

ANNUAL REPORT

FOR



EVALUATION STUDIES
Executive Summary

July 1, 2004 – June 30, 2005

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Annual Report
For
The Connecticut Partnership for Long-Term Care
Evaluation Studies

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I. EXECUTIVE SUMMARY

The Connecticut Partnership for Long-Term Care is a unique alliance between State government and the private insurance industry developed to: 1) provide individuals with a way to plan for their long-term care needs without the risk of impoverishment; 2) enhance the standards of private long-term care insurance; 3) provide public education about long-term care; and 4) conserve State Medicaid funds. Connecticut was the first state in the country to implement a Partnership program.

This executive summary provides an overview of each of the evaluation studies included in this report. These ongoing research studies were developed in order to describe, measure and evaluate this innovative program. The Partnership has been operational and gathering data since April, 1992. Originally, the Partnership contracted with an outside consultant who was responsible for administering the various surveys used in conjunction with the evaluation, as well as providing the Partnership with quarterly and annual reports. These research studies were funded through a grant from the Robert Wood Johnson Foundation. When grant funds were exhausted for the studies, the Office of Policy and Management assumed responsibility for administering the surveys as of July 1, 1996. With the goal of reducing costs and increasing efficiency, one study was converted from a telephone to a mail survey and two surveys were discontinued. Any changes are noted in each of the specific studies included in this report. Missing data are always excluded, unless otherwise noted.

This report examines survey responses from people who purchased, dropped or were denied a Connecticut Partnership policy during the time period from July 1, 2004 to June 30, 2005 (referred to as the current data or 2004/2005 data). The report highlights significant differences between data collected during this time frame and data collected in previous years. The following three studies are included as part of this report: Survey of Persons Purchasing Insurance; Survey of Persons Denied Insurance; and Survey of Persons Dropping Insurance.

A. Survey of Persons Purchasing Insurance

This study provides a descriptive profile of individuals who purchased a Connecticut Partnership for Long-Term Care approved insurance policy and completed the survey. Policies are purchased from private insurance companies that market Partnership-approved long-term care insurance policies. Information collected includes: demographic characteristics, income and asset information, health and functional status, reasons for purchasing and how purchasers heard about the Partnership. The survey instrument, called the "Baseline Survey," was mailed to a 50% sample of 2nd and 4th quarter purchasers of Partnership policies during the period from July 1, 2004 through June 30, 2005. Beginning in 2001, the Baseline survey process was reduced to alternating quarters with Baseline surveys being mailed to a random sample of 2nd and 4th quarter purchasers only. Prior to 2001, the Baseline Survey was mailed to all purchasers each quarter. A total of 379 completed surveys were returned for this period (7/1/04 – 6/30/05), representing an overall response rate of 48%.

Looking at the current report year (7/1/04 – 6/30/05), respondents ranged in age from 29 to 79 with an average age of 59. Seventy-eight percent were under the age of 65. As in the past, the majority of respondents (54%) were female. Three-quarters (75%) were married and 74% lived with their spouse.

Ten percent had a monthly income of less than \$2,500, while 61% reported their household monthly income as being over \$5,000. The remaining 29% indicated their monthly income was in the middle range of \$2,500 - \$4,999.

Over one-half (58%) of respondents reported assets over \$350,000, while 13% indicated their assets were less than \$100,000. Thirty percent fell into the \$100,000-\$350,000 range.

Survey data were linked with policy specific data reported quarterly by the participating insurance companies to examine benefit amounts and types of policies purchased. Benefit amounts of respondents ranged from \$54,750 to \$766,500, with a mean benefit amount of \$261,864 (excluding unlimited benefit policies). Six percent purchased policies with unlimited (lifetime) benefit amounts. The majority (94%) of respondents purchased individual policies and 98% were first time purchasers, as opposed to upgrades.

The Baseline Survey asks a series of questions to ascertain purchasers' perceived current and past health status. Consistent with past data, nearly all (99%) respondents rated their health as either excellent (65%) or good (34%) as compared to other people their age. Reported functional limitations were consistent with respondents' self reported health status, as 99.7% reported no Activities of Daily Living (ADL) deficiencies and 99.2% reported no Instrumental Activities of Daily Living (IADL) limitations. Using the Rosow-Breslau index, which measures a broader range of disabilities, 98% indicated they were able to perform all of the activities independently. (Rosow and Breslau, 1966.) The most common health conditions reported at the time the survey was completed were: hypertension (19%), arthritis (14%) and diabetes (9%). The health conditions most frequently reported as occurring in the past were: hypertension (13%), stomach disorder (10%) and arthritis (8%).

