## In the Matter Of:

## LONG TERM CARE PUBLIC BRIEFING

BRIEFING March 06, 2017

1	MARYLAND Insurance Administration
2	200 ST. PAUL PLACE, SUITE 2700
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7	LONG-TERM CARE PUBLIC BRIEFING
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12	TRANSCRIPT OF BRIEFING
13	Before ASSOCIATE COMMISSIONER BOB MORROW
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15	Monday, March 6, 2017
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6	50 Harry S. Truman Parkway
7	Annapolis, Maryland 21401
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13	Pursuant to Public Notice, before Susan
14	Farrell Smith, Notary Public for the State of
15	Maryland.
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- 1 PROCEEDINGS
- 2 MR. MORROW: Good afternoon everybody.
- 3 Let me start by asking everybody who is on the phone
- 4 to please mute your phones.
- 5 So, welcome, everyone. Thank you for
- 6 coming today. My name is Bob Morrow, and I'm the
- 7 Associate Commissioner for Life and Health with the
- 8 Maryland Insurance Administration.
- 9 And this is the Maryland Insurance
- 10 Administration's public briefing to provide an
- 11 update on recent policy changes and to vet potential
- 12 new policy changes that will enhance consumer
- 13 protections for long-term care insurance in
- 14 Maryland.
- 15 Commissioner Redmer was unavoidably
- 16 detained and regrets not being able to be here
- 17 himself. So, you're stuck with me.
- By way of background, the MIA has
- 19 committed significant resources to engaging in state
- 20 and national discussions on the long-term care
- 21 rating crisis over the last year.
- We held an informational public meeting

- 1 back on April 27th, 2016 where we invited consumers,
- 2 carriers and other interested parties to provide
- 3 comments on the state of long-term care insurance in
- 4 Maryland.
- 5 Based on the feedback received at the
- 6 public meeting in 2016, to proactively address
- 7 issues associated with the long-term care
- 8 marketplace in Maryland, an internal MIA work group
- 9 was convened to review key issues.
- The work group invited consumer
- 11 advocates, insurance industry representatives and
- 12 elected officials to engage in indepth discussions
- 13 of these key issues over a series of four public
- 14 conference calls between November and December 2016.
- 15 As a result of this collaborative
- 16 process, several actions have already been taken by
- 17 the MIA to provide greater transparency for
- 18 consumers as they evaluate how to budget for
- 19 long-term care needs.
- These initiatives will be discussed
- 21 today, and several new policy proposals will be
- 22 presented for your feedback.

- 1 We're here to listen and take questions
- 2 regarding the potential policy changes discussed
- 3 today. Before we begin, I would like to take a
- 4 moment to introduce some of the folks who are here
- 5 from the Insurance Administration.
- To my left is Cathy Grason, Chief of
- 7 Staff. Adam Zimmerman, actuarial analyst. Where's
- 8 my sheet? Oh, I'm sorry.
- 9 And to my right Nancy Egan who is head of
- 10 our legislative affairs. Van Dorsey, principal
- 11 counsel.
- 12 And also with us today from the MIA we
- 13 have Lindsey Rowell who is with the public affairs
- 14 office. Tracy Imm, director of public affairs.
- 15 Nick Cavey, assistant director of external
- 16 relations. Theresa Morphe, chief of life and
- 17 health, market conduct examinations. David Cooney,
- 18 who is chief of health insurance and managed care.
- 19 Fern Thomas, supervisor, health review unit. Mary
- 20 Kwei, chief of complaints and appeals and
- 21 grievances. Joe Sviatco, communications, and Jeff
- 22 Ji in our actuarial department.

- 1 In addition we have two public officials
- 2 with us here today. We have the Delaware
- 3 Commissioner, Trinidad Navarro, and his chief of
- 4 staff Steven Snyder -- Stuart Snyder, I'm sorry.
- 5 Finally, I'm going to go over a few
- 6 procedures we would like to follow today. There is
- 7 a handout that has all of our contact information on
- 8 it. Please make sure to pick one up. This document
- 9 also contains information about how to submit a
- 10 consumer complaint about a long-term care insurance
- 11 policy.
- 12 If you would like to speak today, you
- 13 will need to sign up on the sheet and include your
- 14 name and contact information. We will only be
- 15 calling the names of those folks listed on the
- 16 sign-up sheet and those who RSVP'ed to speak.
- 17 As a result of the policy changes
- 18 discussed today, we hope that you will submit
- 19 written comments providing feedback. The Maryland
- 20 Insurance Administration will accept comments until
- 21 Thursday, April 6th, 2017. Written comments should
- 22 be submitted to longtermcare.MIA@Maryland.gov.

- 1 We will posting all the written comments
- 2 received as well as a full written transcript of
- 3 today's meeting on the MIA's long-term care web page
- 4 which can be found under the quick links menu on the
- 5 left-hand side of the MIA's home page at
- 6 insurance.maryland.gov.
- We do have a Court Reporter here today to
- 8 document the briefing. When you are called up to
- 9 speak, state your name and affiliation clearly for
- 10 the record.
- If you're dialing into the briefing
- 12 through our conference call line, we ask that you
- 13 please mute your phones once again.
- 14 Thank you for joining us today. And now
- 15 I would like to introduce Nancy Egan who is going to
- 16 provide a few comments about the pending legislation
- 17 relating to long-term care insurance.
- MS. EGAN: Gosh, a microphone, wow. Hi,
- 19 everyone, and welcome. I'm glad to see some faces
- 20 that have come back from some of our prior hearings.
- 21 I know that some of you attended the hearing on
- 22 April the 28th, which was our first public hearing

- 1 when we talked about long-term care.
- I'm Nancy Egan. I am the person down in
- 3 Annapolis for the Insurance Administration. I go
- 4 down and monitor all the insurance bills. And I
- 5 have to say that unfortunately for me, I have to
- 6 skoot out because there are some hearings today that
- 7 we didn't expect. They don't normally have hearings
- 8 on Monday, this has been a very busy year.
- 9 So, on the agenda, I'm going to go out of
- 10 order, because I want to go in the order that the
- 11 bills were heard down in Annapolis. So, you can get
- 12 a sense of where they are right now, and I'm also
- 13 going to announce -- okay, sorry. I'm also going to
- 14 announce which Senator or Delegate sponsored the
- 15 bill in case you want to reach out to them
- 16 individually.
- 17 So, thank you. The first bill was Senate
- 18 Bill 176, long-term care insurance moratorium on
- 19 renewal of premium rate increases. So, this was
- 20 sponsored by Senator Manno who represents
- 21 District 19 of Montgomery County which is also the
- 22 area known for Leisure World.

- 1 So, this bill did have a hearing in
- 2 Senate finance back on February 1st. So, it's still
- 3 sitting there waiting to be voted on by the
- 4 Senators.
- 5 What the bill was going to do or is
- 6 attempting to do is to prohibit a carrier of
- 7 long-term care insurance from increasing a renewal
- 8 premium for policies issued, delivered or renewed in
- 9 the State after June 1, 2017. And then it was going
- 10 to put a moratorium on any rate increases until
- 11 December 31st, 2019.
- 12 The bill does have some retroactive
- 13 effects which is being looked at by Senate finance
- 14 at the current time.
- The only concern that we had is that
- 16 although a rate moratorium would create some
- 17 short-term relief for all the consumers that it
- 18 would affect, it could inadvertently lead to a big
- 19 spike in a request for a rate increase after the two
- 20 and a half year moratorium.
- 21 So, as I said, that is currently still
- 22 sitting in Senate finance waiting to be voted on.

- 1 The next one is a bill that's being put
- 2 in by Senator Klausmeier. Senator Klausmeier, she's
- 3 been putting in a bill for like the last three or
- 4 four years about long-term care tax credits.
- I don't know how many people out there
- 6 took advantage of the original tax credit that was
- 7 put in in year 2000. So, in the year -- there are a
- 8 show of hands, and I guess most of you are aware
- 9 that in year 2000 there was a one-time tax credit up
- 10 to \$500 that you could take if you were buying a
- 11 policy after -- let me get the date -- July 1, 2000.
- 12 So, you couldn't take the credit if you
- 13 had already purchased long-term care, but you could
- 14 take it if you were a new purchaser of long-term
- 15 care insurance.
- 16 What she would like do with this new
- 17 bill, Senate Bill 432, income tax credit for
- 18 long-term care premium, is to provide a continuous
- 19 tax credit.
- 20 However, the way the bill is drafted
- 21 currently, it would only apply to new policies. So,
- 22 it would not give the effect of -- for people that

- 1 already have policies in effect at this time. We
- 2 have pointed out that effect to Senator Klausmeier.
- 3 The Bill was heard on -- if you want to
- 4 hold on one second. I know it was just recently
- 5 heard. Sometime in February in budget and taxation.
- And as I mentioned, it's still sitting
- 7 there. She's trying to gather some information to
- 8 show that it would be great to provide this credit
- 9 for people that are continuously holding onto their
- 10 policies, but she has not made any amendments yet on
- 11 the language.
- 12 And she's trying to get some more
- 13 information from the Department of Budget and
- 14 Management and to find out the effect of people that
- 15 would end up going on Medicaid and what the effect
- 16 would be on the State if these people went on
- 17 Medicaid instead of keeping their long-term care
- 18 policy.
- 19 As I said, that's still sitting there.
- 20 Senator Klausmeier represents District 8 in
- 21 Baltimore County. And the date of the hearing was
- 22 February 15th in Senate budget and tax.

