Peter Aaronson
22 Cassway Road
Woodbridge, CT 06525
203-393-0644

Testimonial Statement

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S.B. No. 322(raised) An Act Concerning Long-Long Term Care Policies Under The Connecticut Partnership For Long-Term Care

My name is Peter Aaronson and the following testimony is to support legislation that prevents insurance companies from periodically closing groups of Long Term Care Insurance policies, under the Connecticut Partnership for Long Term Care, to new subscribers with the result, as the group ages, of unaffordable premiums.

Before retiring I had been in health care and insurance for close to 40 years. My health care training started as a student at Yale in Hospital Administration in a program located in Epidemiology and Public Health which is part of the Yale School of Medicine. I went on to become an Associate Director of a Hospital, CEO of an HMO and President of the Connecticut Associations of HMOs. I then became CEO of a national health and life insurance Company, national health and Managed Care Software companies, and a Connecticut health care corporation that provided direct patient care to sub-acute patients in long term care facilities throughout Connecticut

I think people my age remember our grandparents' and/or our parent's generation when people were forced to liquidate their estates in order to cover a wife or a husband who needed to be admitted to a nursing home. Some tried to protect some of the funds for the support of the other spouse while others just let the money run out and applied for state aid. How horrible for people who have worked all their lives and saved for their retirement to be faced with these circumstances.

The whole purpose of the Connecticut Partnership for Long Term Care was to help the public retain a portion of their assets based upon the limits of the policy purchased while saving the State money so people did not have to apply for and receive aid. It guaranteed the contract could not be canceled and it established a Guarantee Fund that protected policyholders in the event that the insurance company ran into financial trouble and could not provide coverage. The guarantee covers policyholders up to the limits of their policies or $500,000, whichever is less. However, it has not protected policyholders from insurance companies who cut off a block of business to new subscribers because of either withdrawing from offering long term care insurance or byoffering new policies, with some minor changes to benefits, to new and younger subscribers.

The result of closing off a policy to new enrollment means that as the now static group ages and people begin to access more and more benefits the experience will continue to rise with fewer premiums available to support the current policyholders. I have experienced the result of this in my family. My father purchased long term care insurance, at a relatively young age, for him and my mother. As time passed, the premiums increased to such an extent that he felt he was unable to continue to pay for them. A few years later my mother was diagnosed with Alzheimer's and was eventually admitted to a nursing home. In 1990 it cost my father about $65,000 a year to pay for her care. Today that care would be well over $150,000.

I feel that there is a loophole in the regulations and insurance companies offering these policies should not be allowed to close off blocks of business to new enrollees if they are to participate in the Connecticut Partnership for Long Term Care. I would propose the following avenues be considered as possible solutions to this situation:

1. Long term care policies should be community rated and enrollment should be kept open to new subscribers. If new benefits are being offered the policyholder should be notified and given the option of paying a higher premium for the enhanced benefit program.

2. Insurance Companies that decide they no longer wish to write long term care insurance should make a best effort to place this business with another company that is willing to buy their book of business and to continue to enroll new policyholders into the group.

3. If no buyer is found a formula should be developed that guarantees that state funds would be available to offset unaffordable premiums so people in their 80s, who might need to access their polices, will have the coverage available when they need it. As stated above, the State of Connecticut has established a Guarantee Fund to cover people in the eventuality an insurance company runs into financial problems, so why not have a guarantee fund that protects aging policyholders in cases of unaffordable premiums due to a policy closing to new subscribers?

4. For those policies already in existence, that have been closed to new subscribers, a formula would be developed under a new guarantee fund, as proposed above in item 3, to help offset premium increases to these closed and aging groups to make sure coverage remains affordable. Proceeds from such a fund would come from a fee tacked onto all long term care policy premiums being sold in the State of Connecticut. As these policies are closed due to the natural process of their subscribers dying, the excess fee will be adjusted or in the end terminated.

My wife and I purchased Long Term Care insurance from PFL Life when I was 53 and my wife was 48. I am now 65 years old. Transamerica assumed responsibility for the policy from PFL about 5 years later. These policies were purchased under the Connecticut Partnership.

We received notice from Transamerica that the group we belonged to would be closed to new participants and they would no longer be selling long term care insurance. Expressing my concerns to the Connecticut Department of Insurance, Ms. Ann T. Follacchio forwarded my concerns to Transamerica. Theresa E. Egbon, a consumer affairs analyst, responded for Transamerica.

As to the issue of closing the group and its affect on premiums, Ms. Egbon stated in her correspondence that "we anticipate no adverse impact on our existing policyholders." She goes onto state, "Also, please note that in any given class of existing Long Term Care policies, claims experience is not affected by a stream of income from new policies." If you close a group to new and younger people then the natural occurrence is that as the group ages the claims experience will be higher and the Department of Insurance, who might also look at similar existing policies to determine the merit of the increase, really has no choice but to approve the request. While it is clear there is a need to raise premiums at times to cover the natural increases in the cost of long term care, this is not the same as the significant increases that will result from closing the group.

I will be more than happy to be involved in helping to resolve this problem. This is a crucial issue to all parties and I would hate to think that as the *Baby Boomers* age and they find they have policies that fall under the circumstance described above and cannot afford the premiums, what impact this will have on them and the State of Connecticut.

Sincerely Yours,

Peter Aaronson