



Statement for the Record

Submitted to the

U.S. Senate Finance Committee  
Subcommittee on Health Care

Regarding

“Alzheimer’s Awareness: Barriers to Diagnosis, Treatment  
and Care Coordination”

November 20, 2019

On behalf of

Susan K. Neely  
President and Chief Executive Officer  
American Council of Life Insurers

and

Kevin M. Mayeux, CAE  
Chief Executive Officer  
National Association of Insurance and Financial Advisors

The American Council of Life Insurers (ACLI) and the National Association of Insurance and Financial Advisors (NAIFA) appreciate the opportunity to submit this statement for the record on “Alzheimer’s Awareness: Barriers to Diagnosis, Treatment and Care Coordination.” We thank Chairman Pat Toomey (R-PA) and Ranking Member Debbie Stabenow (D-MI) for holding this important hearing, and applaud Chairman Toomey’s leadership in advocating solutions. Chairman Toomey’s proposal would help families by allowing them limited access to their retirement savings to help pay for long-term care insurance. By providing this flexibility, more families will have protection against spending down their hard-earned savings to pay for long-term care.

ACLI advocates on behalf of 280 member companies dedicated to providing products and services that promote consumers’ financial and retirement security. Ninety million American families depend on our members for Long-Term Care Insurance (LTCI), life insurance, annuities, retirement plans, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI represents member companies in state, federal, and international public policy forums that support the insurance marketplace and the families that rely on life insurers’ products for peace of mind. ACLI members represent 95 percent of industry assets in the United States.

Founded in 1890, NAIFA is the oldest, largest and most prestigious association representing the interests of insurance professionals from every congressional district in the United States. NAIFA members assist consumers by focusing their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, retirement planning, multiline, and financial advising and investments. NAIFA’s mission is to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of its members.

### Long-Term Care Financing

By 2030, those 65 years of age and older will represent 21 percent of the population, and 70 percent of individuals living past age 65 will need some long-term care.<sup>1,2</sup> On average, women need 3.7 years and men 2.2 years of care. Twenty percent of these people will need long-term care services for more than five years. During the next 20 years, the share of the U.S. population that is 85 years or older will more than double.<sup>3</sup> Currently, about 42 percent of those 85 and older have severe long-term care needs, but only 26 percent use paid long-term care.<sup>4</sup> As the elderly population grows, demand for long-term care will increase. By 2050, up to 14 million seniors will require some form of long-term care.

The cost of long-term care is high and increasing. According to a recent survey, adult day care costs approximately \$19,500 per year. An assisted living facility costs approximately \$48,612 per year. A private room in a nursing home costs approximately \$102,200 per year. Costs are rising approximately three percent per year.<sup>5</sup> Long-term care ranks as the second greatest financial concern for Americans, behind only retirement savings.<sup>6</sup>

According to the AARP, in 2017 spending for Long-Term Services and Supports (LTSS) totaled \$235 billion. Medicaid accounted for 57 percent of that cost, out-of-pocket expenditures made up 23 percent, private long-term care insurance comprised four percent, and the remaining 16 percent was

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<sup>1</sup> U.S. Census Bureau, 2019 Statistical Abstract of the United States, Table 8.

<sup>2</sup> [U.S. Department of Health and Human Services](#) (extracted on November 15, 2019); and Genworth, [2019 Cost of Care Survey](#).

<sup>3</sup> U.S. Census Bureau, 2019 Statistical Abstract of the United States, Table 8.

<sup>4</sup> U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, “[What is the Lifetime Risk of Needing and Receiving Long-Term Support Services](#)”, April 2019. Based on 2014 data.

<sup>5</sup> Genworth, [2019 Cost of Care Survey](#).

<sup>6</sup> 2019 Insurance Barometer Report, LIMRA

for other products. These numbers show that more can be done to help alleviate the pressure on Medicaid by allowing the private marketplace to take on more of the cost. This current path is not sustainable for either individuals, their families, or the public treasury.

Given the strong possibility that the typical senior will require long-term care, and given its high and escalating cost, whether seniors enjoy a comfortable retirement or suffer economic hardship may depend largely on their ability to afford long-term care. Most Americans have not planned for this and face the prospect of paying large sums “out-of-pocket” or relying on Medicaid, which in its current form requires one to “spend down” virtually all assets and retirement income in order to be Medicaid-eligible. Neither option is appealing and may leave seniors and their spouses impoverished, with few choices other than reliance on federal and state safety nets.

The private long-term care insurance marketplace offers meaningful solutions. Private long-term care insurance currently pays for only four percent of total nursing home expenditures for seniors.<sup>7</sup> There is clearly a large gap in the market which private long-term care insurance can fill.

### Long-Term Care and Alzheimer’s

As the American population ages, the prevalence of Alzheimer’s disease increases. Currently an estimated 5.8 million Americans are living with Alzheimer’s disease and that number is projected to increase to nearly 14 million by 2050.<sup>8</sup> Alzheimer’s disease is the leading cause of long-term care insurance claims<sup>9</sup>, and the impact of a growing population afflicted with the disease will increase the need for long-term services and supports. Additionally, almost two-thirds of Americans with Alzheimer’s disease are women. Women are nearly twice as likely to develop the condition as men.<sup>10</sup> This highlights the growing financial risk that Alzheimer’s disease poses to women who are not protected by long-term care insurance coverage.

