

# Forecasting LTC Claims for 2024

National LTCi Producer's Summit

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# Forecasting

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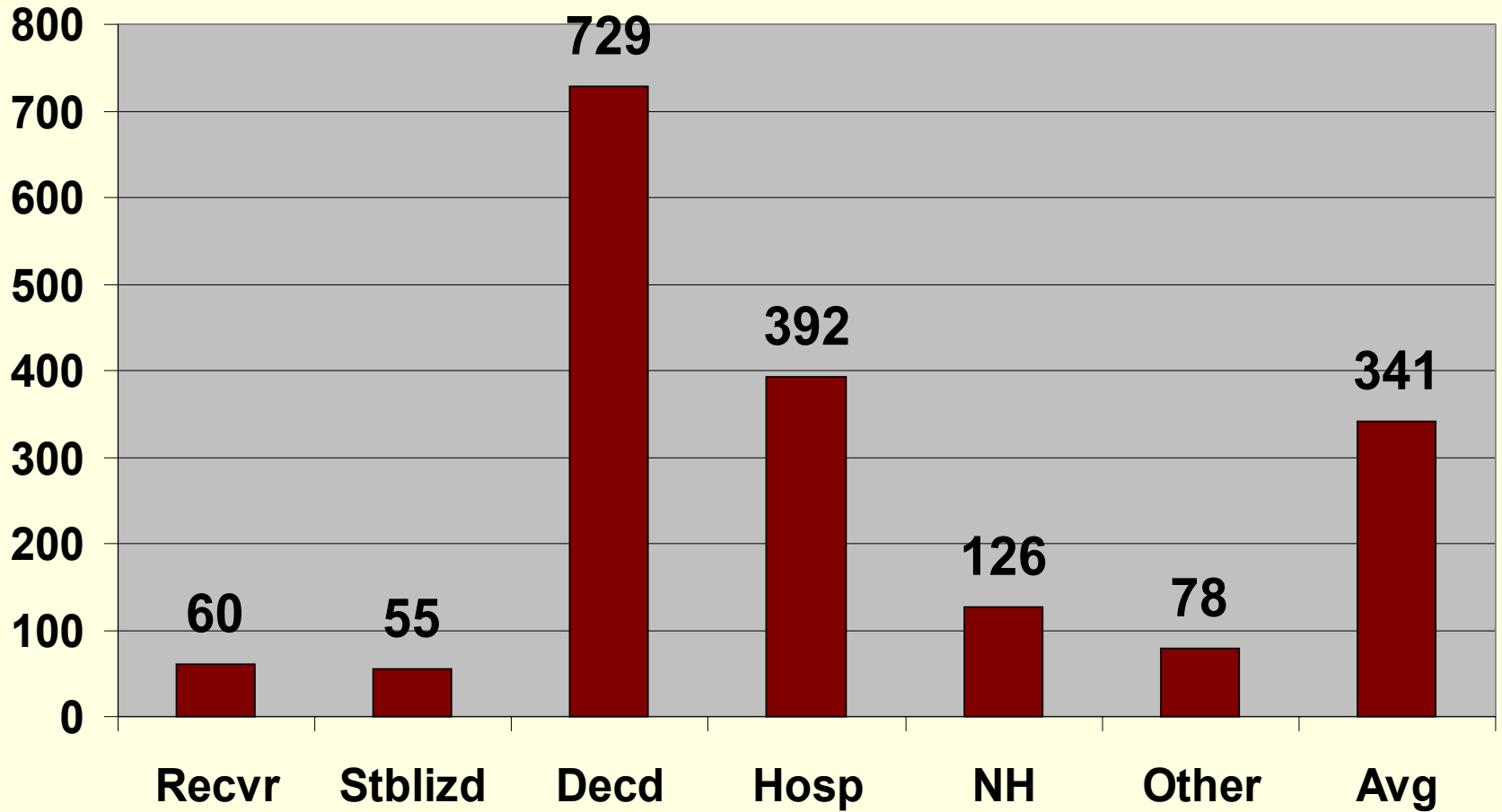
- Medical and Care Trends
- Cost Base for LTC Claims
- Forecasting Medical Trends
- Product Design for the future

