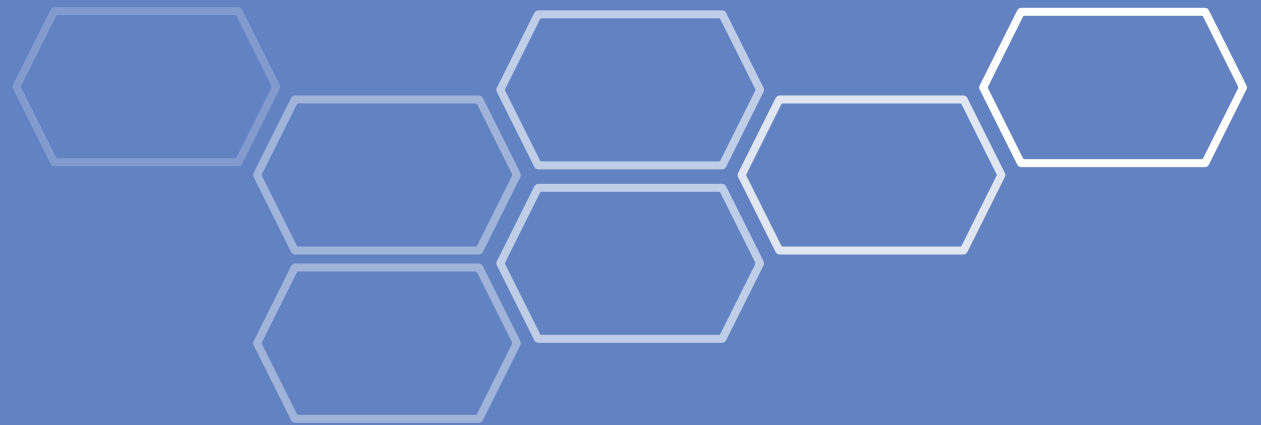


Design Considerations for a Public Long-Term Care Insurance System

Robert Yee – U.S. PricewaterhouseCoopers LLC

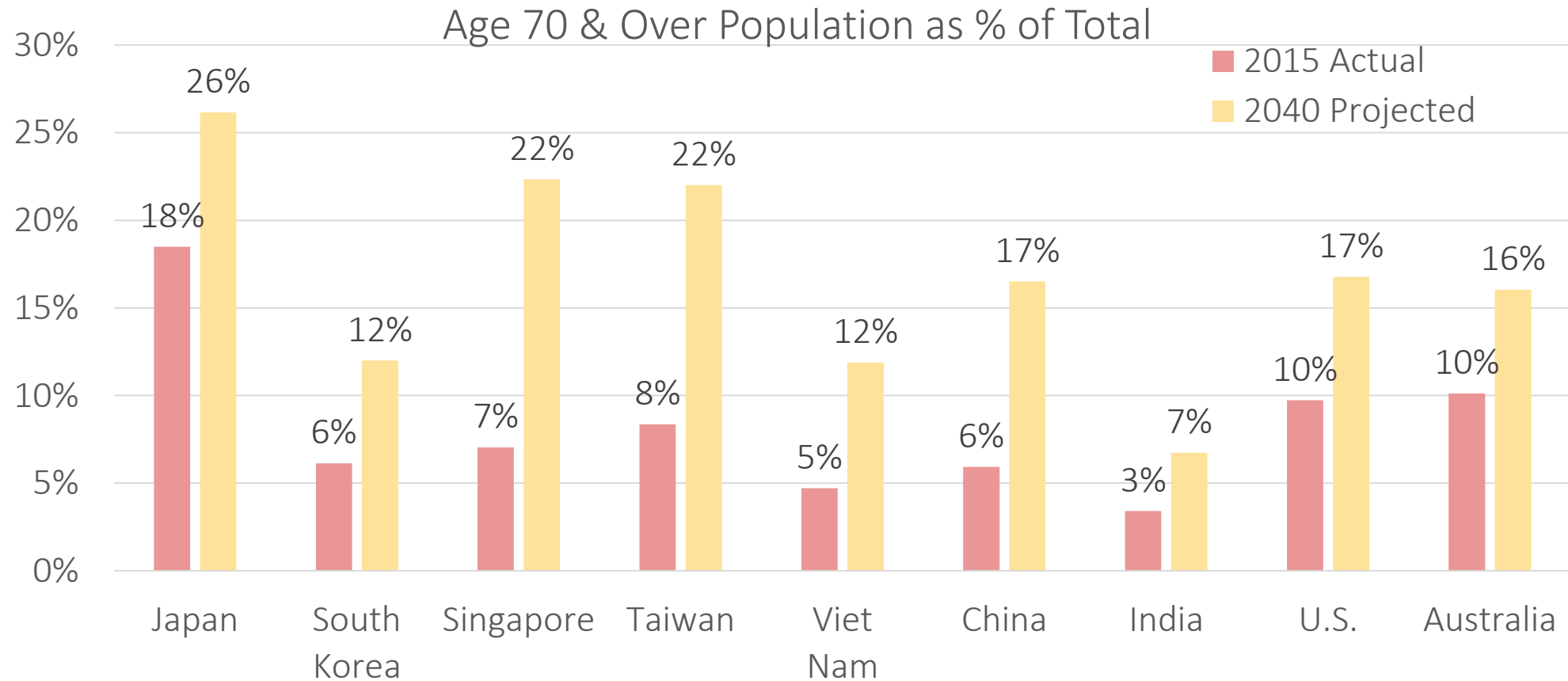
August 3, 2018



4th International Conference of Long-term Care Directors & Administrators

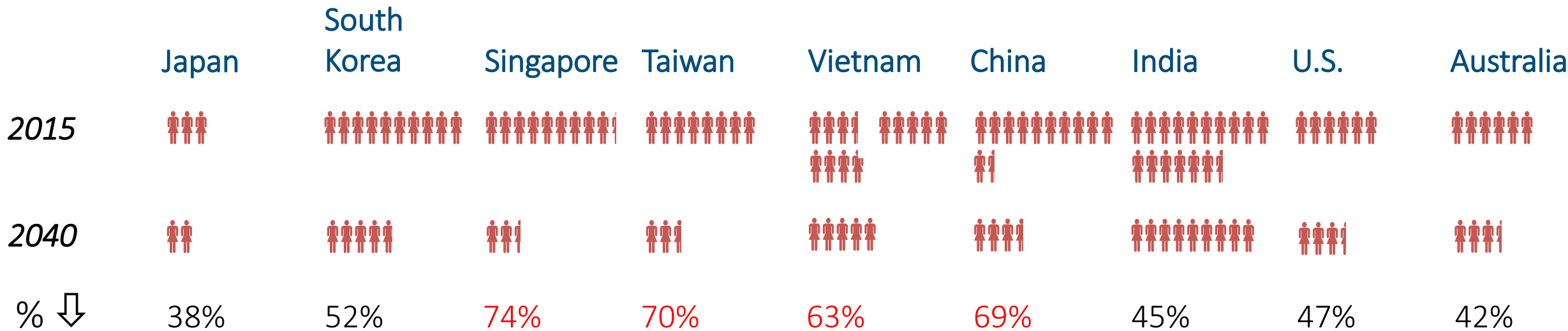
Rapidly Aging Populations

- Singapore, Taiwan and China will experience an almost 3-fold increase in age 70 & over proportion of the total population



LTC Dependency Ratios

- Ratio of number of persons ages 20-64 to one person age 70 & over:



- Decrease in dependency ratio implies a greater financial burden on future workers to support LTC than current workers

