Who Buys Long-Term Care Insurance?

Twenty-Five Years of Study of Buyers and Non-Buyers in 2015–2016

Prepared for America's Health Insurance Plans by LifePlans, Inc.

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Executive Summary

This study is designed to understand changes in the long-term care (LTC) insurance marketplace from the point of view of consumers, to identify where there has been relative stability and to provide an empirical basis for projecting where the industry will move in the years ahead. We focus on purchase trends over the past 25 years and the reasons why individuals choose to buy, or not buy, LTC insurance policies. These choices reflect attitudes about insurance, the role of government, the availability of complementary and substitute service and financing options, knowledge about LTC, views about family responsibility, and more. In addition, the current survey poses a series of questions about possible public-private partnership approaches to financing LTC.

As in previous studies, we compare buyers with non-buyers and with other Americans age 50 and over. We do this to better understand marketplace opportunities and barriers, contribute to the debate about public policy on LTC financing, and evaluate whether and how LTC insurance can help solve the increasingly complex puzzle of LTC financing. Seven companies participated in the study, yielding a sample of 1,326 buyers, 225 non-buyers, and policy design information on 8,791 policies. In addition, we surveyed 800 individuals age 50 and over from the general population to obtain their opinions about LTC financing and assess their knowledge of the market. A companion study reports on survey findings from over 1,200 individuals receiving benefits under their LTC insurance policies.

Key Findings

Socio-Demographic Characteristics

- The average age of buyers in 2015 is 60 years, about the same as over the last decade. Compared to the general population 50 and older, buyers and non-buyers are more likely to be married, college educated, and working, and they have higher income and assets.

- The major demographic difference between buyers and non-buyers is that non-buyers have somewhat lower assets. (However, the relatively small number of non-buyers in this year's sample makes historical comparisons suggestive at best.)

- The shift of sales toward higher-income individuals continues. The median income of current buyers is the same as in 2010, $87,500, compared with $62,500 in 2005, $42,500 in 2000, $30,000 in 1995, and $27, 000 in 1990. Whereas in 2000 less than half of new buyers reported income over $50,000, by 2015 82 percent did so. The assets of new buyers are also increasing; slightly more than 4 in 5 have assets in excess of $100,000.

Opinions and Attitudes Toward LTC and Insurance

- Being a "planner" (one who believes it is important to plan for the possibility of needing LTC services) is positively associated with the purchase of LTC insurance. Consistently, buyers have been much more likely than non-buyers to strongly agree with the statement: "It is important to plan now for the possibility of needing LTC services."

- Compared to non-buyers, buyers tend to worry less about paying for LTC services and are much more likely to view LTC insurance products as adequate. Over the past five years, buyers' positive views on the adequacy of insurance products have declined somewhat (although they are still at 68 percent).

- Compared to earlier years, non-buyers have greater understanding that if they need LTC the government will not likely pay for it (although more non-buyers than buyers are still mistaken about this).

- Both non-buyers and individuals from the general population age 50 and over are more likely than buyers to believe that public programs will pay for care, or to simply not know who would pay for care if they needed it. Individuals from the general population were most likely to believe that the government will pay for LTC or that it will be covered by other health insurance.

- Buyers are most likely to think they will need nursing home care or home care in the future, non-buyers somewhat less likely, and individuals age 50 and over from the general population the least likely.

Trends in Product Purchase

- The proportion of comprehensive policies continues to grow, from 90 percent in 2005 to 96 percent in 2015. Coverage limited to nursing home or institutional alternatives has virtually disappeared from the market.

- The average daily nursing home benefit has increased by only 5 percent over the last five years, and the home care daily benefit remains close to the nursing home level. In earlier periods, daily benefit amounts were increasing by between 20 percent and 30 percent over each five-year period, but the past decade has seen significant stabilization.

- The trend toward declining benefit durations continues; in 2015 benefit durations dropped to a new low of four years. Just a decade ago only 1 in 10 policies sold had a two-year duration, but 20 percent now do.

- The proportion of individuals purchasing some level of benefit increase option (inflation protection) has dropped off slightly, down from 3 in 4 to 2 in 3. Roughly half of all purchasers have compound inflation protection.

- Average annual premiums increased by 19 percent between 2005 and 2010 and by the same percentage between 2010 and 2015—from $1,918 to $2,283 to $2,727.

- Compared to 2010, the value of a policy relative to the premium paid has declined, reflecting significant changes in the lapse and interest rate assumptions for newly issued policies.

Understanding the Buy/Non-Buy Decision

- Individuals are buying LTC insurance to meet multiple objectives. About a third of buyers indicated that protecting their assets and estate was the single most important reason for purchase, and another 1 in 5 purchased to ensure the affordability of services.
- Three-quarters of buyers indicated that state participation in the Partnership Program was important to their purchase motivation.
- Almost two-thirds cited "cost of insurance would increase in future" as the most important reason for purchasing their policies now instead of waiting.
- Among married couples, 71 percent have a policy for each spouse.
- For the most part, people do not decide to purchase LTC insurance on their own. Spouses, agents, and financial planners have the most influence; only rarely do children take an active role.
- The agent's recommendation and the insurer's reputation are the reasons most often cited for the purchase of a policy from a particular company. This pattern has stayed fairly constant over the past 15 years.
- Almost 1 in 5 buyers were aware that the company from which they purchased a policy had increased rates in the past; almost 2 in 5 expected their premiums to increase in the future. About 55 percent of non-buyers were concerned about LTC companies raising premiums in the future.
- Both buyers and non-buyers were asked a series of questions about the structure of LTC insurance premiums. Overwhelmingly, both groups preferred a level-funded premium, although a higher proportion of non-buyers than buyers preferred a higher initial premium that declines over time.
- The vast majority of buyers would prefer to have smaller, more frequent adjustments to their premiums, rather than infrequent but larger increases.
- Roughly 20 percent of buyers considered a combination product before purchasing their stand-alone product, and 53 percent of non-buyers said they would be more likely to buy a life insurance or annuity product with a rider that paid for LTC than a stand-alone LTC insurance product. Of the general population, 37 percent indicated interest in buying a provision in their life or annuity policy that allowed benefits to be paid for LTC should the need arise.
- Most non-buyers said that cost was the most significant barrier to purchase, and this trend has persisted over the past 25 years.
- Only 15 percent of non-buyers indicated that a very important reason for their non-purchase was that policies are too confusing.
- Only a third of non-buyers said they do not plan to buy LTC insurance at all, so the majority remains potential purchasers in the future (and this has not changed over the last decade).

- Although 41 percent of non-buyers cited as an important reason for non-purchase that they did not believe companies would pay benefits as stated in the policy, this reflects a significant decline from the 71 percent who cited this as an important reason 25 years ago.

- More than three-fourths of current non-buyers would be more interested in buying a policy if they could deduct premiums from their taxes, if they felt premiums would remain stable over time, or if the government would provide stop-loss coverage once their private insurance benefits ran out.

- About 70 percent of non-buyers said they would be more interested in purchasing a policy if they could do comparison shopping on the internet. On the other hand, only slightly more than a quarter (27 percent) said that the ability to purchase a policy online would make them more interested in the insurance.

- About a quarter of non-buyers would, under the right circumstances, be willing to pay the premium level for policies being sold to their age group. The percentage varies by age, with fewer older individuals than younger people willing.

Attitudes Toward the Role of Government

- Across all groups, and over the last 10 years, well under half of respondents believed that it is the federal government's responsibility to pay for the LTC needs of all people. Over that decade, among the general population age 50 and over, the proportion who believe that the federal government is primarily responsible for paying for care has dropped from about 1 in 3 to about 1 in 4.

- The view of private insurance is somewhat less positive than it was five years ago, but still better than a decade ago. In 2010, among the general population age 55 and over, 46 percent agreed with the statement that "Private insurance companies provide good LTC products that are a good value for the money." By 2015, this figure had fallen to 35 percent.

- Large majorities of respondents among the general population age 50 and over believe that it is the federal government's responsibility to encourage people to buy LTC insurance by making premiums fully tax deductible or by allowing employed individuals to use pretax dollars to pay for the insurance.

- Roughly 2 in 5 Americans over age 50 believe that the single most important action government could take is to offer more tax incentives for the purchase of private insurance policies.

- Of individuals age 50 and over, 55 percent are aware of companies that offer LTC insurance, 41 percent have been approached to buy it, and 38 percent have considered buying it.

- Of individuals age 50 and over who have been approached to buy LTC insurance, 55 percent chose not to because of the premium price.

Attitudes and Opinions of the General Population Age 50 and Over

- Most respondents (65 percent) felt it was important to avoid relying on Medicaid for any LTC they might need in the future.
- About 2 in 5 respondents would like to be able to use the internet to conduct comparison shopping, but only about a quarter would be more interested in LTC insurance if they could purchase it online.
- The potential impact of employer sponsorship is significant—roughly 3 in 5 agreed that they would be more interested in learning about LTC insurance if it was sponsored by their employer.
- Individuals were asked about their views and preferences on two potential program structures:
  - A private insurance policy would pay for roughly the first two years of LTC services, and then the government would take over and pay for any LTC services needed after that (Back-end or Catastrophic Public Coverage).
  - The government would pay for roughly the first two years of LTC services, and then a private insurance policy would take over and pay for any LTC services needed after that (Upfront or Front-end Public Coverage).
- Fifty-five percent preferred a "back-end" program and 27 percent preferred a "front-end" program.
- Regardless of what type of potential program they preferred, respondents were willing to pay about $85 per month, or a little over $1,000 per year. Slightly less than one-third would be willing to pay at least $100 per month for either of these programs.
- Three in 4 non-buyers said they would be more interested in purchasing a private policy if there was a back-end public program; slightly fewer (69 percent) said the same thing about a front-end public program.

Introduction

The market for LTC insurance has changed dramatically over the past 30 years, reflecting changes in the provider landscape, growth in public expenditures on care, the general macro-economic environment, and demographic changes. Overall spending on LTC continues to accelerate, driven by the needs of a growing number of elders; labor shortages of trained, high-quality personal care workers; and overall improvements in older-age mortality. As a result, in 2013 an estimated $338.8 billion was spent on long-term services and supports (LTSS), representing 13.7 percent of the $2.5 trillion spent on personal health expenditures.[1] More than 60 percent of these expenditures are for individuals age 65 and over. Public sources account for the majority of LTSS spending (71.5 percent), with Medicaid paying nearly two-thirds (64.5 percent). Elders and their families pay another 22 percent, and private insurance payments totaled less than 10 percent.[2] The growth in expenditures is driven not only by an expanding elderly population, but also by increases in the costs of providing LTC services. In 2016 the average annual cost of care in a nursing home is $92,000 and in assisted living it is $44,000; homemaker and home health aide costs can total $46,000 per year.[3]

There is a 50 percent chance that an individual will have a high level of need for LTC for some period in his or her life, and about 30 percent of such individuals may need care for five or more years. So it is not surprising that LTC represents the single largest financial risk faced by the elderly and their families.[4] But although the risk is great, only a modest number of people have availed themselves of the opportunity to purchase private LTC insurance. Slightly more than 7 million people have individual policies, representing only a fraction of the potential market.[5] This despite the fact that there has been public policy support for the market in the form of modest tax incentives at the state and federal level, state partnership initiatives, and targeted education campaigns.

As we look at the industry, a few current trends stand out. First, whereas between 2006 and 2012 group sales represented between 35 and 45 percent of total sales, by 2014 that figure had declined to well under 20 percent. At the same time, individual sales have declined to 1990 levels. Nevertheless, the confluence of demographic trends, the unlikelihood of an expansion in direct government financing for LTC, and the increasing exposure to catastrophic risk all portend growth in demand for the product. Second, fewer carriers are currently selling policies.

Third, an area of continued growth is combination or hybrid products; more than half a million were in force at the end of 2013.[6] These products combine LTC benefits with either life insurance or an annuity. They can pay out if LTC is needed, but if it is not, there is a death benefit or annuity payout. If an individual uses some of the LTC benefit, the remainder would be payable as a death benefit or annuity. This is one of the principal appeals of combo products—if LTC is never needed, there is still a return on the money invested in the premium.[7] However, single premiums for a life/LTC hybrid can be upwards of $70,000, for a face amount of roughly $146,000 (about two years of LTC benefits). Some life products have regular premiums; the average annual amount is almost $5,500, for a face amount of $278,000.[8]

Since 1990 America's Health Insurance Plans (AHIP) has sponsored a series of studies of this market focused on individuals who have chosen to purchase policies, those who have been offered a policy but declined to purchase, and those who have not actively engaged with the issue of LTC insurance. AHIP has supported this research to learn about the consumers of the product and their attitudes and opinions, to characterize policies selling in the marketplace, to explore knowledge and attitudes among the general population, and to focus on specific issues on the policy agenda at the time each study was being completed. As has been documented in previous reports, there have been very dramatic changes in purchase patterns among consumers, and the profile of a "typical" buyer looks very different today than it did in 1990. Moreover, the types of policies being purchased by individuals in 2015 vary significantly from those purchased in 1990.

This current study is designed to understand changes in the marketplace from the point of view of consumers, to identify where there has been relative stability, and to continue to provide an empirical basis for projecting where the industry will be moving in the years ahead. In the following pages, we focus on purchase trends over the past 25 years and the reasons why individuals choose to buy, or not to buy, policies. These choices reflect attitudes about insurance and the role of government, the availability of complementary and substitute service and financing options, knowledge about LTC, views about family responsibility, and more. In the current survey, a series of questions was posed to respondents about possible new public-private partnership approaches to financing LTC. We explore this issue because recently a number of disparate organizations have put forward a variety of proposals focused on public roles in financing LTC with specific roles to be played by the private sector.[9,10,11] It is important to ascertain views on some of these alternative approaches, and this study adds new knowledge in this area.

Purpose

The purpose of this study, which builds on work completed in 1990, 1995, 2000, 2005, 2010, and 2015-2016, is to identify who buys LTC insurance and understand what motivates them to do so. We also compare buyers with a sample of non-buyers and other Americans age 50 and over. In addition, we track how product purchase decisions have changed over the past 25 years. More specific objectives include the following:

- to compare socio-demographic characteristics of buyers, non-buyers, and a sample of individuals 50 and older in the general population over the past 25 years;
- to compare the attitudes of buyers, non-buyers, and a sample of individuals 50 and older in the general population regarding LTC risk and financing and the role of the government and the private sector in financing LTC;
- to understand why some individuals purchase policies and others do not, and to determine how these reasons may have changed over time;
- to identify the policy design features that people prefer and compare them with features in policies bought five, 10, 15, 20, and 25 years ago;
- to identify the factors that would make non-buyers more interested in purchasing policies;
- to gain insight into the decision-making process of purchasing LTC insurance and the role of the agent;
- to understand potential views on alternative premium structures for insurance policies;
- to understand the extent of knowledge about government and private LTC financing issues among a sample of individuals age 50 and over; and,
- to assess consumers' opportunities for and barriers to the purchase of LTC insurance.

Method and Sample

We used three survey instruments to collect information: (1) a mail and digital survey addressed to buyers; (2) a mail and digital survey addressed to non-buyers; and (3) a 15-minute phone survey of a random sample of Americans age 50 and over. A buyer is defined as an individual who had purchased a policy in 2015-2016, paid premiums, and not returned the policy within 30 days. A non-buyer is defined as an individual who had been approached by an agent or who had attended a sales seminar, who had been presented with the details of a policy or policies, but who had ultimately chosen not to buy a policy.[12] The phone survey of the general population 50 and older took a stratified random sample of 800 individuals. The phone interviews provided a baseline for attitudinal and demographic comparisons among buyers, non-buyers, and the general population.

Seven companies contributed samples to the study. These companies have been selling policies for more than a decade and in 2015 accounted for almost one-third of all sales. They included Bankers Life and Casualty, Genworth Financial, John Hancock, Long-Term Care Partners, MedAmerica, Mutual of Omaha, and New York Life. To obtain additional non-buyer data, LifePlans worked with a number of large brokerage houses that provided lists of individuals who were approached to buy policies but ultimately decided not to do so. In total, the sample size for the study includes:

- 1,326 buyers,
- 225 non-buyers,
- 800 individuals age 50 and over from the general population, and
- 8,791 individual LTC insurance policies (as explained below).

Results of this study provide a snapshot of recent market activity and attitudes about the private and public sector roles in LTC financing, and they suggest where the market might be going in the near future, as well as where it has been in the past. Because many of the survey questions are similar to those asked of buyers and non-buyers in previous studies, we are able to present a longitudinal view of market trends over the past 25 years. Earlier studies included 1,493 buyers and 408 non-buyers in 2010, 1,274 buyers and 214 non-buyers in 2005, 2,728 buyers and 638 non-buyers in 2000, 2,601 buyers and 1,245 non-buyers in 1995, and 8,363 buyers and 1,750 non-buyers in 1990. In previous years, 500 individuals age 50 and over from the general population were surveyed; in 2000 and before, individuals 55 and over were surveyed. Earlier studies of policy characteristics were based on 8,099 policies sold in 2010, 8,208 policies sold in 2005, 5,407 policies sold in 2000, 6,446 policies sold in 1995, and 14,400 policies in 1990.

Policy Design Information

To track the types of policies that are selling in the marketplace, participating companies provided detailed information on the designs of policies purchased by a random sample of individuals. This information was then linked by an identification code to returned surveys, permitting us to correlate policies purchased with the attitudinal and demographic profiles of respondents. In total, companies sent information on 8,791 recently purchased policies; 1,326 policies were linked to surveyed buyers and all 8,791 policies were used for policy design analysis.

The policy design information provided by companies included the following elements: policy type (i.e., facility only, home care only, or facility and home care); partnership status (partnership-qualified or not); benefit payment method (reimbursement, indemnity, disability); daily benefit amounts for covered services; benefit duration for covered services; elimination periods; whether inflation protection was chosen; the type and level of inflation protection chosen; whether the policy included non-forfeiture protection; the type of non-forfeiture protection; the premium; the premium mode; total claim dollars paid to date; current policy effective date; the gender and age of the policyholder; and the state where the policyholder resides.

Survey Data Elements

Each survey collected detailed socio-demographic information and asked questions to probe knowledge of LTC financing and risk, attitudes toward LTC insurance, the desired and potential roles of the private and public sectors in paying for LTC, and recent market trends. The buyer survey also asked about why individuals chose to buy a policy, their views on premium stability and alternative premium structures, and whether they considered purchase of a combination product. The non-buyer survey explored the reasons why a potential policyholder chose not to buy a policy and examined the factors that would make him or her more interested in buying insurance. The sample of persons age 50 and over was asked questions to gauge their knowledge of LTC services, insurance, and payment sources. This year we added more questions to the general survey of Americans, focused on combination products and on the potential structure and desirability of alternative public LTC financing programs. For most questions, non-response rates were very low (less than 4 percent). On the more sensitive questions relating to income and assets, non-response was higher, but still relatively low, less than 11 percent for each category.