# Medical and Care Trends

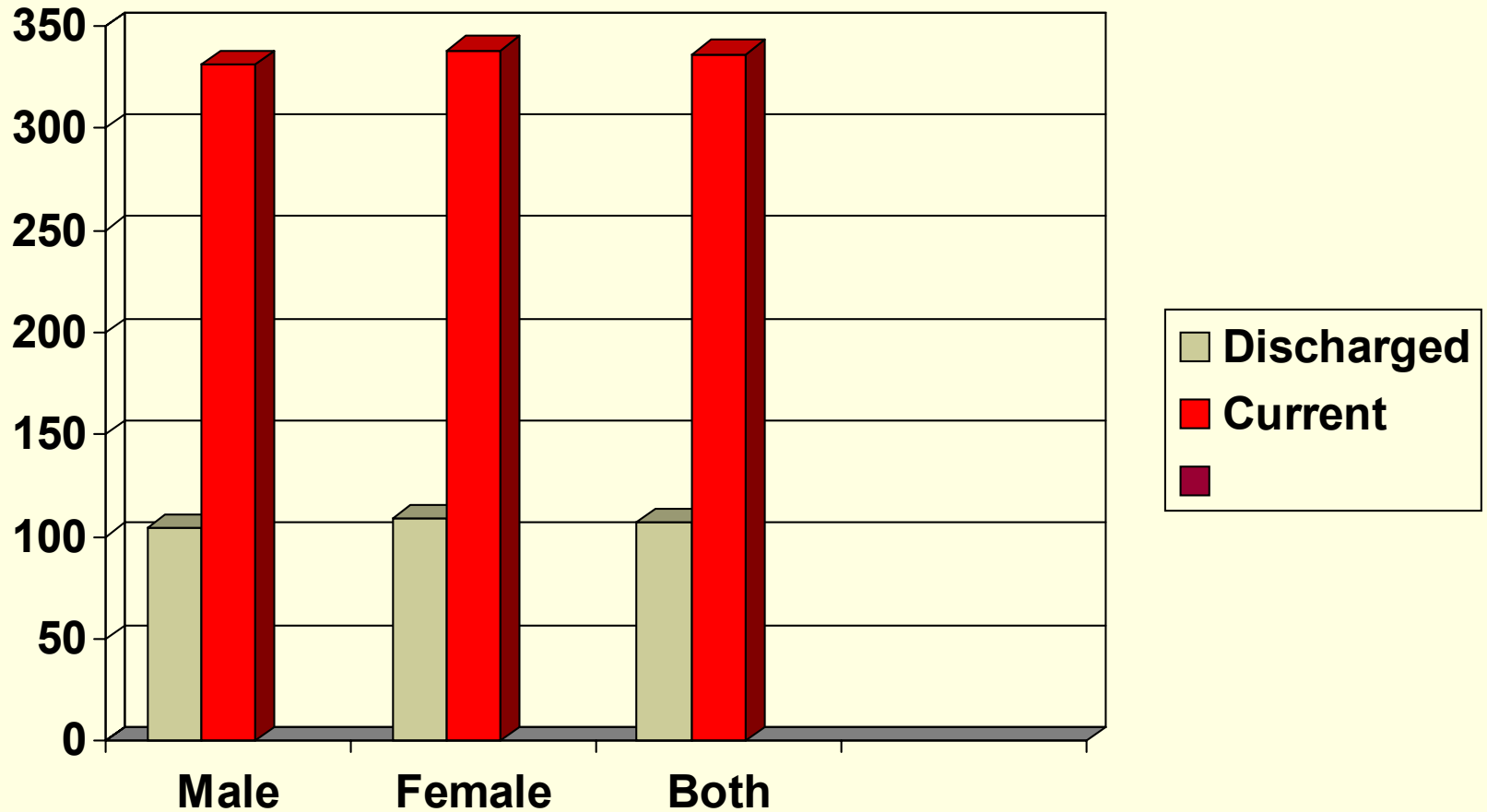
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- Where are we today?
- Projections for next 20-40 years
  - Health and Disability
  - Funding
  - Medical Care
  - Services

# Average LOS of NH Residents- 1997



# Home Health Care Duration- 1996



# Chronic Physical Impairment

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- In 2002...
  - 19% of seniors age 65+ experience some degree of chronic physical impairment.
  - 55% of seniors age 85+ experience some degree of chronic physical impairment.
- In 2024...
  - Is functional impairment going to increase or decrease- or even stay the same?