Categories of LTC Financing

Public

Safety Net

mean test for benefits

government funding

Social Program

universal coverage

government funding

Social Insurance

workers, spouses & retirees

participant & government contributions

Private

Personal Funds

Private Insurance

Mission & Goals

Ideal State: **Elderly are free of financial worries of LTC**

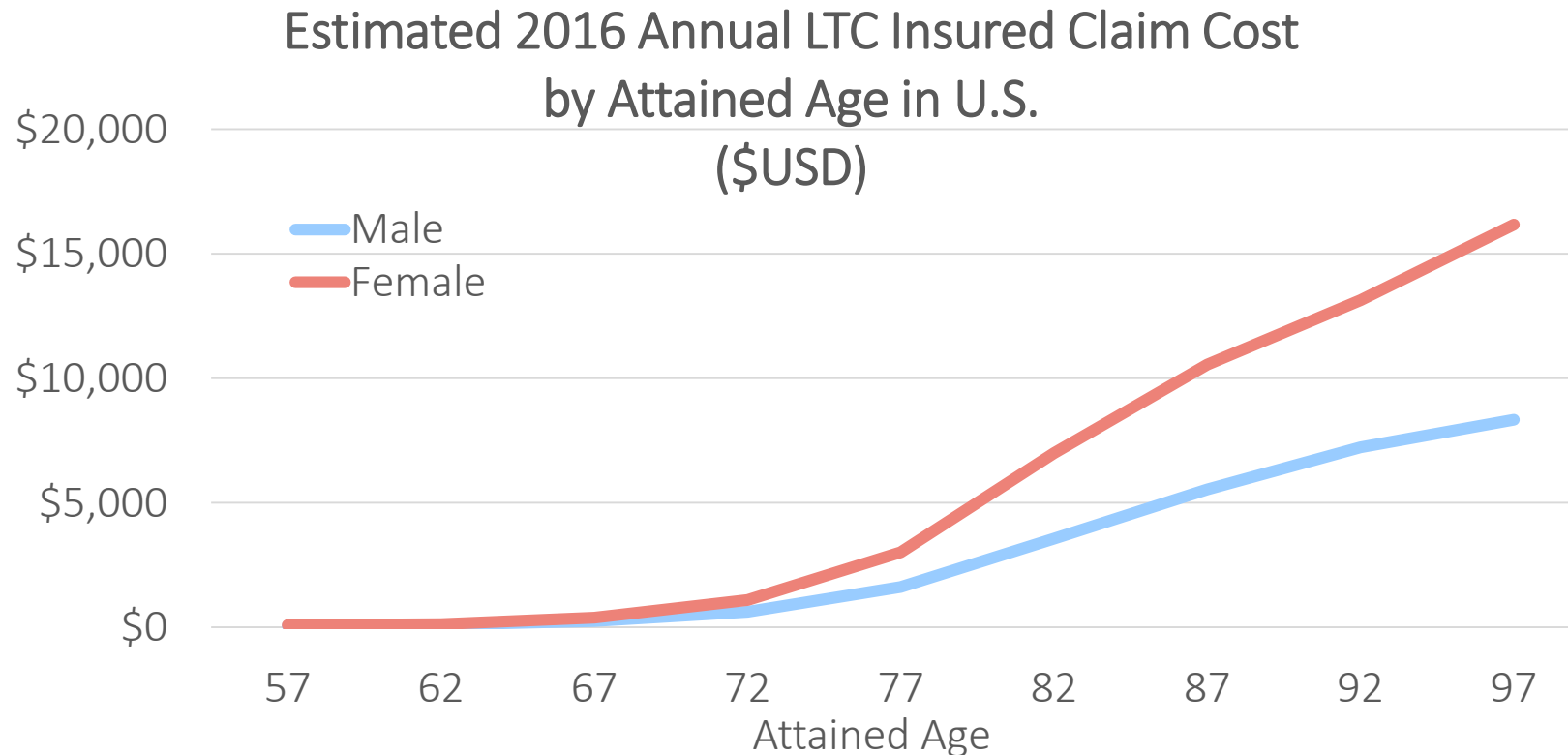
- Not just for those who need it
- Fits into the bigger picture of financial security with respect to all health issues – both acute and chronic