- Once again that was not voted on yet. In
- 2 her prior years, that -- the prior years for
- 3 submission, they were voted on favorably in that
- 4 committee, and then it didn't move anything further.
- 5 Another bill which had a favorable
- 6 review, it just happened last week, Bob Morrow
- 7 mentioned that we put together a long-term care work
- 8 group. Commissioner Redmer did.
- 9 And two of the members on that work group
- 10 were producers who are subject matter experts in
- 11 long-term care insurance. And some of you remember
- 12 their names if you called in to some of our other
- 13 hearings or called into the work group. That's
- 14 Sally Leimbach and Melissa Barnickel.
- So, they served on the long-term care
- 16 insurance work group with the Commissioner. And as
- 17 a result of that, they have put in legislation
- 18 that's Senate Bill 696, House Bill 953, which is the
- 19 task force on long-term care education and planning.
- 20 So, the sponsor on the House -- I mean,
- 21 on the Senate side is Senator Feldman who is
- 22 District 15 in Montgomery County. And the House

- 1 sponsor is Delegate Morales, District 19 in
- 2 Montgomery County. Also once again District 19 is
- 3 the home of Leisure World.
- 4 The Senate Bill was heard on March 1st
- 5 and received a favorable vote with amendments by the
- 6 Senate finance committee. The one amendment was to
- 7 add a member to this task force, and that was to add
- 8 someone that represented the long-term care
- 9 industry.
- 10 What it does is it creates a
- 11 public/private task force to study the need for
- 12 education for Maryland residents about the cost and
- 13 need for long-term care planning.
- It's not concentrated just on long-term
- 15 insurance, but its goal is to make sure that
- 16 Maryland residents are educated before the age of 50
- 17 to learn about the types of planning that they need
- 18 to do to be prepared as they get older and plan for
- 19 those needs.
- They are supposed to make recommendations
- 21 to the Governor's office and the General Assembly.
- 22 So, as I mentioned, that was voted out favorably

- 1 immediately during the hearing which is a good sign.
- 2 So, I think that will get through and you will see
- 3 some results on that. And I think by the end of the
- 4 session it will be signed on favorably by the
- 5 Governor.
- It's going to be staffed by the
- 7 Department of Aging. And one of the nice things is
- 8 that -- one of the things they examine when they
- 9 look at these bills is whether or not it's going to
- 10 have a fiscal impact.
- In this case they determined there would
- 12 be no fiscal impact. So, that's always a good sign.
- 13 So, that should be sailing through.
- 14 House Bill 493 was just heard this
- 15 Thursday, long-term care insurance premium rates.
- 16 This was sponsored by Delegate Ben Kramer also from
- 17 District 19, Montgomery County.
- 18 As you can see there is a lot of the --
- 19 the delegates that are sponsoring this bill. This
- 20 was just heard Thursday March 2nd in House HGO, the
- 21 health and government operations committee.
- 22 And what that means is for health and --

- 1 the HGO committee, they have some subcommittees that
- 2 operate, and this is being sent to the subcommittee.
- 3 And they will be reviewing this on Tuesday.
- 4 This bill was pretty comprehensive, so,
- 5 I'm just going to give you the highlight, and there
- 6 is a lot of highlights. So, bear with me as I go
- 7 through each section.
- 8 Delegate Kramer also added some
- 9 amendments to the bill when he provided the
- 10 testimony on Thursday. So, I'm going to provide you
- 11 the Bill as amended by Delegate Kramer.
- 12 The first one is going to require a
- 13 long-term care carrier to identify the mortality and
- 14 morbidity rate tables used to determine their
- 15 premium rates. And it's going to require us to post
- 16 that rate, those rate tables on our website.
- 17 The second provision was that within any
- 18 10-year period of coverage under a long-term care
- 19 policy or contract, a long-term care carrier is
- 20 prohibited from increasing the premium rate by more
- 21 than 50 percent of the initial premium rate.
- 22 His third provision was to prohibit a

- 1 carrier from imposing a rate increase for a policy
- 2 or contract of long-term care that exceeds
- 3 15 percent within a 12-month period unless approved
- 4 by the Commissioner if the carrier demonstrates a
- 5 large increase if necessary because of rate of
- 6 utilization.
- 7 I think some of you are aware that that's
- 8 already incorporated in the statute -- I mean, in
- 9 the regulations that we operate under here at the
- 10 Insurance Commissioner's Office.
- He also is trying to put in an amendment
- 12 to prohibit a carrier from imposing a rate increase
- 13 for a policy or contract of long-term care for an
- 14 insured who is at least 80 years of age and has
- 15 maintained the policy or contract for at least ten
- 16 years and has paid the premiums in full.
- We understand at the hearing that he is
- 18 going to only apply that to policies going forward.
- 19 So, it would not have the effect on policies already
- 20 in effect.
- 21 So, for those in the room that have
- 22 policies in effect and over the age of 80, this is

- 1 not going provide you any relief, and I apologize.
- 2 House Bill 493 requires that all
- 3 long-term care rate increases request be approved by
- 4 the Commissioner prior to implementation. And it
- 5 set some guidelines and regulations in the statute
- 6 for us to follow when reviewing rate increases.
- 7 This is similar to what we already have
- 8 in statute for relating -- for reviewing health
- 9 insurance rates.
- 10 It would also require the Commissioner to
- 11 hold public hearings at least quarterly for any
- 12 long-term care rate filing request. Additionally it
- 13 would require a carrier to provide an annual notice
- 14 to its insured and to post a notice to the carrier's
- 15 website indicating that an insured may access
- 16 information about the proposed rate increase and
- 17 submit comments regarding the rate increase on the
- 18 MIA's website. And requires a carrier to send
- 19 written notice to each insured of the filing of any
- 20 proposed premium increase applicable to the insured
- 21 within 30 days prior to the rate hearing.
- There is two more sections, and I'm

- 1 sorry, but it's quite lengthy. House Bill 493 would
- 2 require a long-term producer to advise an applicant
- 3 considering the purchase of long-term care about the
- 4 ability -- availability of benefits of a policy that
- 5 qualifies under the qualified State long-term care
- 6 partnership agreement.
- 7 And the last section of his bill would
- 8 require a carrier to provide an insured who has
- 9 maintained a long-term care policy or contract
- 10 through the carrier for at least ten years and has
- 11 paid all the premiums for the contract in full, a
- 12 nonforfeiture benefit that is equivalent to at least
- 13 the cumulative value of all premiums paid by the
- 14 insured adjusted for inflation -- inflation based on
- 15 the Consumer Price Index for the
- 16 Washington-Baltimore metropolitan area.
- 17 All of these different sections are
- 18 currently under review, and we don't know how the
- 19 final bill will end up. But these are the nine
- 20 sections of the bill as currently drafted.
- 21 My name and contact information is on the
- 22 sheet; so, if you want some additional information,

- 1 please reach out to me. And if you would like to
- 2 reach out to these Delegates or Senators, I'm sure
- 3 they would welcome your comments as well.
- 4 And you had a question, Mr. Fox.
- 5 MR. FOX: Will everything except for the
- 6 amendment apply retroactively to existing policies?
- 7 MS. EGAN: Well, it does say all policies
- 8 renewed; so, it would apply to all policies, yes.
- 9 Yes, sir. And would state your name
- 10 please?
- 11 MR. WHEATLEY: I want to ask you did the
- 12 department testify on the bills that had hearings?
- 13 And if so, was there a position taken?
- MS. EGAN: Yes. Let me go back and I
- 15 will tell you -- I'm blowing out these microphones.
- 16 Here we go. For the long-term care insurance, we
- 17 did a letter of comment on the long-term care
- 18 insurance, our concerns about the financial status
- 19 of the carriers when you implement a freeze on their
- 20 rates making sure, you know, that the rates are
- 21 adequate.
- We've had a -- I'm sure they're going to

- 1 speak a little bit about it, we just had the
- 2 long-term carrier up in Pennsylvania be put in
- 3 liquidation, Penn Treaty, and we don't want that
- 4 happening here in Maryland. So, we are concerned
- 5 about rate adequacy.
- 6 For Senate Bill 432, we did not provide
- 7 any written comments. We've been working with
- 8 Senator Klausmeier trying to find some additional
- 9 information for her as she tries to move forward
- 10 with that bill.
- Now, on the long-term care task force --
- 12 okay -- on the long-term care task force we provided
- 13 written comments about all the -- okay. I'm just
- 14 going to talk really loud.
- We sent out a -- we did written comment
- 16 letting them know about all of the activities that
- 17 are already ongoing about long-term care insurance.
- 18 We just didn't want them to have to duplicate a lot
- 19 of efforts we've already done because they also need
- 20 to focus on providing education and planning for
- 21 people under the age of 50. And they are trying to
- 22 focus on that.

