



Long-Term Care Insurance in Virginia

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What is long-term care (LTC) insurance?



Helps consumers live as they live now instead of improving or correcting medical problems and may include:

Activities of daily living (ADLs) *Home care*
Respite care *Hospice care*
Adult day care



Care can be given in consumer’s home, an adult day care facility, assisted living facility, nursing home or hospice facility



Medicare generally doesn’t pay for personal care services if a consumer isn’t also receiving Medicare-covered skilled care services

Sources of LTC Policies & Contracts

- **Individual LTC insurance policies**
- **Group LTC insurance policies and individual policies offered at group discount rates**
 - Employers – if a policyholder leaves a job or is fired, or if the employer cancels the group plan, the insurance company must allow the policyholder to keep their coverage, but the premiums and benefits may change
 - Associations
- **Federal Long-Term Care Insurance Program**
 - Eligibility restricted to federal and US Postal Service employees and annuitants, members and retired members of the uniformed services, and qualified relatives
- **Life insurance policies and annuity contracts**
 - Cash value life insurance policies may allow taking a portion of that value to pay for LTC expenses
 - Likely will reduce death benefits
 - Annuities may allow taking some of its value to pay for LTC expenses
 - Likely will require payment of a surrender charge
 - May offer a LTC rider, sometimes called an extension of benefits rider, that increases the policyholder's LTC coverage beyond the policy's cash value and/or death benefit
 - Optional riders may cause the premium to increase

Tax-Qualified LTC Insurance Policies

- **Federally tax-qualified policies**
 - Taxpayers can deduct annual premiums, subject to a cap
 - Benefits received generally are not counted as income
 - Policies sold after 01/01/97 must be:
 - Guaranteed renewable; and
 - Cover only qualified LTC services
- **Federally non-tax-qualified policies**
 - Annual premiums cannot be deducted
 - Benefits received generally are count as income
- **Qualified LTC services:**
 - Policyholder must be chronically ill in that they:
 - Are unable to do at least two ADLs without substantial assistance for at least 90 days; or
 - Need substantial supervision to protect health and safety due to a cognitive impairment
 - Care must follow a plan that a licensed health care practitioner prescribes
- **Some life insurance and annuity policies with LTC benefits may be tax-qualified, though only a portion of the premium can be deducted**

LTC Partnership Policies



2005 Deficit Reduction Act gave states the option to create Partnership Programs, a public/private arrangement between state Medicaid agency and private insurance companies

Va. Code § 32.1-325(B)(24) directs the Department of Medical Assistance Services to establish this program via amendment to the state Medicaid plan



**Consumers who purchase these policies can protect assets if they later need the state to help pay for LTC
Partnership policies are *always* tax-qualified**

Exact amount of assets protected is dollar-for-dollar the amount that policy has paid out for LTC
A Medicaid recipient with a partnership policy can protect their home from the Medicaid Estate Recovery Program



Must include inflation protection benefits for those policyholders who were 75 or younger when they bought the policy

Compound annual inflation protection for those younger than 61
Some level of inflation protection for those aged 61 to 75

Prior Consumer Outreach

“Own Your Future” Awareness Campaign

- **2005 joint federal-state initiative to strengthen awareness of LTC planning, targeting retirees and near retirees about:**
 - Importance of planning ahead for future LTC needs
 - Clarifying what Medicare does and does not cover
 - Educate people about LTC service and financing options
- **Campaign materials included:**
 - Letter from Governor and tri-fold brochure with tear-out reply postcard for the LTC planning kit
 - TV and radio spots
 - Follow-up postcard reminding consumers to order the LTC planning kit
 - LTC planning kit, which featured
 - 28-page brochure
 - Audio CD with interviews of persons engaging in different types of LTC planning activities
- **Toll-free number operated by the campaign**
- **Target response rate was 5%**
- **Phased roll-out, with five states (including Virginia) in Phase I**
- **Core campaign components were supported by state-specific activities, resources, and referrals**
- **After Phase I ended, the LTC planning kit was published online**
 - This consumer-focused website is now defunct

Results for Campaign's Phase I (as of 07/26/05)

State	Direct mail quantity	Direct mail in-home date	Governor press event	Media	Follow-up postcard	Toolkits requested	Response rate	Cost per response**
AR	293,367	01/28/05	01/28/05	TV only	03/07/05	22,002	5.2%	\$12.81
ID	125,717	01/19/05	01/10/05	Radio & TV	03/07/05	10,882	7.9%	\$15.07
NV	229,186	02/01/05	02/03/05	TV only	03/07/05	21,288	8.0%	\$13.68
NJ	821,797	02/07/05	N/A	Radio only	03/21/05	65,105	7.5%	\$9.60
VA	630,488	01/19/05	01/10/05	TV only*	03/07/05	65,189	9.1%	\$9.98
TOTAL	2,105,555					184,466	7.7%	\$12.40