Goals:

- Elderly will receive quality LTC irrespective of income class
- Fair and appropriate contribution from everyone who can afford to pay
- Program sustainable for the long run

Nature of LTC Risks

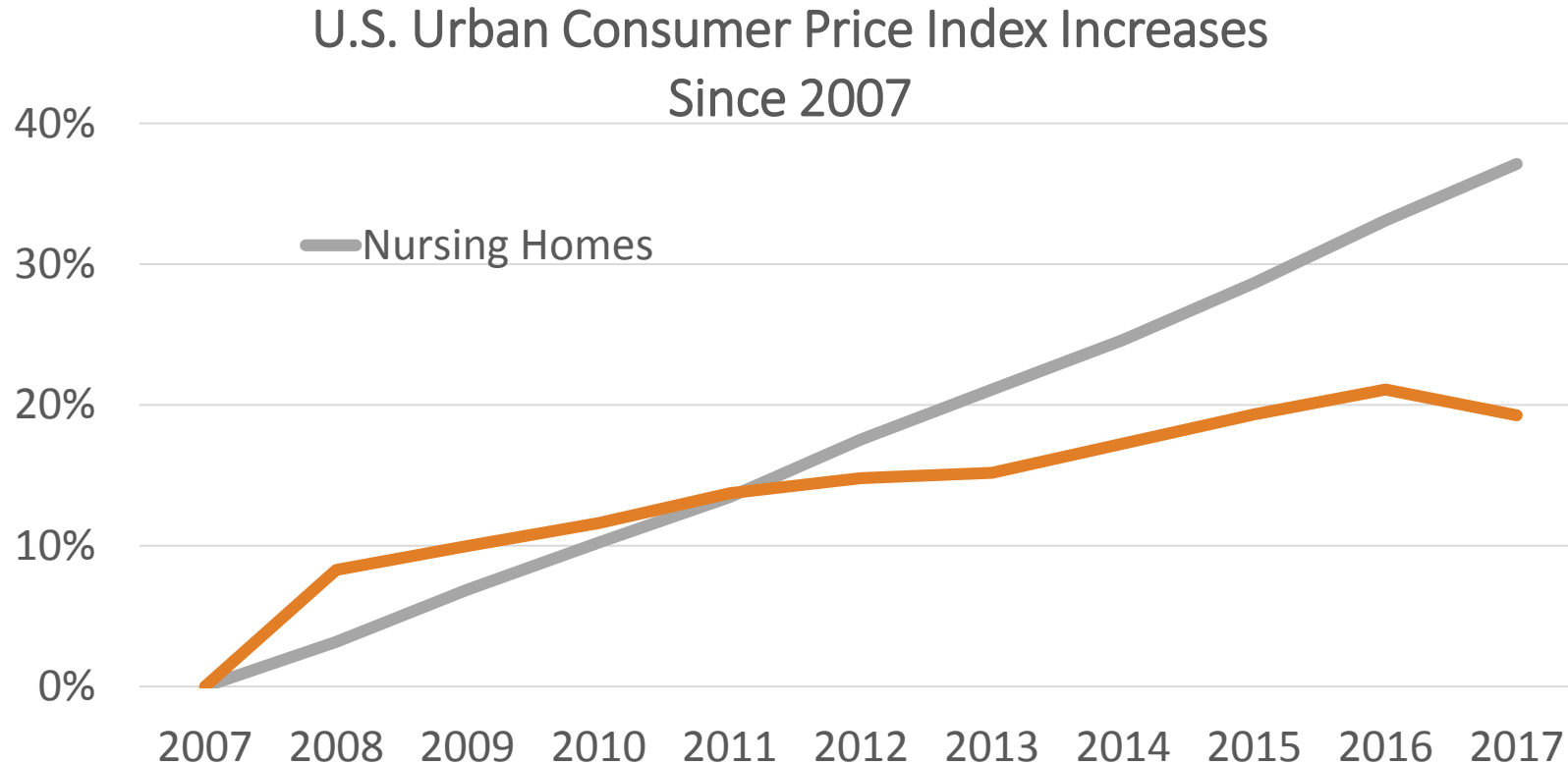
- Pay-as-you-go contributions will continue to rise as the covered population ages