# Chronic Physical Impairment

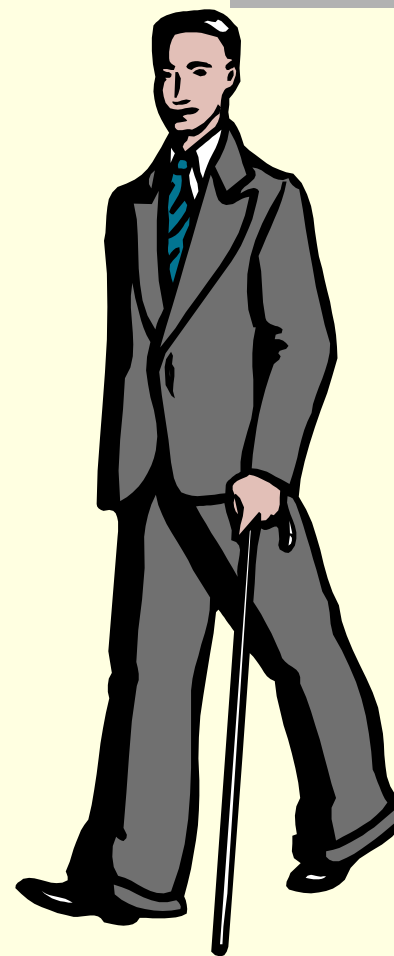
- Decline in prevalence of functional impairment among elderly people should slow growth of LTC spending.
- 1910-1990's show decrease in impairment
  - Example: Men's ability to bend
    - 1910- 50% unable
    - 1980- 16% unable



# Use of Equipment

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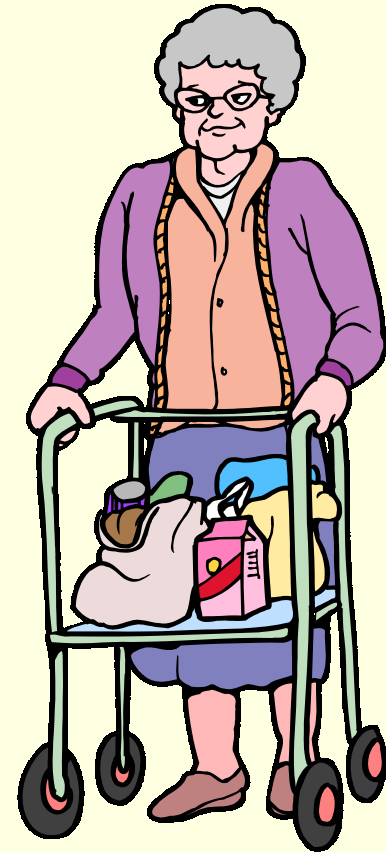
- Use of equipment (walkers, canes, etc.) has grown in past decades.
- Since 1984, there has been an increase in walking canes each year- although total use is still about 3% of seniors.





# Prevention and Independence

- Goal: Extend period of wellness and health;  
Decrease period of disability and sickness
- Prevention of accident and injury
- Independence with equipment
  - Increased Awareness
  - Technology Influence
  - Financial Resources



# Conflicting Trends

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...projecting the prevalence of impairment in future years and basing estimates of spending on those projections are both difficult and subject to a high degree of uncertainty.

1999- CBO projected budgets for LTC cost with assumption of declining impairment of 1.1% per year.

# Increasing Life Expectancy

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**At age 65- one could expect to live an additional number of years....**

- In 1935- 12 years to age 77.
- In 1965- 14 years to age 79.
- In 2000- 18 years to age 83.
- In 2024- 22-24 years to age 87-89.

