DOCUMENT RESUME

ED 291 990 CG 020 597

AUTHOR Pepper, Claude
TITLE Nursing Home Insurance: Exploiting Fear for Profit? (An Examination of an Emerging Long-Term Care Insurance Market.) A Briefing Report by the Chairman of the Subcommittee on Health and Long-Term Care of the Select Committee on Aging. U.S. House of Representatives, One Hundredth Congress, First Session.
INSTITUTION Congress of the U.S., Washington, D.C. House Select Committee on Aging.
REPORT NO House-Comm-Pub-100-634
PUB DATE Nov 87
NOTE 43p.
AVAILABLE FROM Superintendent of Documents, Congressional Sales Office, U.S. Government Printing Office, Washington, DC 20402.
PUB TYPE Legal/Legislative/Regulatory Materials (090) -- Reports - General (140)

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS Consumer Education; *Consumer Protection; *Health Insurance; *Insurance Companies; Marketing; *Nursing Homes; *Older Adults; *State Legislation; State Standards
IDENTIFIERS Congress 100th; *Long Term Care

ABSTRACT

This report describes the activities of the United States House of Representatives Subcommittee on Health and Long-Term Care in its effort to examine abuses in the sale of nursing home insurance. Earlier Congressional studies of abuses in the sale of health insurance to the elderly are discussed as background material for the present investigation. The problems and costs involved in long-term care are explored; the availability of long-term care insurance is described; and limitations, restrictions, and abuses in the sale of long-term care insurance to the elderly are discussed. Highlights of the 1987 report of the General Accounting Office's (GAO) investigation of available policies are included which list long-term care policy restrictions identified by GAO, describe abuses in the sale of long-term care insurance to the elderly, and present GAO's recommendations for reform. Highlights are included from the Subcommittee's telephone survey of the 50 State Insurance Commissioners' offices which show the lack of legislation or regulation with respect to abuses in the sale of long-term care insurance. The Subcommittee's experience using an older adult investigator during actual sales presentations is documented. Finally, recommendations are made for the Congress, the states, consumers, and the private insurance industry. Data tables and relevant materials are appended. (NB)

[COMMITTEE PRINT]

NURSING HOME INSURANCE: EXPLOITING FEAR FOR PROFIT?

(An Examination of an Emerging Long-Term Care Insurance Market)

A BRIEFING REPORT

BY

THE CHAIRMAN

OF THE

SUBCOMMITTEE ON HEALTH AND LONG-TERM CARE

OF THE

SELECT COMMITTEE ON AGING
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

FIRST SESSION

NOVEMBER 1987

Comm. Pub. No. 100-634

Printed for the use of the Select Committee on Aging

This document has been printed for informational purposes only. It does not represent either findings or recommendations adopted by this Committee.

U.S. GOVERNMENT PRINTING OFFICE

77-383 WASHINGTON : 1987

For sale by the Superintendent of Documents, Congressional Sales Office
U S Government Printing Office, Washington, DC 20402

SELECT COMMITTEE ON AGING

EDWARD R. ROYBAL, California, *Chairman*

CLAUDE PEPPER, Florida
MARIO BIAGGI, New York
DON BONKER, Washington
THOMAS J. DOWNEY, New York
JAMES J. FLORIO, New Jersey
HAROLD E. FORD, Tennessee
WILLIAM J. HUGHES, New Jersey
MARILYN LLOYD, Tennessee
MARY ROSE OAKAR, Ohio
THOMAS A. LUKEN, Ohio
BEVERLY B. BYRON, Maryland
DAN MICA, Florida
HENRY A. WAXMAN, California
MIKE SYNAR, Oklahoma
BUTLER DERRICK, South Carolina
BRUCE F. VENTO, Minnesota
BARNEY FRANK, Massachusetts
TOM LANTOS, California
RON WYDEN, Oregon
GEO. W. CROCKETT, JR, Michigan
WILLIAM HILL BONER, Tennessee
IKE SKELTON, Missouri
DENNIS M. HERTEL, Michigan
ROBERT A. BORSKI, Pennsylvania
RICK BOUCHER, Virginia
BEN ERDREICH, Alabama
BUDDY MacKAY, Florida
NORMAN SISISKY, Virginia
ROBERT E. WISE, JR., West Virginia
BILL RICHARDSON, New Mexico
HAROLD L VOLKMER, Missouri
BART GORDON, Tennessee
THOMAS J. MANTON, New York
TOMMY F. ROBINSON, Arkansas
RICHARD H. STALLINGS, Idaho
JAMES McCLURE CLARKE, North Carolina
JOSEPH P. KENNEDY II, Massachusetts
LOUISE M. SLAUGHTER, New York

MATTHEW J. RINALDO, New Jersey,
Ranking Minority Member
JOHN PAUL HAMMERSCHMIDT, Arkansas
RALPH REGULA, Ohio
NORMAN D. SHUMWAY, California
OLYMPIA J. SNOWE, Maine
JAMES M. JEFFORDS, Vermont
THOMAS J. TAUKE, Iowa
GEORGE C. WORTLEY, New York
JIM COURTER, New Jersey
CLAUDINE SCHNEIDER, Rhode Island
THOMAS J. RIDGE, Pennsylvania
CHRISTOPHER H. SMITH, New Jersey
SHERWOOD L. BOEHLERT, New York
JIM SAXTON, New Jersey
HELEN DELICH BENTLEY, Maryland
JIM LIGHTFOOT, Iowa
HARRIS W. FAWELL, Iilinois
JAN MEYERS, Kansas
BEN BLAZ, Guam
PATRICK L. SWINDALL, Georgia
PAUL B. HENRY, Michigan
BILL SCHUETTE, Michigan
FLOYD SPENCE, South Carolina
WILLIAM F. CLINGER, JR., Pennsylvania
CONSTANCE A MORELLA, Maryland
PATRICIA F. SAIKI, Hawaii

MANUEL R. MIRANDA, Ph.D., *Staff Director*
PAUL SCHLEGEL, *Minority Staff Director*

SUBCOMMITTEE ON HEALTH AND LONG-TERM CARE

CLAUDE PEPPER, Florida, *Chairman*

JAMES J. FLORIO, New Jersey
HAROLD E. FORD, Tennessee
MARY ROSE OAKAR, Ohio
THOMAS A. LUKEN, Ohio
DAN MICA, Florida
HENRY A. WAXMAN, California
MIKE SYNAR, Oklahoma
BUTLER DERRICK, South Carolina
BRUCE F. VENTO, Minnesota
BARNEY FRANK, Massachusetts
RON WYDEN, Oregon
IKE SKELTON, Missouri
DENNIS M. HERTEL, Michigan
ROBERT A. BORSKI, Pennsylvania
BEN ERDREICH, Alabama
BUDDY MacKAY, Florida
NORMAN SISISKY, Virginia
EDWARD R. ROYBAL, California
(Ex Officio)

RALPH REGULA, Ohio,
Ranking Minority Member
MATTHEW J. RINALDO, New Jersey
GEORGE C. WORTLEY, New York
JIM COURTER, New Jersey
CLAUDINE SCHNEIDER, Rhode Island
THOMAS J. RIDGE, Pennsylvania
CHRISTOPHER H. SMITH, New Jersey
SHERWOOD L. BOEHLERT, New York
JIM SAXTON, New Jersey
HELEN DELICH BENTLEY, Maryland
JIM LIGHTFOOT, Iowa
JAN MEYERS, Kansas
BEN BLAZ, Guam

KATHLEEN GARDNER CRAVEDI, *Staff Director*
MARK BENEDICT, J.D., *Minority Staff Director*

PREFACE

This report marks an important step in the House Aging Committee's ongoing intensive review of insurance to supplement Medicare. Almost unheard of before the 1980s, "nursing home insurance" is fast becoming a household word. Policies to help cover nursing home costs are experiencing sharp increases in sales, partly because the elderly are more aware of the limits of Medicare coverage and recognize the potentially catastrophic out-of-pocket costs they may incur.

The inquiry this report reflects was initiated in response to a heavy volume of telephone calls and mail suggesting serious abuses nationwide in the sale of nursing home insurance and equally serious gaps in coverage. The General Accounting Office was asked to study available policies and report back to me. In their excellent report, they concluded that, in general, policy restrictions and limitations tend to reduce the benefits available to long-term care insurance policyholders, and that the lack of uniform standards and marketing requirements affords consumers little protection against substandard policies and sales abuses. I commend them for their excellent work, which confirmed our fears and suggested possible reforms.

Because insurance is regulated almost exclusively by the States, my Subcommittee wanted to gain an understanding of the States' experience. We conducted a telephone survey of the 50 State Insurance Commissioners' offices and, by analyzing the responses, were able to confirm the existence of a serious nationwide problem. Seventy percent of the States have no laws or regulations in effect regulating long-term care insurance. Eighty-eight percent said yes, seniors lack needed information about, or are intimidated by, long-term care insurance plans.