Weights

In order to generalize aggregate results, we weighted company-specific data in all subsequent analyses. For buyers as well as for the policy file, individuals were weighted to reflect each company's market share of new sales in 2015. No weights were used for the non-buyer sample.[13] The sample of individuals age 50 and over was randomly drawn, and individual responses were weighted to create a sample that is reflective of the age and gender breakdown in the general population.

Findings

In the sections that follow we provide frequency responses to survey questions and selected bivariate analyses of special interest. We track and compare findings to those reported for 1990, 1995, 2000, 2005, and 2010.[14]

1. Socio-Demographic Profile of Individual LTC Insurance Buyers and Non-Buyers

In this section we summarize and compare selected characteristics of buyers, non-buyers, and individuals from the general population age 50 and over. We compare profiles of our surveyed populations with data from the U.S. Census to identify how the surveyed populations differ from the general population. The demographic characteristics of individuals targeted to purchase LTC insurance (buyers and non-buyers) differ from the general population age 50 and over in a number of ways (see Table 1). Both buyers and non-buyers have more assets and higher income than their counterparts in the general population and are far more likely to be college-educated. Both buyers and non-buyers tend to be somewhat younger than the general population. This may partially explain why buyers and non-buyers are more likely to be married and more likely to live in a household where someone is employed. The most significant difference between buyers and non-buyers is that the latter have somewhat fewer assets.

Table 1: Socio-Demographic Characteristics of LTC Insurance Buyers, Non-Buyers, and the General Population 50 and Older, 2015

Socio-Demographic Characteristics	Buyers	Non-Buyers	General Population 50 and Older
Average age	60	61	64
Less than 50	9%	6%	-
50-54	12	10	21%
55-64	52	47	37
65-69	19	26	14
70-74	6	7	10
75 and over	1	4	18
Gender			
Male	46%	53%	46%
Female	54	48	54
Marital status			
Never married	6%	8%	9%
Married	75	73	60
Divorced/separated	11	11	18
Widowed	7	6	13
Domestic partner	1	2	
Income			
Less than $20,000	1%	2%	18%
$20,000-$24,999	3	4	6
$25,000-$34,999	4	4	10
$35,000-$49,999	10	11	13
$50,000-$74,999	21	16	17
$75,000 and over	61	63	36
Total liquid assets			
Less than $20,000	3%	8%	31%
$20,000-$29,999	2	3	8
$30,000-$49,999	5	4	11
$50,000-$74,999	3	5	7
$75,000-$99,999	5	4	5
$100,000 and Over	82	76	43
Education level			
Less than high school	1%	1%	14%
High school graduate	8	5	30
Post high school	23	21	28
College graduate	68	73	28
Someone in household employed	68%	71%	50%

Sources: LifePlans, Inc. analysis of 2015 buyer and non-buyer surveys; U.S. Census Bureau, 2014 American Community Survey 1-Year Estimates. Data for income, education, and employment are based on people age 45 and over. Data for liquid assets are based on 800 surveyed individuals age 50 and over. Average age for 2015 buyers is based on analysis of 8,791 individual LTC policies.

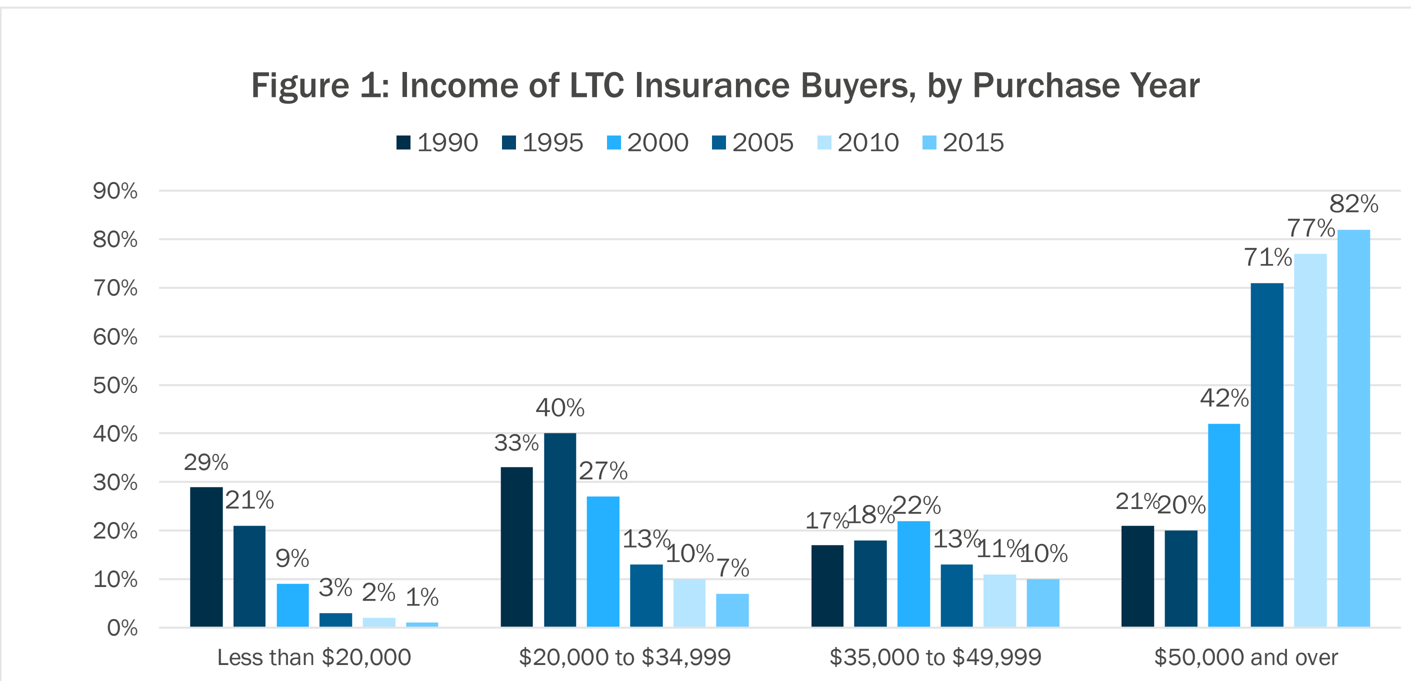
Table 2 focuses on the change in socio-demographic characteristics of buyers over the past 25 years. The average age of buyers has plateaued at around 60 since 2005, following a higher plateau at around 68 during the previous 15-year period. This likely reflects that carriers are focused on sales to individuals under age 70. Between 2000 and 2015, the share of the market made up of those 70 and older dropped from 40 percent to 7 percent.

Table 2: Socio-Demographic Characteristics of Buyers of LTC Insurance, by Purchase Year

Socio-Demographic Characteristics	1990	1995	2000	2005	2010	2015
Average age	68	69	67	61	59	60
Less than 55	---	---	---	22%	28%	21%
55-64	25%	19%	33%	45	47	52
65-69	33	32	27	17	17	19
70-74	25	23	19	9	5	6
75 and over	17	26	21	7	3	1
Gender						
Male	37%	39%	45%	43%	46%	46%
Female	63	61	55	57	54	54
Marital status						
Never married	5%	6%	4%	6%	8%	6%
Married	68	62	70	73	69	75
Divorced/separated	4	6	6	10	11	11
Widowed	23	27	20	9	9	7
Domestic partner	---	---	---	2	3	1
Income						
Less than $20,000	29%	21%	9%	3%	2%	1%
$20,000-$24,999	13	16	8	4	3	3
$25,000-$34,999	20	24	19	9	7	4
$35,000-$49,999	17	18	22	13	11	10
$50,000 and over	21	20	42	71	77	82
Total liquid assets						
Less than $20,000	16%	18%	6%	4%	5%	3%
$20,000-$29,999	8	10	5	3	3	2
$30,000-$49,999	11	13	7	6	4	5
$50,000-$74,999	12	10	5	6	6	3
$75,000-$99,999	11	8	6	5	3	5
$100,000 and over	42	41	71	76	79	82
Education level						
Less than high school	8%	7%	5%	2%	1%	1%
High school graduate	30	28	21	13	7	8
Post high school	29	29	27	24	21	23
College graduate	33	36	47	61	71	68
Someone in household employed	N.A.	23%	35%	71%	69%	68%

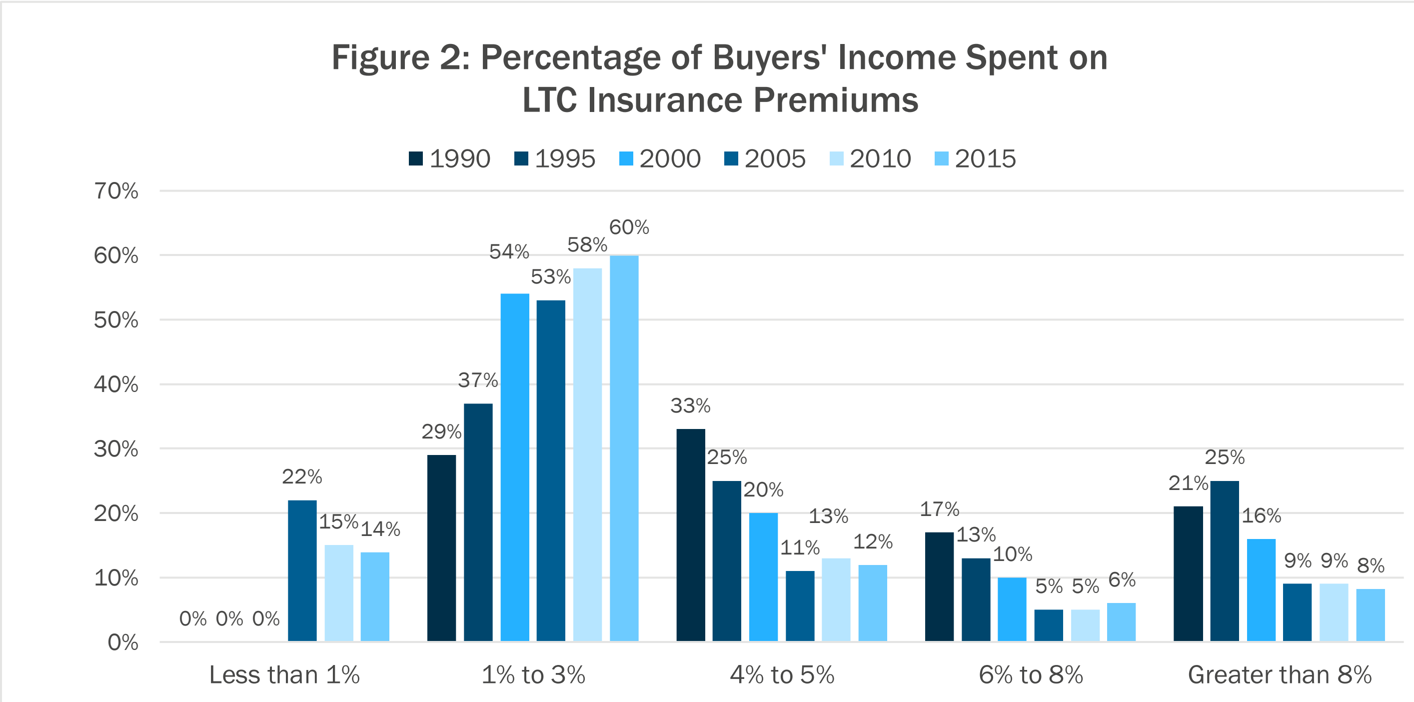
Sources: LifePlans, Inc., analysis of buyer surveys. Age distribution is based on policyholder data.

The shift of sales toward wealthier individuals continues. The median income of current buyers is the same as in 2010, $87,500, compared with $62,500 in 2005, $42,500 in 2000, $30,000 in 1995, and $27,000 in 1990. Whereas in 2000 less than half of new buyers reported income over $50,000, by 2015 this figure had risen to 82 percent. Figure 1 shows how the proportion of buyers with incomes over $50,000 continues to grow, while the share of those with income below $20,000 declines. The assets of new buyers are also increasing—slightly more than 4 in 5 2015 buyers have assets in excess of $100,000. There are a number of reasons for this trend: Agents continue to target younger buyers, who are more likely to be actively employed and so have higher incomes than older buyers (who often have fixed incomes). Given National Association of Insurance Commissioner (NAIC) regulatory guidelines, agents have been discouraged from selling to individuals with incomes below $20,000. The proportion of employed purchasers has doubled over the past decade, and a higher percentage of buyers are college educated, which is positively related to higher earnings. Finally, premiums have increased over the period, making the product costly for a growing number of middle-income consumers.



Source: LifePlans, Inc., analysis of buyer surveys.

Over the past 25 years, we have tracked the percentage of income that buyers spend on their LTC insurance premiums, and it has continued to drop—the average in 2015 is 3.4 percent, down from 3.6 percent in 2010 and 4.8 percent in 2000. This has occurred despite the steady increase in premium rates, because the average income of purchasers has risen and the decline in age at purchase has resulted in lower premiums.



Source: LifePlans, Inc., analysis of buyer surveys.

2. Opinions of LTC Insurance Buyers and Non-Buyers About LTC

The socio-demographic profile of buyers and non-buyers has changed dramatically over the past 25 years, and this raises the question of whether attitudes and opinions about LTC have also changed. More specifically, we are interested in knowing whether attitudes about risk, payment source, and other issues relevant to the decision to purchase insurance have changed.

Most if not all of the attitudes shown in past surveys persist in 2015 (see Table 3). For example, being a “planner” (one who believes it is important to plan ahead for the possibility of needing LTC services) is positively associated with the purchase of LTC insurance. Consistently, buyers have been much more likely than non-buyers to strongly agree with the statement: “It is important to plan now for the possibility of needing LTC services.” In 2015 only 31 percent of non-buyers strongly agreed (back down to historical levels after rising to 41 percent in 2010). Buyers (compared to non-buyers) also tend to worry less about paying for LTC services, are much more likely to view LTC insurance products as adequate, and are less likely to agree that the government will pay most of the costs of LTC if it is needed.

However, over the past five years, opinions about the adequacy of insurance products have shifted slightly, with a growing percentage believing that the insurance industry does not provide adequate coverage for LTC services. Among buyers this group has grown from 22 to 32 percent, and among non-buyers from 55 to 63 percent. This may be related to the publicity given to rate increase actions among carriers.

3. Attitudes of LTC Insurance Buyers, Non-Buyers, and Surveyed Individuals Toward Risk and Payment of LTC Services

Respondents were asked about their perceived risk of needing LTC services and how they would pay for such care. Insurance theory suggests that, other things being equal, individuals who purchase policies are more likely to assess their risk of incurring a high expense to be greater than those who do not. They are, therefore, more willing to trade off a known premium for an unknown greater risk. The risk itself is composed of two components: the probability of using services and the associated costs.

Throughout the years, buyers have been slightly more likely to perceive the risk of needing nursing home services than non-buyers. In 2000, we saw a significant increase in the proportion of both buyers and non-buyers believing the risk of nursing home services to be greater than 50 percent, and this increase has been sustained in subsequent years.

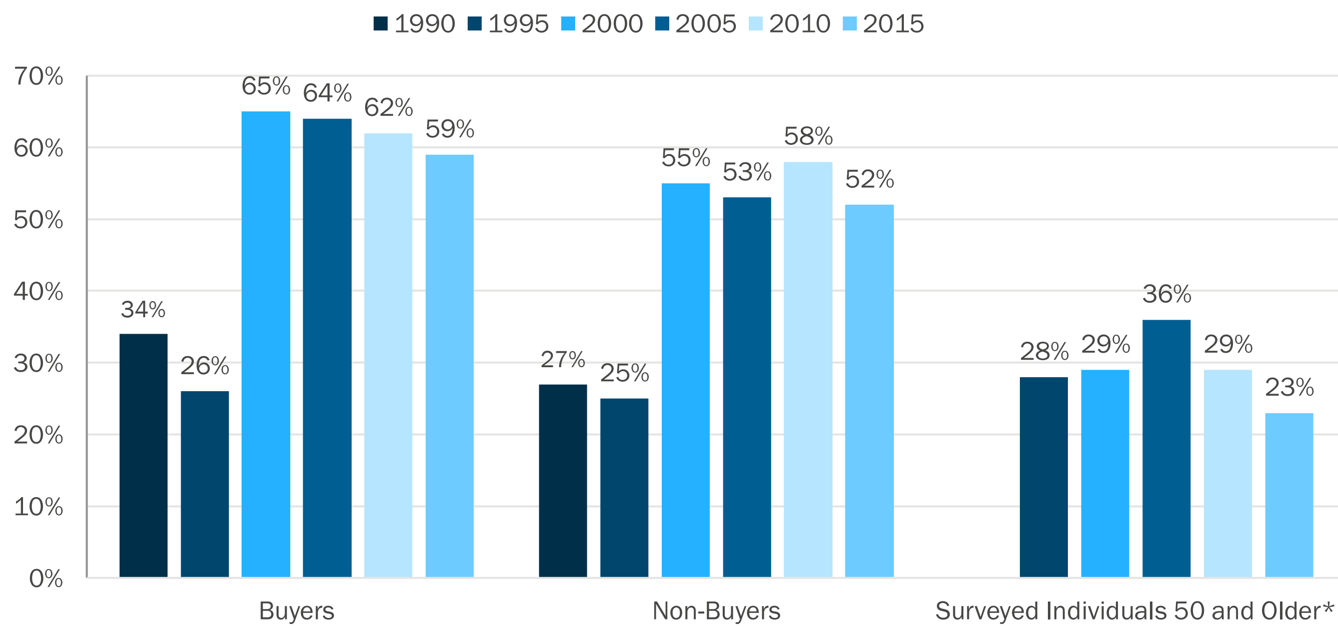
Table 3: Opinions About LTC Among Buyers and Non-Buyers, 1990-2015

	Buyers						Non-Buyers					
Opinions About LTC	1990	1995	2000	2005	2010	2015	1990	1995	2000	2005	2010	2015
It is important to plan now for the possibility of needing LTC services.												
Strongly Agree	62%	53%	63%	62%	63%	63%	42%	27%	33%	30%	41%	31%
Agree	38	46	36	36	36	36	53	66	59	59	52	61
Disagree	---	1	1	1	1	---	4	6	7	10	6	8
Strongly Disagree	—	—	—	1	—	1	1	1	1	1	1	-
I worry about how I would pay for care if needed.												
Strongly Agree	46%	22%	22%	22%	20%	23%	44%	28%	32%	28%	40%	29%
Agree	42	52	50	48	51	50	42	55	49	51	41	47
Disagree	10	21	24	25	22	23	12	14	15	17	17	20
Strongly Disagree	2	5	5	5	7	4	3	3	3	4	2	3
The insurance industry sells adequate coverage for services.												
Strongly Agree	9%	9%	10%	11%	9%	8%	7%	5%	4%	5%	6%	5%
Agree	58	65	62	68	69	60	34	43	45	40	39	32
Disagree	28	22	23	18	19	27	43	42	37	38	39	44
Strongly Disagree	5	4	5	3	3	5	17	10	14	16	16	19
If I ever needed care, the government would pay most of the costs.												
Strongly Agree	6%	4%	5%	4%	3%	3%	14%	12%	16%	7%	12%	4%
Agree	11	13	10	8	8	6	19	18	17	15	19	11
Disagree	52	48	42	41	43	47	44	40	34	41	36	43
Strongly Disagree	31	35	42	47	46	44	23	30	33	37	33	42
I am confident that I would be able to find providers in my area if I need them.												
Strongly Agree	N.A.	N.A.	N.A.	29%	28%	N.A.	N.A.	N.A.	N.A.	20%	21%	N.A.
Agree				60	62					62	56	
Disagree				9	9					15	17	
Strongly Disagree				2	1					3	6	

Source: LifePlans, Inc., analysis of buyer and non-buyer surveys.