*Used in selective markets only

**Does not include call center costs, costs incurred by the fulfillment center to take and process kit requests, or the development, testing, and creation of campaign materials

Virginia-specific Campaign Activities

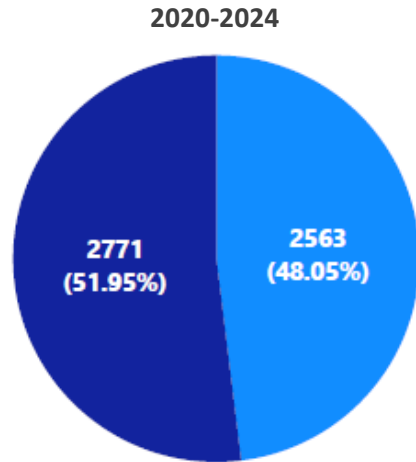
- **Governor Mark Warner provided a personal introductory message to the beginning of the TV spot**
- **The Commonwealth conducted a Valentine's Day email outreach to all state employees:**
 - Encouraging them to order a LTC planning kit
 - Reminding them of their LTC insurance benefit through the state
- **Radio station WFED (1500 AM Washington, DC) broadcast an interview with US Department Health and Human Services Assistant Secretary Michael O'Grady about the campaign**
- **Governor Warner participated in WFED's local show "Your Legacy, Your Life" about LTC planning needs**
- **State aging networks hosted information booths at local fairs and festivals**
- **The Department for the Aging convened several educational presentations at local community and non-profit group functions**
 - NOTE: The Department for the Aging was reorganized into the Department for Aging and Rehabilitative Services pursuant to Chapters 803 and 835 of the 2012 Acts of Assembly

Long-Term Care Coverage in Virginia

Partnership vs. Non-Partnership LTC Policies

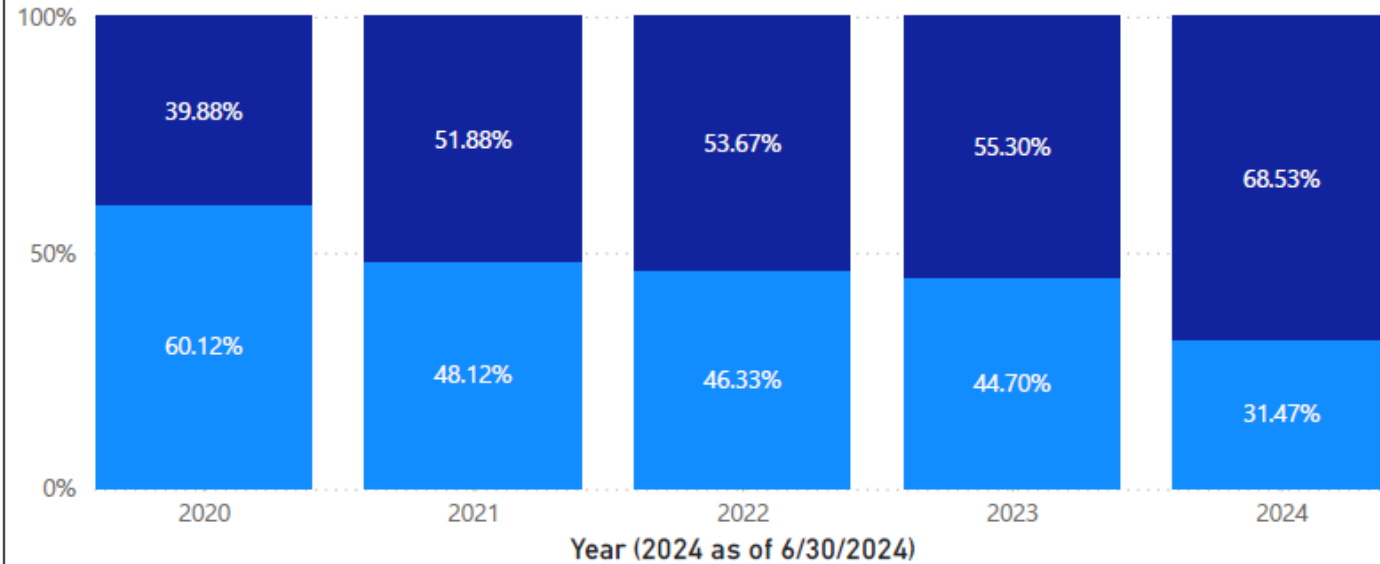
Percentage of LTC Insurance Stand-Alone Policies Issued in VA that are Partnership Qualified

