Approved: 4-4-02
Date

MINUTES OF THE HOUSE COMMITTEE ON INSURANCE.

The meeting was called to order by Chairman Representative Robert Tomlinson at 3:30 pm on March 19, 2002 in Room 527-S of the Capitol.

All members were present except:	Representative Bill McCreary Representative Gene O'Brien Representative Bonnie Sharp
Committee staff present:	Bill Wolff, Legislative Research Ken Wilke, Legislative Revisor Mary Best, Administrative Assistant
Conferees appearing before the committee:	Ms. Connie Hubbell, Kansas Secretary of Aging Mr. Larry Magill, Kansas Association of Insurance Agents
Others attending:	See Attached Guest List

SB 568: Long-term care insurance - restrictions on elimination period.

Upon bringing the meeting to order Chairman Tomlinson welcomed Kansas Secretary on Aging, Ms. Connie Hubbell. Ms. Hubbell gave a presentation on **SB 586** and a copy of her presentation is (Attachment # 1) attached hereto and incorporated into the Minutes.

Ms. Hubbell stated to the committee, "allows customers purchasing long-term care insurance to decide how long their own personal elimination period will be before their policy goes into effect. She gave the example of a customer being more able to pay for their long term insurance for 365 days and thus make their care more affordable." She continued to state they would "support any increase flexibility in policy writing that gives seniors mor options. They feel this change will allow insurance agents and purchasers of long-term care insurance to tailor each policy to the individual policyholder."

She also related to the committee the presentation of **SCR 1614** - 'Encouraging decreased dependence on public moneys to finance long-term care,' which would "expand agency efforts to educate and make Kansans aware of the cost of long-term care, and to encourage them to consider the purchase of long-term care insurance at an age when it is affordable."

Ms. Hubbell stood for questions. Questions were asked by Representative's Boston, Ostmeyer, Edmonds, and Kirk. Questions covered deductibles, cost of insurance, Medicare, will this be the standard, request for the Kansas Insurance Department opinion.

Mr. Larry Magill, Kansas Association of Insurance Agents, gave Proponent Testimony to the committee. A copy of the written testimony is (Attachment # 2) attached hereto and incorporated into the Minutes by reference.

Mr. Magill explained the bill would, "extend the current maximum waiting period for long-term care coverage sold in Kansas from 100 days to 365 days. The 100 day limit was an arbitrary one set when the product was first introduced in the NAIC model LTC regulation."

Mr. Magill stood for questions. Questions were asked by Representatives Mayans, Kirk, Edmonds. Questions spoke to other numbers of days offered, elimination periods, accumulative visits or accrued periods of confinement, home care or assisted living, nursing homes.

With no further discussion, the public hearings were closed.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

SB 469 - State employees health plan - Inclusion of additional entities.

The bill went to the committee. Representative Hummerickhouse made the motion to move the bill out marked favorably for passage. Representative Mayans seconded the motion. There was no discussion. The vote was taken and the motion passed.

Final announcements were made and the meeting was adjourned. The time was 4:10 p.m.

The next meeting will be held March 25, 2002.

HOUSE INSURANCE COMMITTEE GUEST LIST

DATE: March 19, 2002

NAME	REPRESENTING
Sandy Braden	KAIFA
LARRY MAGILL	KAIA
BOB HAYES	HCSF
[illegible]	Rep Barton
Sheli Sweeney	KDDA
Connie [illegible]	KDDA
Rebecca Inmany	Federico Consulting
Mark McClaflin	KS, Ins, Dept.
Larrie Ann Lower	KAHP

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House Insurance Committee
March 19, 2002

Report on Senate Bill 586

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HOUSE INSURANCE
DATE: March 19, 2002
ATTACHMENT #1

**PRESENTATION TO THE HOUSE INSURANCE COMMITTEE
BY
SECRETARY CONNIE HUBBELL
KANSAS DEPARTMENT ON AGING
March 19, 2002**

Good morning, Mr. Chairman and members of the committee. Thank you for this opportunity to present testimony regarding Senate Bill 586. The Kansas Department on Aging supports the increase of flexibility that this bill provides, both for consumers and for underwriters.