# Senior Population

- In 2000:
  - 12.6% over 65
  - 1.6% over 85
  
- In 2040
  - 20.5% over 65
  - 3.8% over 85



# Expect for 2024...

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- Increased number of seniors
- Increased type and number of available services
- Increased total \$pending for services
- Increased life expectancy
- Increased impairment with advanced age

# Current LTC Payers

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- Medicare
- Medicaid
- Long Term Care Insurance
- Private Funds

# 2004 LTC Expenditures for Elderly, in Billions, by Payer

Payer	Institutional Care	Home Care	Total
Medicare	\$36.5	\$10.8	\$47.3
Medicaid	\$15.9	\$17.7	\$33.6
LTCi	\$2.4	\$3.3	\$5.6
Private Funds	\$35.7	\$8.3	\$44.0
Other	\$2.0	\$2.5	\$4.4
<b>Total</b>	<b>\$92.4</b>	<b>\$42.5</b>	<b>\$134.9</b>

Source: Congressional Budget Office      The Current Context of LTC Financing

# LTC Claim Cost Factors

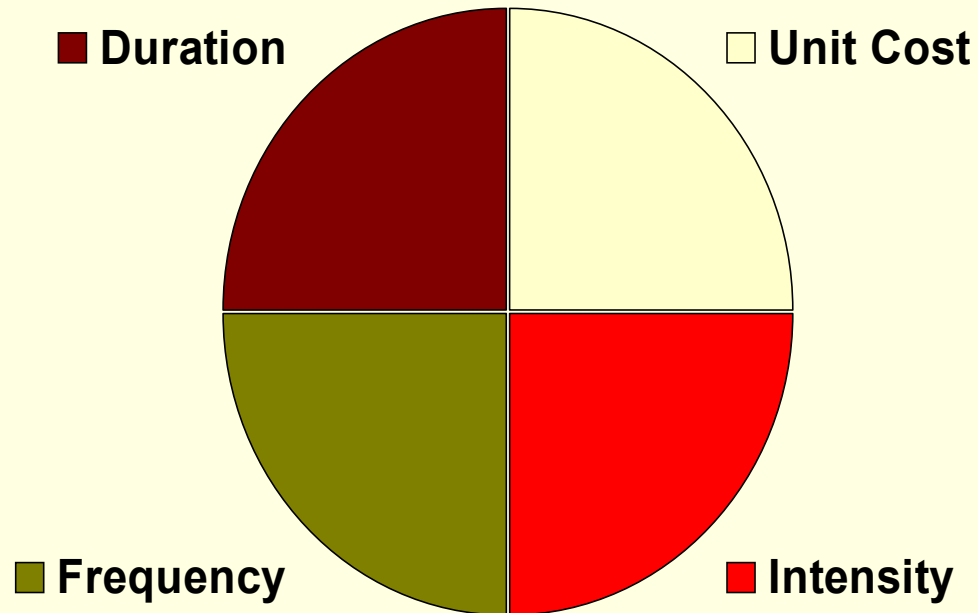
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- Unit Cost for Care
- Intensity of Care or Setting
- Frequency of Care
- Duration of Care