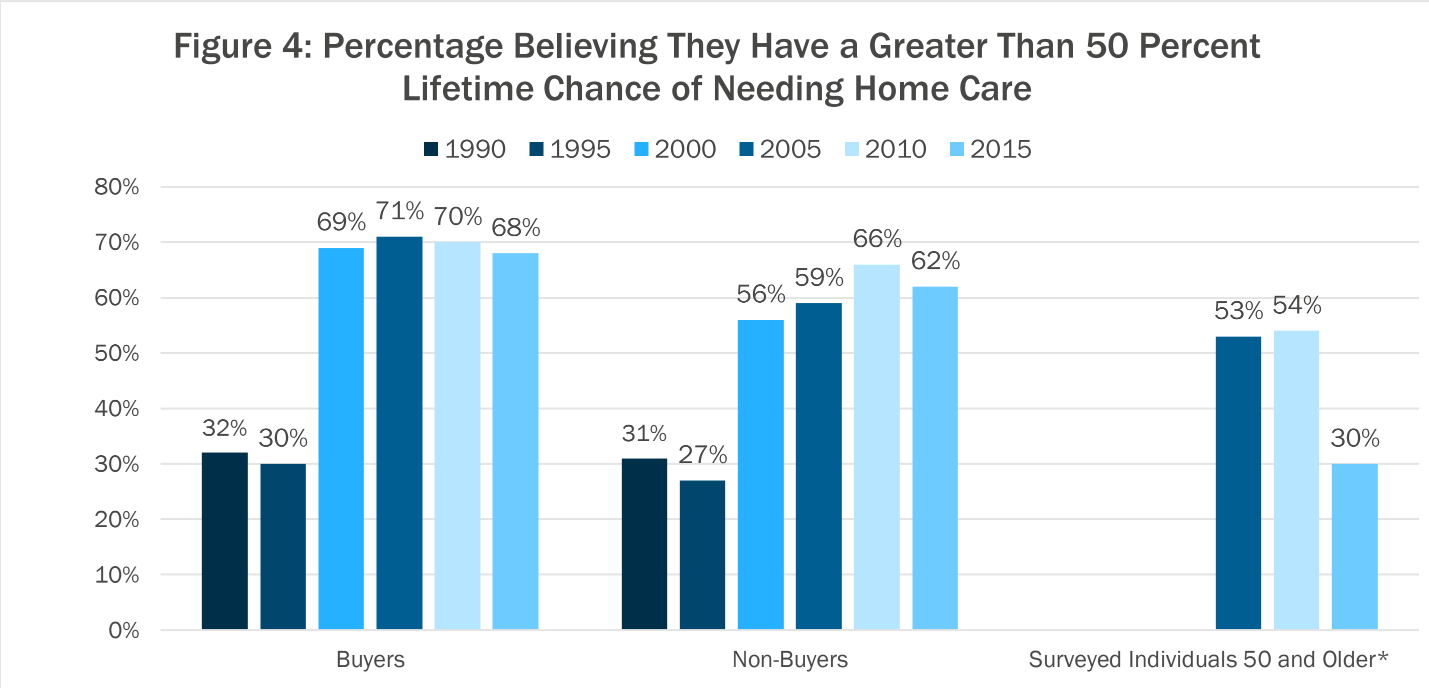
In 2015, there was a slight decline in the perception of this risk among those surveyed compared to 2010, with slightly fewer non-buyers than buyers seeing a risk. Over the past 15 years, individuals age 50 and over from the general population have consistently evaluated their risk of needing nursing home care to be lower than do either buyers or non-buyers, and this group also showed a decline in their perception of this risk compared to 2010. These findings may reflect the tremendous changes in the LTC service system over the past decade. The explosive growth in assisted living facilities, significant investments in home and community-based care, and new residential options for disabled elders make use of the nursing home far less likely.

Figure 3: Percentage Believing They Have a Greater Than 50 Percent Lifetime Chance of Needing Nursing Home Care



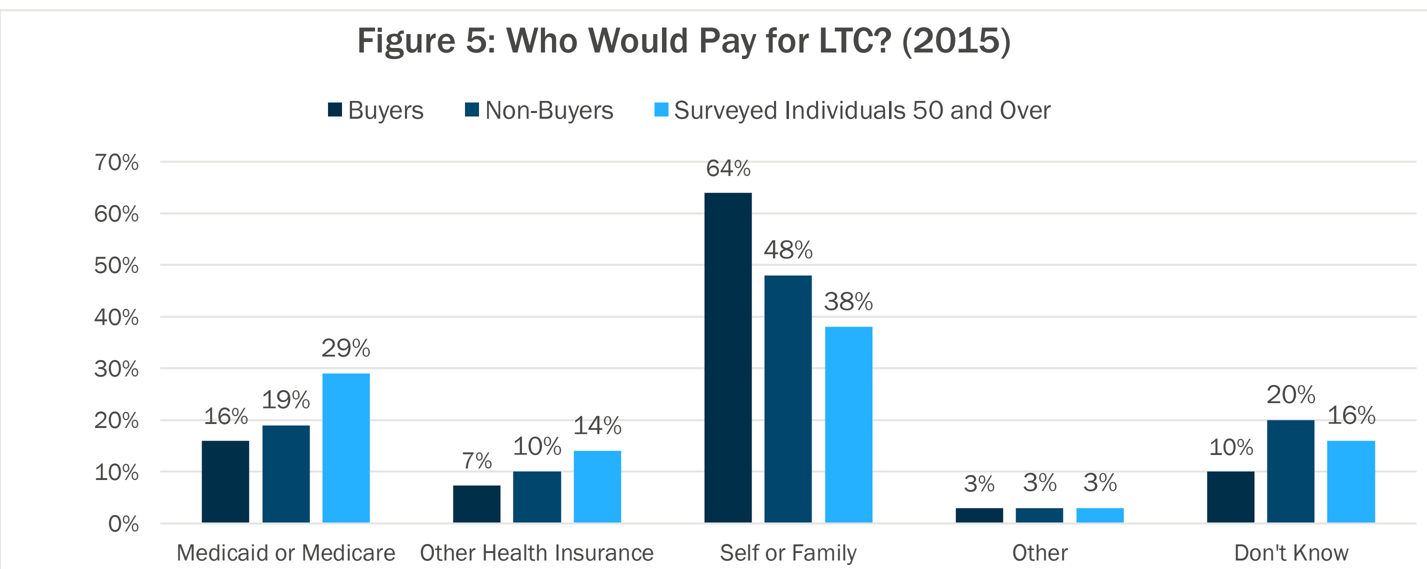
Source: LifePlans, Inc., analysis of surveys of buyers, non-buyers, and the general population.
** The age of surveyed individuals in 2000 and 1995 was 55 and over; no data is available for 1990.*

Regarding home care, the same patterns prevail. Recent buyers continue to assess themselves at slightly higher risk for needing services than do non-buyers (see Figure 4). And although we do not show this in a figure, 62 percent of recent buyers and 55 percent of recent non-buyers believe that they stand a greater than 50 percent chance of having to use assisted living services in the future.



Source: LifePlans, Inc., analysis of surveys of buyers, non-buyers, and the general population.
**No data was available for 2000, 1995, and 1990.*

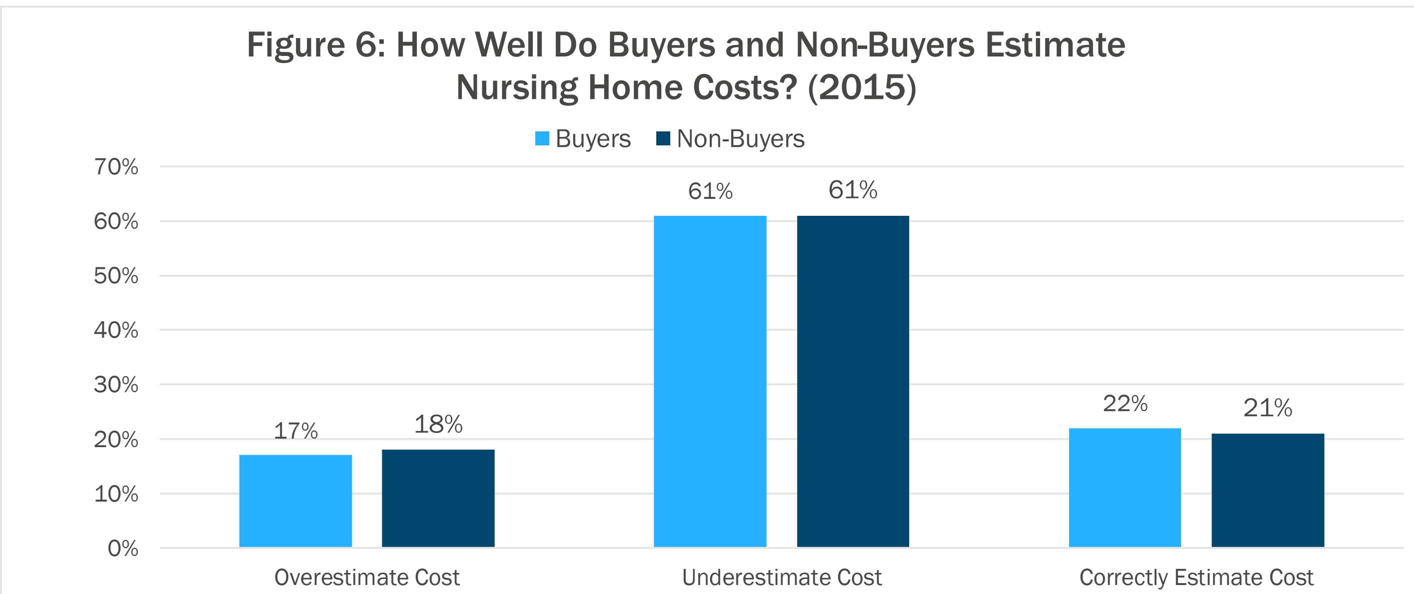
To fully understand how a person's perception of risk is related to the purchase decision, we asked new buyers how the cost of six months of care would be paid if they did not have an LTC policy. Non-buyers and surveyed individuals 50 and older were asked, "Who would pay for most of the costs of six months of LTC services?" Figure 5 displays their responses.



Source: LifePlans, Inc., analysis of 2015 surveys of buyers, non-buyers, and the general population.

More than half (64 percent) of buyers believe that in the absence of a policy, they would have to pay for care themselves or receive help from their families. The comparable figure for non-buyers is 48 percent. Both non-buyers and individuals from the general population age 50 and over are more likely to believe that public programs will pay for care or simply do not know who would pay. However, a growing number of individuals age 50 and over understand that either they or their families will have to pay for LTC out of their own income or assets should the need arise. At the beginning of the decade, only one quarter of surveyed individuals said they would have to pay, compared to almost 2 in 5 respondents today.

We also asked each buyer and non-buyer how much they thought it currently costs per month to stay in a nursing home in their area. Respondents were asked to choose a thousand-dollar range (e.g., $4,001 to $5,000, $5,001 to $6,000, etc.). We then compared respondents' answers to the actual cost of a nursing home in their region.[15] As shown in Figure 6, there are few differences in the estimates of buyers and non-buyers—in both cases, roughly 3 in 5 underestimate the costs of nursing home care, and about 20 percent correctly estimate costs.



Source: LifePlans, Inc., analysis of 2015 surveys of buyers and non-buyers; analysis of data from the 2015 John Hancock Cost of Care Study.

4. Individual LTC Insurance Policies Bought in 2015-2016

Policy Design

Examining the products being purchased today yields important information about the market and how it has changed over time. In the analysis that follows, information on the types of products being bought is based on 8,791 individual policies. The analyses that rely on linkages between policy information and returned surveys are based on a sample of 1,326 individuals.

Over the last 20 years, there has been tremendous change in the types of products purchased. Between 1995 and 2000, there was a major shift in policy design, the most pronounced change being the move toward comprehensive products providing coverage for the continuum of LTC services. And during the past decade, there has been greater standardization of product design (see Table 4 and Table 5).

Table 4: Characteristics of LTC Insurance Policies Bought: Averages 1990-2015

Policy Characteristics	1990	1995	2000	2005	2010	2015
Policy type						
Nursing home only	63%	33%	14%	3%	1%	1%
Nursing home and home care	37%	61%	77%	90%	95%	96%
Home care only	---	6%	9%	7%	4%	3%
Daily benefit amount for NH care	$72	$85	$109	$142	$153	$161
Daily benefit amount for home care	$36	$78	$106	$135	$152	$155
Nursing home only elimination period	20 days	59 days	65 days	80 days	85 days	49 days
Integrated policy elimination period	-------	46 days	47 days	81 days	90 days	91 days
Nursing home benefit duration	5.6 years	5.1 years	5.5 years	5.4 years	4.8 years	4.0 years
Inflation protection	40%	33%	41%	76%	74%	66%
Annual premium	$1,071	$1,505	$1,677	$1,918	$2,283	$2,727

Source: LifePlans, Inc., analysis of data from studies of policies sold.

As shown in Table 4, coverage limited to nursing homes or institutional alternatives has virtually disappeared from the market. Whereas such coverage represented 63 percent of new sales in 1990, the comparable figure today is 1 percent. Almost all policies selling in the marketplace provide coverage for both institutional and home-based services. Over the past five years, elimination periods have stayed relatively constant, at about three months of care for integrated policies. The percentage of individuals purchasing a benefit increase option (inflation protection) has dropped off, down from 3 in 4 to 2 in 3. Roughly half of all purchasers have compound inflation protection. The average daily nursing home benefit has increased by only 5 percent over the last five years, and the home care benefit amount remains close to the nursing home level, reflecting the dominance of integrated policies. Earlier, daily benefit amounts were increasing by between 20 and 30 percent over each five-year period, but the past decade has seen significant benefit stabilization, reflecting modest inflation.

The decline in benefit duration continues, with the average falling to a new low of four years (see Table 5). There has been a drop in policies with unlimited (lifetime) durations, which are no longer sold by most companies, because of insurers' general aversion to uncapped liabilities as well as rating agencies negative view of them. The proportion of shorter-duration policies has grown—just a decade ago, only 1 in 10 policies sold had two-year durations, but now 20 percent do.

Table 5: LTC Insurance Policy Designs, Percentage of Sales by Purchase Year

Attributes of Policies	1990	1995	2000	2005	2010	2015
Types of policies sold						
Nursing home only	63%	33%	14%	3%	1%	1%
NH and home care	37	61	77	90	95	96
Home care only	---	6	9	7	4	3
Nursing home duration						
1-2 years	23%	24%	17%	11%	11%	20%
3 years	12	20	23	22	30	40
4 years	15	18	14	17	17	14
5 years	12	6	11	16	16	12
6 years	5	2	5	6	9	2
7-9 years	-	-	-	5	3	1
Lifetime benefits	33	30	30	23	15	11
Average duration	5.6 years	5.1 years	5.5 years	5.4 years	4.8 years	4.0 years
Nursing home daily benefit						
Up to $30	2%	1%	1%	-	-	-
$31 to $59	25	12	5	2%	8%	3%
$60 to $89	51	40	17	6	4	3
$90 to $119	18	38	43	25	17	19
$120 and over	4	9	34	67	71	75
Average daily benefit	$72	$85	$109	$142	$153	$161
Home health care duration						
1 year	Not available	20%	5%	4%	2%	4%
2 years		31	14	10	11	17
3 years		21	22	22	29	40
4 years		5	13	17	16	15
5 years		10	10	16	16	12
6 years		1	7	6	9	2
7-9 years		-	-	4	3	1
Lifetime benefits		12	30	22	14	10
Average duration		3.4 years	5.4 years	5.2 years	4.8 years	4.0 years

Attributes of Policies	1990	1995	2000	2005	2010	2015
Home health care daily benefit						
Up to $30	25%*	3%	1%	-	-	-
$31 to $59	60	26	8	3%	8%	3%
$60 to $89	13	33	17	9	4	5
$90 to $119	2	31	41	26	18	20
$120 and over	-	8	33	62	70	72
Average daily benefit	$36	$78*	$106	$135	$152	$155
Elimination period						
0 day	25%	28%	23%	1%	-	1%
15 to 20 days	41	17	3	6	1%	1
30 to 60 days	12	16	16	20	7	5
84 days	-	-	-	-	10	-
90 to 100 days	22	39	55	67	79	89
> 100 days			3	6	3	4
Choosing inflation protection **	40%	33%	41%	76%	74%	66%
Simple	N.A.	14%	17%	23%	12%	8%
Compound		15	22	49	49	47
Indexed to CPI		4	2	4	13	8
Total annual premium						
Up to $500	19%	10%	5%	4%	7%	1%
$500 to $999	40	29	24	18	11	4
$1,000 to $1,499	21	23	26	25	17	12
$1,500 to $1,999	11	15	18	20	17	18
$2,000 to $2,499	5	9	9	12	14	18
Greater than $2,500	4	14	18	22	34	46
Average annual premium	$1,071	$1,505	$1,677	$1,918	$2,283	$2,727

Source: LifePlans, Inc., analysis of data from studies of policies sold.
** Figures also account for the value of home care benefits in integrated "pool of money" products.*
*** Note that the 7% with a guaranteed purchase option for benefit upgrades are not included in the total; 3% indicating "Other form not listed" are included in total.*

Average annual premiums increased by 19 percent between 2005 and 2010, and another 19 percent from 2010 to 2015—from $1,918 to $2,283 to $2,727. The dollar value of the 2010-2015 increase is the highest in 25 years—$444. Premium increases appear to be greater than would be expected based only on changes in policy designs and declining average age at purchase. What is likely driving the increase are the more conservative assumptions that actuaries are employing in pricing current policies, in particular, lower lapse and interest rate assumptions. The close to zero interest rate environment in which the economy has been operating over the past seven years has led to significant premium increases.

The analysis in Table 6 examines the impact of changes in specific policy design parameters on premiums. We do this to show if and how the relative value in the policy has changed over a five-year period. In 2000, we found that premiums increased less than would have been expected based on changes in policy parameters, and we concluded that buyers were getting better coverage value for their premium dollar. Between 2000 and 2005, the increase in average premiums was just about equal to the impact of the changes in policy design, meaning that relative policy value stayed constant. But between 2005 and 2015 that trend has reversed. Everything else held constant, changes in policy design (and the increase in the average age) would have led to a 12 percent decline in premiums, but in fact there was a 19 percent increase. This suggests that changes in lapse and interest rate assumptions have significantly affected premium levels. Consumers are responding by trading shorter benefit durations and somewhat less inflation protection for lower premiums. It should also be noted that, while there is currently less coverage value for the premium dollar compared to previous years, there is now a greater likelihood of premium stability over time, since the major drivers of price changes are now set to levels that are more reflective of conditions today.

