

# 7 key ways the long-term care insurance market has changed

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LifePlans has been collecting long-term care insurance consumer attitude data for AHIP every five years since 1990. (Photo: iStock)

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Many U.S. insurers have had terrible problems with their long-term care insurance product lines in the past decade, but they still wish they could find some way to help consumers pay for care.

America's Health Insurance Plans, the insurers' Washington-based trade group, commissioned a major consumer study by Waltham, Massachusetts-based LifePlans Inc., to look for ways to get back in the LTCI game.

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The survey team interviewed 1,326 U.S. consumers who bought LTCI policies in 2015; 225 consumers who had recently reviewed LTCI policies but had decided against buying coverage; and 800 randomly picked U.S. residents ages 800 and older.

The team also analyzed a sample of 8,791 LTCI policies purchased from seven insurers.

Researchers compared the results from the 2015 interviews and 2015 policy analyses

with the results from similar surveys and LTCI policy analyses conducted every five years since 1990.

One thing LifePlans found is broad consumer support for a number of policy proposals that insurers could support in Congress.

Only about one-quarter of the LTCI buyers, non-LTCI-buyers, and 50-and-up Americans interviewed said they think the government should pay for all long-term care services for all people, according to the LifePlans survey report.

But 86 percent of the LTCI buyers, 83 percent of the non-buyers, and 73 percent of the 50-and-up Americans agreed that LTCI premiums should be "fully tax deductible."

In Washington, one hot topic has been the idea of the government offering a universal catastrophic long-term care benefits program, aimed at people who need two or more years of care. The United Kingdom recently set up a similar "back-end" care program for its residents.

LifePlans found that 55 percent preferred the idea of a back-end public coverage system and that 27 percent preferred the idea of the government offering a front-end system, which would cover the first few years of care.

LifePlans also came up with information about trends in what LTCI policies are really like, what the buyers are like, and what the buyers and active non-buyers are thinking about.



*Long-term care insurance policies cost more. (Photo: Thinkstock)*

## 1. Price

Issuers of long-term care insurance policies guessed wrong about the how many policyholders would keep their policies long enough to file claims, and how long the claims would last. They also guessed wrong about what low interest rates would do to their investment earnings.

The issuers have dealt with the forecasting errors by asking state insurance regulators to approve rate increases.

The LifePlans policy analyses show how the same forces have pushed up the cost of new policies.

In 1990, 59 percent of the LTCI policies sold cost less than \$1,000 per year, and just 9 percent cost \$2,000 or more per year.

In 2015, only 5 percent of the policies sold cost less than \$1,000 per year, and 64 percent cost \$2,000 or more per year.

The average annual premium increased from \$1,071 to \$2,727.

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*The typical LTCI policies sold in 1990 offered no home health care benefits. (Photo: Thinkstock)*

## **2. Home health care**

LTCI prices have gone up partly because, in some ways, the policy benefits have gotten better.

The average duration of policy benefits fell to 4 years in 2015, from 5.6 years in 1990.

But the average daily benefit increased to \$161, from \$72, over that period.

Insurers also added home health care benefits.

Home health care benefits were so rare in 1990 that LifePlans did not track them that year.

In 1995, only 49 percent of the policies analyzed that offered home health benefits could pay for more than two years of care in the home.

Home health care benefits richness peaked in 2000: That year, the home health care benefits sold had an average duration of 5.4 years.

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But home health care benefits were still better in 2015 than in 1995. In 2015, 79 percent of the policies that offered home health benefits could pay for more than two years of care, and the average home health care benefits duration was four years.

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*Today, people who buy long-term care insurance are more likely to be under 55 than over 70. (Photo: Thinkstock)*

### **3. Personal characteristics**

Agents know very well that the increase in LTCI prices has forced insurers to go after a different type of consumers. In the AHIP report, the LifePlans researchers quantify that shift.