- Claim cost = expected cost per covered person by age

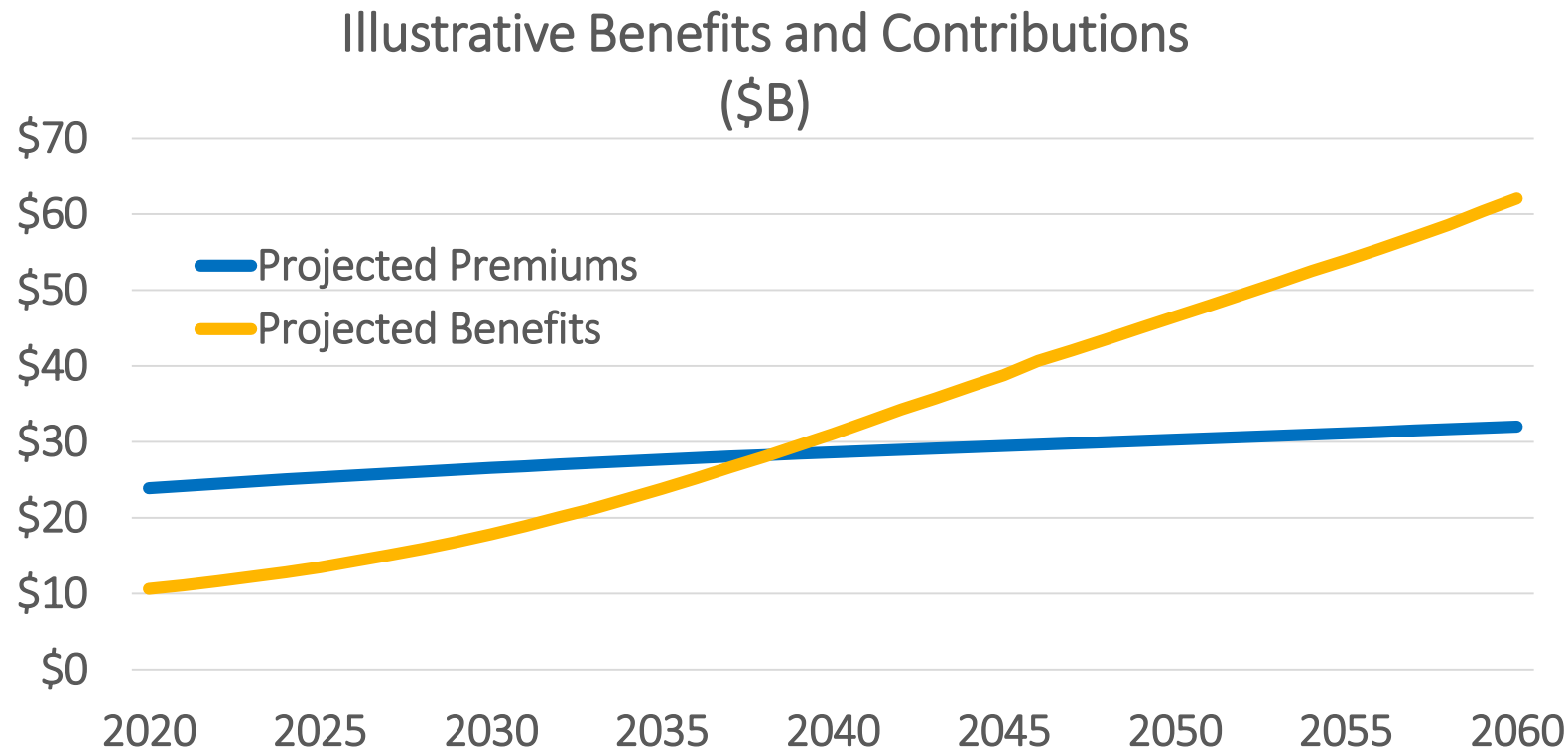
Nature of LTC Risks (continued)