### Long-Term Care Insurance

Millions of Americans’ financial and retirement security are at risk from exposure to unfunded long-term care needs. Access to expanded options to meet and finance the need for long-term services and supports will enable consumers to address those needs without eroding other assets or burdening family and friends.

Long-term care insurance covers services that assist individuals with cognitive difficulties and to those who are unable to perform activities of daily living, such as eating, bathing, or getting dressed. There is a misconception among many Americans that Medicare will cover their long-term care expenses. In fact, most of those costs are not covered. Long-term care insurance provides financial assistance for necessary care separate from “medical treatment.” Since most care is not treatment, it is not typically covered by medical expense coverage or Medicare.

Long-term care insurance is a relatively new product. It was introduced in the 1970s to meet a growing need of American families with loved ones requiring care for long-term services and supports. The first generation of these products suffered pricing challenges due to actual experience and generous benefits. Insurers have stabilized more traditional products, and concurrently have developed next-generation hybrid and combination products that provide both life insurance or annuity payments and

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<sup>7</sup> ACLI calculations of Centers for Medicare and Medicaid Services, [Health Expenditure Survey](#) (extracted on November 14, 2019).

<sup>8</sup> 2019 Alzheimer’s Disease Facts and Figures Report p. 22.

<sup>9</sup> The [American Association for Long Term Care Insurance](#) (quoting Society of Actuaries LTC Experience, extracted on November 15, 2019).

<sup>10</sup> 2019 Alzheimer’s Disease Facts and Figures Report p. 18.

long-term care benefits. These developments enable consumers to protect against long-term care events, with far less price volatility than the first generation of products.

Approximately 7.4 million people have purchased long-term care insurance to help manage their future care needs. The number of Americans needing long-term care is expected to rise to 27 million by 2050.<sup>11</sup> In 2018 alone, consumers received nearly \$12 billion in long-term care insurance claims payments.<sup>12</sup> By covering long-term care costs, insurers will save Medicaid approximately \$50 billion in the coming years, benefitting the solvency of federal and state Medicaid programs.<sup>13</sup>

### Building Awareness and Facilitating Purchase of Long-Term Care Insurance

ACLI and NAIFA applaud Chairman Toomey's leadership in putting forth a proposal that would assist families to prepare for their long-term care needs by allowing them to have limited access to their retirement savings to help pay for long-term care insurance. With this sort of flexibility, more families would have protection of retirement savings and be far better positioned to meet long-term care expenses.

ACLI and NAIFA also continue to work with the recently organized U.S. Treasury interagency task force on long-term care insurance. We understand that the task force has been reviewing various proposals to reform federal laws and regulations concerning long-term care insurance, including, among other options, federal policy options presented by the NAIC to Congress for its consideration in April 2017.

Alongside the NAIC options, ACLI and NAIFA offer recommendations we believe are achievable and would substantially improve consumer access to private long-term care insurance coverage. These recommendations specifically identify potential reforms to federal laws, regulations, and policies that would complement regulatory reforms at the state level related to long-term care insurance.

There may be additional and more comprehensive reforms warranted that will require systemic changes to the way we view long-term care funding with the ultimate goal of creating a comprehensive long-term services and support financing system. One such approach that warrants discussion is to have private insurance plans cover initial costs and the government serve as "catastrophic backstop." However, we believe the task force's current consideration of the achievable near-term changes described below would lead to measurable improvements for American consumers seeking to access long-term care coverage. Included in this statement is the NAIFA letter to the task force and the joint ACLI and American's Health Insurance Plans (AHIP) letter to the task force regarding such recommendations. They are summarized here:

- Launch a national educational campaign to help consumers understand both the need for and benefits of long-term care insurance coverage.
- Provide tax incentives to expand consumer access to long-term care insurance coverage through workplace and retirement plans:
  - Making long-term care insurance coverage available through Internal Revenue Code Section 125 cafeteria plans and Flexible Spending Arrangements;
  - Allowing tax-free premium payments for long-term care insurance policies from 401(k)s, 403(b)s, IRAs, and other retirement plans; and

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<sup>11</sup> H. Stephen Kaye, Charlene Harrington, Mitchell P. LaPlante, *Long-Term Care: Who Gets It, Who Provides It, Who Pays, and How Much?*, Health Affairs, January 2010.

<sup>12</sup> ACLI calculations based on 2018 NAIC Annual Statement data.

<sup>13</sup> Life Plans, Inc. for AHIP "The Benefits of Long Term Care Insurance and What They Mean for Long Term Care Financing" November 2014.

- Permitting employees to make additional contributions to Health Savings Accounts to pay for long-term care insurance premiums.
- Support legislation or regulatory guidance that would confirm and allow the payment of long-term care insurance incidental benefits from policies that enhance care options for policyholders and provide access to benefits including those intended to support healthy, independent living and aging in place, prior to satisfying the current eligibility requirements of a severe cognitive impairment or substantial assistance with the requisite activities of daily living. This allowance should not cause the policy to forfeit its tax qualified status.
- Revise current federal requirements surrounding inflation protection for long-term care insurance policies to encourage policy design innovations that would meet the needs of consumers more effectively.

We believe these recommendations align with our mutual goals to expand consumer choice and access to quality long-term care insurance coverage, reduce out-of-pocket long-term care costs faced by consumers and protect retirement savings, manage long-term care insurance premiums, and improve health outcomes for long-term care insurance policyholders in the most cost-efficient manner possible.

Again, thank you for the opportunity to comment on this vitally important issue. The life insurance industry looks forward to working with you as your work and consideration of policy solutions continues.