

**STATEMENT
OF
THE HONORABLE BART STUPAK
SUBCOMMITTEE ON
OVERSIGHT AND INVESTIGATIONS
“LONG-TERM CARE INSURANCE: ARE CONSUMERS
PROTECTED FOR THE LONG TERM?”
JULY 24, 2008**

One of the greatest challenges facing Americans as they plan for retirement is dealing with the risk of becoming seriously disabled and having to rely on family members or paid caregivers for assistance with their basic daily activities such as eating, bathing, dressing, going to the bathroom and even getting out of a bed or chair. While we all hope to live out our days happy, healthy, and independent in our own homes, the possibility that we will require assistance from others is all too real.

Some studies predict that over two-thirds of all Americans over the age of 65 will require long-term care services at some point in their lives. This year alone, over 9 million Americans will use long-term care services. By 2020, that number is expected to increase to 12 million.

The costs of long-term care can be staggering. The average cost for one year of nursing home care is currently about \$70,000. Assistance in a person's own home can be less costly, but still averages about \$20,000 per year. For those struggling with Alzheimer's the cost of care may be catastrophic.

Most American families are unable to bear these high costs for even a short time. More Americans are buying private long-term care insurance as a way to deal with these expenses if they become seriously disabled or chronically ill. The Medicaid Long-Term Care Partnership Program, which Congress expanded in 2005, seeks ways to encourage long term care insurance purchases so that the states can spread out the financial burden of long-term care with their citizens.

The Partnership program has also played the important role of encouraging states to adopt the provisions of the National Association of Insurance Commissioners' (NAIC) model act. A key question for this Committee is how to persuade states to implement the NAIC's model laws and regulations more completely. In an effort to encourage this process, Congress may look to the Partnership, and the Health Insurance Portability and Accountability Act (HIPA), as leverage to improve consumer protection on a national basis.

Today's hearing will focus largely on the current state of affairs for consumers who have long-term care policies, and whether they are adequately protected from unfair insurance denials when they need to use their policies, or unfair premium increases.

This is the second in a series of hearings that the Subcommittee has held on long-term care delivery and financing. Our last long term care hearing focused on nursing home quality of care. Today's hearing is in fact the first hearing that the Subcommittee has had on long-term care *insurance* in 18 years.

Much has changed in the past 18 years. More than 7 million Americans now hold long-term care insurance policies. The nursing home-only policies of the past have been replaced by broader and more flexible policies that will cover in-home services and assisted living facilities.

Still, it is not always easy for individuals and families to decide whether to purchase long-term care insurance. Premiums can be very expensive, totaling several thousand of dollars every year. Many people may not qualify, especially when they attempt to purchase the insurance late in life. The dizzying array of insurance choices can make it difficult for consumers to know which policy is best for them.

Part of the challenge for consumers is the changing nature of long-term care services themselves. Today, assisted living and home care are common alternatives to staying in a nursing home. These options did not exist when many people bought their policies 15 or 20 years ago. We can only imagine how long-term care insurance may be different in the future. How will we guarantee that people who purchase long-term care insurance today will receive the services they purchased 20 years from now when they ultimately need it?

For many consumers, long-term care insurance has played a vital role in their ability to pay for care. For others, however, it has fallen short. Insurance companies may raise premiums after a person has been paying into the system for years. These unexpected increases may be passed on at the time when people are retired and living on a fixed income, paying for gas, groceries, home heat, and other essential items. Policyholders may find themselves with the difficult choice of paying more out of their fixed incomes or accepting lower benefits that will not cover the cost of their care.

Even after consumers have faithfully paid their premiums for years, they may find that their claims are denied without any explanation. Efforts to complain or appeal may be difficult or impossible. All too often, insurance companies build walls of red tape that keep their customers from appealing unjust denials, even though their success on appeal remains great. These problems emerge just at the time that people are most vulnerable and least able to advocate for themselves. Without a strong family network to help them, many people may simply give up, and pay for care out of their pocket when they should not have to. Others end up turning to the Medicaid program for assistance.

Today's hearing will examine the challenges faced by consumers, the states, the federal government, and the long term insurance industry, in making sure that long-term care insurance lives up to its promise. On our first panel, we will hear from witnesses reflecting a variety of perspectives, including consumer advocates, family members, and industry leaders. We will also hear from the Government Accountability Office, which will be reporting its findings into how well consumers are protected under the current system. The GAO's report is the culmination of work undertaken at the request of Chairman Dingell and

Ranking Member Barton, as well as Senators Kohl, Grassley, Clinton, Dorgan, Klobuchar, and Obama.

On our second panel, we will welcome the insurance commissioners of four states which have been leaders in long term care insurance. The National Association of Insurance Commissioners, represented today by Wisconsin Insurance Commissioner Sean Dilweg, has played a vital role in developing standards to protect consumers.

On our third panel, we will hear from four of the biggest long-term care insurance providers, two of which have been subject to serious and troubling complaints. We look forward to hearing from these two companies – Penn Treaty and Conseco - on what steps they are taking to correct these problems, and how they will improve the customer service provided to policyholders. Congress owes it to consumers, state regulators, and the industry to make sure that Congress is doing all that we can to assure that consumers can place their full trust in this important long term care health insurance.