Senate Bill 586 allows customers purchasing long-term care insurance to decide how long their own personal elimination period will be before their policy goes into effect. For example, if a customer can afford to pay for their own long-term care for 365 days, it may make their insurance premium more affordable. We support any increase in flexibility in policy writing that gives seniors more options. This change will allow insurance agents and purchasers of long-term care insurance to tailor each policy to the individual policyholder. We support this change.

In addition, the Department on Aging was able to introduce Senate Concurrent Resolution 1614 in response to a directive from the Kansas Legislature. SCR 1614 will expand agency efforts to educate and make Kansans aware of the cost of long-term care, and to encourage them to consider the purchase of long-term care insurance at an age when it is affordable.

Our nation's current long-term care financing system steers people toward impoverishment and reliance on Medicaid. A fundamental shift from Medicaid to private long-term care insurance is a sensible and compassionate way to meet the nation's long-term care needs. It can help protect Americans from financial ruin as they grow older and ease the fiscal burden on states and the federal government. Long-term care insurance can become a large part of the planning process for growing older with dignity, security, and independence. This trend, if realized, could potentially decrease dependence on public monies that finance long-term care for seniors in Kansas.

With the passage of Senate Concurrent Resolution 1614, the Kansas Department on Aging (KDOA) will expand our education and awareness efforts to encourage younger Kansans to start early saving for their elder years and to purchasing long-term care insurance when feasible.

Long-term care is a risk worth insuring against. The risk is largely unpredictable early on because conditions that frequently lead to a need for long-term care, such as the onset of dementia or stroke, often are not foreseeable in youth. However, when an individual has purchased long-term care insurance, the risks and costs of long-term care are spread across a wider population, making the costs for one individual needing long-term care far more affordable.

Those who need long-term care can rarely pay for it out of their own pockets. Nursing home care is expensive, with a nationwide average of $40,000-$50,000 a year and in Kansas an average of

$36,500 or $100 per day. That figure is certain to increase. Kansas seniors must spend their life savings and contribute all their income before Medicaid pays for their care. Private insurance pays for only 7 percent of long-term care services (1996), with Medicare paying for 11 percent, while Medicaid pays for 38 percent of long-term care services for elders, with the remaining 56 percent being private pay.

Long-term care insurance can play an important role in helping to provide protection against the cost of long-term care and the expenditure of a lifetime of savings. Long-term care insurance is risk insurance that protects assets--the same way a homeowner's policy protects a house or car insurance protects a car.

The first enhancement to the Department's continuing education and awareness efforts will be to correct some assumptions about retirement and long-term care that hinder people from planning for their elder years and long-term care. We will provide Kansans the information they need to make the right choices for their elder years.

Some of these assumptions include:

- **I will never need long-term care**. Anyone, no matter what their age or state of health, may need long-term care services at some point in their life. Yet 72 percent of Americans say that they are unable to pay for long-term care. Currently, 5.8 million people aged 65 or older need long-term care and this number will increase as more people survive heart attacks, cancer, strokes, and other ailments that once were fatal.
- **Social security will be enough**. According to economists, Social Security will provide only about 25 percent of the income needed in retirement. Persons who rely solely on Social Security income in their elder years will more than likely be living in poverty.
- **It is too late to start saving or to buy long-term care insurance.** Even if an individual gets a late start at saving or the purchase of long-term care insurance, any planning and preparation will make retirement more comfortable and secure. Even up to the ages of 55, 60 and 65, it can make sense for people to purchase long-term care insurance to protect their assets.
- **My children will take care of me**. Since people are living longer and spending more time in retirement, children will be hard-pressed to pay for their own retirement, mortgages, and college tuition for their children as well as supporting their elderly parents. In addition, families are many times unable to care for an elder parent or family member because of the need for two-earner households, changes in the nuclear family such as divorce and remarriage, and the fact that children may not live close to their parents.
- **My health insurance or Medicare will pay for long-term care.** Medicare will pay for rehabilitation at a long-term care facility after a hospitalization, and then only for 100 days. Private health insurance coverage does not cover the cost of long-term care.