● Qualified LTCI Partnership Policies Issued ● LTCI Policies Issued that are not Partnership Qualified

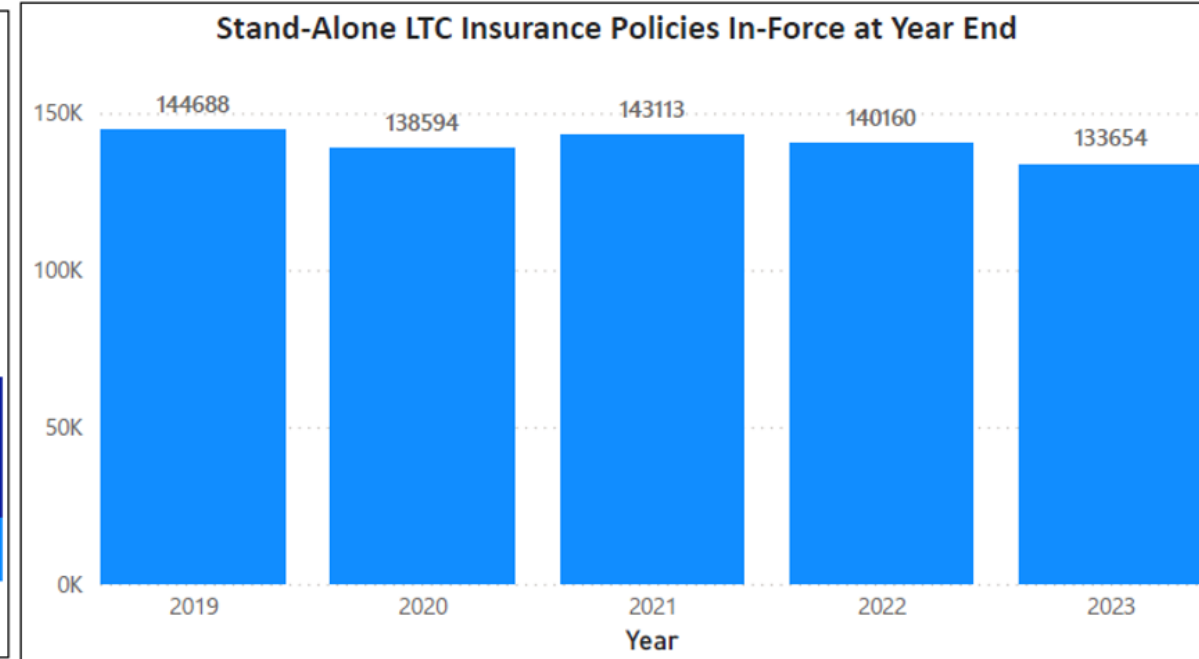
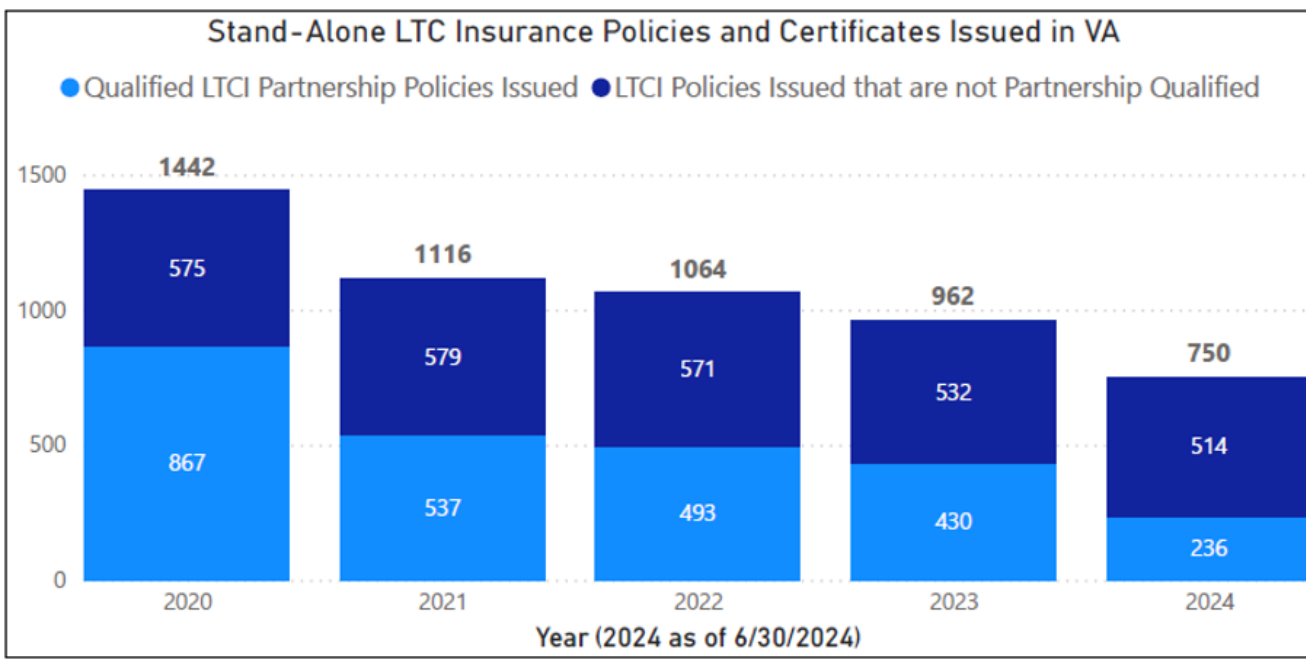


