

The Complementarity of Public and Private Long-Term Care Coverage

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Individual Policy Designs by Purchase Year

Policy Attribute	2005	2000	1995	1990
Comprehensive	90%	77%	61%	37%
Nursing Home Only	3%	14%	33%	63%
Policy duration				
2 years	11%	17%	24%	23%
3 years	22	23	20	12
4 years	17	14	18	15
5-8 years	27	16	8	17
Lifetime	23	30	30	33
Nursing Home Daily Benefit	\$142	\$109	\$85	\$72
Home Care Daily Benefit	\$135	\$106	\$78	\$36
% with Inflation Protection	76%	41%	33%	40%
Average Premium	\$1,918	\$1,677	\$1,505	\$1071

Income and Asset Profile of LTC Buyers

Policy Attribute	2005	2000	1995	1990
Income Status				
Average Income	\$62,825	\$49,700	\$36,600	\$36,250
Less than \$20,000	3%	9%	21%	29%
\$20,000-\$24,999	4%	8%	16%	13%
\$25,000-\$34,999	9%	19%	24%	20%
\$35,000-\$49,999	13%	22%	18%	17%
\$50,000 and Over	71%	42%	20%	21%
Total Liquid Assets				
Average Assets	\$95,475	\$91,425	\$68,750	\$72,125
Less than \$20,000	4%	6%	18%	16%
\$20,000-\$29,999	3%	5%	10%	8%
\$30,000-\$49,999	6%	7%	13%	11%
\$50,000-\$74,999	6%	5%	10%	12%
\$75,000 and over	81%	77%	49%	53%

Why has the market failed to appeal to middle class?

- Supply-side Issues
 - Information asymmetries
- Demand issues
 - Perceived Value Gap: Costs are perceived as high relative to value.
 - Confusion about public coverage
 - People underestimate their risk, overestimate premium costs and hence don't plan.
 - Concern about product reliability in context of rate increases.
 - Medicaid “crowd-out” impact

Issues involved in better integration of LTC insurance market with Medicaid or CLASS Act

- Insurance for LTC as part of overall retirement security.
- Public education about limits of public coverage and value of supplemental private coverage.
- Applicable lessons from the private market.
 - Balance concerns of adverse selection against broad goals pertaining to covered populations
 - Premiums comparability to private market yet actuarially sound
 - Risk management strategies built into the program
- Need to encourage people to purchase plans at younger ages
 - Lower costs through use of flexible spending accounts
 - Support models that link public and private coverage like Partnership Programs

Summary

- Public and private coverage for long-term care can serve complementary roles.
- Key public policy question is not which approach to make central, but instead how to align incentives across public and private financing sources to create a rational, more sustainable system where both public and private coverage play sizeable roles.