The average age of a buyer fell to 60 in 2015, from 68 in 1990. Over that same period, the percentage of purchasers ages 75 and older fell to 1 percent, from 17 percent.

In part because of the age shift, the percentage of buyers who are widowed fell to 7 percent, from 23 percent.

The percentage with a college degree increased to 68 percent, from 33 percent.

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*The consumers still buying stand-alone LTCI earn more, and have more, than the buyers of the past. (Photo: Thinkstock)*

## **4. Financial characteristics**

Between 1990 and 2015, the changes in LTCI buyer personal characteristics went hand in hand with changes in financial resources.

The percentage with annual income under \$25,000 fell to 4 percent, from 42 percent.

The percentage with less than \$75,000 in total liquid assets fell to 13 percent, from 47 percent.

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*The top goals of LTCI buyers have changed. (Photo: Thinkstock)*

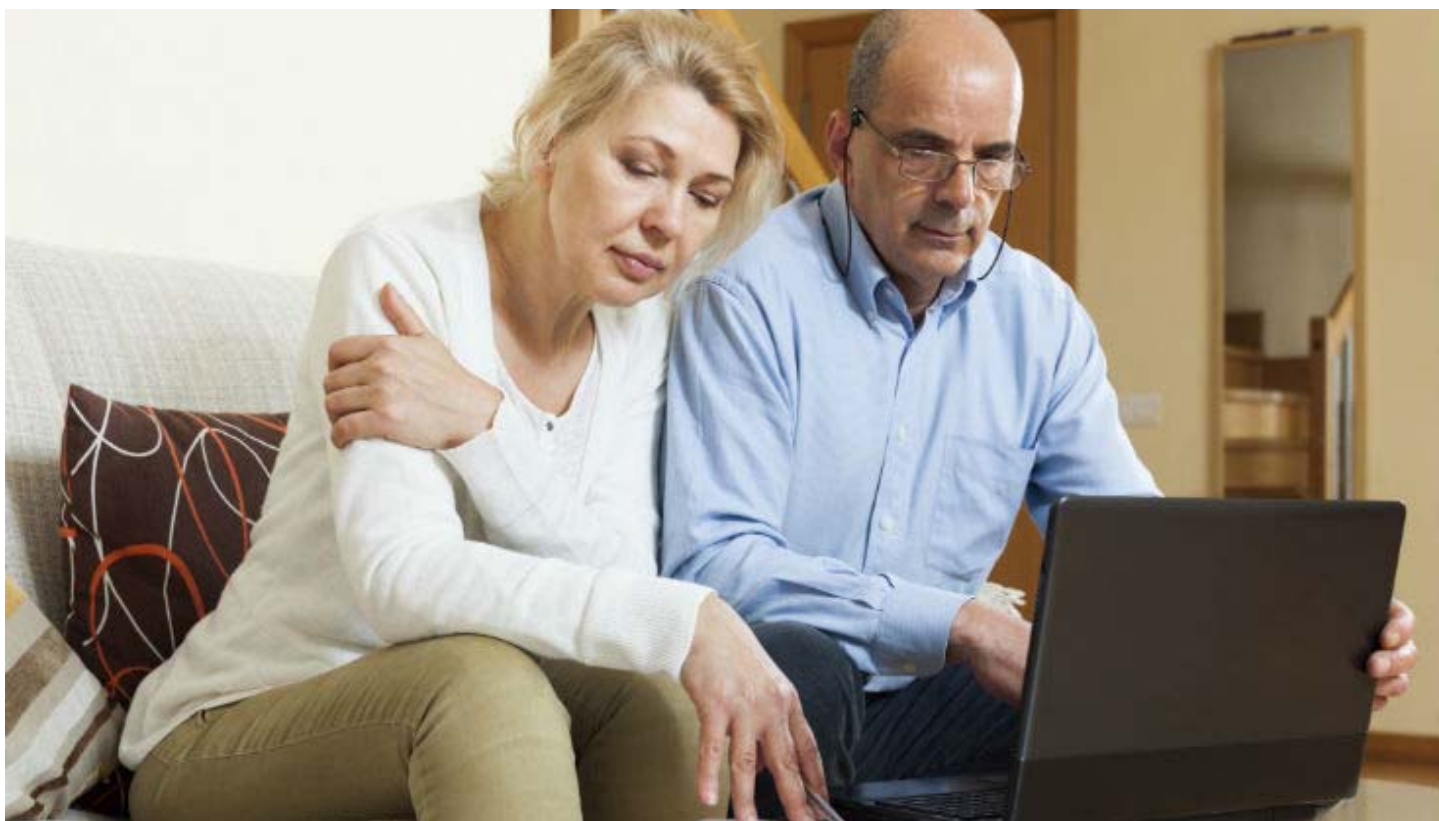
## 5. Buyer motives

LifePlans discovered that the younger, better-educated, higher-income LTCI buyers of 2015 had different goals than the 1990 buyers.

In 1990, 30 percent of the buyers wanted to avoid dependence on other relatives, and only 24 percent wanted to protect their assets or leave an estate to heirs.

In 2015, just 13 percent were worried about dependence, and 36 percent were worried about estate protection.

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*Fear of cost increases is just one of the reasons that keep people from buying long-term care insurance. (Photo: Thinkstock)*

## **6. Non-buyer motives**

In spite all of the headlines about long-term care insurance prices increases and market withdrawals, high prices may be only about as much of a barrier to LTCI sales today as they were in 1990.