Table 6: Impact of Changes in Policy Parameters on Premiums

Policy Parameters	2010	2015	Impact of Change on Premium Levels
Coverage			
Comprehensive	95%	96%	**1.1%**
Duration	4.8 years	4.0 years	**-16.7%**
Daily benefit			
Nursing home	$153	$161	**5.2%**
Home care	$152	$155	**2.0%**
Elimination period	90 days	93 days	**-.7%**
Inflation protection			**-8.0%**
Simple	12%	8%	
Compound	49%	47%	
Indexed to CPI	13%	8%	
None	26%	34%	
Average age	59	60	**5.6%**
Total projected impact of changes			**-12.1%**
Actual change in premium	$2,283	$2,727	**19.4%**

Source: LifePlans Premium Sensitivity Model.

The Relationship Between Policy Designs and Age and Income

The purchase of specific policy designs is greatly influenced by the buyer's age and income. As income increases, individuals are more likely to buy richer plans with longer durations, higher daily benefit amounts, and more inflation protection, and they are somewhat more likely to have Partnership policies (see Table 7). Higher- income purchasers also tend to have slightly longer elimination periods, since they are able to self-fund more care. However, premium levels tend to vary inversely with income level—higher income buyers tend to have lower premiums. One possible reason for this could be that the average age at purchase declines as income increases—those making less than $25,000 have an average age of 63, while those making $75,000 or more are four years younger, with an average age of 59.

Note that the average premium of the policies that are linked to specific survey responders is lower than that of the entire sample of individuals sent to LifePlans for analysis—$2,620 compared to $2,727. Given the relation between income and premium levels, this suggests that those responding to the survey have somewhat higher levels of income than the non-responders.

Table 7: Key Policy Design Parameters Chosen by Buyers, by Income, 2015

Policy Features	Income			
	<$25,000	$25,000-$49,999	$50,000-$74,999	$75,000+
Benefit duration				
Average	2.9 years	3.5 years	3.9 years	4.0 years
1-2 years	37%	35%	27%	16%
3-4 years	58	47	51	60
5-6 years	1	10	9	13
7-9 years	-	-	1	-
Lifetime	4	8	12	11
Nursing home benefit amount				
Average	$165	$138	$143	$162
Up to $80	8%	15%	8%	7%
$81 to $100	12	22	28	15
$101 to $120	3	6	5	5
$121 to $150	43	26	30	31
$151 and over	34	31	29	42
Home care benefit amount				
Average	$160	$134	$139	$156
Up to $80	8%	15%	8%	7%
$81 to $100	12	22	28	15
$101 to $120	3	6	5	5
$121 to $150	43	26	30	31
$151 and over	34	31	30	42
Inflation protection	46%	58%	63%	71%
Average elimination period	89 days	86 days	92 days	92 days
Percent with home care	100%	94%	98%	100%
Average annual premium	$2,909	$2,711	$2,677	$2,542

Policy Features	Income			
	<$25,000	$25,000-$49,999	$50,000-$74,999	$75,000+
Monthly premiums				
Up to $50	-	1%	-	2%
$51 to $75	-	1	2%	3
$76 to $100	7%	6	6	7
$101 to $125	4	11	9	11
$126 to $150	8	11	10	10
$151 to $200	24	15	20	25
$201 and over	58	54	52	42
Partnership program	25%	38%	38%	46%

Source: LifePlans, Inc., analysis of 1,326 linked surveys and policies in 2015.

Along with the amount of money individuals are willing and able to spend, certain preferences change dramatically with age (see Table 8). In general, older buyers tend to select shorter durations and lower daily benefit amounts, and few choose inflation protection. Partnership policies are also less prevalent among this age group. Buyers age 55 to 64 are three times more likely to buy inflation protection than those over 75. Younger buyers expect to access benefits 15 to 20 years in the future, so benefit upgrades are particularly important. On the other hand, buyers 75 and older may experience only a few years of inflation, choose to self-fund this risk, and therefore opt to acquire a higher initial benefit package for the same premium.

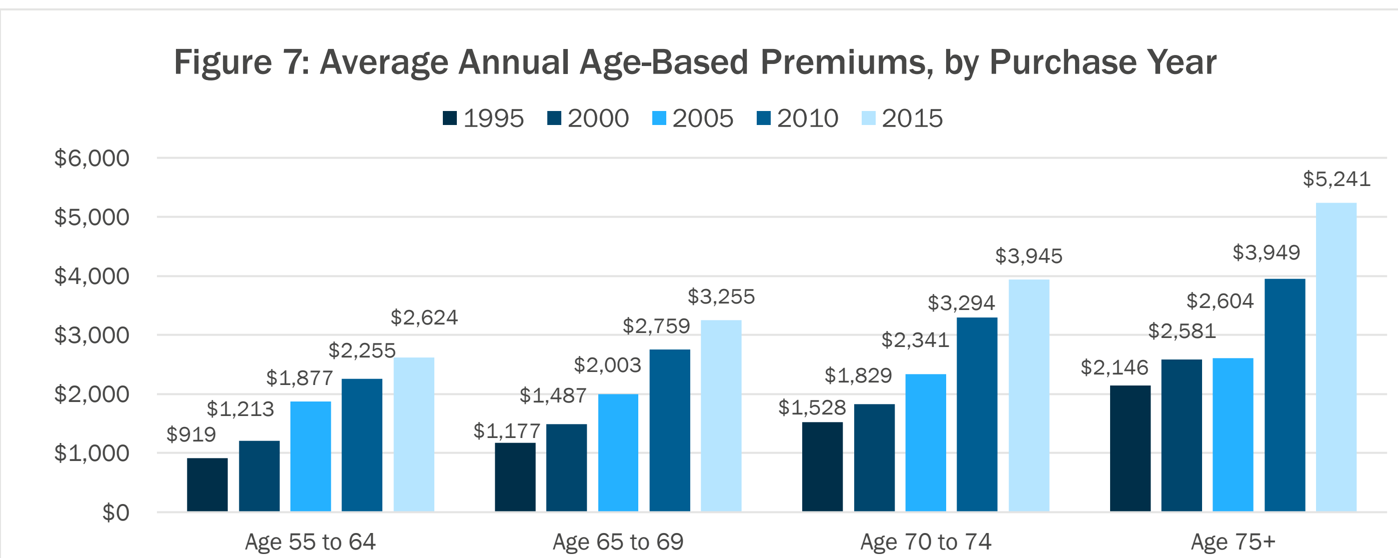
Table 8: Key Policy Design Parameters Chosen by Buyers, by Age, 2015

Policy Features	Age				
	Under 55	55 to 64	65 to 69	70 to 74	75 and over
Benefit duration					
Average	3.9 years	4 years	4 years	3.5 years	2.5 years
1-2 years	11%	19%	26%	35%	63%
3-4 years	66	58	51	51	30
5-6 years	16	11	10	4	-
7-9 years	-	-	-	-	2
Lifetime	6	11	13	10	5
Nursing home benefit amount					
Average	$175	$155	$151	$130	$120
Up to $80	2%	6%	6%	14%	44%
$81 to $100	13	19	19	22	1
$101 to $120	4	5	8	6	-
$121 to $150	28	28	32	37	33
$151 and over	53	43	35	21	22
Home care benefit amount					
Average	$168	$151	$144	$134	$115
Up to $80	2%	8%	10%	14%	40%
$81 to $100	15	18	18	24	12
$101 to $120	5	4	7	5	1
$121 to $150	31	29	35	32	18
$151 and over	47	41	30	25	29
Inflation protection	69%	73%	66%	41%	24%

Policy Features	Age				
	Under 55	55 to 64	65 to 69	70 to 74	75 and over
Average elimination period	91 days	94 days	85 days	95 days	81 days
Percent with home care	98%	99%	99%	100%	100%
Average annual premium	$2,005	$2,443	$3,120	$3,498	$6,817
Monthly premium					
Up to $50	3%	1%	-	2%	-
$51 to $75	8	2	1%	-	-
$76 to $100	13	7	1	6	-
$101 to $125	15	11	5	2	-
$126 to $150	9	11	11	3	13
$151 to $200	24	25	17	18	13
$201 and over	28	42	65	69	74
Partnership program	46%	46%	42%	34%	4%

Source: LifePlans, Inc., analysis of 1,326 linked surveys and policies in 2015.

Given that LTC policies are level-funded (i.e., benefits are prefunded) and the LTC risk is highly correlated with age, if everything else is held constant, premiums will increase as purchase age goes up. Thus, premiums for 75-year-old buyers are twice as high as for those between 55 and 64, even though the latter purchase more comprehensive products. The difference in premiums between age groups is becoming much smaller over time at the younger ages but greater at the older ages (see Figure 7).



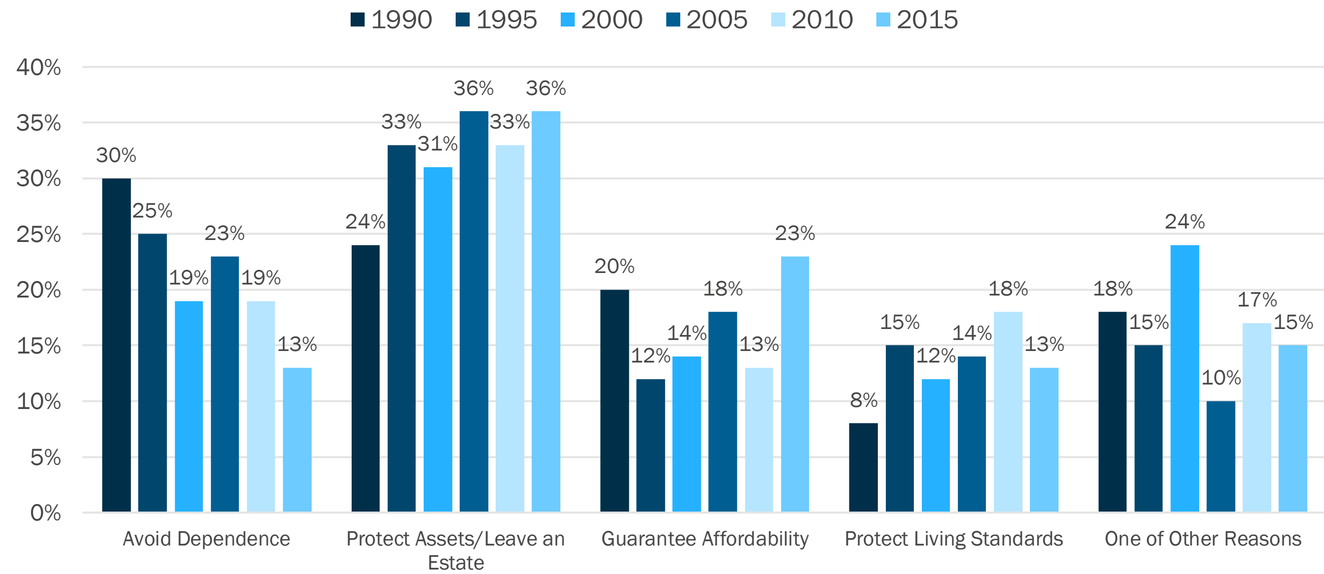
Source: LifePlans, Inc., analysis of data from studies of policies sold.

We are seeing a diminishing of increases in average premium at purchase. For buyers 55-64 years old, the average premium grew by 54 percent from 2000 to 2005, but only 20 percent from 2005 to 2010 and 16 percent from 2010 to 2015. However, the trend for older buyers is less clear: For the 70-74 age group, the premium increase was 28 percent between 2000 and 2005, 41 percent from 2005 to 2010, and 32 percent from 2010 to 2015.

5. Reasons Behind the Individual LTC Insurance Purchase Decision

People buy LTC insurance for many reasons, including ensuring the affordability of services and the choice of service modalities, as well as protecting assets and a family's standard of living. We asked buyers to indicate both how important various factors were in their decision to purchase and which factor was for them the single most important reason to buy. As shown in Figure 8, consistently over the last 25 years, the reason given by the largest number as the most important has been the desire to protect one's assets and estate (chosen by about one-third). Over the years, ever fewer people have cited the desire to avoid dependence as their prime motivator.

Figure 8: The Most Important Reason for Buying LTC Insurance, by Purchase Year



Source: LifePlans, Inc., analysis of buyer surveys.

Regarding the proportion of those who judge various reasons for purchase as important or unimportant, responses have changed little over the years (see Table 9). In 2010 we added an item on Partnership policies, which offer advantages if a person seeks to access Medicaid when insurance benefits cease. Partnership programs have growing appeal, with almost three-quarters of respondents now indicating they are important in their purchase motivation.

Table 9: Reasons Why Individuals Bought LTC Insurance Policies, by Purchase Year

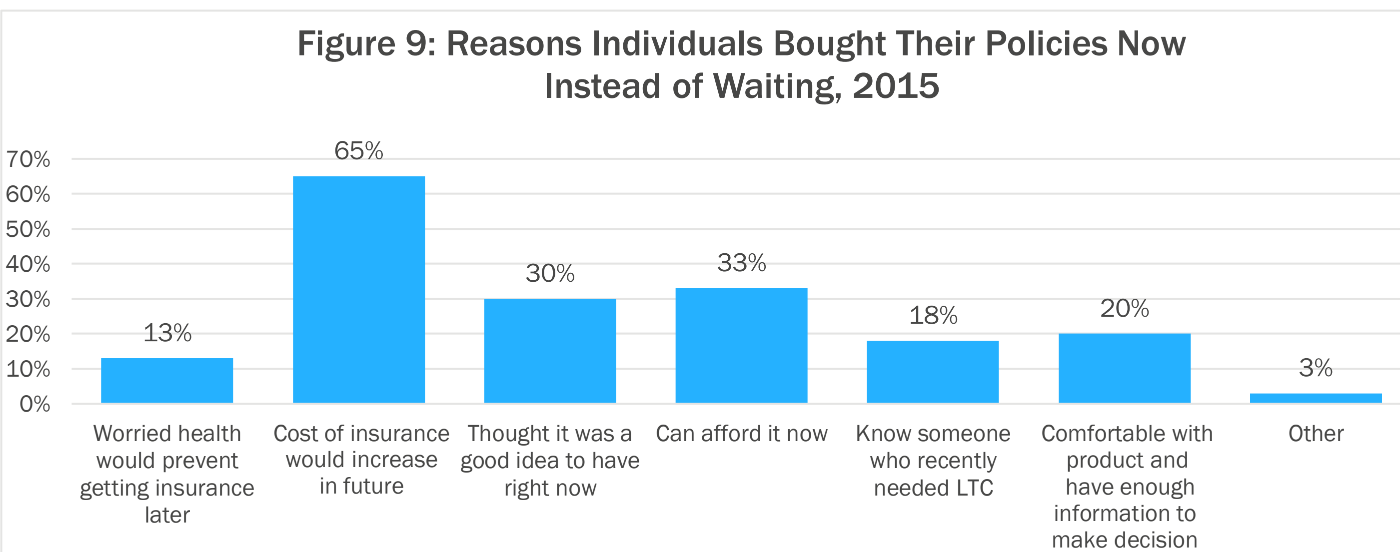
Reasons for Insurance Purchase	1990	1995	2000	2005	2010	2015
1. Minimizing Financial Exposure						
The government will not cover the care I may need in the future.						
Very Important Reason	54%	54%	54%	55%	55%	52%
Important Reason	41	38	40	36	37	41
Not Very Important Reason	4	5	4	6	6	5
Not at All Important Reason	---	3	2	3	2	2

Reasons for Insurance Purchase	1990	1995	2000	2005	2010	2015
With LTC insurance I do not have to use up my savings or income to pay for nursing home or home health care services. I can protect assets.						
Very Important Reason	72%	67%	71%	76%	75%	75%
Important Reason	26	30	28	22	24	24
Not Very Important Reason	2	2	1	1	1	1
Not at All Important Reason	---	1	---	1	-	-
LTC insurance guarantees that I will be able to afford needed health care services.						
Very Important Reason	70%	66%	68%	68%	71%	69%
Important Reason	29	32	31	31	28	30
Not Very Important Reason	1	1	1	1	1	1
Not at All Important Reason	---	<1	---	---	-	-
2. Protecting Family Resources LTC insurance helps assure an adequate income remains for my spouse if I need costly services.						
Very Important Reason	74%	59%	62%	57%	57%	56%
Important Reason	23	22	22	26	22	24
Not Very Important Reason	2	3	4	3	4	5
Not at All Important Reason	1	15	13	14	17	15
I want to leave an estate to family/friends.						
Very Important Reason	38%	43%	43%	39%	36%	35%
Important Reason	36	37	36	32	33	31
Not Very Important Reason	20	15	17	18	23	23
Not at All Important Reason	6	5	5	11	8	11
3. Enhancing Choice and Independence LTC insurance gives me the freedom to choose the nursing home or home care services I prefer.						
Very Important Reason	74%	59%	58%	59%	61%	52%
Important Reason	24	37	37	35	33	40
Not Very Important Reason	1	3	4	5	5	7
Not at All Important Reason	1	1	1	1	1	1
With LTC insurance, I can preserve my financial independence and avoid having to depend on others for care.						
Very Important Reason	75%	69%	69%	72%	71%	65%
Important Reason	24	29	28	26	27	32
Not Very Important Reason	1	1	2	1	2	3
Not at All Important Reason	1	1	1	1	-	1

Reasons for Insurance Purchase	1990	1995	2000	2005	2010	2015
With LTC insurance, I will not have to depend on Medicaid, the public medical assistance program for the needy.						
Very Important Reason	52%	50%	45%	39%	43%	39%
Important Reason	39	41	40	42	40	41
Not Very Important Reason	7	7	11	15	14	16
Not at All Important Reason	3	2	4	4	3	4
4. LTC Partnership Program My state participates in a LTC Partnership Program, and I can access Medicaid benefits to help pay for LTC services after using the benefits from my private LTC insurance policy without having to use up all of my assets.						
Very Important Reason					31%	38%
Important Reason	N.A.	N.A.	N.A	N.A	34	35
Not Very Important Reason					18	17
Not at All Important Reason					17	10

Source: LifePlans, Inc. analysis of buyer surveys.

We were interested in what made new buyers purchase their policies now rather than later. Figure 9 shows that an overwhelming majority of buyers said that they did so because they knew it would get more expensive if they waited to buy it in the future. This, coupled with the perceived financial capacity to buy now, constituted the two primary factors driving buyers' decisions to go ahead and buy. Most were not too worried about their health understandable because purchasers are now younger.