Stand-Alone LTC Insurance Policies and Certificates Issued in VA

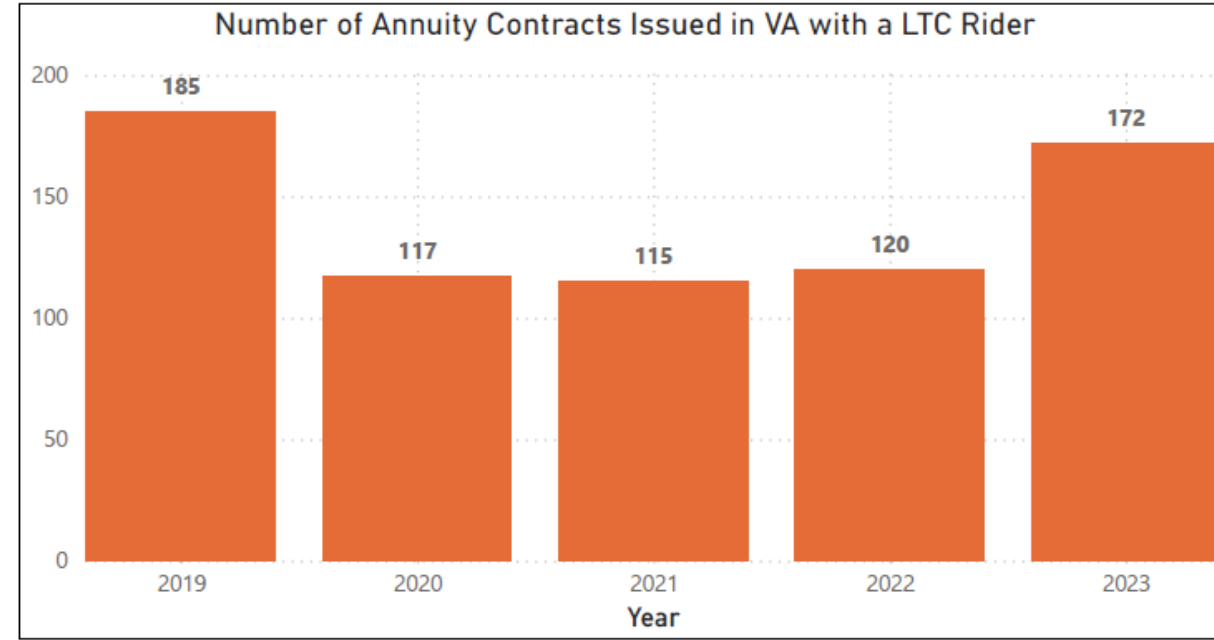
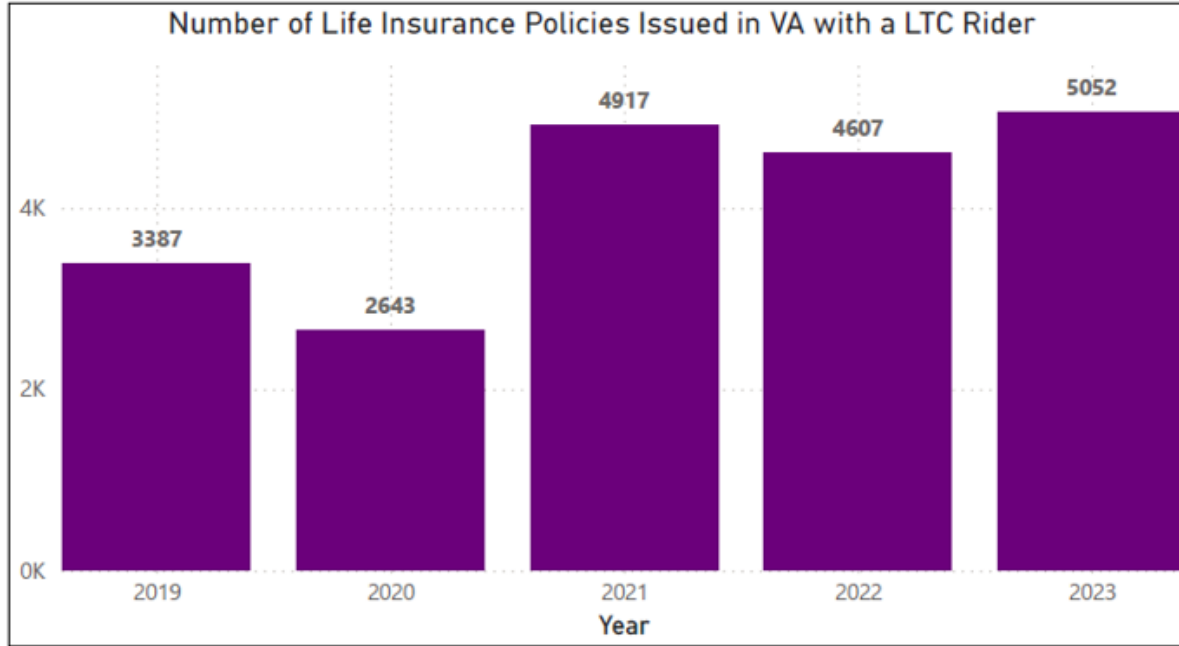
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LTC Policies Issued & In-Force



