 will need some support for five years or more.

The support from family is a huge issue—those with family support have much less need for securing support from the market. For many families, offering support is loving and important, but it can come with a large and often hidden cost to it.

Caregiving is a form of intergenerational transfer in some families. For caregiving family members, caregiving over a long time may mean giving up a job, or moving to part-time employment, and/or giving up a great deal of personal time. Some caregivers also spend considerable out-of-pocket dol-

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lars. The consequences of caregiving on the future retirement security of the caregiver are usually not considered.

In couples, the healthier member is likely to help the other member of the couple who needs help. LTC for the first member of the couple who needs help can be costly and can drain assets that would be available for the second member of the couple. Adequate survivor benefits are important to reduce the risk that LTC for the first to die will leave the survivor destitute. LTC insurance can also help protect the survivor.

Women on average live longer, are more likely to be the survivor, have longer expected periods of needing support and are more likely to be alone in old age. Structuring assets and income so that the survivor is protected is a huge issue.

LTC insurance is an important option to make funds available to buy market services when needed. This is particularly important for middle-class households. It is better to buy early when costs are lower and insurability is usually not an issue. The match between what people need and insurance is imperfect, and insurance is not always the best solution. This is an area where employers can help.

People without LTC insurance need greater assets in order to pay for a major LTC event should one occur. People who use their personal assets to pay for care are not subject to the requirements and restrictions in insurance policies.

Housing that offers some support is an excellent option for some households. There is a wide range of such housing options. Generally they have higher monthly costs than housing without support and some of these types of housing require an upfront payment. It is very desirable to have sufficient retirement funds so that such housing is a viable option to be considered when the need for help arises.

Systems of care management are evolving as are supports to assist people who wish to have care at home or in the community. Some of the evolution is focused on programs that use volunteer help and mutual support to enhance community-based options.

The worth of a current home can be viewed as a resource to pay for long term. Paying off a mortgage by retirement or early in retirement makes this a more viable option. However, housing assets are illiquid and depending on market conditions, it may be hard to sell housing when needed. Reverse mortgages offer an option for the use of housing values while remaining in the home.

A healthy lifestyle and other preventative measures are important to help to reduce the chance of needing LTC and the potential intensity of the care needed. However, this offers no guarantee that LTC will not be needed and needed for a long time.

Both physical and cognitive decline contribute to the need for LTC. Both can occur slowly or in sudden, large steps as a result of specific health events. One of the important personal planning issues is how to manage after decline occurs.

Medicaid offers the payment system of last resort. However, it requires spend down of assets for eligibility and the care options covered by Medicaid are limited. Some experts view Medicaid long term care benefits as a barrier to the purchase of private insurance and as a deterrent to better personal planning. Relying on Medicaid as a long-term solution is quite risky as the rules are restrictive, can change and these benefits are under great financial pressure.

In the current landscape, it is clear that these issues are complex and there are no simple solutions.

*Setting The Stage: Current Situation*

Sources of long-term care provision and funding: The majority of care is provided by family and friends on an informal basis. Only about 10 percent of the population has private long-term care insurance coverage and it is in a state of disarray, with many companies having exited the market and many more imposing rate increases because appropriate pricing of the coverage has been so difficult. Combination products that combine life insurance with long-term care benefits are growing in popularity. Medicaid is the largest funder of LTC, and these programs are under great financial pressure. Medicare funds a small amount of long-term care via its coverage of post-acute care (but this amount is much less than many people believe) and it is also under financial pressure.

The LTC that is provided by a variety of facilities and providers is financed as follows (Table 1 on the next page):

The system for delivering care is fragmented and diverse, and includes home and community-based care. However, there is inadequate integration of family care with supplemental services in many situations. The financing numbers shown here do not include the “hidden costs” of family-provided care.

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Expected need for and spending on long-term services and supports (LTSS): The majority of people reaching age 65 will need some support, but not over long periods of time. However, about 20 percent are expected to need some support for five years or more (Table 2).

As indicated, most care is provided by family or friends on an informal basis. Some households however spend a great deal of money on purchasing care. About 6 percent of households reaching age 65 are expected to spend $100,000 or more (Table 3).