Finally, after consultation with law enforcement officials, insurance experts and others, the Subcommittee drafted recommendations for the Congress, the States, consumers and the insurance industry. In broadest terms, these are: that minimum Federal standards are needed for nursing home insurance policies and that States should enact and strictly enforce these standards; that toll-free hotlines and other educational devices should be established to help seniors with questions regarding health and long-term care insurance and for the receipt of complaints of sales abuse and claims handling related to such policies; that consumers should be cautious in the consideration and purchase of long-term insurance policies, and enlist the aid of knowledgeable experts; that the private insurance industry should work to continue to develop long-term care products which are affordable and provide benefits which the elderly need; and that the private insurance industry should develop and strictly enforce a company and agent code of ethics. I intend to introduce in the near future legislation to regu-

late this rapidly growing part of the insurance industry, and I will continue working with State insurance officials and Federal enforcement officials, and with consumer groups and the industry, to encourage other needed reforms.

This report and the investigation it recounts reflect the efforts of many people. Kathleen Gardner Cravedi, Staff Director of the Subcommittee on Health and Long-Term Care, was principal author of the report and did her usual excellent job. She was joined in that effort by Director of Research Peter Reinecke and Assistant Staff Director Melanie Modlin, who made strong contributions, as well as Executive Assistant Judy Whang, who was instrumental in the report's production. Mention should also be made of Sara Marks, a graduate student at the University of North Carolina, who performed important research on long-term care insurance and contributed the basic framework upon which the report was constructed.

For their role in this investigation, I would also like to thank the General Accounting Office staff. Their report, "Long-Term Care Insurance: Coverage Varies Widely in a Developing Market," quantified and gave credence to the Subcommittee's hypotheses regarding problems with nursing home insurance, and for that we were very grateful.

It is my hope that the outcome of this unprecedented investigation will serve to increase public awareness of the very real problems with nursing home insurance today, guide public policy and lead to needed reforms.

CLAUDE PEPPER, *Chairman.*

CONTENTS

NURSING HOME INSURANCE: EXPLOITING FEAR FOR PROFIT?

(An Examination of an Emerging Long-Term Care Insurance Market)

Background

This briefing paper and the Subcommittee's investigation of nursing home insurance, commonly referred to as long-term care insurance, grows out of our earlier studies of abuses in the sale of health insurance to the elderly and current Congressional interest in meeting the catastrophic health care needs of our nation's senior citizens.

In November 1978, the Committee released a report and held hearings which disclosed that senior citizens were often being sold several unneeded, duplicative and therefore, essentially worthless health insurance policies in supplementation of Medicare. About $1 billion of the $4 billion seniors spent for supplemental Medicare insurance, or "medigap insurance," was found to be lost to fraud, waste or abuse. The Committee learned that the impetus for these purchases was the aggressive tactics of unscrupulous companies or agents and the fact that it was costing the average senior more and more to participate in Medicare, and Medicare was paying less and less of their health care bills. To curb abuses, the Congress enacted in 1980 legislation known as the "Baucus-Pepper" amendment. This bill created a voluntary certification program wherein companies could receive from the Secretary of Health and Human Services a "Good Housekeeping seal of approval" if their medigap policies met certain specified minimum standards. In addition, the new law made two insurance marketing practices, "overloading" and the "government look," illegal.

In 1986, the Subcommittee released another report and held a hearing to determine whether abuses in the sale of health insurance to the elderly persist and the degree to which the "Baucus-Pepper" amendment has helped reduce such abuse. The Subcommittee found that the elderly were no better off than they were eight years before. Also, it was found that the 1980 reform legislation and State regulatory improvements have not been enforced and therefore have done little to deter the unscrupulous practices of agents who would seek to take advantage of the elderly.

In both the 1978 and 1986 medigap inquiries, the Subcommittee was surprised to learn that among the health insurance policies which frequently were held by the elderly were those which purported to provide coverage for nursing home stays. The natural question presented is: "Are these policies a good buy for the elderly?"

After more than a year of investigating the topic, it is the primary finding of this Subcommittee that until such policies are subject to appropriate regulation and are required to meet certain minimum standards they are not a good buy. We have also learned that often sales tactics used to sell such policies are highly questionable.

Long-Term Care: The Problem and the Costs

Long-term care refers to the kinds of daily care an individual might equire if they have a chronic illness or disability that lasts a long time and if they are unable to care for themselves. The two primary forms of long-term care which this briefing paper addresses are nursing home care and home health care.

In 1988, estimated nursing home expenditures will exceed $46 billion, of which the elderly and their families will pay about half. Medicare, the federal health insurance program for the aged and disabled, and private medicare supplemental insurance (medigap), do not pay for nursing home care, except under special circumstances for a limited period of time in a "skilled" nursing home facility. Only after one has exhausted all assets and become impoverished will Medicaid, the federal-state health insurance for the poor, cover extended nursing home stays for the chronically ill.

The following statistics demonstrate the extent to which individual out-of-pocket payments finance long-term care:

Long-term care (all nursing home care in 1986), $30 billion

	Percent
Out-of-pocket	50.1
Medicaid	41.5
Medicare	2.1
Other Government Programs	4.4
Private Insurance Plans	1.1
Other	.8

The "Catastrophic Health Insurance Protection Act of 1987" recently passed by the House underscored the absence of any meaningful federal program in America to protect individuals against the bankrupting costs associated with chronic long-term illnesses. While the House-passed bill certainly improved hosptial and doctor benefits for the elderly and disabled, it failed to come to grips with what comprises 80 percent of all catastrophic health care costs—those costs associated with long-term care. One million Americans, two-thirds of them elderly, will fall into poverty this year due to the catastrophic costs of their chronic illnesses. Unless public and/or private long-term health care protection is made available, the number of Americans who become impoverished in years to come is expected to increase dramatically.

According to a recent publication of the Health Insurance Association of America, by the year 1990, about 7.7 million Americans over age 65 will likely need some form of long-term care. And one out of every four elderly will enter a nursing home during his or her lifetime.

Long-term care, either in a nursing home or in one's own home, can be very expensive. The average cost of a year of nursing home care is about $22,000 according to the Department of Health and

Human Services (HHS), which is responsible for Medicare and Medicaid. Depending on the geographic location of the home, however, costs can easily reach over $50,000 annually. By the year 1985, the average annual cost of a nursing home stay is estimated to exceed $56,000.

While usually considerably less costly than nursing home care, long-term care in the home can also be expensive. Daily unskilled home care for a year could easily cost in excess of $16,000.

It should come as no surprise that the vast majority of chronically ill elderly exhaust all their life savings within 13 weeks of nursing home admission.

The Subcommittee has received thousands of letters from senior citizens nationwide whose lifetime savings were wiped out paying for chronic health care conditions, in spite of the fact that many held two or more health insurance policies. At a recent hearing of the Subcommittee on Health and Long-Term Care, a well-insured, middle class American who owned his own home and had $140,000 in the bank told about how catastrophic illness had impoverished him. Ed Howard, 72, of Maryland, said. "In 1983, my wife was stricken with cancer. In the year that followed prior to her death, I spent more than $17,000 for her care, of which my four insurance policies paid only $64. My own health has deteriorated—I suffered a stroke, have a liver disorder and my leg was recently amputated. I require round-the-clock care all of which is uncovered by Medicare and my insurance. I have almost exhausted my $140,000 in savings." Bankruptcy and then Medicaid—the federal-state health program for the poor—seem the only future for Ed Howard, a man who never guessed he would find himself so vulnerable.

And Ed Howard is not alone. As previously noted, he is one of some 1 million Americans, two-thirds of whom are elderly, who will be forced into poverty this year due to the costs of catastrophic health care. Like Ed, millions of Americans will continue to plan for their long-term care needs but will find very few options for financial protection against long-term illness available.

The urgency of long-term care as a public policy question is increasing as the population ages. Within the next 45 years, the number of people over the age of 65 will more than double, and the number of people living to age 85 and beyond will almost quadruple. By the year 2030, 2.8 percent of the population will be over the age of 85 (8.6 million Americans), compared with 1.0 percent of the population in 1980.

In light of these dramatic figures, President Reagan, in his State of the Union address in February, 1986, asked Dr. Otis Bowen, Secretary of Health and Human Services, to "examine how the private sector and the government can work together to address the problems of affordable insurance for those whose life savings would otherwise be threatened when catastrophic illness strikes."

In November, 1986, Dr. Otis Bowen submitted to the Congress his report detailing his recommendations for meeting both the acute and long-term care catastrophic needs of the elderly. The primary recommendation of the Bowen report for meeting the long-term care needs of the elderly was to "encourage development of the private market for long term care insurance."

Given the Administration's reliance upon private long-term care insurance for addressing the elderly's long-term chronic health care needs, the Subcommittee sought to determine the nature and extent to which long-term care insurance is available in the United States and how much seniors must pay for its protection. During the course of its inquiry, the Subcommittee called upon the General Accounting Office to ascertain, among other things, which companies currently market long-term care insurance policies, the range of benefits and cost of policies currently being sold and the availability of coverage for difference age groups, whether policies contain clauses that restrict eligibility for benefits, what loss data (the expected precent of benefits paid compared to premiums earned) are available for companies that have sold policies, whether marketing abuses have been identified and the potential for marketing abuse in this market, and what federal laws provide protection to individuals who purchases long-term care policies. In addition, the Subcommittee polled all State Commissioners of Insurance to determine their experiences with long-term care insurance. Lastly, the Subcommittee recruited senior citizen investigators to hear first hand sales presentations on long term-care insurance. The findings of the GAO report, the survey of State Commissioners and the Subcommittee's investigation follow.

