



ADVERTISEMENT

GUEST COLUMNS

LTC insurance sales suddenly surge



STEPHEN A. MOSES

AUGUST 10, 2022

SHARE ▾



Stephen Moses

Long-term care is a high risk and huge potential cost for aging Americans. Yet few plan ahead, and fewer still insure privately for this impending peril. Until now.

Private insurers [report](#) that 140,000 more people purchased LTC policies in 2021 than in 2020, generating a third more premium nationally. Worksite sales rose even more with nine times as many sales generating triple the previous year's premiums.

CONTINUE READING

What happened? Sales in Washington State accounted for most of the surge. The Evergreen State generated only 3% of national LTC sales in 2020, but jumped to 60% in 2021. Why the sudden burst of interest and demand for long-term care insurance in a single state?

ADVERTISEMENT

According to an [article](#) in the July issue of Broker World magazine: "Washington

State's 'Washington Cares Fund' (WCF) stimulated a tremendous demand for private LTCI from individuals and businesses within WA."

The WCF will charge state workers .58% of gross wages to create a trust fund to pay very limited LTC benefits to qualified beneficiaries. Before its implementation was delayed until 2023, the WCF gave state workers the opportunity to opt out of the program by purchasing private LTC insurance. Approximately 470,000 pursued this exemption, many of whom bought the insurance resulting in a vast increase in sales.

Interesting to note is that the new sales in Washington reflected more promising buyer characteristics than usual for the product. Placement rates, the percentage of applicants accepted for coverage, were higher in Washington (72.7%) than elsewhere (54.%). Applicants were younger and healthier, so premiums were lower. More men than women purchased the coverage for the first time ever, expanding the protection for an underinsured group.

The [WA Cares Fund's](#) operational details are interesting, but its impact on consumer behavior is what matters here. Faced with an immediate cost related to long-term care, people behaved differently than before. Instead of ignoring LTC until they need it and then relying primarily on Medicaid if confronted with catastrophic care costs, people bought the private coverage to avoid compulsory payroll deductions imposed by the state.

That outcome has important public policy implications. If we want more people to plan ahead and prepare privately for long-term care, we need to make LTC risk and cost more real to consumers earlier. One way to do that, the WCF approach, is to threaten them with compulsory payroll deductions enforced by the government. But surely there could be a less onerous way to achieve the same result.

Why not formalize and publicize an individual responsibility to plan for long-term care? Then let people meet their responsibility in any way they choose. They could buy private LTC insurance, dedicate a portion of their home equity to long-term care, tap the value of their life insurance, contribute to a new IRA-

like LTC savings fund, or earmark part of their estate to cover the risk.

The possibilities are endless once consumers and entrepreneurs have a reason to conceive and employ them. A private sector organization or agency could determine each individual's LTC responsibility actuarially and approve or deny each proposal to meet it according to agreed-upon standards. Government need only become involved if people fail to meet their LTC responsibility voluntarily, and then only in a traditional enforcement role, not with the threat of a big new social insurance program.

How to fund and deliver long-term care to a burgeoning older population has bedeviled policymakers for decades. We know now what's wrong and how to fix it.

Move the LTC responsibility forward from an abstract worry of a possible future risk relieved by easy access to Medicaid if the worst happens to a real personal responsibility right now. Many Americans will respond as so many Washingtonians did by purchasing LTC insurance. But the rest will have many more ways to prepare for long-term care and the obligation to do so.

Stephen A. Moses is president of the Center for Long-Term Care Reform (www.centerltc.com). Reach him at smoses@centerltc.com.

The opinions expressed in McKnight's Long-Term Care News guest submissions are the author's and are not necessarily those of McKnight's Long-Term Care News or its editors.

MORE FROM OUR NETWORK

LONG-TERM CARE INSURANCE