- U.S. average annual LTC cost inflation has been 3.2% and 1.1% for nursing homes and home care respectively over the past 10 years



Nature of LTC Risks (continued)

- Illustrative example of a pre-funded LTC program's (population 50 millions, participation begins at age 25)



- Excess of contributions over benefits in early years gives rise to a reserve fund

Fundamental Issue

Individual Equity

- LTC protection is an individual obligation
- Breadth of coverage
- Safety net funding

Social Responsibility

- LTC protection is an individual right
- Intergenerational transfer
- Economic transfer

Critical to Success

Participation:

- Mandatory vs. voluntary
- Retirees
- Workers & spouses
- Disabled
- Indigent

Benefits:

- Basic vs. full coverage
- Payment levels based on disability level
- Indemnity vs. reimbursement
- Front end vs. back end
- Inflation protected or no protection
- Copayment or no copayment

Critical to Success

Funding Source:

- Workers
- Retirees
- Employers
- Governments
- Beneficiaries

Funding Scheme:

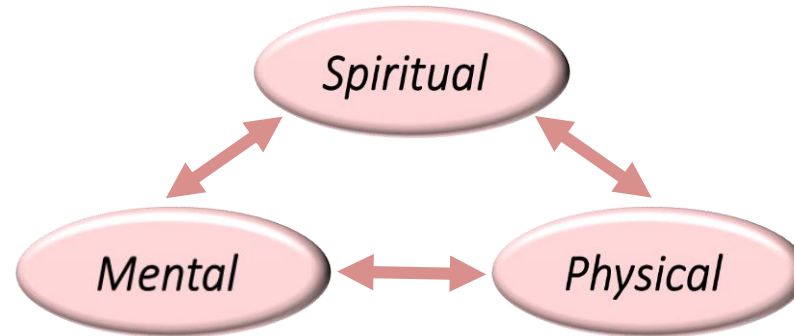
- Pay-as-you-go vs. pre-funding
- Level premium vs. indexed premium
- Pure LTC risk vs. medical savings account

Sustainability:

Present value of future benefits + expenses <
Present value of future contributions + Reserve

Concluding Remarks

- Successful aging is associated with wellness in 3 dimensions:



Freedom from LTC worries can be a major support for wellness

- This generation can:
 - Honor our elders who took care of us
 - Protect future generations by responsibly resolving the LTC dilemma
- Ignite your passion in LTC and make a difference in people's lives

References

Slide

2. World Health Rankings; United Nations, Department of Economic and Social Affairs, Population Division, Probabilistic Population Projection - Median, June 2017.
3. United Nations, Department of Economic and Social Affairs, Population Division, Probabilistic Population Projection - Median, June 2017.
6. Society of Actuaries 2000-2011 LTC Intercompany Study; Formal cost of long-term care services, PwC, 2016.
7. Nursing homes and adult day services, Care of invalids and elderly at home Consumer Price Indices in U.S., city average, all urban consumers, not seasonally adjusted, U.S. Bureau of Labor Statistics, January 2018.
8. Modeled after U.S. population projection:
 - Using estimated annual claim costs on slide # 6
 - Assume program pays for 60% of total LTC costs
 - Contributions are level and payable for life
 - 20% load for expenses and margins for adverse deviation
 - 4% investment return on reserve fund

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