- The last one on Delegate Kramer's bill,
- 2 we provided -- we provided comment and also some
- 3 suggestions for amendments. We have been working
- 4 with Delegate Kramer to point out some issues with
- 5 the bill, and we're still in discussions with
- 6 Delegate Kramer currently. And we will be part of
- 7 the discussion at the subcommittee on Tuesday.
- 8 Once again if anyone has any questions,
- 9 you can reach out to me individually. I will not be
- 10 able to stay to the end and talk to you all
- 11 individually. I apologize, but I need to get back
- 12 down the road. But thank you all.
- 13 And if you do have any questions, call
- 14 me. You can do anything you need or e-mail me, I
- 15 would be -- I would be welcome to talk to you about
- 16 any of the pending legislation. Thank you.
- 17 MR. MORROW: Thank you, Nancy. On and
- 18 off. Before I proceed I've been asked to ask: Is
- 19 there anybody else here who is a public official or
- 20 representing a public official?
- 21 MS.KRZYSZTOFIK: My name is Brigida
- 22 Krzysztofik. I am here from the office of Delegate

- 1 Cullison. She's also out of District 19, and she
- 2 has the subcommittee on insurance this year. So
- 3 that hearing that will be in the insurance
- 4 subcommittee will go through her committee.
- If you have any comments, feel free to
- 6 catch me or call our office.
- 7 MR. MORROW: Very good, thank you. So,
- 8 now we will have an NAIC update from Cathy Grason.
- 9 MS. GRASON: Thank you, Bob. We're just
- 10 going to work on our projection today. Hopefully
- 11 folks can hear us. This is what happens when we try
- 12 to get tech savvy, it's really on and off at the
- 13 mike.
- MR. MORROW: This one keeps wanting to
- 15 work.
- 16 MS. GRASON: Okay. I will hang out with
- 17 this one. So, I wanted to provide everyone an
- 18 update on activity at the National Association of
- 19 Insurance Commissioners, also known as the NAIC.
- 20 Many of you are familiar with the organization and
- 21 know that -- that Commissioner Redmer has been
- 22 appointed chair of the B committee which is the

- 1 committee that evaluates all the health policy
- 2 initiatives.
- 3 So, fortunately, I think for everyone in
- 4 this room that cares about long-term care, you do
- 5 have an advocate at the B committee level who is
- 6 committed to coming up with solutions in this arena.
- 7 So, I wanted to give you just a quick
- 8 update on some of the long-term care initiatives
- 9 that we expect to see in 2017 at the national level.
- 10 And this has been a national issue for
- 11 many years. This is not -- long-term care, the
- 12 rating crisis is not a Maryland issue. So, we're in
- 13 good company which we hope will lead to innovation
- 14 with our shared experiences and challenges,
- 15 hopefully will breed some new and innovative ideas.
- 16 Believe it or not, there are close to 12
- 17 different working groups or sub groups looking at
- 18 this issue in various capacities. And there's been
- 19 some talk of streamlining those groups into more
- 20 narrowly tailored efforts.
- 21 But there are three key committees that I
- 22 wanted to mention that we are following closely.

- 1 First is the long-term care innovation sub group.
- 2 And this group is looking at options for consumers
- 3 in the area of long-term care planning.
- 4 So, it's not limited to the long-term
- 5 care insurance product. They are looking at
- 6 solutions, affordable solutions across the spectrum
- 7 of insurance and financial protection products for
- 8 going forward.
- 9 So, the current -- the current item on
- 10 their agenda is reviewing recommendations for
- 11 Congress in this arena; so, we're following that
- 12 closely.
- The second I wanted to mention is the
- 14 long-term care benefit adjustment sub group. So
- 15 you will hear us talk a little bit about what we're
- 16 calling landing spots today, which is the term that
- 17 we use to discuss benefit adjustments for folks that
- 18 face rate increases.
- So, if a company says to you we've got an
- 20 approved rate increase of 15 percent for this year,
- 21 but in lieu of accepting this 15 percent increase,
- 22 you can elect to reduce the following benefits and

- 1 not pay anything more.
- 2 So, this task group -- task force is the
- 3 subject of looking at just at those issues. What
- 4 are the contract issues that arise out of those
- 5 scenarios. And the special circumstances for
- 6 consumers that are given those options.
- 7 The health actuarial task force consists
- 8 of our actuaries, obviously, that are looking at the
- 9 best practices for rate increase review which is
- 10 obviously very important to all of us in the
- 11 departments around the country.
- We want to make sure that we are
- 13 adequately reviewing the math that comes in from
- 14 these companies as to why these increases are
- 15 justified.
- 16 So that group continues to discuss best
- 17 practices, and -- and they are also looking at
- 18 specific formulas that need to be looked at going
- 19 forward.
- 20 And finally I wanted to mention that we
- 21 are monitoring the E committee which is the
- 22 committee at the NAIC that deals with financial

- 1 matters. And we're very -- Commissioner Redmer is
- 2 very interested in the intersection of a company's
- 3 finances as a whole intersect with a long-term care
- 4 block itself and how -- how that rate increase
- 5 intersects with -- with the books as a whole.
- So, we are monitoring the E committee.
- 7 They are also looking in that committee at the
- 8 guaranty fund issues. So, a lot of you that have
- 9 been following our -- our discussions here at the
- 10 MIA know that when a company does go insolvent, the
- 11 consumer protection in place is the guaranty fund in
- 12 the State.
- 13 And the guaranty funds steps in and helps
- 14 to pay some of the claims with a statutory limit of
- 15 \$300,000. Because of recent insolvencies like Penn
- 16 Treaty, this committee is focused on looking at
- 17 long-term impacts of the long-term care rating
- 18 crisis on quaranty funds. And, so, we will continue
- 19 to watch that as well.
- 20 And that concludes my NAIC update.
- MR. MORROW: So, next we will be hearing
- 22 from Adam Zimmerman and Cathy Grason.

- 1 MR. ZIMMERMAN: So, as Bob pointed out --
- 2 I'm Adam Zimmerman, actuarial analyst with the
- 3 Maryland Insurance Administration. And as Bob
- 4 pointed out during the opening comments, Cathy
- 5 Grason and I co-chaired a work group focusing on
- 6 long-term care last year in November and December.
- 7 And from the feedback we received from
- 8 that work group, there are a few initiatives already
- 9 being implemented by the Maryland Insurance
- 10 Administration regarding long-term care.
- In particular on January 3rd, 2017,
- 12 Bulletin 1701 was issued by the Maryland Insurance
- 13 Administration. And this bulletin was to notify
- 14 carriers that are writing long-term care insurance
- 15 that their increases will be subject to public rate
- 16 review hearing prior to approval, and that all
- 17 actuarial memorandum will be published to the MIA
- 18 website for public inspection prior to the rate
- 19 hearing.
- 20 Since that bulletin was issued, there was
- 21 one hearing held on January 9th of this year as well
- 22 as one previously last year on October 27th, 2016.

