Board of Directors’ Statement
On the Key Role of Insurance in Addressing America’s Long-Term Care Challenge

Approved by AHIP Board of Directors on March 9, 2009

Introduction: The Crisis Ahead

The aging of the baby-boom generation – the 78.2 million Americans born between 1946 and 1964 – poses major challenges for policymakers. More men and women are nearing retirement than ever before, and they will live longer into old age than any prior generation. By 2030, one out of every five Americans will be 65 or older. With Medicare and Medicaid already burdened by high costs, it is clear that public programs intended to meet the needs of the elderly will be severely stressed in the years ahead.

Millions of aging men and women will need long-term care (LTC) at some point in their lives. A crucial question facing policymakers is how to create the right balance between public and private responsibilities – between the obligation of government to provide a safety net for those who need it, and the obligation of citizens to provide for themselves to the extent they are able to do so.

Medicare does not pay for LTC services. As for Medicaid, a recent report prepared for AHIP (Medicaid Expenditures for Long-Term Care 2008-2027) estimates that state Medicaid programs will spend $1.6 trillion on LTC services over the next 20 years. When federal matching funds are included, total government expenditures on LTC will exceed $3.7 trillion. Today, LTC expenses already account for about a third of total Medicaid expenditures. With Medicaid outlays for LTC projected to grow at a faster rate than Medicare and significantly faster than overall health care spending, LTC expenses will likely consume the majority of Medicaid dollars.

It is estimated that 15 states spent $1 billion or more on Medicaid LTC services in 2008. If current trends continue, annual state Medicaid LTC expenditures will more than double by 2028 – from $51.5 billion in 2008 to $115.6 billion – and more than half of the states will be spending upwards of $1 billion on Medicaid LTC services each year. Governments cannot be expected to continue shouldering the burden of LTC costs without major changes in the roles of the public and private sectors.

Public Confusion about Long-Term Care Issues

Many Americans underestimate their risk of needing LTC, underestimate the cost of such care, and mistakenly believe they have LTC coverage.
Recent AHIP studies looked at the level of awareness of LTC issues among baby-boomers, women, and members of Generation X (born between 1965 and 1980). Misconceptions are widespread and worrisome:

- **Few baby-boomers have focused on planning for LTC expenses.** Among those nearing or at the age of 60 – an age when they might be expected to concern themselves with the potential impact of LTC costs on their retirement savings – only one in four describe themselves as “very familiar” with LTC insurance.

- **Many baby-boomers believe, incorrectly, that they already have LTC coverage.** One in four of the baby-boomers surveyed believe that their present health insurance would cover LTC expenses, and more than half think that Medicare or “other health insurance” will pay for LTC – giving rise to a dangerously false sense of security.

- **Most women are unprepared to meet the potential cost of LTC** – and the current economic downturn has made matters worse. Sixty percent of women say the economy has affected their ability to plan for retirement and possible future LTC costs. Women typically live longer than men and have a higher risk of needing LTC, and three out of every four women surveyed believe they have a significant chance of needing LTC – but only 35 percent say they have actively thought about how to cover the costs.

- **Generation X members are also unprepared for LTC.** Over half of Gen-Xers say they place more immediate financial concerns ahead of any planning they might do to meet LTC costs. The current economic downturn has made this situation worse, with 57 percent of respondents reporting that they have been negatively affected by the downturn – and among those affected, 84 percent say they are either spending less time planning for LTC or have been forced to stop planning for it altogether.

- **Millions of Americans will be without resources if they need LTC.** Many women and Gen-Xers who do not have LTC insurance say they would rely on government programs, such as Medicaid, to cover LTC costs. Others say they would sell assets, use up any retirement savings, or turn to family and friends to help with these costs.

**Empowering Consumers Through Education**

Studies show that a 65-year-old today has a 70-percent chance of needing LTC at some point – and nursing-home care now costs $75,000 a year on average. Yet it is clear that most Americans are not focused on the need to plan for LTC and are not taking the necessary steps to protect their retirement savings should they need LTC services. A strong educational campaign on LTC is thus a critical component in addressing our nation’s looming LTC challenge. AHIP applauds the efforts of the federal government and various states to increase awareness of LTC issues through the U.S. Department of Health and Human Services’ initiative, “Own Your Future” LTC campaign. AHIP is committed to working with the government in expanding these efforts and better informing consumers about their risks of needing LTC and the valuable financial protection that private LTC insurance can provide.
With increased consumer education, millions of Americans will realize that they can afford to protect themselves. Continued growth of the LTC insurance market will help protect them against the financial risk of LTC needs, enhance their LTC choices, and reduce reliance on scarce public dollars.

What the Public Sector Can Do to Help Families and Caregivers

AHIP strongly supports legislative proposals to provide enhanced tax deductions for LTC insurance premiums and to enable employers to offer LTC insurance as an option under cafeteria plans and flexible spending arrangements (FSAs). These relatively low-cost improvements would spur significant progress in increasing the number of Americans able to protect themselves against the high cost of LTC.

AHIP Members’ Commitment to LTC Insurance Consumers

LTC insurance is an important but not yet widely understood financial protection product. A vital component of strengthening the market for LTC insurance is consumer information and the adoption of robust consumer protection standards. AHIP and its members offering LTC insurance are committed to providing peace of mind for consumers who are considering or purchasing coverage, and we pledge to ensure that consumer protections always remain a priority, so that consumer confidence is maintained. Toward this goal, AHIP will advance the following principles:

- Ensuring stable LTC insurance premiums by urging states to adopt the National Association of Insurance Commissioners (NAIC) LTC Model Regulation provisions;
- Urging states to adopt a consistent framework for reporting LTC claims information, including full disclosure of numbers of claims approved and denied;
- Continuing to support timely and accurate payment of LTC claims, including prompt acknowledgement of claims, clear requirements for additional information if needed, and clear explanations for any claim denials; and
- Maintaining a fair consumer appeals process incorporating clear descriptions of appeal rights, processes, and the timeframes within which insurers must acknowledge and respond to appeals.

The LTC challenges of the decades ahead call for an active and effective public-private partnership. We pledge to help government and consumers meet their responsibilities by meeting ours.