Long-Term Care Insurance

Prior to the 1980s, long-term care insurance was almost unheard of. Just two years ago, less than three dozen companies were selling long term care insurance policies. Today, partly due to the elderly's increasing awareness of the limits of Medicare coverage and the potentially catastrophic out-of-pocket expenditures they may incur—highlighted in recent Congressional and Administration debates on catastrophic health insurance—private insurance initiatives in this area are beginning to increase at a rapid pace. By mid-1987, the General Accounting Office had identified at least 72 companies offering long-term care insurance policies in the United States. Between 200,000 and 450,000 policies are currently in force and help primarily by senior citizens although many of the policies do permit and in fact encourage purchse at an earlier age. If trends continue unabated, the number of policyholders is expected to more than double before year's end.

The Subcommittee found that most policies have been sold on an individual basis and provide fixed per diem payments which are not indexed to keep up with inflation. It found considerable variation in the indemnity benefit amounts available—from less than $10 to $120 a day. Only one policy indexed the per diem rate to account for inflation. In general, long term care policies have a waiting period ranging from 0 to 100 days before benefits begin and a coverage period of 6 months to 6 years for nursing home care and 10 days to 6 years for home health care services.

On the average, long-term care insurance is expensive and not affordable for the majority of senior citizens who rely on Social Security as their sole source of income. For those seniors with savings, however, long-term care insurance in now available in every

State for premiums ranging from $20 to over $7,000 a year for varying levels of care at different ages.

The logical questions which follow are "What kind of long-term care protection do seniors purchase? And, does it fulfill its intended promise to serve as a "hedge against financial ruin when a long-term illness strikes?" On the basis of those surveyed by the Subcommittee and the General Accounting Office, the honest answer appears to be that it rarely provides a hedge against financial ruin.

Limitations, Restrictions and Abuses in the Sale of Long-Term Care Insurance to the Elderly

It comes as no surprise that our Nation's older Americans are the most frequent targets of fraud and abuse in the health insurance marketplace. Their search for health security is more intense than that of their younger counterparts. They live in daily fear that a long, drawnout catastrophic illness will strike, and that absent health insurance protection, they will be left bankrupt with little ability to recoup their losses in their retirement years. Their fears are well founded. When seniors do get sick, on the average they are hospitalized three times as frequently and stay sick three times as long as their younger counterparts.

Their greatest fear is nursing home placement or long-term care in the home, and rightfully so. One out of three Americans over the age of 65 will develop Alzheimer's and will require long-term care in the home or in a nursing home. One of every four older Americans will eventually spend time in a nursing home—a costly and often bankrupting experience as previously discussed. It is this fear seniors have regarding their diminishing health status at a time when the costs associated with health care are increasing that makes them prime targets of health insurance abuses.

To determine the extent to which senior citizens are purchasing long-term care insurance products, which are limited in the protection they provide and the degree to which abusive sales techniques are employed, the Chairman of the Aging Subcommittee on Health and Long-Term Care called upon the General Accounting Office to conduct a thorough examination of restrictions, limitations and abuses in the sale of long-term care insurance to the elderly. In addition, the Subcommittee undertook to assess that States' experience with long-term care insurance by polling all 50 State Insurance Commissioners. Lastly, the Subcommittee enlisted the services of senior citizen investigators who met with over one dozen insurance agents from the D.C. Metropolitan area to observe first-hand long-term care insurance presentations and to learn to what extent insurance salesmen discuss policy restrictions and limitations and/or engage in abusive marketing practices identified in the GAO report. Highlights of the GAO and Subcommittee findings follow.

1987 Report of the General Accounting Office

The General Accounting Office concluded, in a report to be released by the Chairman at an August 6 hearing, that, in general, policy restrictions and limitations tend to reduce the benefits available to long-term care insurance policyholders, and the lack of uni-

form standards and marketing requirements means consumers have little protection against substandard policies and sales abuses. The GAO also found that the potential for abuse related to both unclear policy language, especially with regard to coverage limitations, and abusive marketing practices exist in the long-term care insurance market jst as it does in the Medigap market.

Before reaching these conclusions, the GAO analyzed the premiums, benefits, and limitations of 33 policies offered by 25 of the 72 long-term care insurers in 1986. (Appendix I lists the insurers whose policies were reviewed by the GAO, Appendix II lists all insurers offering long-term care insurance products in 1986.) These companies, according to the GAO, account for a sizable portion of the private long-term care insurance policies sold nationwide. Also, they assessed the potential for abuse in this market by surveying State insurance commissioners in 26 States, interviewing officials with consumer advocacy groups, and reviewing consumer guides in the long-term care insurance literature.

According to the GAO, the 33 policies offered a broad range of indemnity payments—fixed dollar amounts paid per eligible day of coverage. There was considerable variation in the indemnity benefit amounts available—ranging from less than $10 to $120 per day—and consequently, the premiums charged—from $20 to over $7,000 a year for varying levels of coverage at different ages. Duration of benefits also varied widely, from *6 months* to *6 years* for nursing home care and *10 days* to *6 years* for home health services.

As of mid-1986, the GAO found that approximately 200,000 people held private long-term care insurance policies, representing less than 1% of the population over 65. However, more recent inquiries suggest that these numbers are growing rapidly. With accompanying cries of limited actuarial data and resulting high levels of risk, the insurance industry is entering this market in force.

Because the market for long-term care insurance is so new, federal and state legislative efforts to regulate the issuance of these policies have been relatively slow in developing. As such, the market is besieged with policies offering the unsuspecting senior a wide variety of premium/benefit structures, based upon a non-uniform, equally random set of prerequisites governing the actual payment of benefits. Therefore, it is essential to view each benefit package with skepticism—bearing in mind the limited regulatory involvement in this market. Absent state regulation, seniors who invest great sums of money annually in this expanding long-term care insurance market have little recourse in resolving complaints that might arise.

Long-Term Care Policy Restrictions Identified by GAO

The GAO report reveals that most of the long-term care insurers resort to the use of numerous restrictions and limitations which are uncommonly harsh even when judged against the most outrageous practices in other aspects of the insurance industry. The GAO offers examples of policies which:

Do not adjust for inflation over time.—The General Accounting Office found that a major drawback with long-term care insurance

policies is that they do not adjust for inflation. All but one of the policies reviewed are not set to adjust for inflation. The Subcommittee found that nursing home costs have risen by more than 6 percent a year historically, and this trend is very likely to continue. Assuming a person purchases a long-term care policy at age 65 and requires nursing home care at age 80 (average age of a nursing home resident is 83), the value of his policy after 15 years without adjustment for inflation would pay less than one-third of that individual's nursing home cost. Table I which follows illustrates the real value of nursing home insurance benefits over time.

Current industry-wide marketing efforts which encourage individuals to insure themselves at a younger age in order to save money on premiums are misleading consumers who, with associated indemnity rates unadjusted for inflation, face sharply eroded future benefits.

Require prior hospitalization.—The General Accounting Office found that 88% of all the policies they reviewed contain a clause requiring a hospital stay of at least 3 consecutive days prior to benefit eligibility. See Table 1A. The Subcommittee has learned that such a limitation will deny numerous elderly long-term care policyholders needed nursing home care because the simple fact is that few elderly require a hospital stay prior to nursing home placement. After all, over one-half of all nursing home residents have Alzheimer's, a disease which does not typically require hospitalization prior to a nursing home stay. The fact is that only one third of all nursing home patients were admitted following a hospital stay. Cases of this type of limitation brought to the Subcommittee's attention include:

> Edward Lewis, an 88 year old man from St. Petersburg, Florida, had purchased a nursing home insurance policy just six months earlier. One night his 82 year old wife was picked up by paramedics who had found her wandering around the streets in her night gown. Mrs. Lewis suffered from a memory disorder similar to Alzheimer's. At the urgings of police and friends, Mr. Lewis put his wife in a nursing home. While it was heartwrenching for him to place his wife of 53 years in a nursing home, at least, he thought, the cost would be picked up by Medicare and his nursing home insurance. He was wrong. His nursing home policy wouldn't pay any part of the nursing home costs because Mrs. Lewis hadn't been hospitalized before going into the home. Mrs. Lewis was declared a ward of the state after her nursing home costs had exhausted their small lifetime savings.