- We're working to finalize future hearings
- 2 for future rate increases that we receive, and all
- 3 of that information will be posted on our website
- 4 under the long-term care section.
- 5 In particular there is a tab on there for
- 6 public hearings, and that's where the notices will
- 7 go advising which companies will be at the next
- 8 public hearing.
- 9 Additionally the Maryland Insurance
- 10 Administration adopted the 2014 NAIC, National
- 11 Association of Insurance Commissioners, long-term
- 12 care model regulation changes. Those were adopted
- 13 actually on February 27th of 2017.
- 14 And these changes amend current
- 15 regulation to encourage more conservative pricing on
- 16 behalf of the long-term care carriers requiring
- 17 annual actuarial statement to be filed with the
- 18 Commissioner, enhanced consumer contingent
- 19 forfeiture benefits and improved consumer
- 20 disclosures.
- In particular our current regulation for
- 22 ways to mitigate rate increase only states two

- 1 things, and these can be found under
- 2 COMAR 31.14.01.36, Section B.
- 3 It states that every long-term care
- 4 insurance policy or certificate shall include a
- 5 provision that allows the policyholder or
- 6 certificateholder to reduce coverage and lower the
- 7 policy or certificate premium in at least one of the
- 8 following ways: Either through reducing the maximum
- 9 benefit or reducing the daily, weekly or monthly
- 10 benefit amount.
- 11 As a result of adopting these
- 12 regulations, effective March 1st, 2018 for any
- 13 policy issued on or after that date in Maryland, the
- 14 reduction coverage -- should the reduction in
- 15 coverage involve the reduction or elimination of an
- 16 inflation protection option, the insurer shall allow
- 17 the policyholder to continue the benefit in effect
- 18 at the time of that reduction.
- 19 So, this is an additional consumer
- 20 protection that was added on as a result of the 2014
- 21 amendments.
- Okay. So, as an example regarding this

- 1 inflation reduction provision, should the consumer
- 2 have compound inflation and reduce to simple
- 3 inflation as a result of the rate increase, the new
- 4 simple inflation provision would begin to accrue on
- 5 the amount of benefit that has already been accrued
- 6 up to that date.
- 7 So, as an example, if the policyholder
- 8 started with \$100 of daily benefit and a 5 percent
- 9 inflation protection provision and had accrued
- 10 benefits to, say, \$185 over the life of the policy,
- 11 at the time of a rate increase if the policyholder
- 12 decides that they are unable to pay the rate
- 13 increase and reduce from compound to simple, the
- 14 simple inflation would then have to begin to accrue
- 15 on the \$185. They cannot go back to the initial
- 16 benefit amount at issue of the policy.
- MS. GRASON: Thanks, Adam. Another
- 18 initiative we've completed already as a result of
- 19 the work group is to develop a consumer frequently
- 20 asked questions document. It's very robust. It's
- 21 something we had our consumer unit review to make
- 22 sure it was reader friendly. And we hope that's

- 1 been helpful to folks that are looking for a
- 2 one-stop shop. And we're going to try to keep that
- 3 current.
- 4 Also this year we're going to be looking
- 5 at the NAIC's 2016 update. So, we just adopted the
- 6 2014 update. Again, the NAIC has been so engaged in
- 7 this, we now also have 2016 updates.
- 8 So, we're looking to be right out of the
- 9 gate on those. And those updates have more to do
- 10 with consumer disclosures. So, they're not
- 11 necessarily going to help the folks dealing with
- 12 these high rate increases except to be more
- 13 transparent about them. So that is something else
- 14 you can expect to see from us.
- 15 And I think that concludes the work that
- 16 we've already done which brings us to, I guess, the
- 17 key purpose of today's event which is to introduce
- 18 some of the new public policies we are considering
- 19 at the MIA and to hopefully get your feedback.
- 20 And Bob mentioned I think when we rolled
- 21 out the introduction today that we are going to
- 22 accept written comments for 30 days. So, we are

- 1 going to be introducing this today. Please think
- 2 about your thoughts on these policy changes. We'd
- 3 love to hear from you. As the Commissioner is fond
- 4 of saying, we don't like to make decisions in a
- 5 vacuum. And that's why your feedback and hearings
- 6 like this are so invaluable to us.
- 7 So, with regard to the new public
- 8 policies that are under review, Adam and I are going
- 9 to tag team this as well. And he's going to start
- 10 by talking about some of the new initiatives we're
- 11 looking at with the open refilings that are
- 12 currently under review.
- MR. ZIMMERMAN: So, for those that have
- 14 attended the previous hearings in the past both in
- 15 January and October, the Commissioner is very key on
- 16 improving and expanding upon consumer protections
- 17 that are not available to Maryland consumers as a
- 18 result of the 15 percent rate cap that we have.
- So, one thing that is being discussed
- 20 with some of the open filings is what's known as
- 21 Cathy indicated earlier, this inflation landing spot
- 22 option, which would -- the inflation landing spot

- 1 option. Some carriers are offering options in other
- 2 states that they cannot offer in Maryland simply due
- 3 to the 15 percent rate cap.
- 4 Inflation landing spot option is an
- 5 option in which the policyholder can totally offset
- 6 the proposed rate increase by taking a 5 percent
- 7 inflation protection and lowering to some smaller
- 8 actuarial equivalent inflation landing spot.
- 9 However this would require the full rate
- 10 increase asked to be approved at once which would
- 11 result in multi year phased-in increases not to
- 12 exceed 15 percent annually per the current COMAR
- 13 regulations.
- While the proposed solution would only
- 15 allow those with a 5 percent inflation option to
- 16 offset the rate increase totally, it would be
- 17 beneficial to the entire block of business as it
- 18 would allow all policyholders to better plan their
- 19 future.
- 20 Under current regulation simply by having
- 21 a 15 percent annual cap, the company is unable to
- 22 disclose additional rate increases expected.

- 1 From -- the biggest complaints we have
- 2 received from consumers were I have received a
- 3 letter in the mail that says that 15 percent has
- 4 been approved and additional ones are expected.
- 5 When I call the company to ask how many additional
- 6 rate increase are needed, nobody can provide me an
- 7 answer.
- 8 By allowing and approving a multi year
- 9 phased-in rate increase, the company will disclose
- 10 the phased-in plan to the policyholder rather than
- 11 simply stating that the 15 percent increase has been
- 12 approved and that additional rate increases are
- 13 expected.
- This will make it easier for long-term
- 15 care consumers and policyholders to determine the
- 16 best course of action for the future of their
- 17 long-term care policy.
- So, as an example let's say a carrier
- 19 requests a 60 percent rate increase actuarially
- 20 justified through the memorandum that's filed with
- 21 the Insurance Administration. By allowing this
- 22 multi year phased-in landing spot option, this would

- 1 allow consumers to not have a rate increase over the
- 2 four years that would be required for this phase-in
- 3 to occur at 15 percent simply by taking a 5 percent
- 4 option on inflation and lowering it to something
- 5 smaller, let's say, I don't know, as an example,
- 6 3 percent or 2.5 percent or something that was
- 7 deemed actuarially equivalent.
- And, so, therefore the consumer will be
- 9 able to keep their current policy premium the same
- 10 over the entire course of the phased-in period
- 11 without giving up benefits but simply lowering their
- 12 inflation protection and still allowing benefits to
- 13 accrue going forward just at a smaller inflation
- 14 rate.
- MS. GRASON: And then for folks that
- 16 would accept the rate increase, it would be
- 17 15 percent on a phased-in basis. So, years one
- 18 through four 15, 15, 15, 15.
- 19 The benefit being foresight. You know,
- 20 as Adam said, the consumers are having a hard time
- 21 planning ahead because we don't know what the end
- 22 game is. A lot of these carriers are justifying

- 1 increases far in excess of 15, but because of the
- 2 Maryland cap they are only getting 15 per year,
- 3 which creates uncertainty for folks who are trying
- 4 to budget.
- 5 How are you supposed to decide whether a
- 6 landing spot is a good option for you if you don't
- 7 know how long the rate increases are going to
- 8 continue.
- 9 So, again, that's an initiative to expand
- 10 consumer choice in the face of this rating crisis.
- 11 Another policy issue that we're looking
- 12 at and we're looking for your feedback deals with
- 13 the 15 percent cap. So, as Adam mentioned,
- 14 currently in our regulations a carrier cannot get
- 15 more than 15 percent of a rate increase in a
- 16 12-month period. There is a carve out if the
- 17 carrier demonstrates that the utilization of the
- 18 product was far in excess of what was demonstrated.
- And what we're finding, what our
- 20 actuaries are finding is that it's not utilization
- 21 that's driving the rate increases, rather it's
- 22 claims.

- 1 It's more claims being utilized than
- 2 budgeted for. Longer stays in nursing facilities
- 3 for example. Better medicine. People staying on
- 4 claim longer.
- 5 So, we're considering creating a second
- 6 carve out to the 15 percent cap that would allow for
- 7 a rate increase in excess of 15 if the carrier can
- 8 justify that the claims experience was in great
- 9 excess of the -- that which was originally projected
- 10 for.
- So, we're not proposing to get rid of the
- 12 15 percent cap. That would still be the general
- 13 rule. But for those carriers that can demonstrate
- 14 through their rates that their claims experience was
- 15 way off, it would give Commissioner Redmer
- 16 discretion to grant a higher increase in a given
- 17 period.
- This is going to enhance our regulatory
- 19 option in negotiating consumer landing spots.
- 20 That's really what I think our work group has found.
- 21 One of the best things we can do for
- 22 consumers is to provide them with as many

- 1 alternatives as possible and as much information as
- 2 possible. So that if the rate increase that's
- 3 actuarially justified and needed for solvency, if
- 4 they can't afford that rate increase, they have
- 5 other things that they can elect.
- And, so, that's really where we're going
- 7 with this proposed change. We're going to welcome
- 8 your feedback on that. We're going to expose that
- 9 as a draft before we ever go to the Maryland
- 10 register. So, it's just a new idea that we've come
- 11 to out of this work group initiative.
- We already covered that if you want to
- 13 just reiterate.
- 14 MR. ZIMMERMAN: Yes. So, the next
- 15 potential policy change that we're looking for
- 16 comments on regards the inflation reduction that we
- 17 discussed with the new COMAR regulations.
- 18 As I indicated, they only are going to
- 19 apply to policies issued on or after March 1st of
- 20 2018. However, we're considering amending this
- 21 regulation again to extend -- to extend the
- 22 provision to state policies issued or renewed on or