Different degrees of support needed: There is a wide variation in the amount of support needed. Health status and the need for support also change by age, increasing substantially after age 80. As shown in Table 4 on the following page, the percentage of the population who are disabled increases by age group for the over age 65 group. By age 85, more than 50 percent of the population have at least a mild or moderate disability. (Stallard, 2008)

<table>
<thead>
<tr>
<th>Source</th>
<th>%</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>62.2</td>
<td>Pays benefits to those with very low resources. Program varies by state and is under pressure due to state budgets. Medicaid spending for long-term care is heavily focused on nursing home care; home care and alternative programs under Medicaid are increasing.</td>
</tr>
<tr>
<td>Other public</td>
<td>4.6</td>
<td>Include Medicare, Veterans Administration and others.</td>
</tr>
<tr>
<td>Out-of-pocket</td>
<td>21.6</td>
<td>Many families spend down assets and then go on Medicaid; does not include value of informal care.</td>
</tr>
<tr>
<td>Other private</td>
<td>11.6</td>
<td>Insurance benefits are largest component of this source</td>
</tr>
</tbody>
</table>

Table 1: Long-Term Care Financing
Source: Federal Long-Term Care commission Report

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<table>
<thead>
<tr>
<th>Cost of Expected LTSS Need for Persons Turning 65</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>50%</td>
</tr>
<tr>
<td>Under $10,000</td>
<td>25%</td>
</tr>
<tr>
<td>$10,000 - $25,000</td>
<td>7%</td>
</tr>
<tr>
<td>$25,000 - $100,000</td>
<td>12%</td>
</tr>
<tr>
<td>$100,000 or more</td>
<td>6%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 3: Distribution of Population Reaching Age 65 by Expected Cost of Long-Term Services and Supports
Source: Federal Long-Term Care commission Report

Note: The study from which this table appears uses underlying data from 1994 and the distribution percentages are based on a calculation of the present value of out-of-pocket costs. The table represents a wide variation in family needs. More recent spending data was unavailable.

Individuals in categories IV and V on this table would generally be considered to be benefit-eligible under LTC insurance whereas those in categories I and II would not and they would need to rely on informal care or pay for this care out of pocket. Those in category III may be benefit eligible and that would depend on the insurance policy definition, and whether the categorization used in the research aligned with current insurance policy provisions and practices.

Experience with caregiving: Many Americans have experience with caregiving. A May 2014 survey from the Associated Press and National Opinion Research Corporation (NORC) titled, “Long Term Care in America, Expectations and Reality,” found that 60 percent of Americans over age 40 have experience with long-term care. Of this group:

- 73% only provided care,
- 17% provided and received care,

(Continued on page 32)
- 7% received care only, and
- 4% financially supported the provision of care.

The majority of the caregivers (57 percent) provided care to a parent. Eighty-three percent of the caregivers reported that they had a positive experience. Fifteen percent reported that they did not have a positive experience. Seventy-seven percent of the caregivers said that caregiving strengthened their relationships. Fifty-one percent said it caused stress in the family. (Associated Press—NORC, 2014)

Impact of caregiving on employers and workers: The act of caregiving has significant impact the caregivers, those requiring care and society as a whole. Long-term care costs overall do not include the cost for informal care, but in fact families and businesses are paying a price for such care. It has been estimated that individual caregivers for aging parents lose more than $300,000 over a lifetime, factoring in lost wages, savings and Social Security benefits, and that businesses lose more than $25 billion per year in lost productivity due to caregiving. (Timmermann, 2014) Caregiving can be a major strain on the families who provide care.

Impact on women: Women are more affected by caregiving than men and are more likely to be caregivers. They are also much more likely to take time out from work or shift to a part-time schedule in order to provide care. Job and career decisions are likely to adversely impact their retirement savings and security. Women have longer expected periods of disability than men. Eric Stallard has estimated life expectancies by health status and age: non-disabled, mild or moderate disability, and more severe disability. Although it is generally understood that women have longer life expectancies, this analysis shows that they also have

(Continued on page 33)