Exclude nursing home admissions for Alzheimer's disease or related disorders.—The General Accounting Office found that 55% of the long-term care policies they reviewed could exclude coverage, and 35% do exclude coverage, for nervous and mental disorders, of which Alzheimer's can be considered one. However, as illustrated in Table 1B, one half or more of nursing home admissions are related to Alzheimer's disease or related disorders. This particular exclusion fails to fulfill the most modest expectation an elderly consumer might apply to any long-term care or nursing home policy—that it would cover them if they acquire Alzheimer's, the

leading cause of nursing home placement. A case of this type of limitation received by the Subcommittee follows:

> One insurance agent promised a Midwestern family of an Alzheimer's victim that he had the only "full-coverage" custodial nursing home insurance policy available in the nation. The family was obviously impressed and relieved, knowing that without such coverage they faced eventual financial devastation. The family was fortunate to read the fine print of the policy before they purchased it. The fine print indicated that in order to receive any benefit from the policy, nursing home care had to be provided in a skilled facility. It provided no coverage for the custodial care required by their Alzheimer's victim.

Require that nursing home care be "skilled."—The General Accounting Office found that 18% of the policies reviewed require nursing home care to be provided in a "skilled" nursing facility. First, what the Subcommittee found was that most seniors do not realize when purchasing policies that stipulate they will only pay for nursing home care in a skilled facility is that Medicare and Medicare supplemental insurance already do a reasonable job of paying for skilled nursing home care. The bankrupting costs the elderly should seek to protect themselves against are those associated with long-term care in a "custodial" nursing home care. Table 1C is most revealing, for as it illustrates, not only is "custodial" nursing home care not covered by Mediare and most private insurance, it is the type of care that 90% of nursing home residents require. Second, almost half the States classify 50%, or less, of their nursing homes as "skilled." Fewer than 15% of nursing homes are "skilled" in 7 States. Therefore, Oklahoma senior citizens who purchase long-term care insurance better make sure their policy does not require that their care must be "skilled." Because if it does, of the 363 nursing homes in Oklahoma only 9 are classified as "skilled." Only 6 percent of Iowa's and Louisiana's nursing homes are skilled. New Mexico has 9 percent, Maine 12%, Nebraska 14% and Kansas has 15%. Cases of this type of nursing home policy limitation brought to the Subcommittee's attention include the following:

> Mrs. S., a widow from Oregon, died penniless in a nursing home. All she had left were two nursing home policies. Although Mrs. S. had faithfully paid thousands of dollars in premiums for nearly 10 years, when she really needed insurance help, her policies didn't pay a penny. Her nursing home care didn't meet the definition of "skilled" care set forth in the policies' fine print. Mrs. S., who lived off of a monthly income of $580 from Social Security and a small pension, had been told by the insurance agent that sold her the policy, that if she *ever* needed nursing home care, the policies would provide her financial security She had failing eyesight and as her daughter said, "She couldn't have read the fine print if she had wanted to, and if she had, she probably wouldn't have understood it." Mrs. S. repeatedly told her daughter, also a widow, "Oh I just pray I won't ever have to go in one of those horrible nursing

homes. But at least if I do, it won't be such a drain on us." She had been misled.

An 86 year old gentleman from Tampa, Florida had an insurance agent call on him at his home. The agent told the elderly man that he had an insurance policy which would provide him "financial solvency" and would pay him $1,200 a month "in any nursing home." The 86 year old was quite impressed and signed up for the plan, which had an annual premium of $771. After paying over $2,300 in premiums for this policy, the elderly man found out he had been duped. What he had been sold was actually a hospital confinement policy, a rider to which covered "skilled" nursing home care. This policy would pay only if one was confined in a skilled nursing home. This coverage duplicated the elderly man's existing skilled nursing home coverage through his health maintenance organization (HMO).

Mr. and Mrs. John Fiery, from the Washington, D.C. area, bought a nursing home insurance policy in 1976. One day an agent came by their house and presented them with a very impressive brochure on his company's policy. The agent set off in glowing terms the many benefits the Fierty's would enjoy from this policy. He said that if either one of them ever was in a hospital for three days and needed nursing home care, the policy would pay. Five years later, Mr. Fiery had to be hospitalized for over two months and then placed in a nursing home for six months until his death. Their nursing home policy didn't pay a penny. The catch—his care wasn't skilled. Mrs. Fiery said, I am just happy I never had to tell my husband about the rotten deal we got. It would have upset him terribly."

Limit renewability.—The General Accounting Office found that long-term care policies are characterized by varying degrees of renewability. However, within each renewability clause is embedded the ultimate right of the insurer not only to revise the premium structure for an entire class of insureds, but ultimately to *cancel* the entire benefit package for the insured class at any point in time. According to GAO investigators: *"None* of the cancellable policies we reviewed contained a non-forfeiture benefits provision." What this means is that at age 65 an individual could purchase a long-term care policy. He could hold that policy for 10 years and pay the average $2,500 annual premium, or $25,000 in total for its future protection. What he probably does not know is that even if his policy carries a "guaranteed renewable" provision, that will not prohibit a company from simply cancelling that particular policy for everyone who held it in a particular State.

Abuses in the Sale of Long-Term Care Insurance to the Elderly Reported by GAO

The GAO found that abuse in both product content and marketing in the long-term care insurance market have been reported including: 1) the use of unclear or complex policy language that may mislead consumers about the content of the long-term care insur-

ance they are purchasing, especially with regard to coverage limitations; and 2) State insurance officials, consumer advocates, and long-term care policy analysts told the GAO that the potential for abusive marketing techniques used to sell Medigap policies exists in the long-term insurance market as well, including posing as a federal agent to sell policies, knowingly selling policies that duplicate the policy holders' existing coverage, and selling supplemental policies by mail in states that have not approved their sale.

The GAO cites the activities of three States who have already taken formal action to curb abuse in the sale of long-term care insurance within their state:

> Wisconsin, in 1981, enacted stringent minimum standards for nursing home policies to reduce abuse and confusion associated with the sale of such policies. The commissioner found that "significant misunderstanding exists with respect to nursing home insurance," which he characterized as "misleading, deceptive, obscure, and encouraging of misrepresentation." The commissioner also described sales presentations by some agents as misleading, confusing, incomplete, and deceptive.
>
> Minnesota is currently investigating a case in which 4,000 policyholders allegedly were led to believe they had purchased custodial care coverage when in fact their policies covered only skilled and intermediate care. State officials were not at liberty to discuss the details of the pending case at the time of the GAO inquiry, but will give detailed testimony at the August 6th hearing of the Subcommittee.
>
> Washington state adopted regulations to prohibit unfair or deceptive practices in the advertising, sale, or marketing of long-term care policies, setting an effective date of January 1, 1988. Some agents may take advantage of complex policy language to misrepresent the custodial care benefits offered by policies, Washington officials told the GAO. For distance, agents may not always explain that custodial care benefits in certain policies are contingent on meeting a series of prerequisites, including prior stays in skilled and intermediate care facilities for specified lengths of time. It is felt that the number of similar cases of such abuse may increase as this new market expands.

GAO's Recommendations for Reform

The GAO notes that the majority of states have taken little action to establish minimum standards for the sale of long-term care insurance within their state boundaries. In fact, only 6 States—Arkansas, Colorado, Connecticut, Kentucky, Maine, and North Dakota—have enacted laws establishing minimum policy features and benefits for long-term care insurance. Similar action is pending in four other states.

The GAO found that given the probable rapid expansion of long-term care insurance as people become more aware of the limits of Medicare coverage and the potentially catastrophic out-of-pocket expenditures they may incur, the Subcommittee is encouraged to consider the desirability of enacting federal legislation, similar to

the Baucus-Pepper medigap reform measure, to reduce potential abuse at this early stage of market development.

1987 Poll of State Insurance Commissioners by the Subcommittee

It is obvious from the results of the General Accounting Office report on this subject that the potential for abuses in the sale of long-term care insurance are serious and widespread and that little regulation exists with respect to this relatively new type of insurance product.

In order to gain an understanding of the States' experience in this area, in the spring of 1987, the Subcommittee on Health and Long-Term Care conducted a telephone survey of the 50 State Insurance Commissioners' offices. By compiling the replies received, the Subcommittee was able to show the dramatic lack of legislation or regulation with respect to abuses in the sale of long-term care insurance.

As is shown in Table II, only 7 of the 50 State Insurance Commissoners' offices (14 percent) have one or more professional staff members assigned specifically to long-term care insurance matters, even though that type of insurance has more than doubled in sales since 1986 and is expected to double again before the end of this year.

Table III reveals that 70% of the States (35) have no laws or regulations in effect regulating long-term care insurance. This has serious implications, as the absence of any deterrence at the State level may encourage unscrupulous agents and companies to practice unethical sales techniques without fear of retribution.

When asked how many different long-term care policies were being marketed in their States, the Commissioner's responses varied widely. See Table IV. Twelve States said that this information was not available. The Arkansas office said none were on the market in that State. Florida, with a population that is 18% elderly, said that 64 companies were selling long-term care policies in that State and 54 other companies were planning to do so in the near future. Fourteen States cited between 1 and 10 long-term care policies for sale in their borders, or companies offering several different policies. Fourteen also said that between 11 and 20 different policies were available. Five States claimed that between 21 and 30 policies were for sale and four said that 31 or more could be bought in their State.