- 1 after a certain date. This will extend the consumer
- 2 protection to existing policyholders upon policy
- 3 renewal.
- 4 MS. GRASON: And again just creating more
- 5 options for those consumers that are out there
- 6 dealing with these rate increases on an annual
- 7 basis.
- 8 The next proposal we would like you to
- 9 consider, as I mentioned we think consumer options
- 10 is one of the best things that we can do as the
- 11 regulator, really use our rating authority to
- 12 leverage options for you in that review process.
- One document that we thought might be
- 14 consumer friendly since we are coming up with some
- 15 alternatives to accepting a rate increase would be
- 16 requiring carriers with approved rate increases to
- 17 put together a one page apples-to-apples comparison
- 18 for the consumer of all the options so that you can
- 19 see it all right there in paper.
- 20 Here is the cost of your rate increase.
- 21 Here is the cost -- here are the options to mitigate
- 22 the rate increase for example, reducing your

- 1 inflation protection. Here is another benefit
- 2 reduction that you can have in lieu of accepting the
- 3 rate increase.
- 4 Just get that all to the consumer in a
- 5 concise, consumer friendly way to make this decision
- 6 easier for the consumer.
- 7 MR. ZIMMERMAN: And as Nancy Egan pointed
- 8 out before she left, education is a big thing
- 9 regarding long-term care. So, we're looking into
- 10 some sort of formal outreach in education process to
- 11 encourage consumers to consult with a long-term care
- 12 insurance producer or agent to discuss all possible
- 13 options available to them in the face of a rate
- 14 increase.
- So, we're just looking to the
- 16 policyholders for any sort of comments you may have
- 17 regarding that initiative.
- MS. GRASON: If the folks don't have a
- 19 producer, what good is an apples-to-apples
- 20 comparison. Or if you don't understand what the
- 21 company is trying to tell you, what good is the
- 22 transparency that we are helping create.

- 1 We think that insurance professionals
- 2 could offer a benefit. So, we're interested in your
- 3 thoughts on how we can better connect folks with the
- 4 agents out there that know this stuff really well.
- 5 And then another thing we're going to
- 6 start looking at is how a company's financial -- and
- 7 I mentioned this before, the company's financial
- 8 data as a whole across all lines of business plays
- 9 out against the long-term care block.
- 10 So, you look at a company like Penn
- 11 Treaty which is almost exclusively long-term care,
- 12 if not exclusively long-term care, and so this is a
- 13 company that went insolvent as a result.
- 14 But what the consumers have told us and
- 15 we have heard you, is that, look, a lot of these
- 16 companies are taking home huge profits across lines
- 17 of business. So, why is it the consumer that has to
- 18 bear the brunt of righting that wrong. Why not some
- 19 of these other profits that the company has.
- 20 And, so, we're going to study this and
- 21 see how those things intersect. We're going to
- 22 start to look at that internally. Because there is

- 1 a big difference between a Penn Treaty, who is
- 2 literally going insolvent, and perhaps another
- 3 company that has more assets. We're going to see
- 4 how that works and what kind of authority we have as
- 5 a regulator.
- I think we have one more before we take
- 7 your comments.
- 8 MR. ZIMMERMAN: And finally, which is
- 9 also part of Delegate Kramer's bill, House Bill 493
- 10 the Insurance Administration is considering a
- 11 requirement that written notice be sent by the
- 12 carrier to impacted consumers each time the carrier
- 13 files for a long-term care rate increase.
- 14 The reasoning behind this is because from
- 15 all the public comments we received as well as in
- 16 the previous hearings, the consumers aren't even
- 17 aware that the rate increases have been filed. They
- 18 simply get something in the mail that indicates we
- 19 have been approved for X amount percent and within
- 20 45 days please respond with your decision.
- So, we're considering a requirement that
- 22 all carriers must provide written notice to their

- 1 policyholders, the impacted policyholders each time
- 2 that a long-term care rate increase is filed.
- 3 And additionally the notice would direct
- 4 the consumers to the MIA's website for information
- 5 on the corresponding public hearing date, time as
- 6 well as allow the impacted policyholders the right
- 7 to provide commentary about the proposed rate
- 8 increase.
- 9 MR. MORROW: And with that, we will take
- 10 any stakeholders questions or comments about the
- 11 policy changes we're considering. We have two
- 12 people who signed up today to ask questions,
- 13 speaking. First is Judy Miller.
- MS. JUDITH MILLER: No, it will be Mark
- 15 Miller.
- 16 MR. MILLER: Mark Miller.
- 17 MS. JUDITH MILLER: There was no line
- 18 next to him, so I put an arrow there.
- MR. MORROW: You're throwing him out
- 20 then.
- 21 MR. MILLER: I am here today in two
- 22 roles. One is I am a consumer along with my wife,

- 1 we've had long-term care insurance for approximately
- 2 20 years. We've been hit with three rate increases
- 3 over the last four years.
- 4 My second reason for being here is that I
- 5 am a physician, and my specialty is geriatric
- 6 medicine. So, I'm involved very intimately with the
- 7 issues facing the older individuals.
- In looking at what has been happening on
- 9 the long-term care insurance rate increases, it
- 10 appears to me that the insurance companies are
- 11 intentionally trying to drive older individuals to
- 12 cancel or drop their insurance as they reach the
- 13 point in life when they are most likely going to
- 14 need their insurance.
- 15 For the most part the individuals who are
- 16 most heavily affected by the rate increases are
- 17 individuals within an older age group who -- many of
- 18 whom are living on fixed incomes where the rate
- 19 increase represents a substantial addition to their
- 20 expenses without offsetting income increases.
- I have done a little bit of investigation
- 22 in terms of the financial health of some of the

- 1 long-term care providers as we just mentioned a
- 2 moment ago. My insurance for example is with John
- 3 Hancock which turns out to be a subsidiary of
- 4 Manulife. They were bought out by Manulife a few
- 5 years back. Manulife is a very large insurance
- 6 company based in Canada.
- 7 Looking at their financial disclosures
- 8 over the past year, they are doing very, very well.
- 9 Even in long-term care insurance, best I can tell
- 10 from their financial reports, they are not losing
- 11 money now.
- 12 What they are concerned about is the
- 13 future profits based on individuals not dropping
- 14 their insurance as they age. So, the issue there
- 15 appears to be there so-called retention rate which
- 16 they anticipated would decrease over time but which
- 17 is not happening. People are hanging onto their
- 18 policies as best they can.
- The other issue obviously that affects
- 20 that is that people are not dying suddenly as they
- 21 had in the past. And, so, they are more likely to
- 22 end up with going into periods of extended

- 1 disability which then puts the policies into force
- 2 and then allows individuals to utilize what they
- 3 have been paying for over the years.
- I have two suggestions with regard to the
- 5 actions that the Maryland Insurance Commission might
- 6 take. These involve studies which would be carried
- 7 out. One of which would be to look at what has been
- 8 the impact of rate increases over the last several
- 9 years on retention of policies within the State of
- 10 Maryland.
- 11 And I believe you can probably do that
- 12 since you have access to the list of insureds
- 13 through the various carriers in the state.
- 14 And secondly on a prospective basis, to
- 15 try to identify perhaps through a questionnaire what
- 16 would be the likelihood of retaining insurance or
- 17 dropping insurance in the face of continuing future
- 18 increases.
- 19 I have written a statement which I will
- 20 be happy to leave with you. And I appreciate the
- 21 opportunity to have this ability to speak to you.
- 22 Thank you.