<table>
<thead>
<tr>
<th>Attained Age</th>
<th>I. Non-disabled</th>
<th>II. Mild/Moderate Disability</th>
<th>III. HIPAA ADL only</th>
<th>IV. HIPAA CI only</th>
<th>V. HIPAA ADL + CI</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Ages</td>
<td>77.9</td>
<td>11.8</td>
<td>5.2</td>
<td>1.4</td>
<td>3.6</td>
<td>100.0</td>
</tr>
<tr>
<td>65-69</td>
<td>90.0</td>
<td>6.3</td>
<td>2.7</td>
<td>0.6</td>
<td>0.4</td>
<td>100.0</td>
</tr>
<tr>
<td>70-74</td>
<td>86.0</td>
<td>9.4</td>
<td>2.7</td>
<td>0.6</td>
<td>1.3</td>
<td>100.0</td>
</tr>
<tr>
<td>75-79</td>
<td>78.3</td>
<td>12.8</td>
<td>5.1</td>
<td>1.4</td>
<td>2.4</td>
<td>100.0</td>
</tr>
<tr>
<td>80-84</td>
<td>66.6</td>
<td>18.0</td>
<td>7.4</td>
<td>2.3</td>
<td>5.7</td>
<td>100.0</td>
</tr>
<tr>
<td>85-89</td>
<td>48.0</td>
<td>23.0</td>
<td>11.5</td>
<td>3.9</td>
<td>13.7</td>
<td>100.0</td>
</tr>
<tr>
<td>90-94</td>
<td>29.2</td>
<td>22.7</td>
<td>21.8</td>
<td>4.4</td>
<td>21.9</td>
<td>100.0</td>
</tr>
<tr>
<td>95-99</td>
<td>15.9</td>
<td>20.8</td>
<td>25.5</td>
<td>7.3</td>
<td>30.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Age-Standardized</td>
<td>78.5</td>
<td>11.6</td>
<td>5.1</td>
<td>1.4</td>
<td>3.4</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Note: Results for age 65+ were age-standardized to the pooled unisex population estimates for all years combined.

Source: Stallard, Eric, Estimates of the Incidence, Prevalence, Duration, Intensity, and Cost of Chronic Disability among the U.S. Elderly, paper presented at Living to 100, 2008 and published in SOA Monograph, Table 2. Table notes that author’s calculations based on the 1984-1994 NLTCS.

1 HIPAA ADL means disabled to the extent that the individual could qualify as a claimant on the basis of activities of daily living in a policy that meets the standards for long-term care insurance set forth in HIPAA. Group IV meets the standards in HIPAA with regard to Cognitive Impairment (CI) and Group V in Both. These are measures of severe disability and indications of eligibility as long-term care insurance claimants. HIPAA is U.S. federal legislation which defines the basis on which long-term care insurance policies can qualify for favorable tax treatment.
longer periods of disability, and longer periods of serious disability, during that life expectancy. Women are also more likely to be alone in old age. When all of these factors are considered together, the long-term care situation has the greatest impact on women.

**General Options for Private Financing Long Term Services and Supports**

Individuals have a number of options for financing long-term care. Vickie Bajtelsmit and Anna Rappaport in their paper that appears in this monograph entitled, “The Impact of Long Term Care on Retirement Wealth Needs,” offer a comparison of four methods of financing. The four options are insurance, personal savings, a continuing care retirement community with a life care contract, and housing equity. Their analysis demonstrates that none of the methods is a perfect match. The Bajtelsmit and Rappaport paper also provides results of stochastic modeling that show the impact of shocks, and how they can devastate retirement security. A key finding of that work is that a great deal more money is needed to be 95 percent sure versus 50 percent sure that there will be enough money for a secure retirement. Shocks are the biggest driver of the differences. Strategies that help improve the situation at the median often don’t work in the event of shocks.

**How Insurance Fits In**

Insurance is suggested as an important method of private financing, but at present only about 10 percent of the U.S. population have long-term care insurance. Several of the papers in this monograph provide ideas for improving insurance solutions. Paul Forte suggests a new approach to insurance using an exchange; his approach is designed to fit the needs of middle income Americans, a market often underserved. He argues for Federal regulation and a new design for this system. Rachel Narva and her co-authors offer a regulatory and market overview of the existing insurance system. They contend that the product as currently designed does not meet the needs of consumers well. They provide their views of changes the existing product designs, etc. Kailan Shang and colleagues offer a different view of product design focused heavily on sharing of risk, particularly investment risk.

Some of these ideas may greatly expand the number of people with insurance and others will not. The organizers

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**Table 5: Life Expectancy by Age, Disability Group and Gender**