Life Insurance & Annuities with LTC Riders



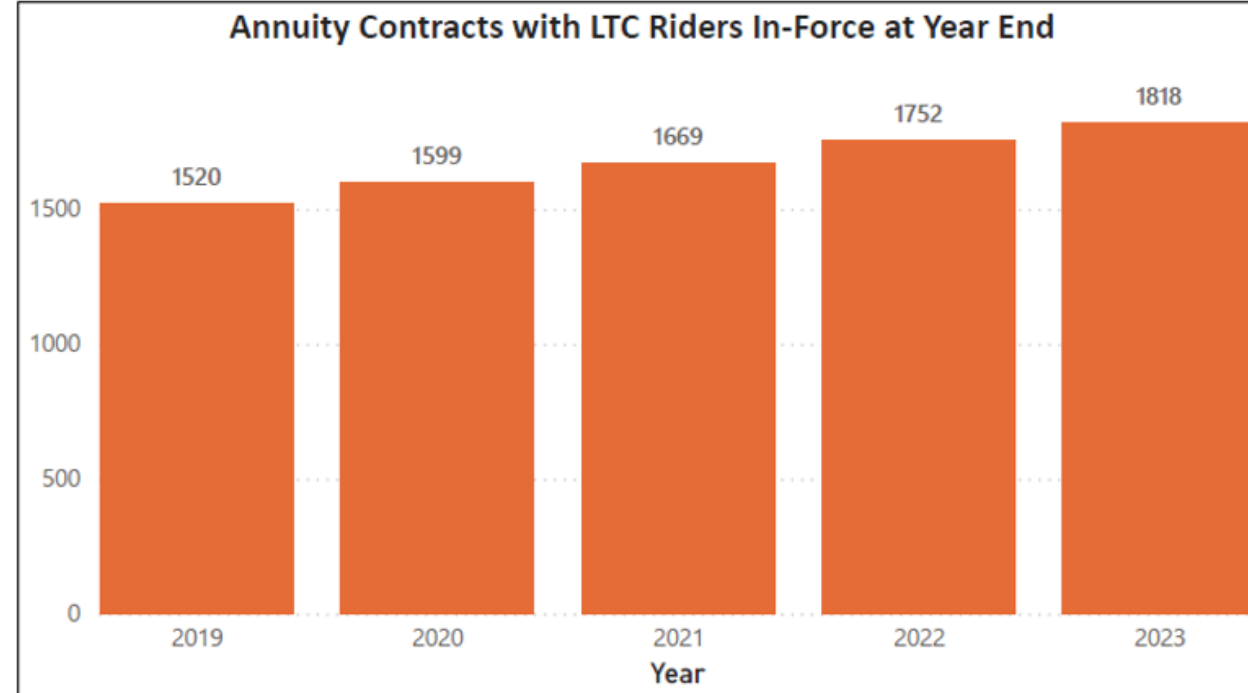
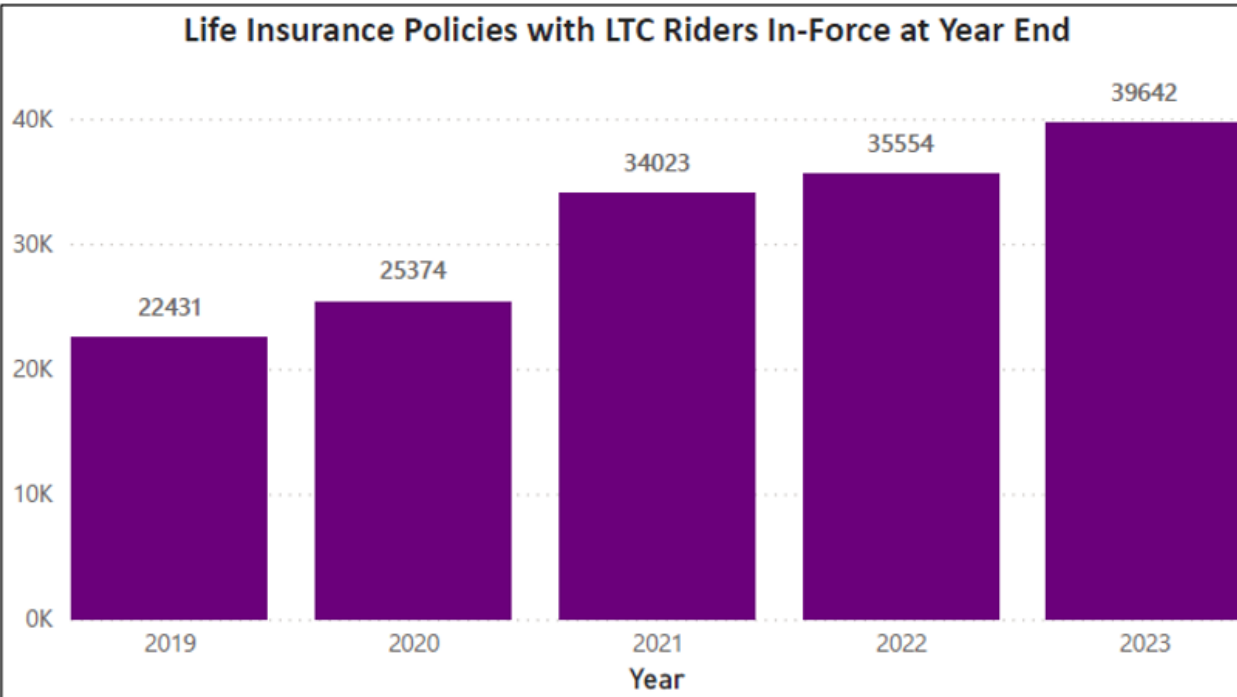
Companies Selling Life Insurance w/LTC Rider