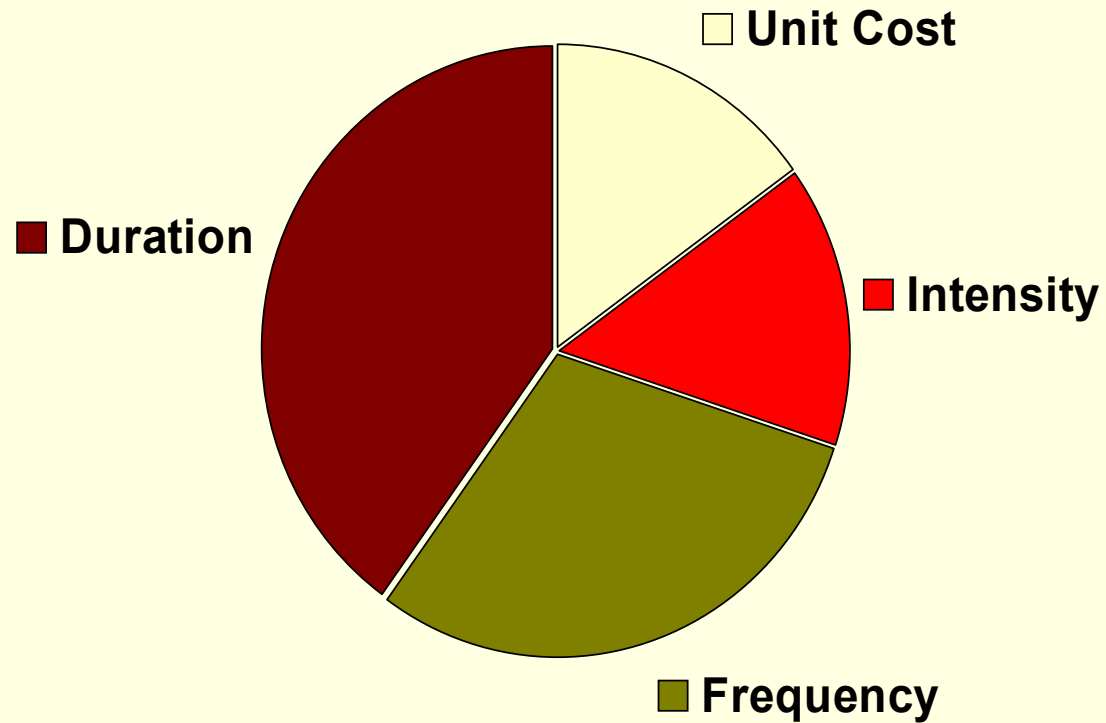


# LTC Claim Cost Components

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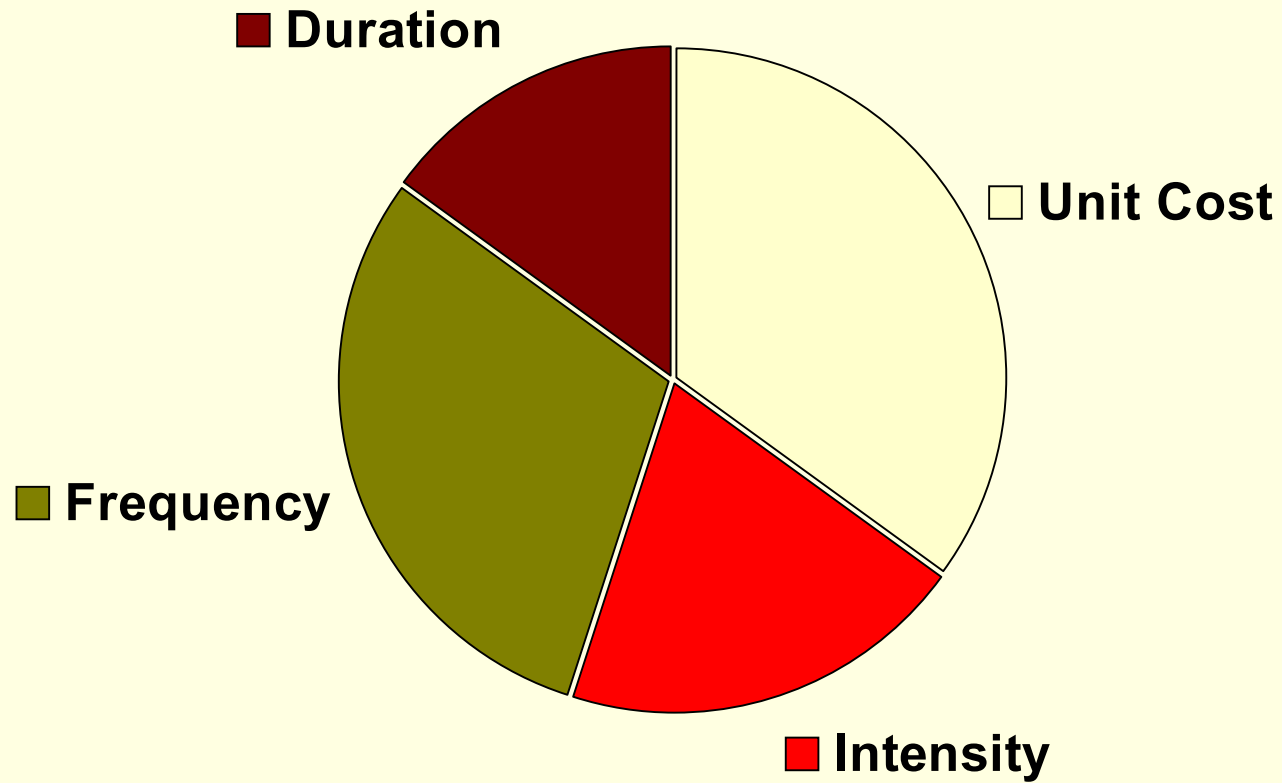