Unanimity was almost reached on the question addressed in Table V, "Is the marketing of long-term care insurance increasing in your State?" Ninety-two percent of the insurance commissioners' offices (46) answered yes, with only four offices (Alaska, Arizona, Louisiana and West Virginia) noting no increase. Interestingly, even those 13 States where laws or regulations controlling long-term care insurance are in place, all answered that the marketing of such policies is on the rise.

The question addressed in Table VI was, "Do you think that elderly people are confused and/or frightened about what insurance protection they have or need for long-term care?" Again, the Subcommittee found strong consensus, with 44 States (88%) answering

77-383 0 - 87 - 2

that yes, seniors lacked needed information about, or are intimidated by, long-term care insurance plans. The six States which did not cite this as a concern were Illinois, Indiana, Louisiana, Nevada, New Mexico, and Oklahoma.

When asked whether their department had received complaints related to long-term care insurance, slightly more than half (26 States) responded affirmativly. However, in several States, the complaints appeared to be of a serious nature, in terms of quantity and quality. See Table VII.

Table VIII presents the answers to, "Are you aware of the existence of similar abuses in the marketing and sale of long term care insurance as in the sale of Medigap insurance?" Almost all the States, 92%, noted that abuse of this type already exists with the marketing and sale of long-term care policies, or that the potential for abuse exists. Twenty-three States said abuses similar to those found with Medigap already exist, while 23 more noted that the potential was there. Only four States, Connecticut, Georgia, New Jersey and New Mexico, did not respond affirmatively to either choice.

The following are examples of numerous cases of long-term care insurance abuse received by the Subcommittee from the States and others:

Delbert Sims, a 95-year-old gentleman from Illinois, purchased a nursing home policy in 1981. The cost of this policy was close to $1,100 that year. Over the next six years, three different insurance companies had charge over his policy. By 1985, his annual premium had gone up to over $5,000. Mr. Sims, fearful about being wiped out by a nursing home stay, reluctantly paid the exhorbitant premium. In 1987, Mr. Sims received notice from the insurance company that he would have to pay over $8,000 to keep his nursing home policy. Mr. Sims was forced to drop his coverage. Sadly, now Mr. Sims requires long-term home care, which comes at a cost of $20,000.

Four thousand seniors from Minnesota were duped into purchasing very limited nursing home insurance policies at a cost of up to $1,000 a year. They thought they were getting a lot more. These seniors thought they were buying insurance protection which would protect them financially in case they ever had to go into a nursing home. Upon review by the Minnesota Insurance Commissioner, it was found that the policy provided a daily benefit of $2 a day for custodial care and that requirements for the individual to be in a recuperative state would make it very difficult for anyone to qualify for benefits.

A 71-year-old Florida woman had purchased, or rather, thought she had purchased, a long-term care policy from an agent who had called on her at her house. This elderly woman had made out a check for $874 to the company represented by the agent. The agent, who had authority from his insurance company to cash company checks, cashed Brown's check and pocketed it. He did not send her application for insurance to the company and thus Mrs. Brown was never issued the policy she had paid for.

An 84-year-old woman from Washington was sold three nursing home policies over the last several years of her life. She was sold one policy, then another, then another. The total cost of these policies, which were all from the same major national insurance company, was over $1,000 a year. The 84 year old, unfortunately, broke her hip and required a lengthy nursing home stay. During her nursing home stay it was discovered that all three of her policies were for skilled nursing care only. Both the woman's doctor and the nursing home said that the care she required and was receiving met that criteria. The insurance company disagreed. It hired an osteopath and a registered nurse who swore that the woman's care didn't meet the criteria of her policies. The company refused payment.

One insurance agent promised a Midwestern family of an Alzheimer's victim that he had the only "full-coverage" custodial nursing home insurance policy available in the nation. The family was obviously impressed and relieved, knowing that without such coverage they faced eventual financial devastation. The family was fortunate to read the fine print of the policy before they purchased it. The fine print indicated that in order to receive any benefit from the policy, nursing home care had to be provided in a skilled facility. It provided no coverage for the custodial care required by their Alzheimer's victim.

The Illinois insurance department reported that one of its staff witnessed an insurance agent telling an elderly woman that because of the skyrocketing costs of a prolonged hospital stay she should purchase one of his Medicare hospital supplement policies. Once the woman agreed and signed for that policy, he reached into his bag and pulled out a copy of a hospital utilization review letter that informed a certain elderly patient that she would have to leave the hospital after only three days. The agent said, "You know the Government forces people out of hospital and into nursing homes." He then told her that he had a terrific nursing home policy and attempted to sell it to her using exactly the opposite argument he had used in selling the hospitalization policy.

An elderly couple in Florida were recently the unsuspecting victims of an insurance agent's scare tactics. This couple lived off of a small pension and Social Security and had no significant savings. The agent pounded away at this poor elderly couple's fears. He told them a story of just having come from Miami where he had been with elderly people who didn't have insurance and were now actually living off of cat food, reduced to an animal-like existence. Slapping his hand on the table, the agent said, "How would you like to spend the rest of your life eating Kal-Kan?" All the elderly gentleman remembered after that was writing out a check for $2,500.

An 80-year-old Naples, Florida woman had recently purchased a nursing home insurance policy. Shortly after purchasing the policy, she was called on at her house by the agent from whom she had bought the policy. The agent had since left

the company sponsoring her current policy and was now peddling another. This agent told the elderly woman that the policy he had sold her previously was now obsolete, but that he had a new policy which would protect her. The woman wrote a check for $2,342 and took out the new nursing home policy. The new policy was just about the same as the one which was dropped—at an additional cost of about $650 a year—and left her without coverage for 6 months because of its waiting period. The agent's commission was near 60 percent.

The irate daugther of an 87-year-old Californian wrote the Subcommittee about nine health and long-term care insurance policies she discovered in the possession of her father. The policies had all been sold to her father by the same insurance agent and were from three companies. There were three hospital indemnity policies, two cancer policies, two service policies, a nursing home policy and a hospice plan. Her father told her, "He (the agent) told me I would need all of these—he called it a package deal. Then he came back and said I should have another 'package' for complete protection."

In New Jersey, an agent for Company "C" and 16 other companies refused to even examine the health insurance policies held by one a prospective elderly client. He saw the name of the company on the outside of the policies and concluded they were worthless. He told the woman she needed six different policies. He told her to buy Company "C" 's Medigap policy and Company "X" 's hospital cash plan. He then pulled out Company "C" 's nursing home policy and a cancer policy from one of his other companies. When he told the elderly woman she needed a burial plan, she shrieked openly. To calm her fears, the agent said, "Oh, you don't like blue. Well we've got the same thing in green. We call it our Life Plan." With that he pulled out a green brochure from his bag.

To summarize, long-term care insurance, although a relatively recent phenomenon, has already aroused feelings of concern in a significant number of State Insurance Commissions. Clearly, increased regulation and legislation is needed to curb abuse in this rapidly growing area, and more States need professional staff specially trained in such matters which are at present puzzling and even frightening to most senior citizens, and the technicalities of which may be beyond the grasp of the personnel trained to deal with other types of insurance.

Given the lack of regulation at the State level and the GAO's report that nursing home policies make generous use of limitations and exclusions which may not be apparent at the time of purchase, the Subcommittee undertook to determine firsthand, with the assistance of a senior citizen investigator, whether agents would do the right thing and advise the senior citizen of limitations in their policies. A discussion of the Subcommittee's investigation and findings follow.

The Subcommittee's Experience Using a Senior Citizen Investigator During Actual Sales Presentations

In early 1986, Lillian Simmons, age 68, formerly of the State of Nevada and now residing in Virginia, was recruited by the Subcommittee on Health and Long-Term Care of the House Select Committee on Aging as an intern and senior citizen investigator during its two-part inquiry into abuses in the sale of insurance to the elderly, involving both "medigap," and "long-term care" insurance. Mrs. Simmons, recently widowed, was very much aware of the problems confronting seniors in their search for health security and reacted enthusiastically to the subcommittee's request for assistance in determining whether marketing abuses currently exist. Mrs. Simmons had Medicare and also a policy to supplement Medicare from the American Association of Retired Persons. An insurance expert reviewed her insurance and advised the Subcommittee that given her financial means, she was adequately insured.

In an attempt to ascertain whether agents would employ fear tactics, engage in deceptive sales practices, or simply fail to properly disclose the limitations and restrictions of their policies, Mrs. Simmons was scheduled to interview at least a dozen agents over a two-month period. She agreed. She talked with 12 agents from the District of Columbia, Maryland and Virginia. The premise she used when making appointments was that she was not sure if her current insurance was adequate for her potential long-term care needs. Specifically, she was interested in obtaining appropriate and affordable protection against the hazards of Alzheimer's disease or other such chronic illnesses that eventually require placement in a nursing home. She had no trouble getting agents to pay her a call.

When agents arrived, Mrs. Simmons presented her policy and mentioned she was currently covered by Medicare parts A and B. She would then ask for advice regarding nursing home care. Two committee staff members were present in the room with Mrs. Simmons at all times. One took part in the interview and the other would take notes. In several instances a third subcommittee staff member would take photos of the session.