Year	Number of Companies
2019	18
2020	16
2021	20
2022	21
2023	18

Companies Selling Annuity Contracts w/LTC Rider

Year	Number of Companies
2019	2
2020	2
2021	2
2022	2
2023	2

Life Insurance & Annuities with LTC Riders In-Force



Shifts in LTC Coverage Options

Year Over Year Percentage Change

Total is Change from 2019 to 2023

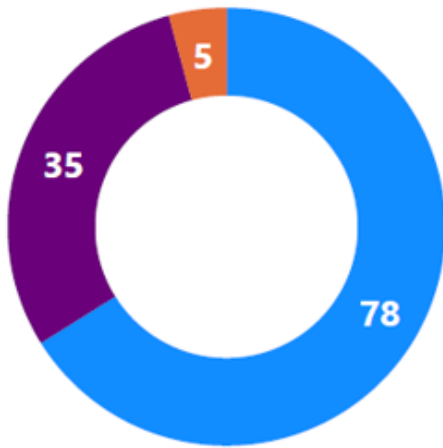
Year	Stand-Alone LTC Policies	Life Policies w/LTC Riders	Annuity Contracts w/ LTC Riders
2020	-4.40%	11.60%	4.94%
2021	3.16%	25.42%	4.19%
2022	-2.11%	4.31%	4.74%
2023	-4.87%	10.31%	3.63%
Total	-7.63%	76.73%	19.61%

