

# People Still Need a Way to Pay for Long-Term Care: Idea File

Vince Bodnar is continuing to try to create new ways to help some people do that.

By Allison Bell | January 10, 2019

Most life insurers are now scared to death of writing stand-alone long-term care insurance.

Millions of aging, non-poor, cash-strapped Americans are getting older.

Vince Bodnar, the chair of the Long Term Care Think Tank at the Society of Actuaries, has this idea: Someone ought to figure out more ways insurers can help people protect themselves against long-term care (LTC) risk.

(Related: [Actuaries Choose New LTC Future Shapers](#))

Life insurers are selling annuities and life insurance policies with features that can help people pay LTC bills. But some have argued that people still need arrangements that do



(Image: Allison Bell/TA)

more to maximize the amount of resources available for people who end up need LTC services for many years.

Bodnar said in an interview that the SOA Long Term Care Think Tank has helped to develop two LTC finance concepts that appear to have broad appeal.

One is the “life stage” concept. A life stage product would term life coverage when an insured was young, then provide long-term care coverage when the insured was older.

The second is the 401(k) LTC benefits concept. Advocates of this proposal would let workers use some of the assets in a 401(k) plan, or a similar plan, to pay for LTC coverage.

Here are seven things to know about the concepts.

## 1. Young (and Not So Young) Invincibles

The life stage and 401(k) LTC concepts could overcome two major obstacles for stand-alone LTCI issuers: Consumers’ need to pay bills now, and those consumers’ resistance to thinking about long-term care.

“They can’t envision themselves needing it” Bodnar said.

One solution might be to attach LTC benefits to some other product that consumers already like, Bodnar said.

If the arrangement could pay cash to the heirs of people who get through life without ever needing LTC services, that would be even better, Bodnar said.

In that scenario, “you wouldn’t have the use-it-or-use-it characteristic,” Bodnar said.

## 2. Actuarial Analysis

Actuaries assumed, as a given, that consumers would have to go through underwriting to buy the life stage or 401(k) LTC product, and that the consumers would have to pay for the products themselves.

Even under those assumptions, actuarial analysis suggested that both the life stage approach and the 401(k) LTC benefits approach could lead to viable products, Bodnar said.

“They both have quite a bit of appeal,” Bodnar said.

Having the government cover most or all of the costs for all could decrease the per-person cost, by putting healthier people in the risk pool.

### 3. Timing

An insurer could probably create a life stage plan today and get it into the field in about two years, Bodnar said.

“There’s not really a lot of regulatory barriers to it,” Bodnar said. “A lot of the work has been done already.”

Setting up a 401(k) LTC program with favorable tax treatment would take help from the federal government, Bodnar said.

### 4. Tax Break

One obstacle is the idea that the government could lose some tax revenue, Bodnar said.

Bodnar said the supporters could benefit if they can show the program would cut Medicaid nursing home benefits spending.

If insurers wanted to get a new tax break for life stage policy purchasers, they would have to go through a similar process, of showing that Medicaid program savings and other government program savings would outweigh the anticipated reduction in federal income tax revenue, Bodnar said.

### 5. Washington

The Congressional Budget Office and Joint Committee on Taxation have looked at LTC finance issues in the past, but, since 2010, up till now, efforts to shore up or replace the Affordable Care Act individual major medical framework have crowded out most LTC financing discussions, Bodnar said.

“It’s difficult for this issue to break through,” Bodnar said.

The SOA, for example, is good at doing analysis, but it does not promote policy proposals in

Washington, Bodnar said.

Bodnar said he's happy to see Scott Cipinko's efforts to up a new LTC financing policy "do tank," or entity that would try to get LTC financing proposals through Congress, or through state legislatures.

## 6. Insurer Interest

Long-term care insurance issuers have had their hands full in recent years with the effects of low interest rates, inaccurate claim projections, and rating agency, investor and regulatory agency scrutiny.

Bodnar said he has not yet seen much interest from current LTCI issuers in offering either a life stage product or a 401(k) LTC.

Other insurers are showing some interest in the life stage LTC concept.

At this point, insurers seem to like the idea of 401(k) LTC options, but no one is calling him up about that.

"Tax law has to change first," Bodnar said.

On the bright side: Bodnar hasn't yet seen opposition to either the life stage concept or the 401(k) LTC concept.

"It's just going to take time to develop it," Bodnar said of the main barrier to the birth of a new type of LTC financing vehicle. "Anything new just takes time."

## 7. Resources

Links to LTC Think Tank materials that discuss the concepts in more detail are [available here](#).

— Read [Actuaries Feel for Way Forward at LTCI Event](#), on ThinkAdvisor.

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