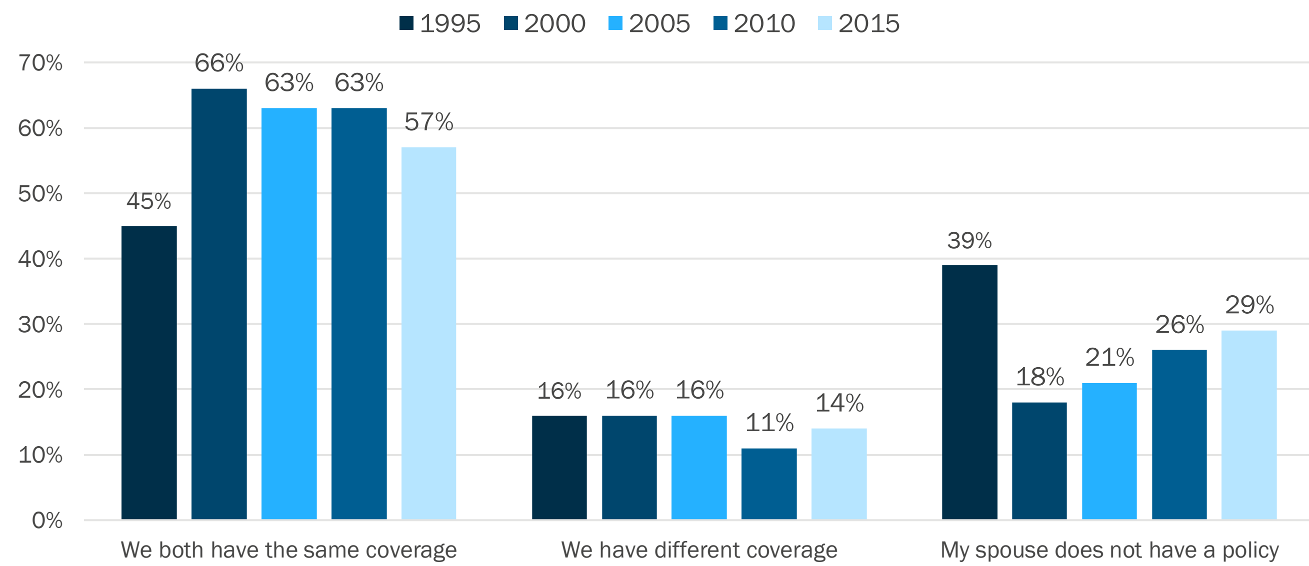
Source: LifePlans, Inc., analysis of 1,326 buyers in 2015.

6. The Process of Buying LTC Insurance

We asked buyers a number of questions relating to their experience with the process of insurance purchase. Most buyers we surveyed (92 percent) were purchasing an LTC policy for the first time; the others were either replacing a previous policy (4 percent) or adding to an existing policy (4 percent).

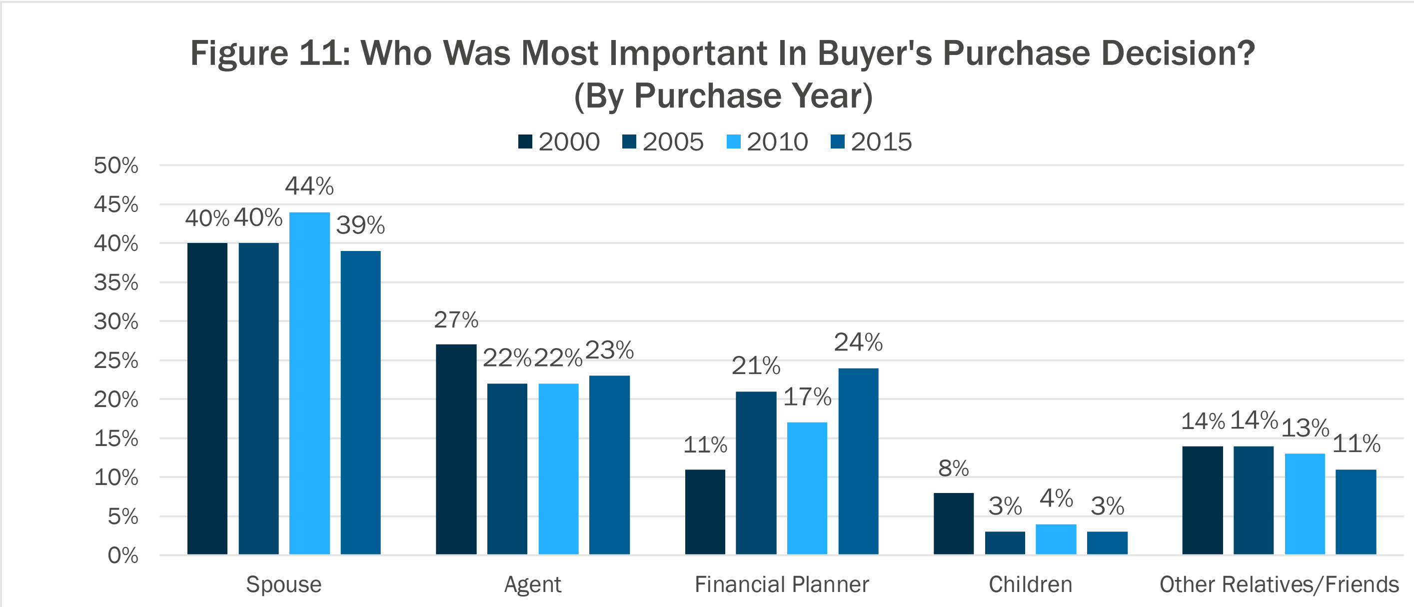
Among married people buying policies, in 2015, 71 percent reported that their spouse also had LTC coverage, compared with 74 percent in 2010. Most companies offer substantial spousal discounts, and some make a counter-offer (rather than issuing an underwriting rejection) to the less healthy member of a couple if the healthier member also buys a policy.[16] These strategies appear to be successful, as the proportion of married couples that have coverage for both persons has remained relatively constant over the last 15 years (see Figure 10).

Figure 10: LTC Coverage Among Married Couples, by Purchase Year



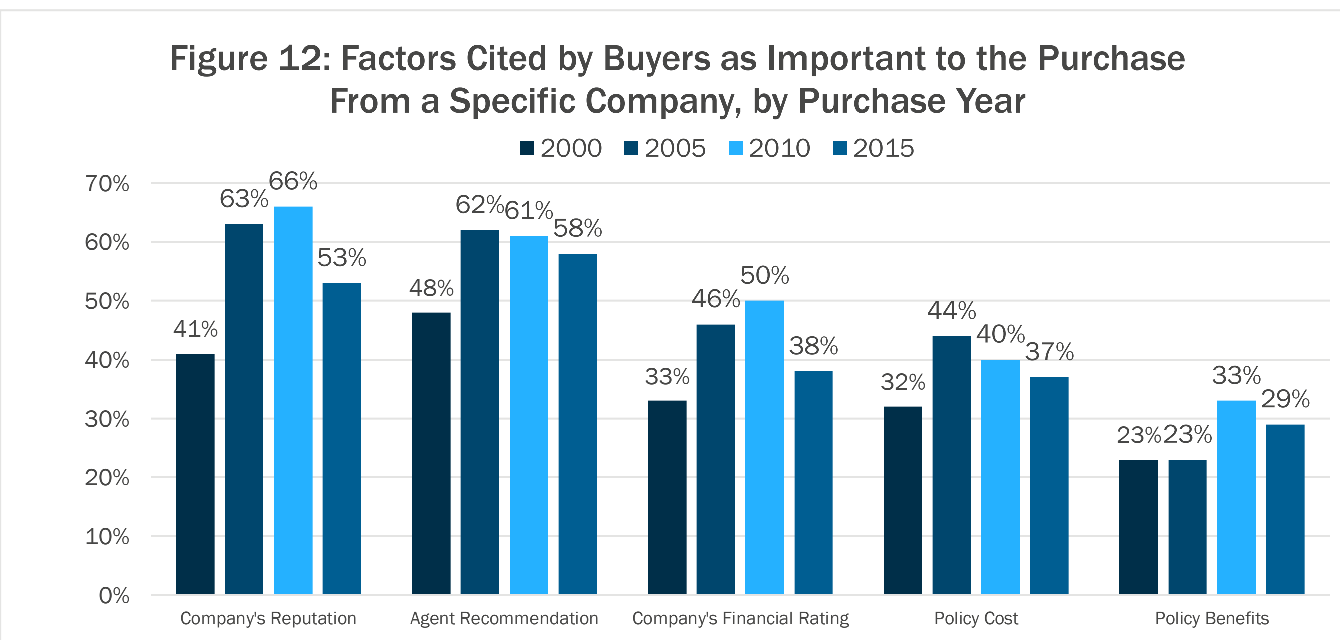
Source: LifePlans, Inc., analysis of buyer surveys.

For the most part, a person's decision to purchase LTC insurance is not made alone. In addition to the insurance agent, other people—spouses, children, relatives, and financial planners—contribute to the discussion. While spouses remain the most influential (see Figure 11), financial planners are playing an increasingly important role, followed closely by agents. Only rarely do children take an active part, most likely because buyers are younger and their children are younger as well. Moreover, people appear less concerned with being a burden on their families should the need for care arise, so children are less likely to be a consideration or play an active role in the insurance purchase decision.



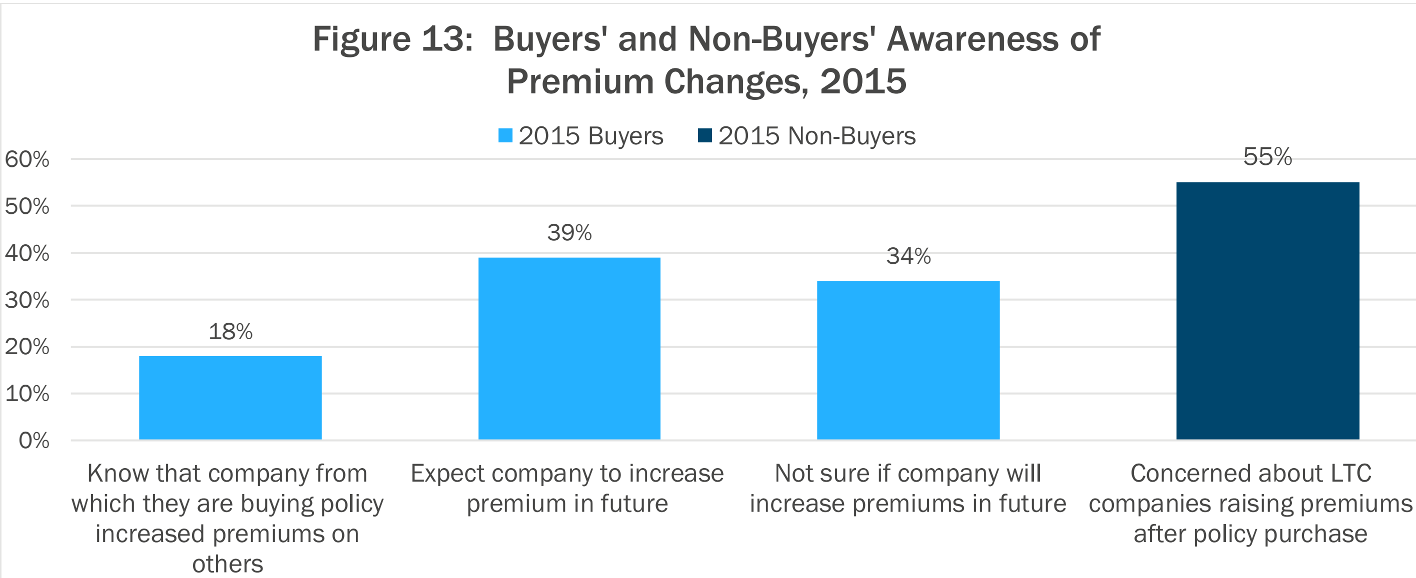
Source: LifePlans, Inc., analysis of buyer surveys.

We asked what made buyers decide to purchase a policy from a particular company (see Figure 12). The pattern of responses has stayed fairly constant over the past 15 years: The agent's recommendation and the insurer's reputation are most commonly cited by buyers, although policy cost and benefits are important to some people. Other factors—such as how long a company had been selling LTC insurance, recommendations from family or friends, whether the insurer had ever raised premiums after policy purchase, and whether the buyer had other types of insurance with the carrier—had little influence on the choice of company (these were cited as important by 15 percent, 15 percent, 5 percent, and 11 percent, respectively). Agents have the most prominent role—when buyers were asked to choose the single most important reason for company selection, the greatest number (31 percent) said the agent.



Source: LifePlans, Inc., analysis of buyer surveys.

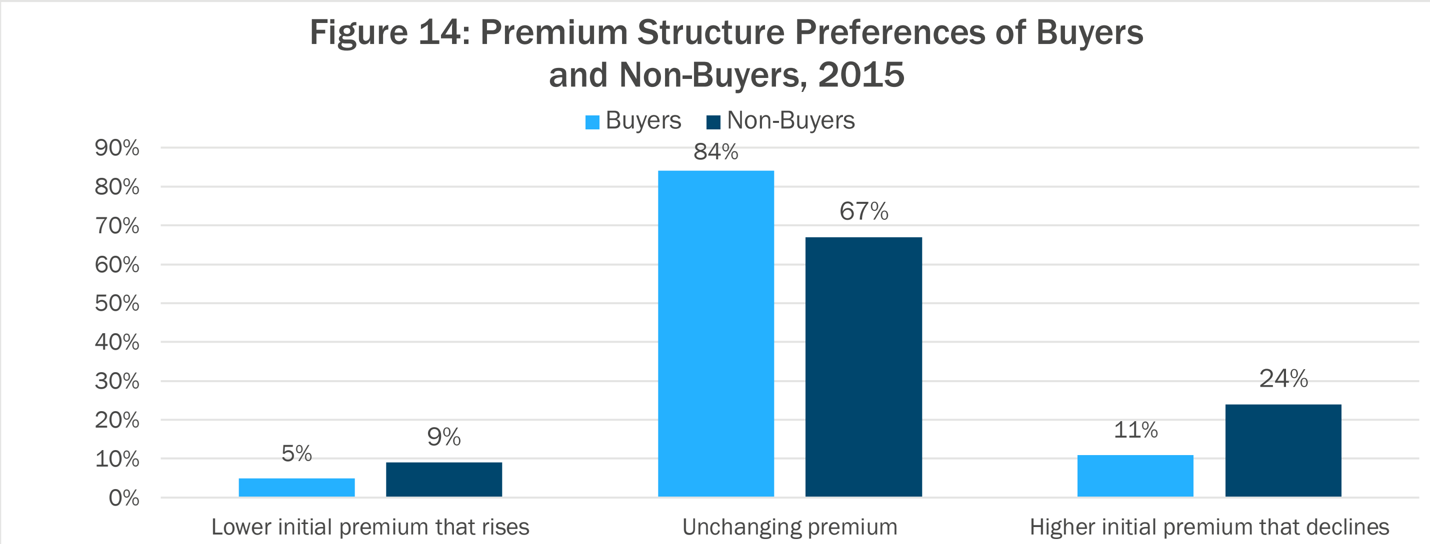
Both buyers and non-buyers were asked about their expectations for the stability of the premiums they were charged or offered. As shown in Figure 13, among buyers, slightly less than 1 in 5 knew that the company from which they were buying had raised premiums on other policyholders. However, roughly 2 in 5 expected their company to raise premiums in the future, and another one-third was not sure. This leaves less than one-third of new buyers who do not expect their premiums to increase over time. Of non-buyers, more than half expressed a concern that the company would increase premiums on policyholders sometime in the future.



Source: LifePlans, Inc., analysis of 1,326 buyers and 225 non-buyers in 2015.

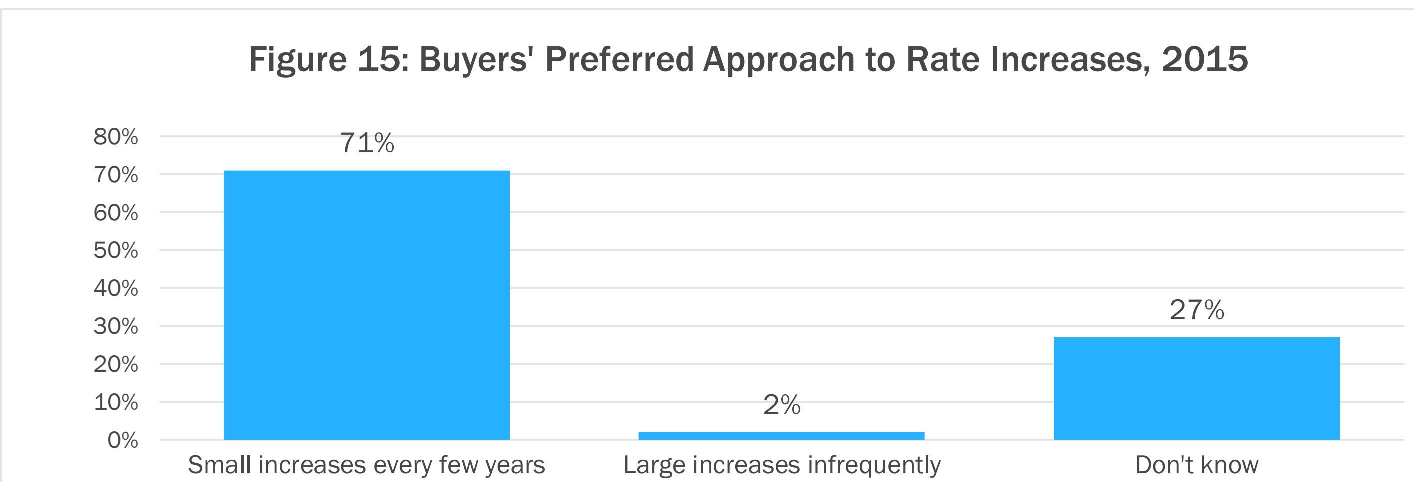
A number of researchers and industry watchers have suggested that one way carriers may want to make LTC insurance more attractive is to experiment with the structure of premium payments. Currently, premiums are structured to be level, that is, not increase with age once purchased. We asked a series of questions of both buyers and non-buyers to gauge their interest in alternative premium structures, that is, in the ways that LTC insurance premiums might be paid. They were asked whether they preferred a lower initial premium that would increase every year by 2 percent to 3 percent until age 70, a premium designed to stay level throughout their lifetime, or a higher initial premium that would decline 2 percent to 3 percent annually until age 70. They were told that the total value of the premiums paid would be the same regardless of which option they chose. Figure 14 below shows that, overwhelmingly, new buyers as well as those offered a policy that chose not to buy prefer an unchanging (level-funded) premium. Very few people prefer premiums that start low and then increase every year. However, more than twice as many non-buyers as buyers like the option of paying initially higher premiums that slowly decline (at least through age 70).

There is much active consideration among policymakers as to the best approach for dealing with actuarially-justified, but substantial, rate increases. To inform this discussion, we asked buyers which they would prefer, small rate increases every few years or infrequent larger increases.