The results of the interviews were shocking. Even with notoriety surrounding previous investigations and legislative reform which followed, agent after agent engaged in sales tactics that would confuse the most knowledgeable insurance consumer. Again, adults—subcommittee staff—were always sitting in the room with Mrs. Simmons while the insurance interviews took place. The sales techniques used ranged from soft sell to high pressure sales tactics.

When Mrs. Simmons would raise the subject of nursing home insurance, literally all but two of the agents began their sales presentation by arousing her fear of long-term care and establishing a need for protection against its bankrupting costs. During and following the interviews, and in letters which she continues to receive to this day, Mrs. Simmons was warned that without their nursing home policy she might end up in a pauper's home, as one agent's brochure implied:

WILL A NURSING HOME BE YOUR POORHOUSE?

LET ME HELP TO MAKE SURE IT WON'T!

CALL ME TO SEE IF YOU QUALIFY.

THIS IS A NEW INSURANCE PLAN

CALL TODAY!

The agents would remind her that she certainly doesn't want to be a burden to her relatives and their children. Typical of the use of this fear tactic is the following excerpt of a sales brochure left with Mrs. Simmons:

> YOU KEEP YOUR INDEPENDENCE. NO NEED TO WORRY ABOUT BEING A BURDEN ON YOUR CHILDREN. FAMILY? THEY WANT TO HELP. BUT, REALISTICALLY, HOW LONG CAN THEY KEEP CHIPPING IN?

All would make her think that their policy would give her peace of mind and enough protection to solve the budget-crunching problems created by illness in later life. Again, another brochure cites pending financial ruin without adequate protection:

> PERSONAL SAVINGS? THEY GET EATEN UP IN A HURRY. ONE GOVERNMENT REPORT SAYS MANY FOLKS WILL GO BROKE IN JUST 13 WEEKS AFTER ENTERING A NURSING HOME.

The following is a description of some of the interviews which typify Mrs. Simmons experience with nursing home insurance sales presentations.

(1) In Virginia, an agent told Mrs. Simmons his policy would cover all nursing home care costs, skilled and custodial. In fact, it covered Medicare gaps for skilled care up to 100 days and provided no coverage at all for custodial care. If Mrs. Simmons had purchased his policy and later was admitted to a home with Alzheimer's disease—which is what concerned her—this policy would not have paid for her nursing home stay.

(2) Another agent in Virginia seemed more interested in obtaining the right to manage Mrs. Simmons' financial affairs as a way of providing for her future financial security. He also encouraged her to consider annuities, and home and life insurance, which he also handled. Once rebuffed in his primary goal he tried to sell her his long-term care insurance policy. Although it would not cover her if she required care in a custodial nursing home—he avoided mentioning this limitation—again, the major type of protection she was seeking to secure.

(3) An agent from the District of Columbia told Mrs. Simmons that the weakest protection under the Medicare Program was nursing home coverage. The agent stated that his policy has relieved the fears that thousands of his clients who are seniors have about potential nursing home expenses. When specifically asked whether his insurance plan would cover care in a nursing home for Alzheimer's patients, he skirted the issue, responding by noting that his plan did cover nursing home care that Medicare didn't pay—implying that his plan would cover custodial, not just skilled care in a nursing home. When pressed again, he responded by defining the

difference between skilled and custodial care, saying that skilled care is required for serious illnesses and that they cover that. He added, custodial care is just care in feeding, bathing and such—nothing serious. He never mentioned whether his plan would cover custodial care. He also told her that he just sold his policy to an elderly couple and they would have lost their trailer without it. "You don't want that to happen to you, do you?" he asked.

(4) Another agent from the District of Columbia recommended that Mrs. Simmons buy his nursing home policy which he felt was a more important benefit than her drug coverage. His policy would cover both skilled and custodial care he said. Upon review of his policy, which would have cost about $1,000 annually, we found that in fact his policy would not cover mental conditions, including Alzheimer's disease.

(5) Another D.C. agent described his nursing home plan to Mrs. Simmons as costing $138 a year for a person aged 65–69. His policy could pay nursing home expenses for 1 year ($50 per day for the first 90 days, $25 per day for days 91 to 365). The agent failed to mention that his plan did not cover custodial care and excluded Alzheimer's as a disease eligible for coverage under the plan.

(6) One D.C. agent described his company's nursing home policy, which would pay for long-term stays in a skilled nursing facility and which costs $586 a year as "the best policy we've seen of this type." The terms of his policy did not seem to differ dramatically from other policies of this type reviewed by the Subcommittee. He did not have a copy of this plan with him but said, "You can keep it as long as you live"—a statement no company's policy reviewed by the Subcommittee or GAO can keep. His big finish was "Insurance buys you peace of mind," he said. "Even if you're feeling fine today, you may not tomorrow." He also pointed out the ease with which payments could be made—annually, semiannually, quarterly, or monthly, and with any major credit card.

(7) A Maryland salesman, one of the fastest talking and one whose presentation was among the fuzziest of the 12 agents, read through Mrs. Simmons' policy and then recommended his company's nursing home plan which would pay about $61.60 per day for the first 30 days of care in a post-hospital skilled nursing facility. This seemed far from the long-term care Mrs. Simmons had in mind. The company's more upscale plan B would pay $92.25 a day for 100 days of skilled care. This premium was $64.58 a month. The agent advised Mrs. Simmons, who remarked on the high price, that her monthly premium was of no consequence, really. "You buy an insurance policy to collect on it, not to pay the premium," he said.

(8) This Maryland salesman leveled with Mrs. Simmons about long-term custodial care which he called a time bomb waiting to go off in this country, but said that virtually no policies in this country cover this much-needed type of care.

(9) Two agents met with Mrs. Simmons in a D.C. house. When asked if they carried insurance which would cover her if she had Alzheimer's, both advised her that her hospital bills, skilled nursing care at home, and expenses related to skilled nursing home care would all be covered. They further added that their policy would also provide hospice care benefits. It should be noted that neither agent mentioned that patients suffering from Alzheimer's

disease rarely demand skilled nursing home care. Nor did they mention custodial nursing home care or the fact that their policy would not cover such care.

(10) This D.C. agent interviewed Mrs. Dickson, a senior citizen investigator with the Subcommittee during its 1978 investigation into abuses in the sale of Medigap insurance to the elderly. He told Mrs. Dickson that it appeared she had decent coverage (she had Medicare and 5 additional insurance policies—she is overinsured) and he left without suggesting she review any of his policies and telling her he didn't know of any good nursing home policies which would cover custodial care in the D.C. area. At first, we rated him as an honest salesman. Several days later we rerated him. A letter with three insurance applications arrived. He recommended she sign on the dotted line with an X on all forms and remit a check for a total annual premium in excess of $900 a year for the three policies he thought would help her: a new service policy, a dread disease policy, and a hospice plan. He didn't advise her as to what to do with her existing 5 insurance policies. He simply suggested they were outdated.

(11) A Virginia agent, while pleased to offer Mrs. Simmons an opportunity to switch to his company's policy, he had nothing to offer her in the way of nursing home coverage. He told here there wasn't a company in Virginia that provided insurance for such purposes—which of course was not the case. The Subcommittee felt he simply did not want to lose her business on the medigap insurance side.

When asked by the Subcommittee what her views were with regard to her experience in interviewing a dozen agents, Mrs. Simmons responded, "If a second opinion is advisable in medical circles, such advice doesn't apply to insurance. I got ten different opinions. I am more confused about what to buy than I was before I began the interviews."

Recommendations

The evidence is clear that long-term care insurance is in need of regulation. At present, the consumer's odds of collecting off these policies are better at the track, at the lottery or with Las Vegas slot machines. The following are recommendations to the Congress, to the States, to consumer and to private industry which we hope will lead to needed reform.

THE CONGRESS

1. Congress should fill the gaps in Medicare eliminating need for supplemental and nursing home insurance, by enacting legislation such as H.R. 65.

2. Congress should enact legislation, such as H.R. 2762, providing home care services under the Medicare program to chronically ill elderly, disabled and children.

3. Congress should enact legislation, such as that contained in H.R. 2941, creating a Bipartisan Commission on Comprehensive Health Care to make recommendations as to the best method of financing and administering a comprehensive long-term care program. Services included in such a program should include nursing

home services, home health services, and other community-based services such as adult day care.

4. The Congress should consider legislation requiring that all nursing home and long-term care insurance policies approved for sale in each State, be certified by the Federal government as meeting certain minimum standards. Those minimum standards should include at least the following:

—No requirement of a prior hospital stay or higher skilled level of care to be eligible for long-term care benefits;
—No exclusion for Alzheimer's Disease or related mental disorders;
—Coverage must include at least 3 years of skilled and custodial nursing home care and similar coverage of home care;
—Benefits must be indexed to medical inflation; and,
—Cancellation of policy either individually or in force is not permitted.
—Policies and brochures advertising such policies must clearly state all conditions which limit access to and amount of benefits of such policies, including, the difference between skilled, intermediate and custodial nursing home care benefits and eligibility criteria, pre-existing condition limitations, and coverage exclusions.
—Benefits paid shall not be less than 80 percent of premiums taken in (after a reasonable experience period).