Companies with In-Force Business

Number of Distinct Companies w/ In-Force Business Past 5 Years

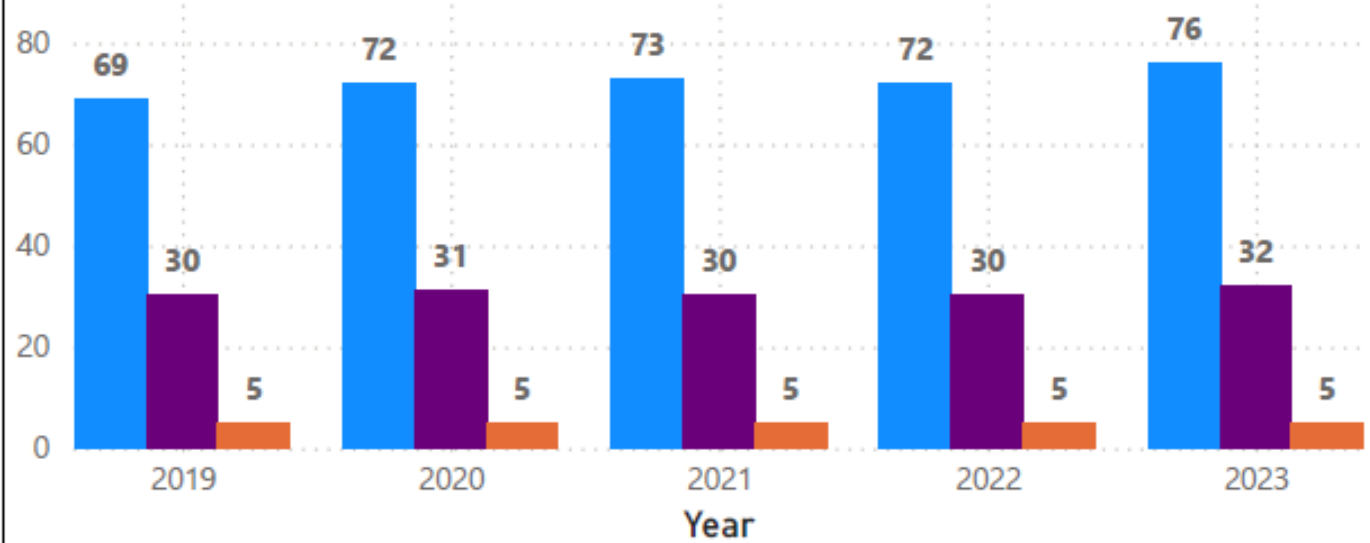
Life and Annuity Issued with LTC Rider

● Stand-Alone ● Life ● Annuity



Number of Companies w/ In-Force Business Each Year

● Stand-Alone ● Life ● Annuity

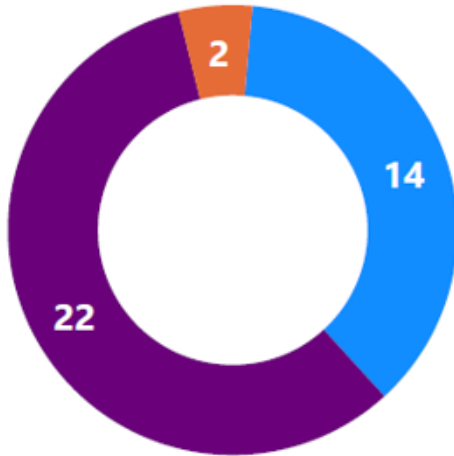


Companies with New Issues

Number of Distinct Companies w/ New Issues Past 5 years

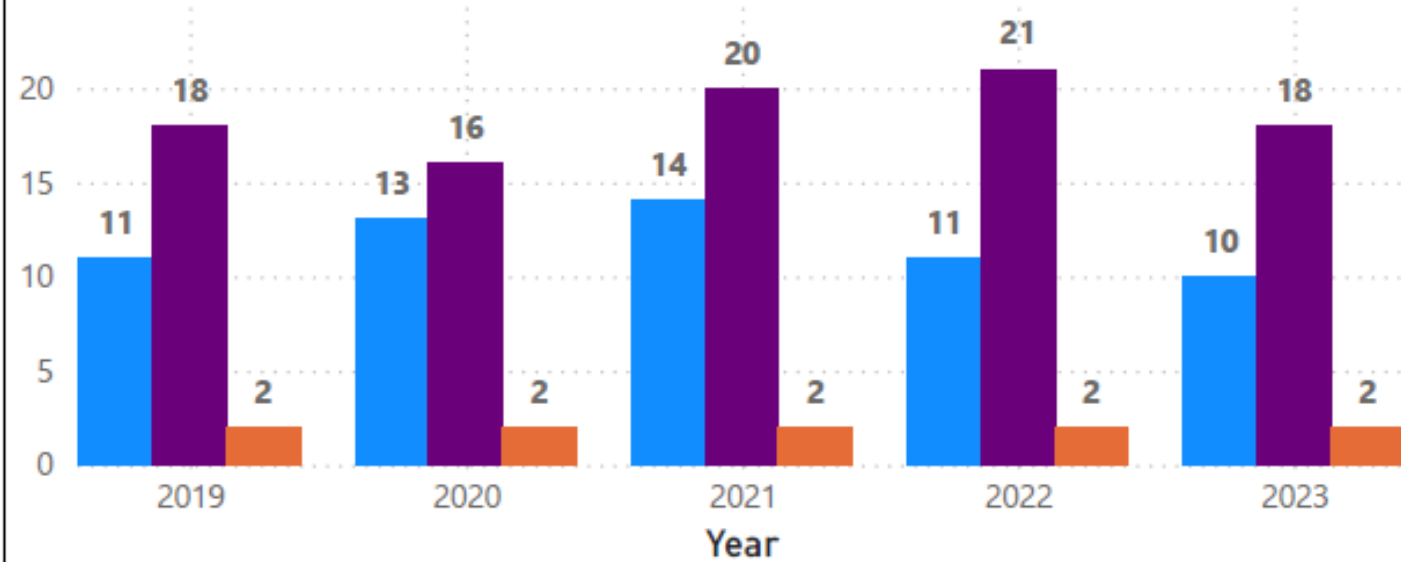
Life and Annuity Issued with LTC Rider

● Stand-Alone ● Life ● Annuity



Number of Companies w/ New Issues Each Year

● Stand-Alone ● Life ● Annuity



Efforts in Other States

Washington

- **WA Cares Fund is a public LTC insurance program**
 - Working Washingtonians contribute a small percentage of their income into the fund
 - When care is needed, a person can access their earned benefit to pay for LTC services
- **Payroll contributions of 0.58% began in July 2023**
 - November 2024 ballot initiative on whether it will continue to be mandatory
- **Access to full benefit of \$36,500 (adjusted up to inflation) granted after:**
 - 10 years of contributions; or
 - Contributing 3 out of the last 6 years and having a sudden need for care due to injury, illness, or disability
- **Access to partial benefit of 10% of each year contributed granted to everyone born before 1968**
- **Benefits are portable**
- **Automatically exempt from fund:**
 - Federal employees who work in Washington
 - Employees of tribal businesses in which the tribe has not opted in
 - People who are self-employed who have not opted in
 - Retired and non-working Washingtonians
- **Voluntary exemption available to:**
 - Workers whose permanent home address is outside Washington
 - Temporary workers on a non-immigrant visa
 - Spouses or registered domestic partners of active-duty military members
 - Veterans with 70% or higher service-connected disabilities

California

- **Convened a task force to recommend options for a public LTC insurance program**

- Feasibility study on potential program designs published 12/14/22
- Actuarial analysis on costs and viability of program designs published 12/31/23

- **Benefits:**

- Two of six ADL or severe cognitive impairment eligibility criteria
- 5- or 10-year vesting period with partial vesting after three or five years, respectively