- 1 MS. GRASON: Thank you so much,
- 2 Dr. Miller.
- And we are going to post all comments
- 4 on-line by the way. And we did receive yours. So
- 5 folks that want to read statements after the fact,
- 6 and keeping the record open for 30 days, we will
- 7 also be adding any new comments received.
- 8 MR. MORROW: Next we have -- is it
- 9 Charles Westmeyer, I want to say?
- 10 MR. WHEATLEY: Wheatley. I was bad at
- 11 handwriting.
- MR. MORROW: I'm butchering the names
- 13 today. So --
- MR. WHEATLEY: That's the only course I
- 15 flunked. Okay.
- MR. MORROW: Me too.
- 17 MR. WHEATLEY: Thank you very much for
- 18 the hearing. I've been actually thinking about this
- 19 subject for a number of years and did not know this
- 20 was in progress because of other commitments that I
- 21 have. But I got a call yesterday and decided I'd
- 22 drive down from Westminster, 120 miles, because I

- 1 think this is vital.
- I first will tell you three things. Who
- 3 am I, why I'm here, and what are my suggestions.
- 4 Try to do this very briefly for you. Very
- 5 informative, I made a lot of notes and questions.
- 6 I'm not going to try to bore with you all those, but
- 7 try to hit the high spots.
- I probably have some seniority here. I'm
- 9 only 48, but I'm dyslexic. So, pardon me. I
- 10 predate most of the people in the legislature. I
- 11 was a member in the '60s and just came down today to
- 12 see the Speaker. We're going to have a 50th
- 13 anniversary of the Constitutional Convention of
- 14 which I was always a delegate and hope to run as an
- 15 experienced delegate in the next one in 50 years.
- So, that's my second. And third I served
- 17 as a member of the Baltimore City Council, and in
- 18 all of those capacities had an insight into the
- 19 needs of aging.
- 20 At the present time I'm a member of the
- 21 advisory board at McDaniel College in their
- 22 gerontology program. I served as chairman of the

- 1 Commission on Aging in Carroll County.
- 2 And in 1994 my wife and I started an
- 3 institute on -- that I like to make up names for
- 4 it -- called LIFE which stands for The Learning
- 5 Institute For Excellence.
- And we at the present are working and
- 7 trying to remove the loss of memory for seniors with
- 8 dementia by a system we used for seven hundred
- 9 students that can actually grow new connections in
- 10 the brain for people who are having difficulty
- 11 learning. And we hope that we will be able to do
- 12 the same for seniors if that same rule applies.
- With that background I think you have
- 14 enough background about me except to tell you I'm
- 15 also -- I have had a license in all the major
- 16 insurance categories, as a broker and agent, since
- 17 1960. And I took those along with my real estate
- 18 broker's license and bar exam all within 10 days.
- 19 So, I keep myself busy.
- 20 But I thought I was finished but I was
- 21 wrong, and then had to get a securities license.
- But today, I'm here because I think the

- 1 long-term care issue has a -- as a political science
- 2 teacher, and I still teach, that it is maybe one of
- 3 the major problems affecting the so-called aging
- 4 tsunami.
- I don't look at aging as the tsunami, I
- 6 look at it as the perfect wave for surfing. And,
- 7 so, I try to convince my friends that a lot of the
- 8 problems that we think might be there financially
- 9 may actually be the solutions if we know how to do
- 10 it.
- 11 One of the things I think that is
- 12 essential, since I worked with a number of assisted
- 13 living homes, is that -- and also thanks to the
- 14 gentleman here, I have an existential reason. My
- 15 wife and I also have long-term care policies.
- 16 And I think that when I saw what's
- 17 happening for five years, there were no increases in
- 18 premiums. I'm now on my third company, I think.
- But there were no increases in premiums,
- 20 and then all of a sudden they started coming.
- 21 By the way, just so I'm clear on this,
- 22 most of the seniors I work with would not be able to

- 1 absorb 15 percent annual premium increases. So, the
- 2 gentleman is correct that just spoke that it leads
- 3 them to decide whether they want to reduce or
- 4 eliminate the premiums.
- 5 And for the same reason that he states, I
- 6 think it's -- in law we have a thing that some
- 7 unscrupulous lawyers use who don't want to handle a
- 8 given client which is called fee'ing them out.
- 9 It means we never tell you we won't take
- 10 your case, we just make the fees so large that
- 11 nobody will pay it.
- 12 And, so, I have a great empathy for that
- 13 situation, but I also realize as a former legislator
- 14 that you can't legislate certain things.
- 15 And I had a constituent who asked me to
- 16 pass a law that would eliminate cancer. They wanted
- 17 me to pass a law in the state that would say cancer
- 18 will be eliminated at a given time.
- 19 Obviously legislation is not the remedy
- 20 to everything. And I think that companies under the
- 21 U.S. law do not obviously want to be commanded to go
- 22 broke and go out of business or not be able to make

- 1 profit.
- 2 So, therefore, I'm looking for the last
- 3 three years at my third step, that is, how can we do
- 4 more than diagnose the illness. You know, it's
- 5 really nice to get a good diagnosis, but I don't
- 6 think anybody's too happy when you get a biopsy
- 7 report that you have cancer.
- When somebody tells you your premiums are
- 9 going up and you're fully informed, it's wonderful,
- 10 but it doesn't hurt to know how we are going to deal
- 11 with it.
- So, I have a suggestion that I don't know
- 13 will ever be adoptable, but I would think that one
- 14 of the things that we might consider is changing our
- 15 analysis, that probably most carriers have adopted,
- 16 that long-term care is closer to the health analogy
- 17 than it is to the life analogy as it relates to
- 18 premium determination.
- I would contend without the knowledge
- 20 that many people here have that that may be a false
- 21 concept. While there are aspects of long-term care
- 22 that have health implications, they are usually

- 1 dealing more with residential questions than health
- 2 questions.
- 3 So, therefore, if we are in fact going to
- 4 have rate increases, it tells me that we didn't have
- 5 enough data for reasons that are understandable to
- 6 actuarially determine the cost as a viable insurance
- 7 carrier. And, therefore, those mistakes have to be
- 8 corrected.
- 9 My suggestion would be that those
- 10 mistakes of calculation be corrected by looking at
- 11 the rate increase that's necessary on a continually
- 12 evolving basis, and do as we would do with life
- 13 insurance. And that's set the rate based on the new
- 14 class of people buying the policies.
- Then you have true full disclosure in
- 16 advance before the commitment is made. And then as
- 17 that rate may change for reasons I'm not sure why
- 18 yet, as that rate requirement might change, each new
- 19 group buying their policies has a valid, accurate
- 20 estimate of what it will cost them for the rest of
- 21 their life.
- 22 Now --

- 1 THE REPORTER: Mr. Wheatley, you're going
- 2 to have to face this way so I can hear you.
- 3 MR. WHEATLEY: Oh, I'm sorry. I didn't
- 4 know where this was going. I'm about finished, so
- 5 thanks for the tip. I'm sorry about that.
- And, so, as we go into that mode, I would
- 7 hope that we would able to determine that long-term
- 8 care can have a premium set, and the rates may be
- 9 changed but only for those entering, so you have an
- 10 evolving program that allows a company to make the
- 11 necessary adjustment.
- But, furthermore, most of the policies
- 13 that I've seen, probably all of them, all have caps.
- 14 They have a cap on how many days. How much per day
- 15 and the lifetime maximum. What we have really done
- 16 is cap our risk.
- 17 If we are accurate in our calculation, we
- 18 are not doing a maximum exposure to how much we can
- 19 lose if we guess wrong on that policy and then
- 20 correct it on the next policy issue.
- I don't know if that's a solution, but I
- 22 think it's at least worth looking at. Because if we

- 1 do that, I think we will then find that long-term
- 2 care like health care is very expensive.
- I started Northwest Hospital 50 years ago
- 4 with a friend, and I can tell you there ain't no
- 5 cheap health care if you want to be healthy.
- 6 Forgot. I hate to turn my back to so
- 7 many people, but I will accept that.
- 8 So, therefore, if we are going to take
- 9 that route and do it on that basis, I think we can
- 10 start at this point examining the concept of getting
- 11 younger people to understand -- which I think is a
- 12 tragedy because I also teach mostly teenagers in
- 13 political science. And when you tell them the truth
- 14 and tell them the facts, don't assume they don't
- 15 listen. Because all you have to do is give them a
- 16 little pazazz with it.
- 17 And when you tell them that, they listen.
- 18 I explained to them why health care may cost young
- 19 people a lot more money than they would ever spend
- 20 as a young person. But the trouble is if you want
- 21 it when you're out where I am, you got to begin
- 22 where they are.

- 1 The same thing, rule applies to long-term
- 2 care. We have done a very poor job in all of our
- 3 industry and our education in educating young people
- 4 about the reality that there ain't no such thing, as
- 5 they say, as a free lunch. We have adopted methods
- 6 of the Roman emperors more free grain and circuses.
- 7 All you have to do is listen to a
- 8 campaign and listen to how many things are told to
- 9 you as a promise of more freebies. Without any
- 10 money being paid, there is no government that pays
- 11 for it, somebody pays for it.
- 12 I've talked too long. I apologize. But
- 13 after the long drive, I think of a lot of things.
- 14 But I want to congratulate you all for bringing this
- 15 issue up, because if we don't solve this issue, the
- 16 mortgage crisis may look like a piker compared to
- 17 the long-term care when more and more older folks
- 18 begin to realize that someone told them to buy when
- 19 you're young because it will save you money.
- It will save you money and you also, when
- 21 you're old and need it, have no coverage or very
- 22 little coverage. This is a tragedy in the making.

