The Long-Term Care Insurance Puzzle
Exploring the Small Size of the Market

Johanna C. O’Loughlin
Grantmakers In Aging Conference 2015
October 30, 2015

School of Public Policy, Government, and International Affairs
George Mason University
“...the vast majority of Americans are woefully unprepared financially for a disability later in life.”
(Thomas & Applebaum, 2015)
Size of the LTCI Market

- Private Insurance, 8%
- Other Public, 21%
- Out-of-Pocket, 19%
- Medicaid, 51%

Total National LTSS Spending = $310 billion

Source: KFF.org, FY2013
Problem Statement

- Increasing need for long-term care services
- Long-term care costs
- Private, individual long-term care insurance market remains small

Two Problems
1. Individual retirement security
2. Budgetary implications
Policy Background

- Class Act (ACA 2010)
  - Act was deemed insolvent in 2011
- Catastrophic Care Act (1988)
  - Repealed in 1989
- State Partnership Program
- Deficit Reduction Act (2005)
  - GAO report 2007
- Other Policy Initiatives
  - Tax incentives
  - Medicaid community based supports
Current Thinking

- Supply side deficiencies
  - Information asymmetry
  - Adverse selection
    - quantity rationing and poor pricing
  - Intermediary layer

- Demand side deficiencies
  - Information asymmetry
  - Poor intertemporal risk assessment
  - Availability of substitutes
  - Other demand factors
Pilot Study

- Eight-month ethnographic study at rural assisted living facility
  - Participant observer role
- Semi-structured interviews with managerial staff
Pilot Study Findings

- Wide-spread information asymmetry among LTC workers
- Trust and pricing
- Only 3 managers had any detailed knowledge:
  - Head of client services
  - Head of finance
  - Nursing director
Supply-side deficiency? The role of the intermediary

- Individual policies are sold by brokers
- Agent’s role is 2nd only to adult children
- Industry evaluations

- Gap in the literature regarding agents’
  - Role
  - Effectiveness/ impact
  - Knowledge
Intermediary Training

- No federal standards
- State requirements
  - Vary from no training
    - CT, NY
  - Eight hour course, 2 hours every year
    - Virginia, others

- CLTC
  - Major provider of certifications
  - Over 20,000 certified brokers nationwide
  - Established in 1999
Research Approach

Geographic Information Systems Approach

Geographic Boundary: Small Area Analysis

Spatial Regression Model: Grocery Store Desert Model
Intermediaries and LTCI Take-Up

Information Asymmetry
- Current broker model unlikely to yield dramatically higher levels of ownership
- New thinking needed to address discontinuity in insurance coverage late in life

Research Opportunities
- LTSS Benefits?
  - Economic
  - Health
- Employer-Based Model
  - French private market growth only after universal coverage
- Product Offerings
Questions and Discussion

Contact Details:

Johanna O’Loughlin
434-249-2930
joloughl@masonlive.gmu.edu
johannasteele@gmail.com

School of Public Policy, Government, and International Affairs
George Mason University
Arlington, Virginia
http://spgia.gmu.edu/
Questions: Aging Monikers

<table>
<thead>
<tr>
<th>Young-Old</th>
<th>Middle-Old</th>
<th>Very-Old</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ages 60-69</td>
<td>Ages 70-79</td>
<td>Ages 80-89</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Young-Old</th>
<th>Middle-Old</th>
<th>Oldest-Old</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ages 65-74</td>
<td>Ages 75-84</td>
<td>Ages 85+</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Young-Old</th>
<th>Old</th>
<th>Oldest-Old</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ages 60-69</td>
<td>Ages 70-79</td>
<td>Ages 80-89</td>
</tr>
</tbody>
</table>
Questions: Generations

- Missing or inaccurate?
  - The Silent Generation (‘25 - ‘45)
    - Sometimes called Traditionalists
  - GI Generation (‘01-'25)
    - Squares, Good ones
  - Generation Jones
    - Affluent Young-Old (‘54-'65)

- Millennials
  - Usually split into two groups
    - Early Millennials
    - ‘Trending’ Millennials (‘89 --)

- ‘TBD’ refers to post 2004 (‘05) babies
  - Anyone in the last ten years or so
  - ‘Homeland’ Generation
  - ‘Linkster’ Generation
  - Gen Z
  - ‘New Silent’

Generation Y
- Sometimes seen as inaccurate or irrelevant

Source: The Atlantic, March 2014
Selected References


Selected References