- Reimbursement benefits in all designs and 50% cash alternative in Designs 2, 4, and 5
- Benefit inflation based on Consumer Price Index

- **Financing:**

- Progressive payroll tax (and income-based tax for self-employed individuals)
- Contribution cap (\$400k) in most designs, indexed with inflation
- Contribution waiver (first \$30k) in all designs, indexed with inflation
- Contribution rates split 50/50 between employee and employer

- **Private LTC insurance:**

- Payer order: private LTC insurance → public LTC program → Medicaid
- Opt-out available if eligible coverage purchased before Program effective date
 - Reduced contribution rate if purchased after Program effective date
 - “Eligible” coverage not yet defined
 - Require recurring certification of coverage
- Recommended workgroup to explore supplemental private insurance options

Minnesota

- **October 2023 study to increase access to LTC financing, services, and supports**
- **Options rated on :**
 - Access/equity of access
 - Costs and efficiency
 - Benefits
 - Sustainability
 - Systemic change
 - Feasibility
 - Integration
 - Incentivization
 - Adaptability and supportive
 - Understandability and marketability
- **Care navigation and support option:**
 - Older adult specific online portal for self-directed opportunities to find local and community care providers
 - Enhanced telephonic approach for those without reliable access to broadband or requiring additional assistance
 - In-person support for those that qualify through a state- or county-based program, or for a charge for those who can afford to pay
- **Medicare companion product option:**
 - *Market Driven Approach:* Leveraging care coordination services of Medicare Advantage plans and linking to LTC-based insurance product.
 - *Compulsory Approach:* Develop a state-sponsored obligatory or compulsory program, requiring all Minnesotans to have some base level of coverage through a product that funds LTC services and supports
- **Catastrophic lite benefit option:**
 - Compulsory program funded by payroll tax and provides benefits for eligible participants for up to five years of care following satisfaction of a 2-year elimination period
 - Eligibility would be vested for participants that contribute for at least 10 years with limited gaps allowed
 - Benefit eligibility would be the tax qualified definition within LTC insurance