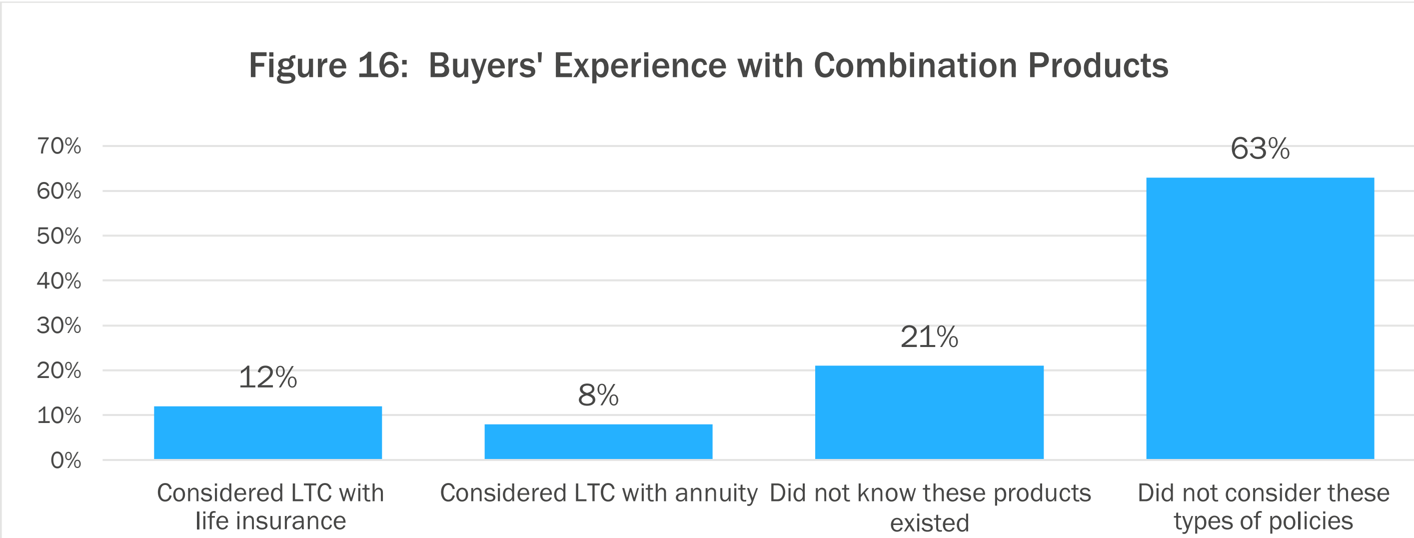
Source: LifePlans, Inc., analysis of 1,326 buyers and 225 non-buyers in 2015.

As shown in Figure 15, the vast majority of buyers would prefer small but more frequent adjustments to their premiums rather than infrequent but larger increases. This is consistent with the way that health insurance premium changes occur. In addition, this structure of premium payment minimizes uncertainty regarding the magnitude of premium changes and is less likely to lead people to have to drop their policies because premiums become unaffordable.



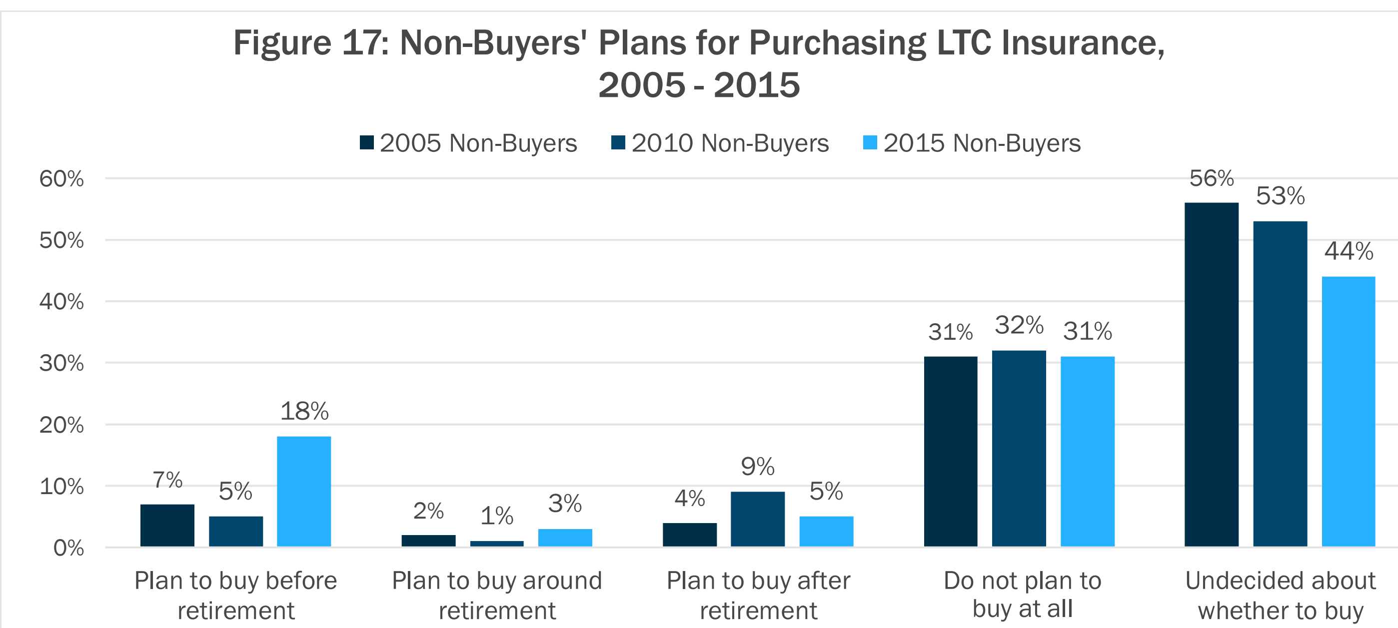
Source: LifePlans, Inc., analysis of 1,326 Buyers in 2015.

While both individual and group LTC insurance sales have been declining, combination products have enjoyed significant growth over the past decade. We asked buyers whether they had considered a combination product, and most had not (see Figure 16). Of non-buyers, slightly more than half (53 percent) said they would be more likely to buy a life insurance or annuity product with a rider that paid for LTC than a stand-alone LTC insurance product. Most of the rest (31 percent) said it would make no difference to their decision; less than 1 in 5 would definitely prefer a stand-alone LTC insurance product. We also asked individuals in the general population age 50 and over about combination products and 37 percent indicated interest in buying a provision in their life insurance policy or annuity that allowed benefits to be paid for LTC.



Source: LifePlans, Inc., analysis of 1,326 Buyers in 2015.

Since 2005, we have asked non-buyers about their potential future purchase of LTC insurance (see Figure 17). Consistently, only one- third have indicated that they definitely do not plan to buy in the future, so a majority remains potential purchasers of LTC insurance. In 2015, there was significant growth in the number of non-buyers planning to buy before retirement, up from 5 percent in 2010 to 18 percent. This seems to suggest that many current non-buyers view LTC insurance as part of a retirement plan and likely understand the risk of waiting too long to purchase a policy (an increasing price and the possibility of not being able to purchase a policy due to a change in health status).



Source: LifePlans, Inc., analysis of non-buyer surveys.

7. Reasons Individuals Do Not Purchase LTC Insurance

Over the last 20 years, cost has been cited as the most important reason for non-purchase (although it might be more accurate to say that individuals question the cost *relative to the value* of the policy). In 2010, cost was again judged by more than half of respondents as a very important reason why they chose not to buy a policy. But cost is not the sole reason: Other factors relate to skepticism about insurance companies, a lack of understanding of the risk of needing LTC, confusion about what the government does and does not pay for, and lack of knowledge about the product. To gauge the importance of these and other factors, we presented non-buyers with a number of reasons for non-purchase and asked them whether each was “very important,” “important,” “not very important,” or “not at all important” to their decision not to buy (see Table 10). We focus on the differing proportions of individuals who cited a reason as “very important.”

Table 10: Reasons Why Individuals Do Not Buy LTC Insurance, by Year

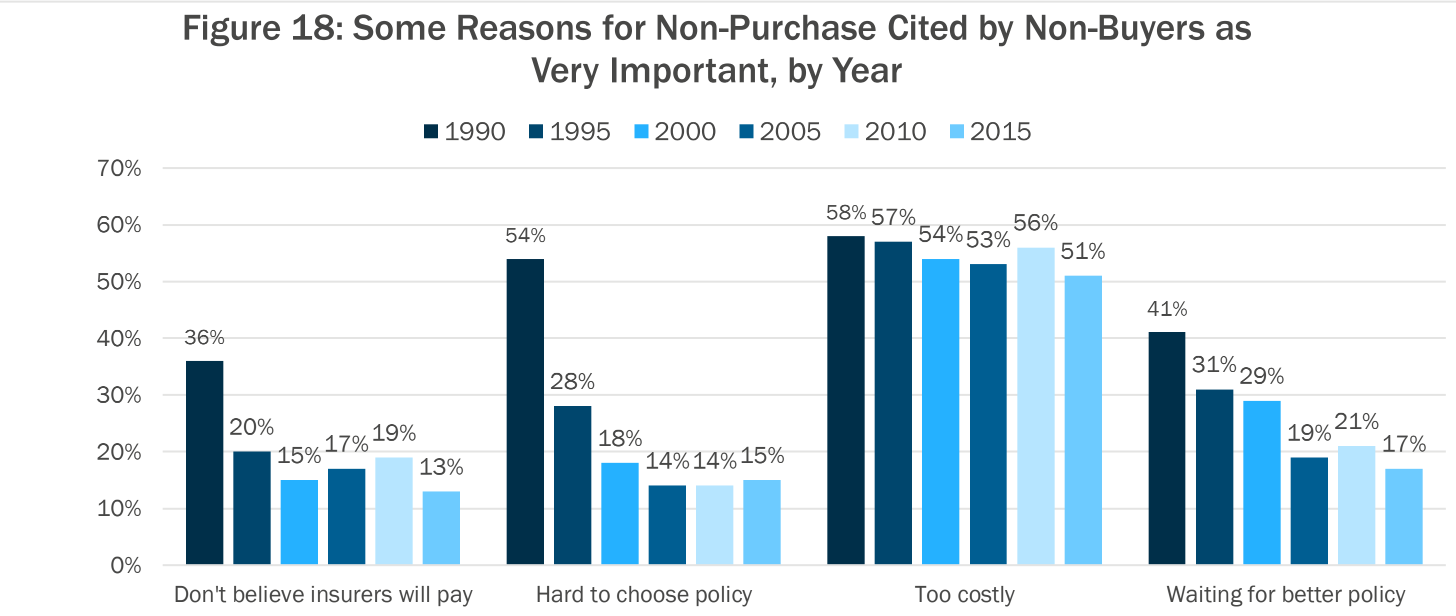
Reasons for Non-Purchase of Insurance	1990	1995	2000	2005	2010	2015
1. Policy Cost						
LTC insurance costs too much.						
Very Important Reason	58%	57%	54%	53%	56%	51%
Important Reason	33	32	30	30	31	30
Not Very Important Reason	6	6	10	9	8	13
Not at All Important Reason	3	5	6	8	5	6
2. Policy Design /Attitude About Insurer						
It’s too confusing to know which policy is right for me.						
Very Important Reason	54%	28%	18%	14%	14%	15%
Important Reason	33	37	28	26	35	23
Not Very Important Reason	6	16	25	24	22	30
Not at All Important Reason	7	19	29	36	29	32
I felt that there were too many conditions that had to be met before someone could receive benefits.						
Very Important Reason	N.A.	30%	25%	22%	23%	22%
Important Reason		34	34	33	35	32
Not Very Important Reason		17	21	22	23	23
Not at All Important Reason		19	20	23	19	23

Reasons for Non-Purchase of Insurance	1990	1995	2000	2005	2010	2015
I am waiting for better policies.						
Very Important Reason	41%	32%	28%	19%	21%	17%
Important Reason	34	32	30	32	30	27
Not Very Important Reason	15	16	16	20	27	32
Not at All Important Reason	10	20	26	29	22	25
I don't believe that insurance companies will pay benefits as stated in the policy.						
Very Important Reason	36%	21%	15%	17%	19%	13%
Important Reason	35	25	29	25	30	28
Not Very Important Reason	14	24	27	30	23	30
Not at All Important Reason	15	30	29	29	28	29
I was concerned that a policy bought today would not cover the types of services that I might need in the future.						
Very Important Reason				23%	31%	21%
Important Reason	N.A.	N.A.	N.A.	32	36	34
Not Very Important Reason				24	21	26
Not at All Important Reason				21	12	19
3. Financial Exposure						
If I need LTC services, I believe that Medicare will pay.						
Very Important Reason	20%	15%	6%	4%	7%	3%
Important Reason	38	27	18	16	21	13
Not Very Important Reason	24	28	37	42	34	44
Not at All Important Reason	17	30	39	38	38	40
If I need LTC services, I believe that Medicaid will pay.						
Very Important Reason	20%	12%	9%	5%	7%	3%
Important Reason	38	24	13	14	16	11
Not Very Important Reason	24	24	29	32	33	33
Not at All Important Reason	17	40	49	49	44	53
If I need LTC services, my family will take care of me.						
Very Important Reason	9%	8%	6%	5%	4%	4%
Important Reason	26	22	17	15	14	11
Not Very Important Reason	31	28	30	33	31	29
Not at All Important Reason	34	42	47	47	51	57

Reasons for Non-Purchase of Insurance	1990	1995	2000	2005	2010	2015
I don't mind using my own income and assets to pay for whatever care I may need.						
Very Important Reason	22%	15%	11%	13%	10%	13%
Important Reason	50	41	32	36	32	33
Not Very Important Reason	17	22	30	27	29	33
Not at All Important Reason	11	22	27	24	29	22
4. Other I don't think I will ever need services.						
Very Important Reason	15%	9%	10%	5%	7%	5%
Important Reason	41	25	24	21	23	16
Not Very Important Reason	29	36	39	38	35	45
Not at All Important Reason	14	30	27	36	35	34
My spouse could not get coverage so I did not want to buy a policy.						
Very Important Reason	20%	11%	17%	22%	13%	9%
Important Reason	21	12	17	9	11	9
Not Very Important Reason	16	17	19	14	19	23
Not at All Important Reason	43	60	47	55	57	59
I had concerns that the insurance company would raise premiums after I bought a policy.						
Very Important Reason				24%	30%	26%
Important Reason	N.A.	N.A.	N.A.	31	36	28
Not Very Important Reason				25	19	24
Not at All Important Reason				20	15	22

Source: LifePlans, Inc. analysis of non-buyer surveys.

As mentioned, the reason for non-purchase most often rated by non-buyers as "very important" or "important" is, by far, cost, and the proportion of non-buyers citing cost has remained fairly stable over the past 25 years. Thus, affordability remains the major obstacle. However, Figure 18 highlights just how responsive insurers have been to concerns raised by consumers over the years. The proportion of people who say they are not buying because they are waiting for better policies or who do not believe insurers will pay has been cut by two-thirds, to roughly 13 percent. The comprehensive nature of current policies, along with the flexible way that benefits can be used, is the likely reason for this. The number of non-buyers who said it was too confusing to know which policy was right for them has decreased significantly over time and remains low. On the other hand, we posed the statement "I was concerned that a policy that I bought today would not cover the types of services that I might need in the future," and in 2015, slightly over half of non-buyers indicated this was at least an important reason for not buying a policy, of which 21 percent said it was very important. Thus, this concern also continues to pose a challenge for insurers.



Source: LifePlans, Inc., analysis of non-buyer surveys.

8. Factors That Would Make Non-Buyers More Likely to Purchase LTC Insurance

There is a developing consensus that the LTC financing challenge requires both the public and private sectors to play meaningful and significant roles. The exit of a number of major carriers as well as declines in sales suggests that the private market continues to face challenges in its attempt to attract more consumers. To begin to understand how the product might be configured or made available to consumers more successfully, or what role the government might play in support of helping consumers meet their LTC needs through use of LTC products, we asked non-buyers what might make them more interested in purchasing a policy (see Table 11). Respondents were asked to indicate whether a factor would make them “much more interested,” “more interested,” “not more interested,” or “not at all interested.”

Table 11: Factors That Would Make Non-Buyers More Interested in Purchasing LTC Insurance, by Year

Factors Influencing Potential Purchase	1995	2000	2005	2010	2015
If I could deduct premiums from my income tax, I would be…					
Much more interested	45%	37%	41%	43%	50%
More interested	36	44	42	44	41
Not more interested	10	10	11	9	6
Not at all interested	8	9	6	4	3

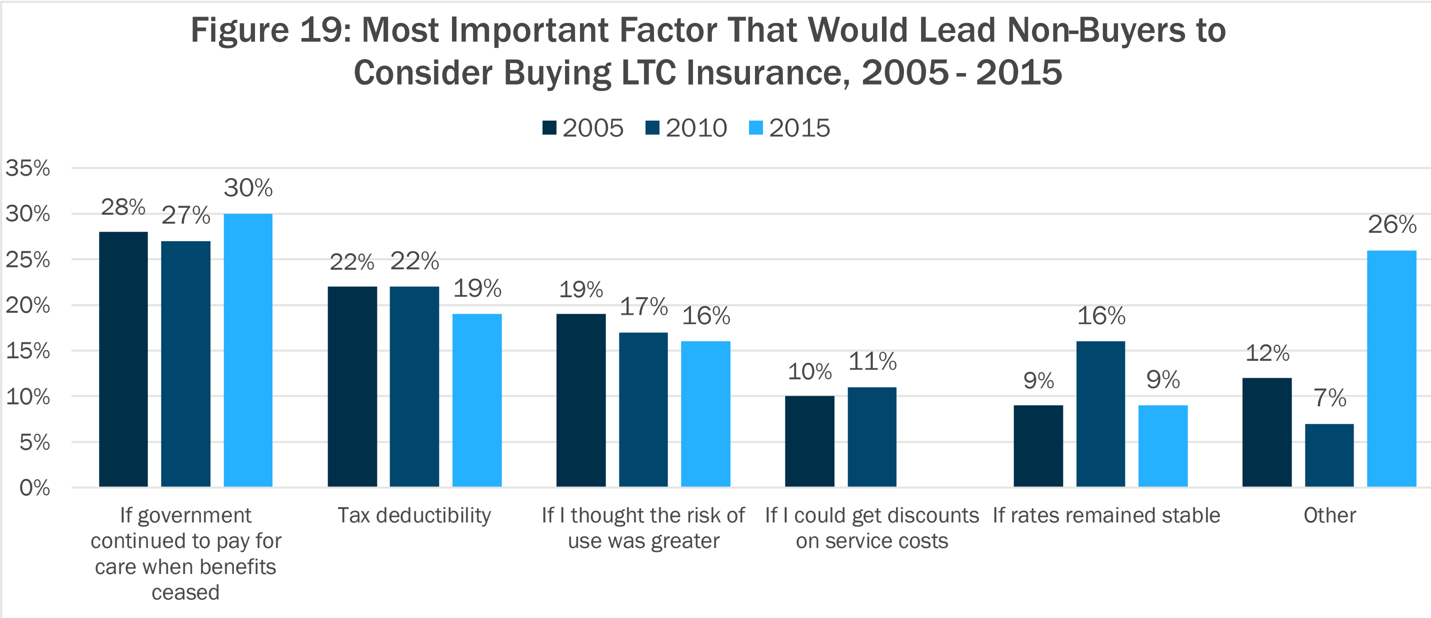
Factors Influencing Potential Purchase	1995	2000	2005	2010	2015
If I were certain that the government would continue to pay for my care even after I used up my private insurance benefits, I would be...					
Much more interested	N.A.	33%	33%	39%	43%
More interested		45	44	41	38
Not more interested		15	17	15	15
Not at all interested		7	6	5	4
If I were certain that the premiums that I paid would not increase over time, I would be...					
Much more interested	36%	29%	30%	38%	43%
More interested	51	50	49	49	43
Not more interested	8	14	16	10	12
Not at all interested	5	7	5	3	2
If I thought there was a good chance that my spouse or I would need LTC services in the future, I would be...					
Much more interested	27%	20%	25%	27%	24%
More interested	52	48	47	50	43
Not more interested	16	24	23	19	28
Not at all interested	5	8	5	4	5
If I could use non-taxable funds such as IRAs or 401(k)s to pay premiums, I would be...					
Much more interested	N.A.	11%	20%	22%	24%
More interested		32	34	38	33
Not more interested		33	31	24	30
Not at all interested		23	15	16	13
If I could purchase a specific company policy on the internet I would be...					
Much more interested	N.A.	N.A.	N.A.	N.A.	8%
More interested					19
Not more interested					51
Not at all interested					22
If the policy was sponsored by and could be purchased through my employer, I would be...					
Much more interested	N.A.	N.A.	N.A.	N.A.	24%
More interested					29
Not more interested					25
Not at all interested					22
If I could purchase it on a website that allows me to comparison shop for different policies, I would be...					
Much more interested	N.A.	N.A.	N.A.	N.A.	18%
More interested					50
Not more interested					22
Not at all interested					11

Source: LifePlans, Inc. analysis of non-buyer surveys.