- 1 To all my political friends I tell them they better
- 2 count on an early termination of their term when
- 3 that reality begins to hit. And it will hit.
- And, so, let's head it off at the pass as
- 5 they say in the westerns and see if we can stop this
- 6 by taking a new concept look at long-term care. And
- 7 if we do, I believe that citizens as policyholders
- 8 will benefit. I also believe that the state will
- 9 benefit because another amendment I would make is
- 10 amending in the old people who have policies into
- 11 the partner program so they don't have to go broke
- 12 under Medicare.
- I don't know if you're considering that,
- 14 but I think it's essential. And then I think the
- 15 companies will benefit because the reputable
- 16 companies that I know want to tell you that they
- 17 don't like loss leaders who come in at low rates and
- 18 then begin moving and escalating their rates with
- 19 unconscionable actions. And they are not able to
- 20 compete on a fair basis because they are not able to
- 21 give the real rates and still make any sales. Thank
- 22 you very much.

- 1 MS. GRASON: Thank you.
- 2 MR. MORROW: Thank you.
- 3 MR. WAHL: My name is Richard Wahl.
- 4 While I didn't sign up today --
- 5 THE REPORTER: You're going to have to
- 6 move up.
- 7 MR. MORROW: Mr. Wahl, are you with an
- 8 organization or yourself?
- 9 MR. WAHL: I'm a consumer, with myself.
- 10 MR. MORROW: Okay. Thank you.
- 11 MR. WAHL: But I didn't sign up today. I
- 12 did submit my comments in writing, and I know
- 13 Mr. Zimmerman can confirm that he has received
- 14 those. I also testified in your January hearing
- 15 both in writing and orally.
- I want to thank you and thank the MIA for
- 17 holding these hearings. They are very helpful to
- 18 us. And based upon your testimony today, some of
- 19 the comments that we've made in the past are coming
- 20 to fruition. And that is a definite advantage.
- In our case we have had a policy for
- 22 about a dozen years. We began with about between my

- 1 wife and I a \$2,000 premium. It's currently up to
- 2 about \$4,000. In five more years at a 50 percent
- 3 rate which is the doubling as you know, that's
- 4 8,000. In 10 years, it's 16. In 15, it's 32.
- 5 Those numbers are not sustainable.
- 6 As such I studied hard this year to find
- 7 out what my alternatives might be. I was not
- 8 satisfied with the feedback received from my
- 9 insurance company. I've expressed that to you in
- 10 writing on previous occasions.
- 11 And the wonderful news today is Nancy
- 12 addressed that subject head-on by suggesting that
- 13 the companies submit to the State of Maryland MIA a
- 14 matrix outlining the benefit reductions and the cost
- 15 savings.
- We don't have that before us now. When I
- 17 signed up for my policy, my agent allowed me to see
- 18 the full matrix, and I was able to get exactly what
- 19 I wanted in terms of levels, in terms of options.
- I do not have that same flexibility
- 21 because your suggestion today is yet to be
- 22 implemented. We need that information, and we need

- 1 that desperately. Thank you for pursuing that.
- 2 The second matter that I want to address
- 3 is what I wrote to Mr. Zimmerman earlier, and that
- 4 is this subject of inflation.
- I listened as intently as I could. And
- 6 as my insurance agent said, it's not our fault, it's
- 7 the State of Maryland. When I asked that question
- 8 before, the response was, it's complex. Well, you
- 9 proved that today. It's extraordinarily complex.
- I do not understand your statement that
- 11 something in our regulation or in our legislation
- 12 precludes us from looking at compound inflation at
- 13 rates less than 5 percent.
- I want to see as a flexible proposal for
- 15 my insurance company rates at 4, 3 and 2 percent.
- 16 The only option given is compound or simple. I do
- 17 not think that is sufficient for myself to make an
- 18 informed decision. As such, I would appeal to you
- 19 to consider that.
- 20 And I do not understand your previous
- 21 statement as to why something in our system
- 22 precludes the State of Maryland from offering that

- 1 as an option. I hope you can respond to that today.
- I thank the Commissioner for the
- 3 wonderful work that the actuarial group is doing,
- 4 for the wonderful work the staff is doing, for
- 5 testimony that you're doing before the legislature.
- 6 We need the support. These rates are slamming us.
- 7 These premium are slamming us hard, and I have to
- 8 make a decision on the next go-around if the 15
- 9 percent continues to reduce my cost by reducing my
- 10 benefits. Thank you for hearing me.
- MR. MORROW: Thank you.
- 12 MR. FOX: I have a couple questions but I
- 13 didn't sign up. Can I --
- MR. MORROW: Yeah, we've got you.
- 15 MR. FOX: Great. Thank you. My name is
- 16 Steve Fox. I'm a long-term care policyholder. Are
- 17 your proposed initiatives out on the web site?
- 18 MS. GRASON: Not at this time. We can
- 19 put something out. And also the transcript from
- 20 today will be made available on our website as well.
- 21 But, yes, we will put something out because --
- MR. FOX: That would be great. That

- 1 would be easier to comment if there is something in
- 2 writing.
- 3 Secondly I submitted a bunch of questions
- 4 from the January hearing, and was just curious, one
- 5 of them was for you guys and bunch of them for my
- 6 long-term care insurance carrier, will you guys
- 7 respond to that? And did my questions for
- 8 Physicians Mutual get forwarded to them or what
- 9 happens?
- MS. GRASON: We can check our logs.
- 11 MR. ZIMMERMAN: Yeah, we will check our
- 12 logs and we'll follow-up --
- MR. FOX: Okay.
- 14 MR. ZIMMERMAN: -- with you.
- MR. FOX: Okay. Great. Great. And then
- 16 finally again let me just say that I think House
- 17 Bill 493 is really heading in the right direction.
- 18 I think the only real solution to this is to limit
- 19 the size of the increase over chunks of time, you
- 20 know, like ten years.
- It's ridiculous, the insurance companies
- 22 I believe are being very conservative in their

- 1 actuarial models now that they have sustained --
- 2 sustained losses. And, so, they're projecting, you
- 3 know, they are projecting these huge rate increases
- 4 based on a 40-year projection. And nobody can
- 5 project out what claim costs are going to be over 40
- 6 years.
- I mean, who knows what's going to happen
- 8 with medical advances and technology advances. It's
- 9 just crazy. And I think the right approach is to
- 10 just have something where you limit the increases
- 11 over periods of time. I think that will -- that
- 12 will really help.
- Do you know, are there any other states
- 14 that do this?
- MS. GRASON: That do --
- 16 MR. FOX: That do this sort of
- 17 limitation, do you know? Or is Maryland plotting
- 18 new ground here?
- 19 MS. GRASON: The limitations proposed in
- 20 493?
- MR. FOX: Yes.
- MS. GRASON: So, he's got the proposal on

- 1 a rate increases over a 10-year period could not be
- 2 increased more than 50 percent.
- 3 MR. FOX: Correct. But do any other
- 4 states do something similar?
- 5 MS. GRASON: Not to my knowledge.
- 6 MR. FOX: Okay.
- 7 MS. GRASON: I'm seeing from the industry
- 8 folks, no. And then the other proposal in that bill
- 9 is a bill that would ban any increases for anyone 80
- 10 years or older.
- 11 MR. FOX: Right.
- 12 MS. GRASON: And I understand that was
- 13 tried in New Hampshire, and there is some pending
- 14 litigation on that as to whether or not based on the
- 15 contract that was something that the state could do.
- 16 But another state has at least tried that.
- 17 But I think it speaks -- we're all just
- 18 trying to come up with innovative solutions that
- 19 work for everyone.
- MR. FOX: Well, I mean, it's a hard
- 21 problem.
- MS. GRASON: It's horrible.