<table>
<thead>
<tr>
<th>Age</th>
<th>Non-disabled</th>
<th>Mild or moderate disability</th>
<th>More severely disabled*</th>
<th>Total Life Expectancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Males</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65</td>
<td>12.34</td>
<td>1.50</td>
<td>1.50</td>
<td>15.33</td>
</tr>
<tr>
<td>75</td>
<td>6.77</td>
<td>1.37</td>
<td>1.61</td>
<td>9.76</td>
</tr>
<tr>
<td>85</td>
<td>2.89</td>
<td>1.04</td>
<td>1.75</td>
<td>5.68</td>
</tr>
<tr>
<td>95</td>
<td>.81</td>
<td>.61</td>
<td>1.91</td>
<td>3.34</td>
</tr>
<tr>
<td>Females</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>65</td>
<td>13.65</td>
<td>2.97</td>
<td>2.83</td>
<td>19.44</td>
</tr>
<tr>
<td>75</td>
<td>6.99</td>
<td>2.55</td>
<td>2.96</td>
<td>12.50</td>
</tr>
<tr>
<td>85</td>
<td>2.47</td>
<td>1.74</td>
<td>3.03</td>
<td>7.24</td>
</tr>
<tr>
<td>95</td>
<td>.52</td>
<td>.78</td>
<td>2.54</td>
<td>3.84</td>
</tr>
</tbody>
</table>

*More severely disabled includes those with ADL and Cognitive Impairments that would make them claim eligible under HIPAA qualified long-term care policies.

Source: Stallard, Eric, Estimates of the Incidence, Prevalence, Duration, Intensity, and Cost of Chronic Disability among the U.S. Elderly, paper presented at Living to 100, 2008 and published in SOA Monograph, Table 4.
of this call for papers hope that these ideas will generate more dialogue on the framework of the marketplace and design of the insurance products, leading to better solutions. Dr. Stephen Holland and his colleagues look at how the use of long-term care insurance benefits relate to health care and how the benefits reduce medical spending, particularly at the end of life.

Karl Polzer offers ideas for the integration of 401(k) plans and paying for long-term care. His policy recommendations provide for restructuring the 401(k) and IRA rules to allow 25 percent of account balances to be set aside for long-term care, with favorable tax treatment, and distribution requirements that fit with long-term care needs. The funds in the special account can be used to pay insurance premiums or to pay for long-term care expenses directly.

The approach Polzer describes can be combined with any of the financing methods shown in the columns in the chart above. We hope that actuaries will consider this approach and use it to start a conversation about how to integrate retirement and long-term care financing.

John Cutler’s paper looks even more broadly. What happens if these private and social insurance programs do not see major change? Where will individuals and society be in the near future? Among some surprising suggestions is that more is going on than we think; that we might actually be seeing long-term care changes underway but are happening in too incremental (and fragmented) ways to be obvious.

**The Perspective of the Individual and the Housing Component**

Two papers in the monograph look at case study examples with regard to long-term care and housing choices. The paper by Steve Cooperstein describes a specific situation, and how a combination of an annuity, housing values, and long-term care insurance were melded to help finance the care. It provides an innovative success story. Sandra Timmernann also looks at the family and the role of the caregiver, as well as the impact on employers and their role in supporting family caregiving.

The paper in the monograph by Anna Rappaport looks at several case studies and the choice of housing options, and provides insights into some of the challenges individuals have experienced and the solutions they have used. It provides insights into evaluating a range of housing choices, and discusses special issues where there is a large up-front payment. It also discusses some of the pros and cons of Continuing Care Retirement Communities. Rounding out the papers concerning housing, Barb Stucki explores how to better use home equity.

**Summary and Next Steps**

Some of the questions addressed by this effort include:

- How can individuals and families protect themselves from the expense of long-term care needs and avoid potential financial ruin should the expenses become exorbitant?
- How can long-term care advisors and their clients improve decision-making along with better ways to frame and communicate the challenges and potential solutions?
- Are there alternative product designs both private and public that can address the challenges many face? Are there alternative financing approaches?
- How can individuals and families finance their long term care needs while also addressing their basic retirement need to provide income and asset protection?

The papers in the monograph cover a variety of topics and should be helpful in thinking both about what individuals need to do today and about the structure of the long-term care system. The papers will be of interest to a range of audiences including individuals, advisors, financial service companies, and policymakers.

The organizers hope that this monograph will encourage further discussion of issues related to long-term care and retirement, and that products will evolve to meet changing needs.

**About the Author**

Anna Rappaport is an internationally recognized expert on the impact of change on retirement systems and workforce issues. Following a 28-year career with Mercer Human Resource Consulting, Rappaport has established her own firm, specializing in strategies for better retirement systems. Prior to working with Mercer she spent the years from 1958-1976 in the life insurance industry.

Rappaport served as President (1997–98) and is a Fellow of the Society of Actuaries, and is a member of the American Academy of Actuaries. She serves on the boards of the National Academy of Social Insurance, the Women’s Institute for a Secure Retirement (WISER), and the Pension Research Council. She holds a Master’s Degree in Business Administration from the University of Chicago.
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