The findings in Table 11 suggest that any action that has the effect of lowering the consumer's cost or overall liability for LTC services makes non-buyers more interested in purchasing insurance. More than 4 in 5 current non-buyers would be more interested in buying a policy if they could deduct all of their premiums from their income tax, if they thought the government would provide stop-loss coverage once their private insurance benefits ran out, or if they felt premiums would remain stable over time. A smaller but considerable number would be influenced by an option to use funds from an individual retirement account (IRA) or a 401(k) plan to pay premiums. The lower interest in this approach may reflect recent declines both in the value in these savings mechanisms and in participation in them. Regarding all these factors, there has been little change in attitudes over the past decade.

In 2015, a new set of questions was asked about the potential role of the internet in sales and employer sponsorship of policy sales. Regarding internet sales, attitudes are somewhat mixed. On the one hand, nearly 70 percent said they would be more interested in purchasing a policy if they could do comparison shopping online. On the other hand, only slightly more than a quarter (27 percent) responded that the ability to purchase a specific company policy through the internet would make them more interested. These findings suggest that people see the internet as a place to become educated and learn about different policies, but when it comes to actually committing to a specific policy, it is not particularly attractive. As for employer involvement, the potential positive role that employers could play in supporting and distributing the product was confirmed: Slightly more than half of non-buyers felt that having the insurance offered through their employer would make them more interested in purchasing a policy.

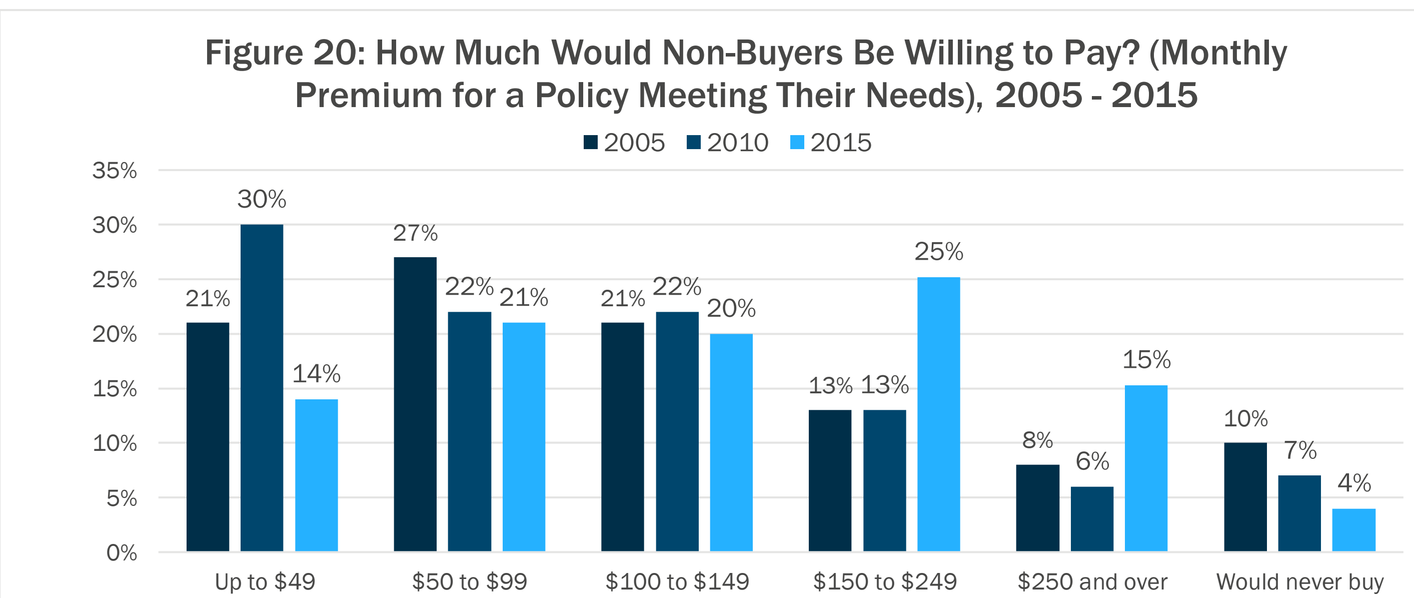
We also asked non-buyers to identify the single most important factor that would make them much more interested in buying a policy (see Figure 19). A government stop-loss program (catastrophic coverage) was chosen by the greatest number. Non-buyers in 2015 were 1.6 times more likely to choose this than tax deductibility, which suggests that risk aversion to potentially catastrophic expenses is a more important consideration than the overall cost of the policy. Given that a number of organizations have put this forward as a public policy approach, this is a particularly important finding, although the sample of non-buyers is relatively small and so conclusions must be drawn with caution. It should also be noted that among individuals who cited "other" as the most important factor, roughly half—13 percent of the total—indicated that if the government paid an initial two years of coverage, they would be willing to purchase private insurance for the remaining liability. Combining these respondents with those favoring government catastrophic coverage, a total of 43 percent of non-buyers cited the establishment of a public program as an action that would lead them to consider purchasing a private policy.



Source: LifePlans, Inc. analysis of non-buyer surveys.

9. Willingness to Pay for LTC Insurance

How much would non-buyers be willing to pay? We asked 2015 non-buyers to indicate a price range they would pay for a policy that met their needs (see Figure 20). Based on their responses, we calculated an average of $143 per month ($1,716 per year), up 49 percent from $96 ($1,152) in 2010.[17] In addition, the proportion of non-buyers willing to pay over $100 per month has grown over the past decade, from 41 percent to 61 percent. This trend likely reflects the increased targeting by agents of wealthier individuals. Noteworthy is the fact that a shrinking percentage of non-buyers indicate that they would never buy a policy, down to 4 percent from 10 percent a decade ago.



Source: LifePlans, Inc., analysis of non-buyer surveys.

How realistic are non-buyers in what they indicate that they are willing to pay? In Table 12 we give the percentage of non-buyers willing to pay a premium equal to or greater than the average premium paid by buyers in their age group. A large majority of non-buyers indicated that they are not willing to pay an amount equal to that average premium, but a significant minority are. In the youngest age group in 2015, 28 percent of non-buyers would, under the right circumstances, pay an amount equal to the average premium for policies selling to buyers their age. In the oldest group, dramatically fewer are willing to pay an amount equal to the average premium paid by buyers in their age group—only 7 percent of those 75 and older in 2015. This stark difference likely reflects the dramatic increase in premiums for older buyers compared to the relatively modest rise for younger buyers.

Table 12: Percentage of Non-Buyers Willing to Pay Average Monthly Premium Paid by Buyers, by Age, by Year

Age Group	Average Monthly Premium Paid						Percent of Non-Buyers Willing to Pay Average Monthly Premium					
	1990	1995	2000	2005	2010	2015	1990	1995	2000	2005	2010	2015
55 to 64	$60	$77	$104	$154	$190	$204	38%	25%	17%	25%	13%	28%
65 to 74	$89	$120	$145	$172	$246	$267	26%	15%	15%	21%	15%	14%
75 and over	$145	$179	$218	$237	$344	$568	8%	11%	14%	14%	18%	7%
Average for all 55 and over	$90	$121	$140	$168	$217	$229	28%	16%	15%	24%	15%	24%

Source: LifePlans, Inc., analysis of buyer and non-buyer surveys. We do not report on individuals under age 55 since this data was not available for all years.

10. Attitudes Toward Government and Private Sector Roles in Financing LTC

Data already presented in this report suggests that private insurance might be more attractive to non-buyers if there were a public LTC financing program. Along with buyers and non-buyers, we interviewed individuals in the general population age 50 and over to solicit their opinions on the role of government and the private sector in financing LTC (see Table 13 and Table 14). Among all groups and over the last ten years, a large majority agrees that it is not that the federal government's responsibility to pay for the LTC needs of all people and that it is up to individuals to take personal responsibility for planning and paying for their LTC services. However, a large majority of all groups believes that the federal government should encourage people to buy LTC insurance by making premiums fully tax deductible or by allowing employed individuals to use pretax dollars to pay for coverage. As for the private sector, all groups were asked to evaluate this statement: "Private insurance companies provide good LTC products that are a good value for the money." Buyers largely agreed, but only about a third of non-buyers and those from the general population did.

Table 13: Attitudes About Government and Private Sector Roles in Financing LTC, 2000 to 2015

Opinions LTC Financing	2000			2005			2010			2015		
	Buyers	Non-Buyers	Surveyed Individuals 50+	Buyers	Non-Buyers	Surveyed Individuals 50+	Buyers	Non-Buyers	Surveyed Individuals 50+	Buyers	Non-Buyers	Surveyed Individuals 55+
It is the federal government's responsibility to pay for LTC needs of all people.												
Agree	26%	35%	42%	25%	32%	34%	19%	31%	25%	25%	28%	25%
Disagree	74	65	52	75	68	61	81	69	75	75	72	74
Don't know	---	---	6	---	---	5	---	---	---	---	---	1
Whatever health reform comes about in the next few years, it is more likely that individuals will have to rely on themselves to plan and pay for LTC.												
Agree	91%	85%	77%	96%	85%	79%	92%	87%	85%	94%	89%	
Disagree	9	15	17	4	15	16	8	13	15	6	11	N.A.
Don't know	---	---	6	---	---	5	---	---	---	---	---	
Private insurance companies provide good LTC products that are a good value for the money.												
Agree	78%	30%	34%	77%	33%	32%	87%	38%	46%	81%	30%	35%
Disagree	22	70	40	17	61	42	13	62	54	19	70	51
Don't know	---	---	26	6	6	25	---	---	---	---	---	14

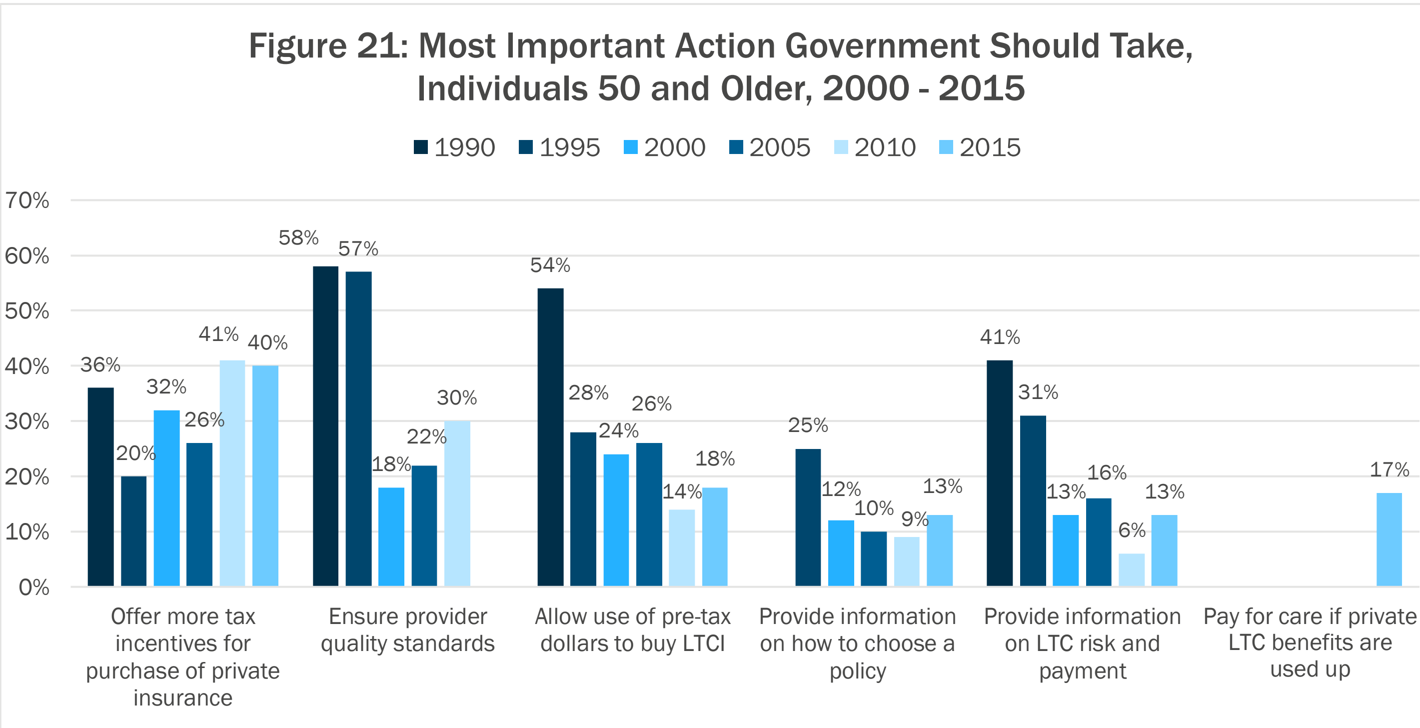
Source: LifePlans, Inc., analysis of surveys of buyers, non-buyers, and the general population.

Table 14: Attitudes About Tax Policy in Financing LTC, 2005 to 2015

Opinions About LTC Financing	2005			2010			2015		
	Buyers	Non-Buyers	Surveyed Individuals 50+	Buyers	Non-Buyers	Surveyed Individuals 50+	Buyers	Non-Buyers	Surveyed Individuals 50+
It is the federal government's responsibility to encourage people to buy LTC insurance by allowing premiums to be fully tax deductible whether or not one itemizes.									
Agree	90%	84%	78%	85%	77%	73%	86%	83%	73%
Disagree	10	16	22	15	23	27	14	17	27
It is the federal government's responsibility to encourage people to buy LTC insurance by allowing employed individuals to use pretax dollars to pay for the insurance.									
Agree				77%	73%	63%	82%	75%	68%
Disagree	N.A.	N.A.	N.A.	23	27	37	18	25	32

Source: LifePlans, Inc., analysis of surveys of buyers, non-buyers, and the general population. We report on those who answered either "agree" or "disagree" and exclude those who chose the option "Don't know," as this option was not available in all survey years.

We asked individuals 50 and older to say what they thought was the single most important action the government should take in the area of LTC financing (see Figure 21). **Roughly 2 in 5 Americans believe that the single most important government action is to offer more tax incentives for the purchase of private insurance policies.** Support for this approach rose dramatically in 2010 and has been sustained in 2015. The second most commonly selected action in 2015 was allowing individuals to use pre-tax dollars to buy LTCI (18 percent). The combined support for these two actions demonstrates a strong desire for the government to take a role in making LTCI more affordable.

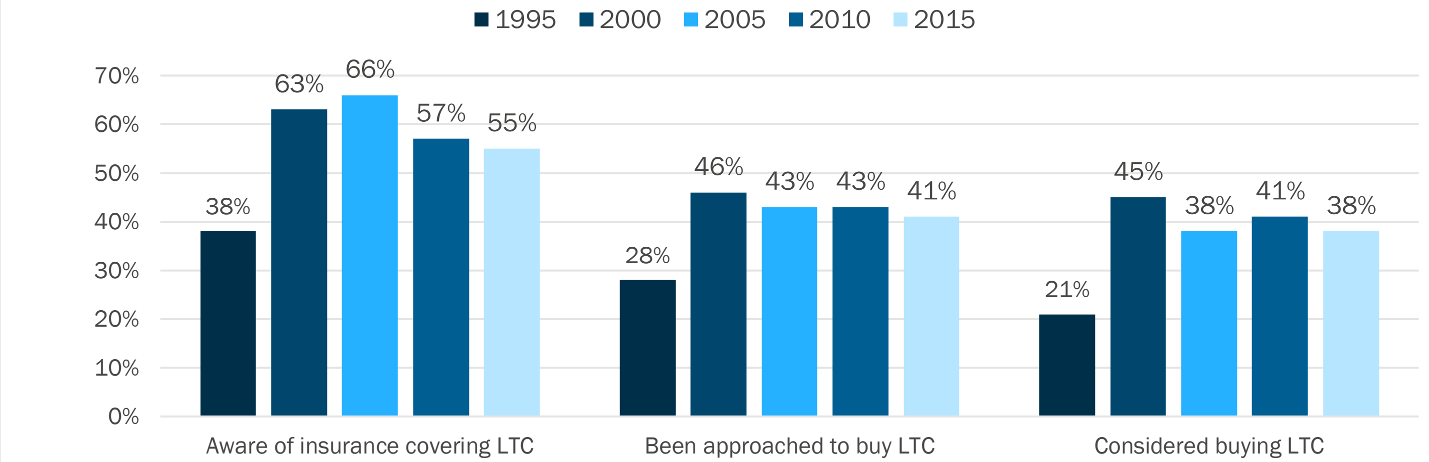


Source: LifePlans, Inc., analysis of surveys of the general population. In 2000 and before individuals 55 and over were surveyed.

11. Knowledge of LTC Insurance of Surveyed Individuals 50 and Older

We asked individuals age 50 and over a series of questions about LTC insurance, including whether they knew of companies that offered it, whether they had ever been approached to buy it, and whether they knew anyone who had it. As shown in Figure 22, the proportion of people who have been approached to buy insurance or have considered buying it has stayed roughly constant over the last 15 years, but the awareness of insurers has declined. In 2005 roughly two-thirds of respondents knew of companies selling LTC insurance, but by 2015 this figure had dropped to 55 percent. There are several likely reasons for this change: A much smaller number of companies and agents are selling policies, many public awareness campaigns have been discontinued, and the relatively recent health care reform debate focused people's attention on medical insurance rather than LTC insurance.