LifePlans found that 51 percent of non-buyers cited "too costly" as a very important reason for not buying coverage in 2015, but 53-58 percent of the non-buyers also gave "too costly" as a very important reason for not buying coverage from 1990 through 2010.

The popularity of other barriers to buying LTCI fell much more dramatically.

In 1990, for example, 36 percent of the non-buyers were very skeptical about whether insurers would pay LTCI claims. In 2015, only 13 percent of the non-buyers gave skepticism about payment of claims as a reason for not buying coverage.

LifePlans added a new reason for resisting LTCI, uncertainty about whether an LTCI policy will cover the types of services a consumer might need, in 2015. More than half of



the consumers say uncertainty about whether a policy will cover the right services is a very important reason not to buy coverage.

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*Few LTCI buyers say they are eager to shop for coverage on the Internet. (Photo: iStock)*

## 7. Information

In the latest survey, LifePlans added sales process questions.

Just 27 percent of the non-buyers said being able to buy long-term care insurance through the web would make them more or much more interested in buying LTCI coverage.

The idea of being able to buy long-term care insurance through an employer had strong or very strong appeal for 53 percent of the non-buyers.

When LifePlans asked buyers about the people who influenced their LTCI purchasing decisions, 39 percent cited their spouses, 23 percent cited their insurance agents, and 24 percent cited their financial planners.

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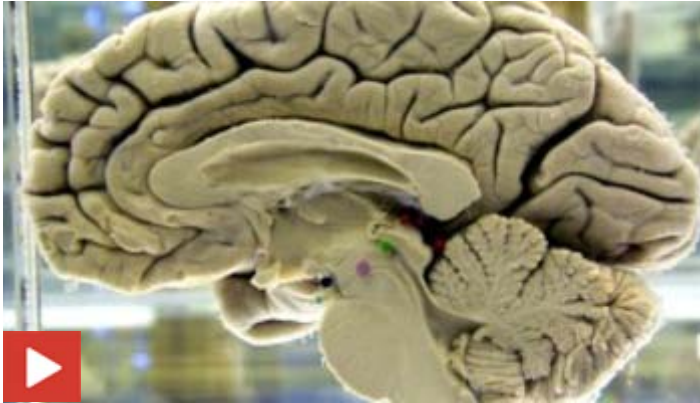
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