The survey also seeks to find out why individuals purchase long-term care insurance. There are a variety of reasons why people purchase long-term care insurance. Respondents reported three major reasons they chose to purchase a Partnership insurance policy: to pay for future services (90%); to protect their spouse and family (85%); and to protect their assets (82%). Just over one-quarter (27%) of respondents stated they purchased a policy as an alternative to transferring assets. There are also certain unique features of Partnership policies that are attractive to purchasers. The Medicaid Asset Protection feature was considered very important or important by 89% of respondents and the State seal of approval was considered very important or important by 87%. While not necessarily unique to Partnership policies, coverage for home and community-based services was considered very important or important by 96% of respondents and the no prior hospitalization and institutionalization requirement was considered very important or important by 94% of respondents.

The survey examined how purchasers first heard about the Partnership. Over one-half (57%) of respondents heard about the Partnership from their insurance agent. This is not surprising in light of the continued Partnership outreach to agents. Twenty-eight percent heard about the Partnership from their financial planner or attorney and 22% heard about the Partnership from Partnership brochures.

B. Survey of Persons Denied Insurance

This report presents findings from a survey of individuals who applied for and were denied a Connecticut Partnership for Long-Term Care insurance policy during the period from April 1, 1992, through June 30, 2005, and who completed the survey. The Denied Survey report includes results from all respondents because the sample size from July 1, 2004, to June 30, 2005 is too small to perform meaningful analysis. The data collected include demographic and socio-economic characteristics, as well as the self-reported health and functional status of these individuals. This report also examines applicants' perceived reason for denial and whether or not they applied to other companies for long-term care insurance coverage.

During this time period, 47,778 applications were received for Partnership-approved policies and 5,990 of these applications were denied. This represents a 12.5% denial rate. A total of 1,678 completed surveys were received resulting in a 28% response rate.

The majority (55%) of respondents were 65 or older, with ages ranging from 20 – 89 years old (mean: 65). Respondents were almost equally divided by gender: 48% male and 52% female. The majority (71%) were married and living with their spouse (70%). Eighty-four percent reported having at least one child, and three-quarters (77%) reported that at least one of their children lived within one hour's travel distance. While over one-third (38%) of respondents reported a gross monthly household income of over \$5,000, 24% reported income below \$2,500. Thirteen percent of respondents reported their total household assets to be less than \$50,000 and 41% indicated they had assets totaling over \$350,000.

When asked to rate their health compared to others their age, 87% of respondents reported that they were in excellent or good health. In examining functional status, 99% reported no ADL limitations and 92% reported no IADL limitations. However, with regards to the Rosow index, 22% indicated that they needed assistance with at least one of the activities. The three most prevalent current health conditions reported were: hypertension (31%), diabetes (23%) and arthritis (23%). The majority (65%) of respondents believed that they were denied long-term care insurance because of health reasons. Twenty-two percent stated that they did not know why they were denied.

Over one-third (36%) of respondents reported that they had already applied to another insurance company. Of these individuals, 27% had already been approved, with an additional 31% reporting that their application was pending. These findings have been consistent over the past few years and continue to indicate that there is substantial variation among companies' underwriting practices.

C. Survey of Persons Dropping Insurance

This report describes purchasers of Partnership insurance policies who decided to drop their policy during the period from July 1, 2004 to June 30, 2005, and who completed the survey. The survey collected basic demographic data, as well as reasons for dropping insurance and the purchasers' level of understanding of specific features of the Partnership policy. During this time frame, 214 completed surveys were returned, for a total response rate of 28%.

The mean age for all respondents was 62, with an age distribution ranging from 22 – 95. Sixty-two percent are under the age of 65 and 76% are under the age of 70. The majority of respondents are women (54%). Sixty-seven percent of respondents are married and 65% reported that they lived with their spouse. Eighteen percent reported living alone. Almost one-half (44%) indicated that their monthly household income was over \$5,000. Twenty-three percent reported a monthly income below \$2,500. Thirty-six percent of respondents reported household asset levels less than \$100,000, with 11% below \$25,000. Thirty-six percent reported assets of over \$350,000.

As has been consistent since the Partnership began administering this survey, the majority (61%) of respondents report that their major reason for dropping was because the policy was “too costly”. The survey also examines respondents' level of understanding of certain policy features. When asked how well they understood their Partnership policy, 57% said they understood their policy completely. Fifty-one percent indicated that they were not aware of the reinstatement provision, which is not a unique feature of Partnership policies, and 54% were not aware of the provision for reinstatement due to cognitive impairment. The option to reduce coverage is an important required feature unique to the Partnership that states that the company must proactively offer policyholders, in the event they are about to lapse their policy, the option to reduce their coverage to a shorter benefit period than originally purchased. Twenty-four percent said they had been offered this benefit. The requirement to offer a reduced benefit to policyholders in danger of lapsing their policy has been continually emphasized to producers.