- 1 MR. FOX: All right. Thank you.
- MS. GRASON: Thank you so much.
- 3 MR. MORROW: One more.
- 4 MR. KAUL: The name is Roger Kaul
- 5 K-A-U-L. And I'm interested in finding out what are
- 6 the long-term care costs. I find an enormous
- 7 spectrum from, you know, 4,000 a month to 10,000
- 8 plus a month where -- I mean, when we have -- when
- 9 we need that care, we still have some income. So,
- 10 what the long-term care insurance is is the delta.
- 11 Right?
- 12 That's what you're really worried about,
- 13 and I got to say I -- is there any way you could
- 14 find out and post maybe by county -- because I find
- 15 Montgomery County is a lot more expensive than -- I
- 16 suspect that's why the 19 group is more active than
- 17 Carroll County where I live. Thank you.
- 18 MS. GRASON: So, Mr. Kaul, you're looking
- 19 for the actual cost of care for seniors regionally?
- MR. KAUL: Yeah.
- 21 MS. GRASON: I just wanted to clarify.
- MR. KAUL: I mean like county -- you must

- 1 license these facilities; right?
- 2 MS. GRASON: not --
- 3 MR. KAUL: Not the insurance agency.
- 4 MS. GRASON: Not our agency, but we can
- 5 certainly look at some of our sister agencies and
- 6 see who might have that data.
- 7 MR. KAUL: That's the number --
- 8 MS. WAGNER: There is a publication
- 9 that's put out in Maryland -- is it okay if I speak?
- MS. GRASON: Sure.
- 11 MS. WAGNER: Cindy Wagner, I am an
- 12 insurance agent, and I deal primarily in long-term
- 13 care insurance. Many of my customers have --
- 14 THE REPORTER: You're going to have to
- 15 move forward.
- MS. WAGNER: Many of my customers
- 17 actually have received anywhere from four to six
- 18 rate increases over the last five to seven years.
- 19 Genworth being one of the carriers who has had the
- 20 back-to-back 15 percent, gone through all of the
- 21 hoops to get approval.
- I will tell you from my standpoint and

- 1 from the client's that I represent, the 15 percent
- 2 has been a blessing. Believe it or not. When we
- 3 started out with these rate increase letters, I just
- 4 comically, as Mr. Wheatley said here, addressed them
- 5 as love letters.
- 6 And the clients, you know, it kind of
- 7 broke the tone a little bit. They're angry, but it
- 8 gave us time to reevaluate what's going on, what are
- 9 your coverages, what are the options.
- 10 One of the things that happens now is the
- 11 clients call me and say, hey, I got another love
- 12 letter. So, you can see it's all in working with
- 13 the clients and we're all in the same boat together.
- 14 We all know that the need is there to have the
- 15 long-term care coverage.
- And one of the things that Mr. Kaul just
- 17 asked, this is a guide to retirement living. It's
- 18 called the Source Book. It's available on-line.
- 19 And I will slowly give you the website. I use this
- 20 for every client review.
- 21 Let me find it here. It is
- 22 www.retirementlivingsourcebook.com. No spaces.

- 1 Retirementlivingsourcebook.com.
- 2 You can go on and find different
- 3 counties. This one is only for -- I'm from the
- 4 Eastern Shore. In this booklet -- put this down and
- 5 speak a little louder for you.
- In this booklet it's broken down by
- 7 little color bars at the top. I know most of you
- 8 can't see this, but at the top there's different
- 9 color bars in here.
- 10 Each of those sections represents a
- 11 different type of care. It could be assisted
- 12 living. It could be adult day care. It could be
- 13 full blown retirement living.
- I primarily deal with the nursing and
- 15 rehabilitation section, and it's broken down by
- 16 county. If I go to Talbot County, which is the
- 17 Easton, Maryland area, it actually breaks down
- 18 several of the facilities, gives the number of beds
- 19 available and gives the daily cost range.
- 20 And this is very accurate. I have family
- 21 members in both of these facilities, and I can tell
- 22 you this is spot on.

- I also keep up-to-date with some of the
- 2 people that are at these facilities in
- 3 administrative roles to see how often they update
- 4 them. Source Book reaches out quarterly.
- 5 MR. DORSEY: Who publishes that?
- 6 MS. WAGNER: I will let you take a peek
- 7 at it. I'm not sure. Source Book is the only one
- 8 I've ever heard of.
- 9 You can find them in a lot of the
- 10 facilities as well. I have seen them in a lot of
- 11 the senior centers. So, that's a great thing to
- 12 reach out to.
- I know that the D.C. and metro area is a
- 14 completely separate booklet, and there are ones for
- 15 different parts of the state as well. But utilize
- 16 that.
- 17 Another thing you can go to, doesn't cost
- 18 anything and you do not have to have coverage with
- 19 that particular carrier, but Genworth has a site
- 20 that you can go to which has not only calculators
- 21 but it has a list of what the costs are for all 50
- 22 states. It's a one-pager. You can download it.

- 1 Again doesn't cost anything, but it is phenomenal to
- 2 use in these types of situations.
- I give kudos to you guys for the work
- 4 groups. I've participated in every one that I
- 5 could. Testified at a couple of them. Thank you.
- 6 The 15 percent, like I said, is a blessing.
- 7 I also have clients in other states, and
- 8 I can tell you that Delaware and Virginia just got
- 9 30 percent rate increase from some of those
- 10 carriers. And it is much harder to keep the
- 11 coverages pertinent if the person needed to go on
- 12 claim next week with a 15 percent rate increase than
- 13 it is a 30 all at once.
- So, sometimes it's literally just one
- 15 year's growth of that compounding that you
- 16 mentioned, if you just back that off for one year
- 17 via the daily benefit or monthly whichever,
- 18 sometimes that can reduce the premium enough that
- 19 it's comfortable in budget.
- Thank you for letting me speak.
- 21 MR. MILLER: I would like to make an
- 22 additional comment if I can since there is nobody

- 1 else. For those who may not be totally familiar
- 2 with how long-term care insurance works, I need to
- 3 remind everyone that what you're buying in long-term
- 4 care insurance is a specified pool of money which is
- 5 set at the time that you take out your policy but
- 6 which increases depending upon whether or not you
- 7 have an inflation factor built in.
- 8 You're buying X number of days of
- 9 coverage at X dollars, that will bring -- that will
- 10 provide X dollars a day of benefit.
- 11 So, it's not like other insurance where
- 12 the facility that's providing the care bills and
- 13 bills and bills to the point where there is no end
- 14 in sight. When you run out of the fixed amount of
- 15 money that you have insured for, you're not covered
- 16 any longer.
- 17 And I think that's a very important
- 18 point. And particularly with the insurance
- 19 companies, they know exactly how much in advance
- 20 they are committed to because they know what that
- 21 amount of money is.
- 22 And also in order to access your

- 1 insurance, you have to be declared medically
- 2 disabled. So, it's not something that you can just
- 3 sign up for and say, I want insurance. You have to
- 4 be certified as disabled and will be continued in a
- 5 disabled state.
- One of the factors that I haven't heard
- 7 discussed at all is to what extent the pool of money
- 8 that you are buying is actually fully utilized. The
- 9 length of stay in most long-term care facilities has
- 10 gone down steadily over the years. So, that
- 11 typically people buy three years worth of coverage.
- 12 That's a very common component of the long-term care
- 13 insurance.
- 14 The average stay now in long-term care
- 15 facilities is well under that three year -- the
- 16 three-year mark. No matter what the facility
- 17 charges at a day rate, you only get the amount that
- 18 you have insured for.
- 19 So, if the facility is charging \$500 a
- 20 day and your insurance is paying \$180 dollars a day,
- 21 that's all you're getting is the \$180 a day until
- 22 you use it up.

- 1 So, I think that's an important factor
- 2 when you go back to trying to justify rate
- 3 increases. The insurance companies know exactly
- 4 what their -- what their liability is well ahead of
- 5 time, and there is a limit to the liability. It's
- 6 not an open-ended expense once you become insurance
- 7 eligible. Thank you.
- 8 MS. GRASON: Thank you. Mr. Wahl.
- 9 MR. WAHL: Richard Wahl. W-A-H-L. Thank
- 10 you for an opportunity for follow-up. I have one
- 11 important question, and that is the subject of
- 12 coverage change request forms. I think they are
- 13 standardized throughout the industry. I'm not
- 14 convinced that the reduction in the premium is
- 15 commensurate with the reduction in benefits. And I
- 16 am not able to validate that, but I know
- 17 Mr. Zimmerman and the actuarial group could look at
- 18 that and determine whether or not they are in sync
- 19 and balanced and fair to the consumer.
- 20 Are the companies getting well by
- 21 decreasing benefits but only partial offsetting it
- 22 with premium rates? I can't make that

```
1
    determination, but I believe our actuarial
 2
    department can. And I would appreciate it if you
    would do some validation of that.
 3
                                        Thank you.
 4
                           Okay. I would like to thank
              MR. MORROW:
 5
    everybody for coming, giving us all of your input.
 6
    It's very important for us to hear from the
 7
    stakeholders and the members of the public.
 8
              I would also like to thank everybody here
 9
    at the MIA whose hard work has gone into these
    hearings and all the work leading up to the
10
11
    hearings. So, thank you all for coming and we are
12
    done.
              (Whereupon at 2:19 p.m. the briefing
13
14
    concluded.)
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1	STATE OF MARYLAND
2	COUNTY OF HOWARD SS:
3	I, Susan Farrell Smith, Notary Public of
4	the State of Maryland, do hereby certify that the
5	above-captioned matter came on before me at the time
6	and place herein set out.
7	I further certify that the briefing was
8	recorded stenographically by me and that this
9	transcript is a true record of the proceedings.
10	I further certify that I am not of
11	counsel to any of the parties, nor an employee of
12	counsel, nor related to any of the parties, nor in
13	any way interested in the outcome of this action.
14	As witness my hand and notarial seal this
15	14th day of March, 2017.
16	
17	
18	Susan Farrell Smith
19	Notary Public
20	
21	(My Commission expires February 8, 2020)
22	

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