Such legislation should also require the Secretary of the Department of Health and Human Services to annually report to the Congress on State compliance with such minimum requirements.

5. Congress should consider legislation making it a felony to perpetrate sales abuse in the marketing of long-term care insurance. Such abusive practices should include:

—Selling an individual more long-term care insurance than he or she can use or afford;
—Representing oneself as an agent of the Federal government or as in any way connected with the Social Security or Medicare program.
—Selling an individual long-term care insurance coverage which duplicated coverage under the Medicare program.
—Willfully misrepresenting the benefits and eligibility criteria for benefits of a long-term insurance policy.

THE STATES

1. Each State should enact, implement and strictly enforce minimum standards set forth by the Federal government for private long-term care insurance.

2. Each State Department of Insurance should hire and maintain sufficient staff specially trained to handle long-term care insurance matters, including the investigation and resolution of consumer complaints.

3. States should more rigorously combat agent abuse in the sale of health and long-term care insurance to the elderly. This action should include the automatic and permanent revocation of agents' licensure upon conviction of sales abuse.

4. States should establish statewide toll-free hotlines to help seniors with questions regarding health and long-term care insurance and for the receipt of complaints of sales abuse and claims handling related to long-term care and Medigap insurance.

5. States should consider legislation limiting first year sales commissions for long-term care insurance and other Medigap and indemnity policies to 20 percent to promote incentives for continued service to their elderly clients.

6. States should require that all insurance agents licensed to sell long-term care insurance be certified as knowledgeable in the field of long-term care and long-term care insurance and to meet minimum education and moral fitness requirements.

7. Each State Insurance Commissioner should make available to the public a updated and complete listing of loss ratios for each insurance company and each of the health and long-term care insurance policies sold in the State.

CONSUMERS

1. Until there are uniform benefit standards and protections against sales abuse which are enforced by the States, consumers should seriously consider whether the costs of long-term care insurance policies weigh favorably against their potential benefits.

2. A general practice that should be employed by consumers of all types of insurance is to never purchase a policy on the spot—either at the time of a salesperson's visit, phone call, or written communication. Always use caution. Health insurance is especially complicated and open to misleading information. Take the time to review a copy of the actual policy and have someone that you trust review it also.

3. Immediately report any cases of health or long-term care insurance sales abuse to your State Department of Insurance. A list of those departments can be found in Appendix III.

PRIVATE INSURANCE INDUSTRY

1. The private insurance industry should work to continue to develop long-term care insurance products which are affordable and provide benefits which the elderly need.

2. The private insurance industry should work closely with the Federal and State governments in developing a plan to provide comprehensive long-term coverage to Americans of all ages who need such assistance.

3. The private insurance industry should develop and strictly enforce a company and agent code of ethics. The industry should endorse and support efforts by the Federal and State governments to eliminate abusive sales tactics, including the prosecution of companies and agents found to employ such tactics.

TABLE I

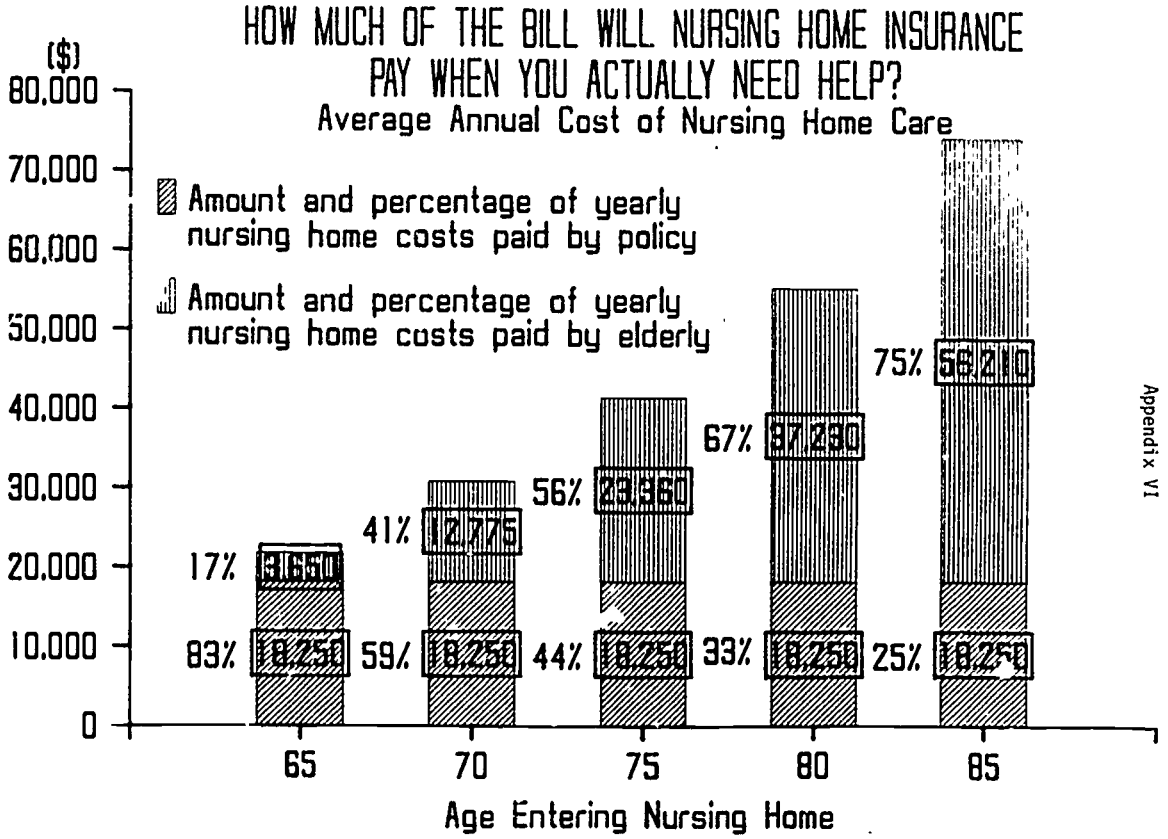
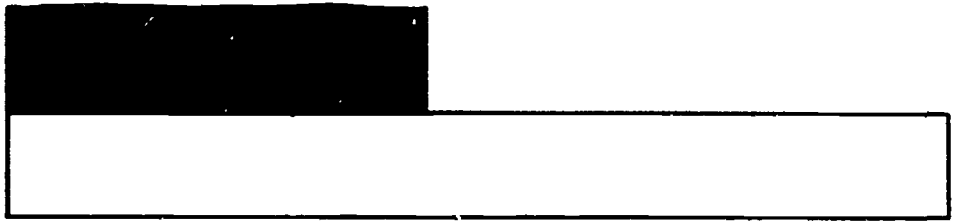

HOW MUCH OF THE BILL WILL NURSING HOME INSURANCE PAY WHEN YOU ACTUALLY NEED HELP?
Average Annual Cost of Nursing Home Care
($)
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
Amount and percentage of yearly nursing home costs paid by policy
Amount and percentage of yearly nursing home costs paid by elderly
17% 3,660
83% 18,250
41% 12,775
59% 18,250
56% 23,360
44% 18,250
67% 37,230
33% 18,250
75% 56,210
25% 18,250
65
70
75
80
85
Age Entering Nursing Home

TABLE IA

WILL LONG-TERM CARE INSURANCE REALLY PROTECT YOU FROM THE COSTS OF NURSING HOME CARE?

38.7% of patients hospitalized beforehand.



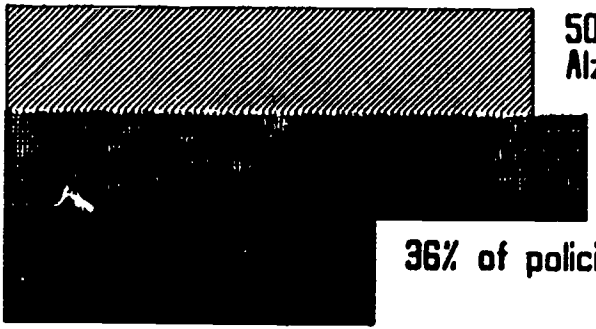
88% of policies require prior hospitalization.

FACT: Only 38.7% of all current nursing home patients were admitted after a hospital stay.

GAO FINDING: 88% of all policies reviewed required prior hospitalization before any benefit could be provided.

TABLE IB

WILL LONG-TERM CARE INSURANCE REALLY PROTECT YOU FROM THE COSTS OF NURSING HOME CARE?



50% or more admissions for Alzheimer's.

55% of policies may exclude coverage.

36% of policies explicitly exclude coverage.

23

FACT: One half or more of nursing home admissions are related to Alzheimer's disease or related disorders.

GAO FINDING: 55% of all policies reviewed could exclude coverage, and 36% explicitly exclude coverage, for nervous and mental disorders, of which Alzheimer's can be considered one.

TABLE IC

WILL LONG-TERM CARE INSURANCE REALLY PROTECT YOU FROM THE COSTS OF NURSING HOME CARE?

FACT: 90% of nursing home care is custodial, not skilled, in nature.

