

Senate Bill 2253 Subject: Long Term Care Insurance

Testimony by Daniel R. Rice, resident of Fargo, ND

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Chairman Klein and members of the Senate Business and Labor Committee: My name is Dan Rice and I am retired and living in Fargo. In 2011, my wife and I purchased a Long Term Care policy from Genworth Insurance Company. We bought the policy so that in case one of us needed long term care such as Nursing Home care or in-home services, we would not have to spend all of our savings and sell our home, leaving the other one in poverty. Over 90% of Americans do not have Long Term Care insurance in spite of the fact that between 50-60% of us will need this kind of care at some point in our lives. <https://www.governing.com/archive/sl-long-term-care-insurance.html>

As you know, Medicare does not cover the costs of long-term care.

Our original annual premium was \$4,599. Our annual premium currently is \$8,980 which represents a 95% increase in the rate. We are facing the prospect of having to drop our policy because of these extreme increases. I have been in contact with the Insurance Commissioner's Office to express my concern.

You will hear from the insurance companies, including Genworth, that one of the reasons for these rate increases is the cost of Nursing Home care. I was able to find data on the cost of care in North Dakota for a two-year period from 2016-2018 from a reliable source, a not-for-profit organization called Senior Living that provides information to older Americans. The data indicate that the cost of care in North Dakota increased 4% for a semi-private room and 8% for a private room during that two-year period. <https://www.seniorliving.org/nursing-homes/costs/> During that same period, our long-term care insurance premiums increased 36%. That is a huge disparity--4% and 8% compared to 36%, and here is the kicker--The data reported by Senior Living was from the Genworth Insurance Company!

You will also hear that another reason the insurance companies claim the rates for Long Term Care insurance are increasing so rapidly is because when they began selling these policies they did not realize the extent to which people would be living longer in the future and health care costs would increase. If it true that these companies underestimated these trends, they should not be in business. A first-year student in a college Sociology class learns that life expectancy is going to increase in the future, and economists of all ideologies know that health care costs have been and will continue to increase faster than inflation.

Scott A White, the Virginia Insurance Commissioner and Chair of a Task Force of State Insurance Commissioners studying the Long Term Care insurance issue, reported in 2019 that when some states have not approved large rate increases, the insurance companies have passed those costs off to policy holders in other states where their rate increases **have** been approved.

<https://www.nytimes.com/2019/08/23/your-money/long-term-care-insurance-prices.html>

So those of us here in North Dakota who are paying huge rate increases are likely subsidizing the premiums of people in other states like Illinois, Maryland, New Hampshire, and Oregon.

The current system is rapidly becoming one where only the most wealthy citizens can afford Long Term Care Insurance and most people who eventually need in-home services or nursing home care will end up destitute and on Medicaid. Long Term Care Insurance has the potential to save money for both individual citizens and the state by reducing the cost of Medicaid.

North Dakota offers a tax credit for those who pay for Long Term Care insurance but that credit is \$250 per qualified individual. That is not an incentive to keep your Long Term Care insurance when you are paying \$9,000 a year in premiums!

It is clear that the Long Term Care Insurance system is broken and needs to be fixed. North Dakota is a state with a large aging population and the long-term care crisis is only going to get worse. The Medicaid budget in North Dakota is going to explode in coming years as Baby Boomers grow older, don't have Long Term Care insurance and can't afford to pay for long term care services.

More of our middle-class citizens in North Dakota may spend the last years of their lives living in poverty, especially if they do not have children or grandchildren who are able and willing to pay for their care. These are trends that already exist and are based on demographic facts, not my opinion.

I urge you to support Senate Bill 2253 to join many other states that are studying how to fix this problem. North Dakota can become a state that protects its citizens who are trying to take responsibility for their own care and save money for the state and its taxpayers.

Thank you for allowing me to testify.

Other resources on Long Term Care Insurance:

Basic facts about LTC

<https://longtermcare.acl.gov/the-basics/what-is-long-term-care.html>

A study of the need for effective long term care care

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1464018/>

Time magazine about the demographics and reality of long-term care

<https://time.com/5529152/elderly-caregiving-baby-boomers-unpaid-caregivers-crisis/>

From "Governing"

<https://www.governing.com/archive/sl-long-term-care-insurance.html>

Long-term care insurance explained

<https://www.nerdwallet.com/blog/insurance/long-term-care-insurance/>