Because Medicare does not cover the cost of nursing home care, assisted living, residential health care, or other long-term care, the primary source of private financing of long-term care is the income and savings of the elderly and their families, or Medicaid. The national caseloads for Medicaid have grown in the past few years and are projected to increase annually.

The second enhancement of KDOA's education and awareness efforts will be to provide guidelines to help answer some of the questions surrounding the purchase of long-term care insurance. The most important question we can help answer is "Who should purchase long-term care insurance?"

Some guidelines are:
- Determine your resources. People who have $50,000 or more in assets to protect may benefit from purchasing long-term care insurance.
- Purchase early. People should consider buying long-term care insurance when they are between 50 and 60 years old, when they can save on the cost of premiums.
- Purchase inflation protection. Long-term care costs will increase, so buy insurance that increases as costs rise.
- Buy a tax-qualified plan. This means that any payments made by your insurance company for your care can be paid directly to your provider and not taxed to you.
- Purchase a plan that is tailored to meet the individual's needs, e.g. daily benefit cap, benefit length, elimination period (deductible), training for family members who want to provide care, survivorship benefits, fixed term premium payments.
- Decide if it is more feasible to purchase long-term care insurance for one or both spouses, depending on health status, age, and other factors.
- Purchase a policy that provides care in your choice of setting, whether that is in-home services, assisted living or nursing home care.
- Shop for a qualified company with the best price. The top 10 out of 180 companies that sell long-term care insurance sell approximately 70 percent of the policies. Make sure the company you choose is not undercapitalized and is rated highly by industry rating services, such as Standard and Poor's.

A properly selected long-term care insurance policy will allow a policyholder to protect their life savings from depletion if long-term care is needed. An added benefit of the purchase of long-term care insurance is the shifting of financing of long-term care from the public sector to the private sector.

Mr. Chairman and members of the committee, thank you for the opportunity to discuss the importance of educating Kansans on the purchase of long-term care insurance, and the Department's support of increasing flexibility and options for purchasers of long-term care insurance. I will now stand for questions.

Testimony on Senate Bill 586
Before the House Insurance Committee
By Larry Magill
Kansas Association of Insurance Agents
March 19, 2002

Thank you Mr. Chairman and members of the Committee for the opportunity to appear today in support of Senate Bill 586, a measure that will allow a broader range of Long Term Care insurance products to be offered in Kansas.

SB 586 extends the current maximum waiting period for Long Term Care coverage sold in Kansas from 100 days to 365 days. The 100 day limit was an arbitrary one set when the product was first introduced in the NAIC model LTC regulation. Although the Insurance Department looked at extending it in 1993 or 1994, it took no action.

If you accept that the average stay in a nursing facility is 2 ½ to 3 years, even a one year waiting period would still afford significant "excess" coverage. Essentially the waiting period is a deductible; in this case a significant size deductible. Allowing a year would benefit two potential groups of insureds: a person who has substantial assets and wants to "self-insure" the small losses but still wants to buy excess coverage at a reasonable rate and the person who has perhaps waited too long to decide to purchase coverage and needs the large deductible to reduce the cost to an affordable level.

One concern is that you are encouraging the sale of "illusory" coverage. With such a long waiting period, some insureds will either recover and leave the nursing facility before the year is up or will die before ever receiving the insurance benefit. The lower premium should reflect the lower risk making this somewhat of a moot point. The consumer received what they paid for.

Since people who run out of funds to pay for nursing facilities end up on Medicaid with the State paying the cost, anything the legislature can do to encourage coverage is very positive. With the Baby Boom generation rapidly approaching retirement and the maximum feasible age for buying the coverage, anything you can do to encourage people to buy Long Term Care, you should do.

We would be happy to provide additional information or answer questions. We urge the Committee to act favorably on the bill.

HOUSE INSURANCE
DATE: March 19, 2002
ATTACHMENT # 2