VERMONT
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Long-Term Health Care Rate Increases FAQs

Long-term care insurance (LTCI) policies include a number of long-term care (LTC) service alternatives, including home health care, respite care, hospice care, personal care in the home, services provided in assisted living facilities, adult day care centers and other community facilities. Public programs, such as Medicare and Medicaid, also cover certain limited LTC services. As our population ages, the need for LTC support and services will increase and require innovative new approaches.

According to the U.S. Department of Health and Human Services (HHS), about 12 million of America's senior citizens will require long-term care by 2020.

Despite the growing need, the number of insurers offering LTCI coverage has decreased from slightly over 100 in 2004 to about a dozen in 2018. Additionally, premium rates for newly-issued policies have risen as the remaining writers have refined their pricing.

This document answers questions about changes to and rate increases for long-term care insurance policies.

1. **I am on a fixed income, is there any way to avoid this increase if I lowered something on my LTC policy?**
   You can always adjust your coverage to make it cheaper even when you didn't get a rate increase notification. It's a requirement of all policies per Reg H-2009-01. You will want to contact your agent or the customer service division of your carrier to see what options are available.

2. **Is the company going through money problems and is that the reason they feel the need to increase our premium?**
   Rate increases are common for all carriers who have sold and continue to sell long term care products. These policies were underpriced at inception (1980s) In the process of pricing the products the carriers overestimated the number of people who would drop insurance by failing to pay premiums (lapse rates). They also overestimated the amount of investment income they would make on their reserves. And people are living longer with more serious conditions, increasing the cost of claims. Underpriced at inception they started selling these policies for the first time in the 80s and sometimes people hold policies without making a claim for upwards of 30 years. So they really missed on some assumptions. Interest rates have never been as low as they are now for as long.

3. **What if I don't accept the rate increase – what are my other options?**
   Standards in law are in regulation H-2009-01. Companies must meet these standards to show they have not collected enough premium to pay claims in the future. If the rates increase you have the option of continuing with your current benefits or contacting the

carrier to see what other options may be available to keep your premium as close to what you have been paying as possible. Before you lower your coverage take some time to remember why you bought the policy in the first place. Here's an example. The company may say you can increase your elimination period. That's the time before your policy starts paying. If you increase your elimination period to 100 days, the max in VT by law, you have to be able to pay for the first 100 days of care. So don't increase the elimination period without making sure you can afford to pay for care during that time.

4. **What is the process the Department uses to determine if the increase will be granted?**
When a rate increase is requested by a carrier, such as the one your letter is referring to, the Department sends the filings out for actuarial review to make sure the increase is justified. The actuary writes an opinion letter as to the reasonableness of the rate increase. The actuary provides an opinion to the reasonableness of the increase. The Department's duty is to balance company solvency with consumer protection in the form of affordable rates. Regulation H-2009-01 and 8 VSA section 8084.

5. **If I provide a written statement to the Department with my objections to the rate increase will I receive a written response from the Department addressing my objections?**
We have to follow the standards in law. We can accept and consider written comments. However, we must follow the standards that are in the regulation.

6. **If the rate increase is allowed does that mean there won't be any more increases allowed for a specified period of time?**
These policies are guaranteed renewable. That means that they cannot cancel your policy. However, they can raise rates if they can show they have not collected enough premium to pay claims.

7. **What if the Department does not accept the rate increase – will the company come back with a different amount to increase the premiums? Or does that mean there will not be any rate increase with my next renewal?**
If the Department does not accept the rate increase it is likely that the company will come back with a request for a lower rate increase.

8. **If I non-renewed or cancelled my policy would I get any money back for paying on the policy for all this time?**
If you chose to non-renew you will not be entitled to any money from past premiums as the carrier would have paid benefits if they were incurred.

If you cancel mid-term you would be entitled to a refund of premiums paid for the balance of the year.

If someone does not pay premium, the company can cancel the policy. This would be a huge loss of everything they've paid into the policy. We highly urge consumers to consider many other options before taking this step.

9. **Is there another company that I can switch my LTC for a lower premium?**
   Yes, they're ALL asking for rate increases. Shopping around – you'd have to go through underwriting again. The cost of a policy will take into consideration the age you are as well and will be more expensive than when you bought at a younger age. Try talking to an agent. Most premium increases don't even bring the premiums up to the full cost of what policies are sold for today. It's likely that keeping your coverage and paying the increase is the option with the most value. We've seen many companies who tell us that around 80% of policyholders keep the policies and pay the premium increase. It is the most common option selected by consumers.