# HHC

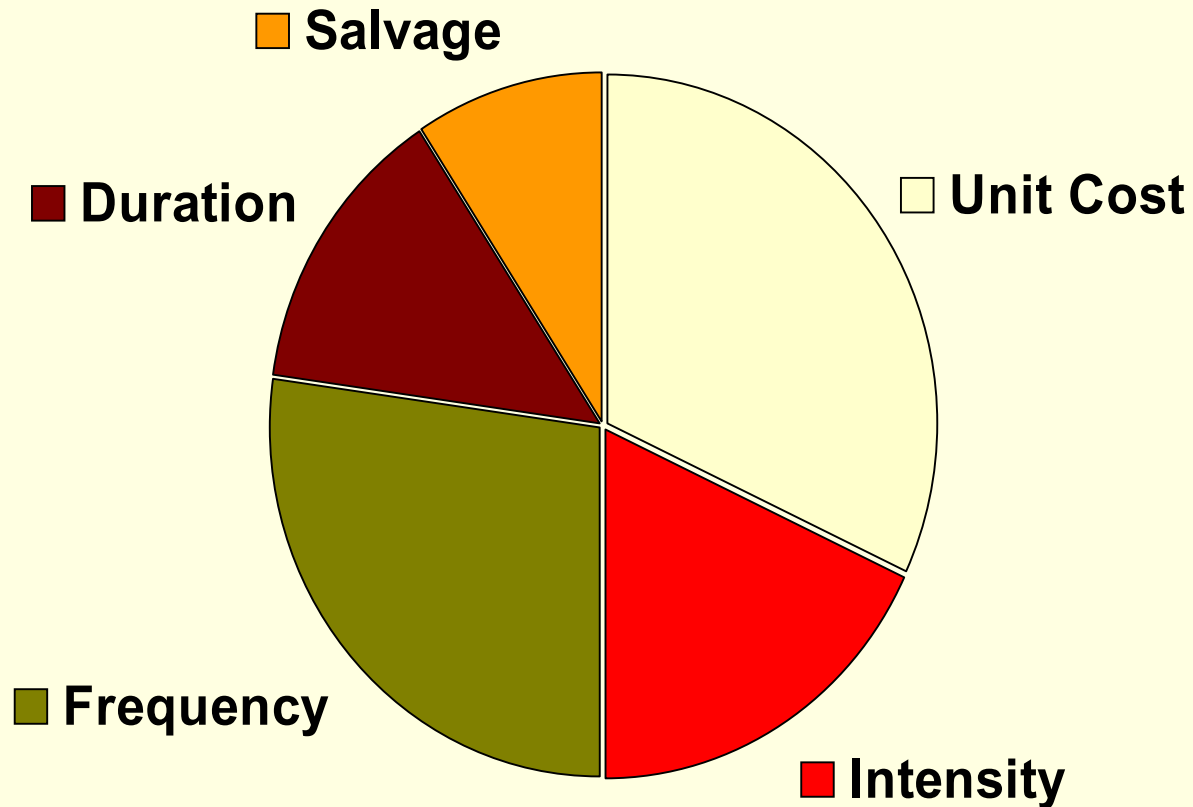


# Facility

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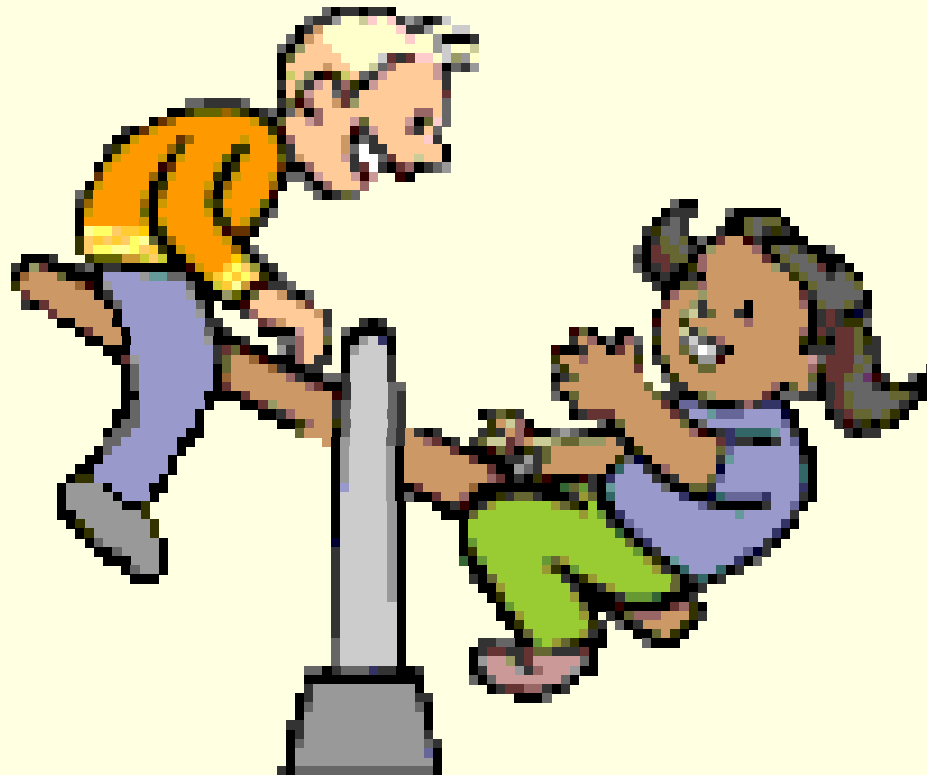


# Salvage Factor



# LTC Costs are influenced as a segment of health and medical costs.

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# Health Insurance and LTC

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- Health Insurers- Under 65 population
- Medicare Service and Morbidity Trend Data- Over 65 population and chronic disease population
- LTC eligibility and claims are directly influenced by management of health conditions for medical insurance.
  - Diabetes- A1C, new drugs, insulin pump
  - Obesity- weight management, co-morbidity,

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# Forecasting LTC Claims for 2024

## *Medical Expense Trend Analytics and Forecasting*

### National LTCi Producers Summit Francisco, CA

November 9<sup>th</sup>, 2004

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# LTC Benefit Forecasting Examples:

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- Disease Specific
  - Macular Degeneration
  - Multiple Sclerosis
- Co-morbidity
  - Obesity
  - Diabetes
  - Anti-coagulation



# Forecasting LTC Claims for 2024

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- Care Management will continue to be pivotal to maximize policy options and risk management.
- Safety improvements to decrease falls
- Cognitive Improvements- #1 claim driver
- Technology- drugs, equipment, home, medical management, Smart house
- Healthy Behavior Changes

# Healthy People 2010

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- Government initiative developed in 1990 for 20 year process
- Two major goals are to:
  - Increase Quality and Years of Healthy Life, and
  - Eliminate Health Disparities
    - Diabetes
    - Cardiovascular
    - Adult Immunizations

# Forecasting Product Design

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- Blended coverage for a lifetime of.....
  - Wellness- access to CM
  - Integrated Medical and Health Care
  - Coordinated Care and Services
- Product Design for LTC insured events
  - Defined vs. lifetime coverage- risk
  - Shorter term coverage and policy duration
  - Simpler Product Design

# Consumer Challenges

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- Inadequate funding to cover all of care.
- LTC insurers unable to accurately forecast LTC costs in 20-30 years.
- Inflation riders may not cover costs of care.
- Policy language and care setting interpretations may not be favorable by insurance companies 2024.

# 2024

- Morbidity in 20 years directly related to health and wellness patterns NOW.
- Wellness emphasis today will extend cycle of health and wellness.
- Disparity in access to health providers and reimbursement will be corrected.
- Product Design must reflect flexibility of future care settings and trends- making shorter term policies appropriate.

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