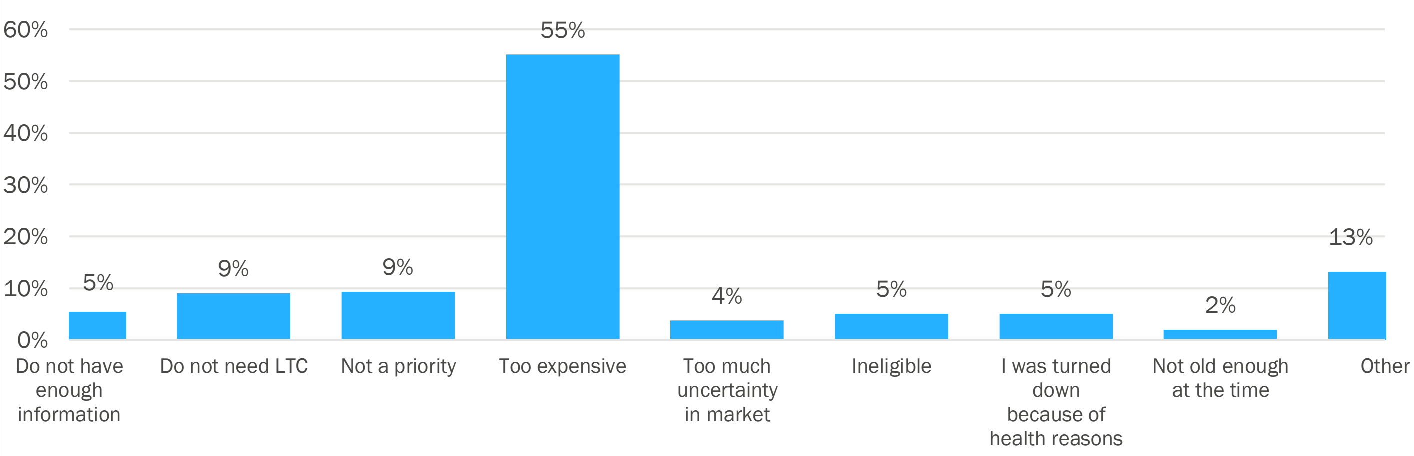
Figure 22: Awareness of LTC Insurance, Individuals 50 and Older



Source: LifePlans, Inc., analysis of surveys of the general population. In 2000 and 1995 individuals 55 and over were surveyed.

For the subset of individuals who said they had considered buying (38 percent), we asked why they did not acquire a policy. As shown in Figure 23, consistent with previous findings, the majority found insurance to be too expensive.

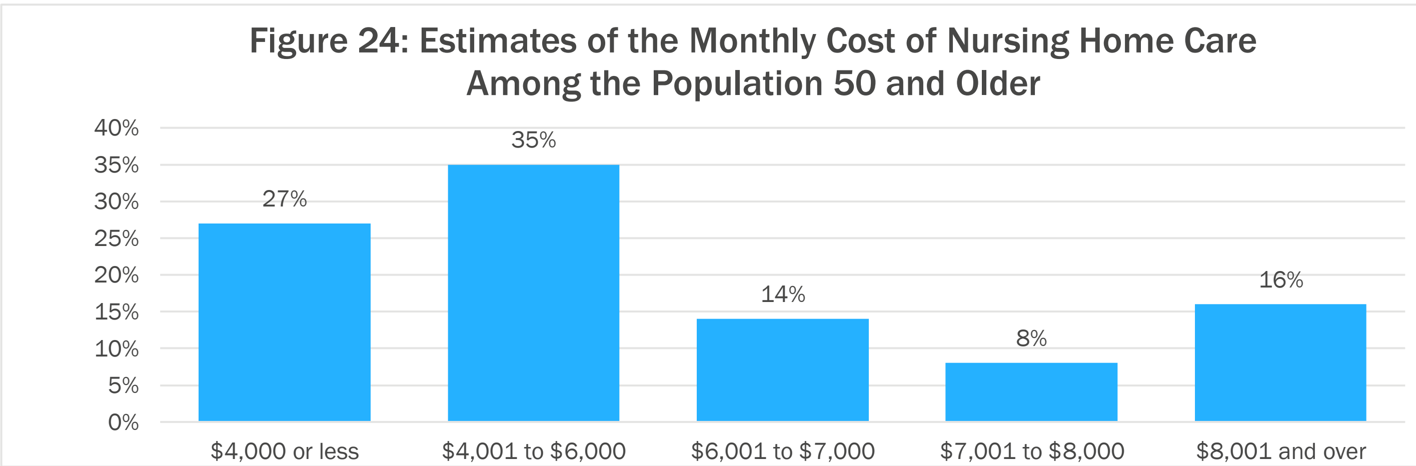
Figure 23: Why Individuals 50 and Older Chose Not to Buy LTC Insurance



Source: LifePlans, Inc., analysis of 2015 survey of 800 individuals age 50 and over.

To help consumers make better use of LTC insurance products to meet their LTC needs, one must understand the attitudes and opinions of the general population of employed Americans regarding health and LTC. The policymakers, companies offering LTC insurance, and other interested parties must know what barriers in knowledge and understanding currently exist among those who may be seriously considering LTC insurance. In this study, we focus on individuals 50 and older, as this remains the group with the most LTC purchasers (especially with the decline of group sales, which reached many younger buyers).

A critical factor is knowledge of the cost of LTC services. The recent John Hancock Cost of Care Survey reports these average costs for 2015: $251 a day ($7,530 monthly) for a semi-private room in a nursing home, $3,992 for a month in an assisted living facility, and $22 an hour for home health aide services. We asked individuals 50 and older to estimate the cost of a nursing home stay in their area. On average, across the entire sample, the estimate was roughly $5,500 per month (about $66,000 per year), 27 percent lower than the actual average cost across the country. Only 1 in 4 respondents estimated costs within 10 percent (up or down) of actual costs in their particular area.[18] (Figure 24 illustrates the estimates of respondents.)



Source: LifePlans, Inc. analysis of 2015 survey of 800 individuals age 50 and over.

To further explore people's beliefs and attitudes, respondents were read a series of statements related to LTC planning, financing, and service use. They were then asked whether they agreed (strongly agree or agree) or disagreed (disagree or strongly disagree) with each. Table 15 shows the proportion of respondents who either agreed or strongly agreed with each statement. Only 36 percent did not believe they would ever need LTC. Half were worried about how they would pay for LTC. Close to 80 percent would not mind using their own income and assets to pay for care (but this likely reflects their underestimation of costs). More than half feel it is important to leave an estate, life savings, or other assets to their family or friends. Most (65 percent) felt it was important to avoid relying on Medicaid.

Table 15: Opinions of the General Population About LTC

Statement	Percent Who Agree
I worry about how I would pay for LTC services, if I need them.	51%
It is important to plan now for the possibility of needing LTC services in the future.	71
If I needed LTC, my family would take care of me.	54
I wouldn't mind using my own income and assets to pay for LTC.	79
I have other insurance that will pay for all the LTC I might need.	20
The insurance industry sells adequate coverage for LTC services.	48
I do not believe I will ever need LTC services.	36
It is important to avoid using savings or income to pay for LTC service.	66
It is important to leave an estate, life savings, or other assets to family and friends.	61
It is important to avoid having to depend on Medicaid to pay for NH, ALF, or HHC services.	65

Source: LifePlans, Inc. analysis of 2015 survey of 800 individuals age 50 and over.

As we did for non-buyers, we asked individuals in the general population age 50 and over who had some familiarity with LTC insurance a series of questions about the potential impact of the internet on their purchase behavior as well as the importance of employer sponsorship. Table 16 shows that 1 in 4 respondents would be interested in learning about LTC insurance if they could purchase it online, and roughly 40 percent would like to be able to use the internet to conduct comparison shopping. The potential impact of having a plan sponsored by an employer is indeed significant—3 in 5 agreed that they would be more interested in learning about the insurance if it was sponsored by their employer.

Table 16: Opinions Among Those Familiar with LTC Insurance

Statements About Interest in Purchase of LTC Insurance	Percent Who Agree
I would be interested in learning about private LTC insurance if my employer was sponsoring a plan for its employees.	59%
I would be interested in learning about private LTC insurance if I could purchase it over the internet directly from a specific insurance company.	23%
I would be interested in learning about private LTC insurance if I could purchase it on a website that allows comparison shopping for different plans.	40%

Source: LifePlans, Inc. analysis of 2015 survey of 800 individuals age 50 and over

12. Views on Public LTC Insurance Financing Programs

The General Population

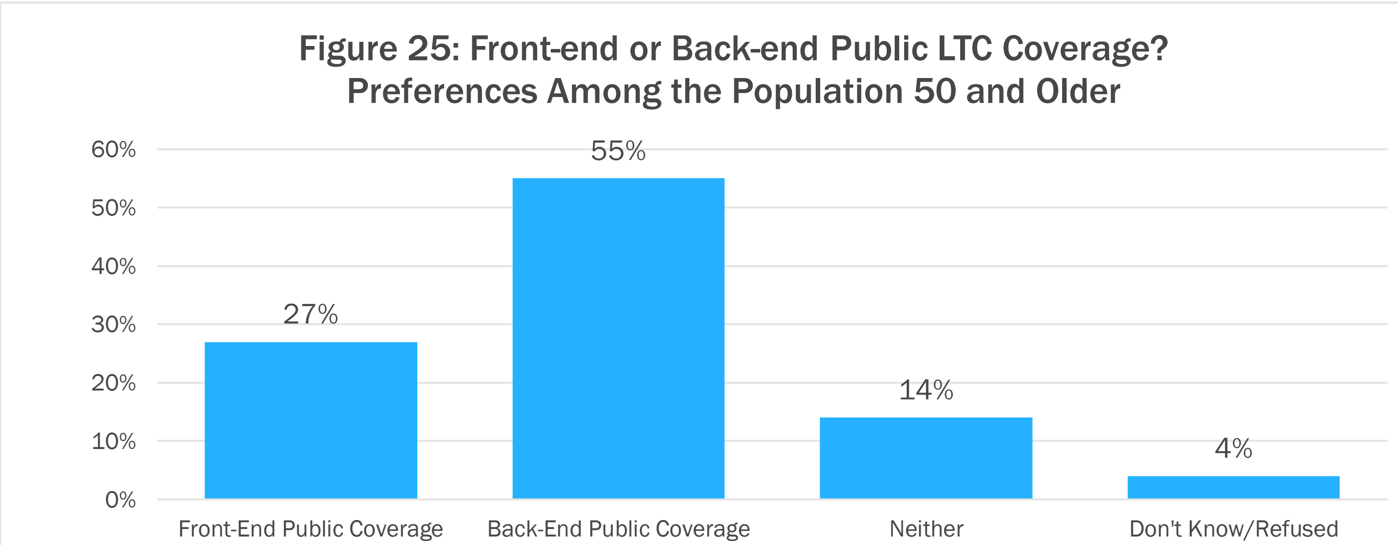
The number of Americans insured against the cost of LTC remains modest at best. As policymakers and industry analysts alike contemplate ways to increase insurance take-up rates and reduce the pressures on state Medicaid budgets, a growing number of organizations are putting forward public insurance approaches. These are designed to provide a base that private insurance can supplement or "wrap around." The idea is that both the public and private sectors will provide insurance coverage, and with the creation of a well-defined public program structure, more consumers will find that combination of private LTC insurance and the well-defined public program structure meets their LTC insurance needs.

We asked individuals age 50 and over from the general population about their views and preferences on two potential program structures:

(1) A private insurance policy would pay for roughly the first two years of LTC services, and then the government would take over and pay for any LTC services needed after that (Back-end or Catastrophic Public Coverage).

(2) The government would pay for roughly the first two years of LTC services, and then a private insurance policy would take over and pay for any LTC needed after that (Up-front or Front-end Public Coverage).

Figure 25 shows that the majority of those who expressed an opinion preferred back-end public coverage. This type of coverage is typically referred to as "catastrophic protection," since for most people the liability associated with more than two years of care can be extremely burdensome and threaten financial security.



Source: LifePlans, Inc. analysis of 2015 survey of 800 individuals age 50 and over.

To get a better sense of the perceptions of value of the programs being proposed in recent public policy discussions on financing LTC costs, individuals were then asked how much they might be willing to pay for such a program in monthly premiums. Regardless of what type of program they preferred, respondents were willing to pay about $85 per month, or a little over $1,000 per year. Slightly less than one-third would be willing to pay at least $100 per month for either of these programs.

Non-Buyers

The sample of non-buyers was also asked about these two potential public program structures. Three in 4 (75 percent) said they would be more interested in purchasing a private policy if there were a back-end public program; slightly fewer (69 percent) said the same thing about a front-end public program.

Conclusions

More work needs to be done to educate people about LTC, as many still have erroneous beliefs—especially non-buyers and members of the general population. Many underestimate how likely they are to need care and how much it will cost, and are mistaken on other matters; moreover, such beliefs and attitudes have proven to be persistent. However, people are increasingly realizing that they are responsible for financing their own care. For instance, over the last decade the proportion of the general population age 50 and over who believe that the federal government is primarily responsible for paying for LTC has dropped from about 1 in 3 to about 1 in 4.

Premium costs are a concern. Higher prices and publicity about rate increases have increased consumer worry. A large proportion of buyers expect that they will face a rate increase in the future, which appears especially problematic given the apparent strong preference for smaller, more frequent adjustments rather than infrequent, larger increases. And as products have become more expensive and carriers have exited the market, fewer middle-income people and wealthier individuals are buying. Finding ways to again help middle-income individuals protect themselves against future LTC costs remains a challenge and LTC insurance is one important means of providing middle-income insurers with such protection.

There has been a great deal of policy discussion and research on ways to expand the number of people with protection against LTC costs, including by changes in the LTC insurance market. Suggestions made by policymakers include changing product structure and financing, reducing distribution costs through use of the internet, and relying more on employers as distribution channels. While these approaches are likely to be of some benefit, it is unclear from the data presented here how much impact they will have.

Alternative premium structures have been proposed by policymakers, but it is unclear the impact these would have given the preference of both buyers and non-buyers for level-funded premiums. In cases where it is difficult to maintain stable level-funded rates, there is a strong preference for smaller more frequent premium increases than larger less frequent ones. More people view the internet as an educational tool or a way to learn about and comparison shop products than a place to actually make a purchase. Most respondents felt that employer sponsorship of a plan would make them more interested in buying a policy, and most support premium deductibility and other tax advantages (which would reduce their costs). It would seem that changes in taxation and more employer sponsorship are most likely to have a meaningful impact on expanded use of LTC insurance to meet the LTC protection needs of consumers.

Public programs may also have a role to play. The majority of non-buyers and individuals age 50 and over from the general population indicated that a “back-end” or catastrophic program design would be most attractive to them. Among non-buyers, the establishment of such a program was cited as the single most important factor that would make them more interested in using a private LTC insurance policy. A private policy wrapping around such a program would be, by definition, less costly than an LTC policy in the absence of such a wrap around and could enable an individual to seamlessly transition from private to public coverage. In previous surveys individuals also expressed interest in explicit public-private partnerships, in part because there would be clear delineations between public and private responsibilities, making it easier to plan for the future. The current lack of clarity regarding when public programs—primarily the means-tested Medicaid program—pay for care impairs people’s ability to plan and take personal responsibility for their own future needs. All in all, the findings of this study seem to suggest that a more robust public role could, in conjunction with the private LTC insurance market, help expand the number of people with strong protection against future LTC costs.

Endnotes

[1] Congressional Research Service (2015). "Who Pays for Long-Term Services and Supports? A Fact Sheet."
[2] Commission on Long-Term Care (2013). Report to Congress.
[3] Genworth Financial (2016). "Genworth Cost of Care Study." https://www.genworth.com/about-us/industry-expertise/cost-of-care.html.
[4] U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation and Office of Disability, Aging, and Long-Term Care Policy (2015). "Long-Term Services and Supports for Older Americans: Risks and Financing."
[5] National Association of Insurance Commissioners (2014). NAIC LTC Experience Exhibit Reports, through 2014.
[6] LifePlans analysis of NAIC LTC Experience Exhibit Reports, through 2014; LIMRA (2009). "Individual Life Combination Products: Life with Long-Term Care & Life with Chronic Illness Riders."
[7] E.J. Tell for The SCAN Foundation (2013). "Overview of Current Long-Term Care Finance Options."
[8] LIMRA (2009). "Individual Life Combination Products: Life with Long-Term Care & Life with Chronic Illness Riders."
[9] Long-Term Care Financing Collaborative (2016). "A Consensus Framework for Long-Term Care Financing." http://www.convergencepolicy.org/wp-content/uploads/2016/02/LTCFC-FINAL-REPORT-Feb-2016.pdf
[10] Bipartisan Policy Center (2016). "Initial Recommendations to Improve the Financing of Long-Term Care." http://bipartisanpolicy.org/library/long-term-care-financing-recommendations/.
[11] Leading Age (2016). "Leading Age Pathways Report: Perspectives on the Challenges of Financing Long-Term Services." http://www.leadingage.org/uploadedFiles/Content/Members/Member_Services/Pathways/Pathways_Report_February_2016.pdf.
[12] This includes those who applied for and received a policy, paid the initial premium, but then decided not to take the policy during the 30-day free-look period.
[13] In previous years, weights were calculated for non-buyers; however, because the current sample is also derived from general brokerage firms that sell policies from many companies, it is not possible for us to know which company was offered, and thus there was no available information with which to calculate weights. Therefore, the non-buyer data for this report is un-weighted, and it should be viewed as a convenience sample.
[14] *See* America's Health Insurance Plans (2012). "Who Buys Long-Term Care Insurance in 2010-2011? A Twenty-Year Study of Buyers and Non-Buyers (In the Individual Market)"; America's Health Insurance Plans (2006). "Who Buys Long-Term Care Insurance in 2005: A Fifteen-Year Study of Buyers and Non-buyers." Health Insurance Association of America (2000). "Who Buys Long-Term Care Insurance in 2000? A Decade of Study of Buyers and Non-buyers."; Health Insurance Association of America (1995). "Who Buys Long-Term Care Insurance? Profiles and Innovations in a Dynamic Market 1994-1995."; Health Insurance Association of America (1992). "Who Buys Long-Term Care Insurance?"
[15] This was done by using the data from the 2016 John Hancock Market Survey of Nursing Home and Home Care Costs for 2015. Data in this survey is broken down by zip code, and we matched each survey respondent by zip code to the appropriate region in the John Hancock survey. We used private room rates. https://www.johnhancockinsurance.com/long-term-care/cost-of-long-term-care-calculator/index.aspx.
[16] A counter-offer occurs when an individual wants to purchase a particular policy design configuration, but because of his or her health, the company offers instead a policy that typically is less comprehensive in its coverage. This is done in lieu of an outright rejection.
[17] The average was calculated by taking the mid-point of each premium range and multiplying it by the percentage of respondents choosing this range. For the category $250 and over, we used $300.
[18] This was done by using the data from the 2015 John Hancock Market Survey of Nursing Home and Home Care Costs for 2015. Data in this survey is broken down by zip code, and we matched each survey respondent by zip code to the appropriate region in the John Hancock survey. https://www.johnhancockinsurance.com/long-term-care/cost-of-long-term-care-calculator/index.aspx.