FACT: Almost half the States (20) classify 50% or less of their nursing homes "skilled". Fewer than 15% of nursing homes are "skilled" in 7 States.

GAO FINDING: 18% of policies reviewed required nursing home care to be provided in a skilled nursing facility.

24

TABLE II.—DOES YOUR DEPARTMENT HAVE ANY PROFESSIONAL STAFF ASSIGNED SPECIFICALLY TO LONG-TERM CARE INSURANCE MATTERS?

	Yes	No
Alabama		0
Alaska		0
Arizona	X	0
Arkansas		0
California		0
Colorado		0
Connecticut		0
Delaware		0
District of Columbia		0
Florida		0
Georgia		0
Hawaii		0
Idaho		0
Illinois	X	
Indiana		0
Iowa		0
Kansas	X	
Kentucky		0
Louisiana		0
Maine	X	
Maryland		0
Massachusetts		0
Michigan	X	
Minnesota	X	
Mississippi		0
Missouri		0
Montana		0
Nebraska		0
Nevada		0
New Hampshire		0
New Jersey		0
New Mexico		0
New York		0
North Carolina		0
North Dakota		0
Ohio		0
Oklahoma		0
Oregon		0
Pennsylvania	X	
Rhode Island		0
South Carolina		0
South Dakota		0
Tennessee		0
Texas		0
Utah		0
Vermont		0
Virginia		0
Washington		0
West Virginia		0
Wisconsin		0
Wyoming		0
Total	7	44

TABLE III.—DOES YOUR STATE HAVE IN EFFECT LAWS OR REGULATIONS REGULATING LONG-TERM CARE INSURANCE?

	Yes	No
Alabama		0
Alaska		0
Arizona	X	
Arkansas		0
California		0
Colorado	X	
Connecticut		0
Delaware		0
District of Columbia		0
Florida		0
Georgia		0
Hawaii	X	0
Idaho		0
Illinois		0
Indiana		0
Iowa	X	
Kansas	X	
Kentucky	X	
Louisiana		0
Maine		0
Maryland	X	
Massachusetts		0
Michigan		0
Minnesota		0
Mississippi		0
Missouri		0
Montana		0
Nebraska	X	
Nevada	X	
New Hampshire		0
New Jersey		0
New Mexico		0
New York	X	
North Carolina		0
North Dakota		0
Ohio		0
Oklahoma		0
Oregon		0
Pennsylvania		0
Rhode Island		0
South Carolina		0
South Dakota		0
Tennessee		0
Texas		0
Utah		
Vermont	X	0
Virginia	X	0
Washington		0
West Virginia		0
Wisconsin	X	
Wyoming		0
Total	13	36

TABLE IV.—HOW MANY LONG-TERM CARE INSURANCE POLICIES ARE BEING MARKETED IN YOUR STATE?

Alabama	12-14
Alaska	1
Arizona	30 companies

TABLE IV.—HOW MANY LONG-TERM CARE INSURANCE POLICIES ARE BEING MARKETED IN YOUR STATE?—Continued

Arkansas	0
California	NA.
Colorado	10.
Connecticut	3
Delaware	16
District of Columbia	5
Florida	64 companies
Georgia	NA.
Hawaii	9.
Idaho	NA.
Illinois	7
Indiana	30
Iowa	18 companies
Kansas	40 companies and 65 policies
Kentucky	15–20 companies
Louisiana	8 companies
Maine	16 companies approved
Maryland	10
Massachusetts	5–6.
Michigan	11
Minnesota	NA.
Mississippi	NA.
Missouri	12–20 companies
Montana	25
Nebraska	25–30 companies
Nevada	4 companies
New Hampshire	NA.
New Jersey	8
New Mexico	NA
New York	4
North Carolina	16 companies
North Dakota	20.
Ohio	NA.
Oklahoma	NA.
Oregon	12
Pennsylvania	29
Rhode Island	2–3
South Carolina	15 companies
South Dakota	Many
Tennessee	16
Texas	60 policies
Utah	150.
Vermont	20–25
Virginia	15
Washington	19
West Virginia	NA.
Wisconsin	5
Wyoming	12

TABLE V.—IS THE MARKETING OF LONG-TERM CARE INSURANCE INCREASING IN YOUR STATE?

	Yes	No
Alabama	X	
Alaska		0
Arizona	X	
Arkansas		0
California	X	
Colorado	X	
Connecticut	X	
Delaware	X	
District of Columbia	X	

TABLE V.—IS THE MARKETING OF LONG-TERM CARE INSURANCE INCREASING IN YOUR STATE?—Continued

	Yes	No
Florida	X	
Georgia	X	
Hawaii	X	
Idaho	X	
Illinois	X	
Indiana	X	
Iowa	X	
Kansas	X	
Kentucky	X	
Louisiana		0
Maine	X	
Maryland	X	
Massachusetts	X	
Michigan	X	
Minnesota	X	
Mississippi	X	
Missouri	X	
Montana	X	
Nebraska	X	
Nevada	X	
New Hampshire	X	
New Jersey	X	
New Mexico	X	
New York	X	
North Carolina	X	
North Dakota	X	
Ohio	X	
Oklahoma	X	
Oregon	X	
Pennsylvania	X	
Rhode Island	X	
South Carolina	X	
South Dakota	X	
Tennessee	X	
Texas	X	
Utah	X	
Vermont	X	
Virginia	X	
Washington	X	
West Virginia		0
Wisconsin	X	
Wyoming	X	
Total	47	4

TABLE VI.—DO YOU THINK THAT ELDERLY PEOPLE ARE CONFUSED AND/OR FRIGHTENED ABOUT WHAT INSURANCE PROTECTION THEY HAVE OR NEED FOR LONG-TERM CARE?

	Yes	No
Alabama	X	
Alaska	X	
Arizona	X	
Arkansas	X	
California	X	
Colorado	X	
Connecticut	X	
Delaware	X	
District of Columbia	X	

TABLE VI.—DO YOU THINK THAT ELDERLY PEOPLE ARE CONFUSED AND/OR FRIGHTENED ABOUT WHAT INSURANCE PROTECTION THEY HAVE OR NEED FOR LONG-TERM CARE?—Continued

	Yes	No
Florida	X	
Georgia	X	
Hawaii	X	
Idaho	X	
Illinois		0
Indiana		0
Iowa	X	
Kansas	X	
Kentucky	X	
Louisiana		0
Maine	X	
Maryland	X	
Massachusetts	X	
Michigan	X	
Minnesota	X	
Mississippi	X	
Missouri	X	
Montana	X	
Nebraska	X	
Nevada		0
New Hampshire	X	
New Jersey	X	
New Mexico		0
New York	X	
North Carolina	X	
North Dakota	X	
Ohio	X	
Oklahoma		0
Oregon	X	
Pennsylvania	X	
Rhode Island	X	
South Carolina	X	
South Dakota	X	
Tennessee	X	
Texas	X	
Utah	X	
Vermont	X	
Virginia	X	
Washington	X	
West Virginia	X	
Wisconsin	X	
Wyoming	X	
Total	45	6

TABLE VII.—HAS YOUR DEPARTMENT RECEIVED COMPLAINTS RELATED TO LONG-TERM CARE INSURANCE?

	Yes	No
Alabama	X	
Alaska		0
Arizona	X	
Arkansas		0
California	X	
Colorado		0
Connecticut		0
Delaware	X	
District of Columbia		0

TABLE VII.—HAS YOUR DEPARTMENT RECEIVED COMPLAINTS RELATED TO LONG-TERM CARE INSURANCE?—Continued

	Yes	No
Florida		0
Georgia	X	
Hawaii		0
Idaho	X	
Illinois	X	
Indiana		0
Iowa	X	
Kansas	X	
Kentucky	X	
Louisiana		0
Maine	X	
Maryland		0
Massachusetts	X	
Michigan		0
Minnesota	X	
Mississippi		0
Missouri	X	
Montana	X	
Nebraska	X	
Nevada		0
New Hampshire		0
New Jersey		0
New Mexico		0
New York		0
North Carolina	X	
North Dakota	X	
Ohio	X	
Oklahoma		0
Oregon		0
Pennsylvania	X	
Rhode Island		0
South Carolina		0
South Dakota	X	
Tennessee	X	
Texas	X	
Utah	X	
Vermont		0
Virginia		0
Washington	X	
West Virginia		0
Wisconsin	X	
Wyoming		0
Total	26	25

TABLE VIII —ARE YOU AWARE OF THE EXISTENCE OF SIMILAR ABUSES IN THE MARKETING AND SALE OF LONG-TERM CARE INSURANCE AS IN THE SALE OF MEDIGAP INSURANCE?

	Exists	Potential for abuse exists
Alabama	X	
Alaska		X
Arizona		X
Arkansas		X
California	X	
Colorado	X	
Connecticut		
Delaware		X
District of Columbia		X

TABLE VIII.—ARE YOU AWARE OF THE EXISTENCE OF SIMILAR ABUSES IN THE MARKETING AND SALE OF LONG-TERM CARE INSURANCE AS IN THE SALE OF MEDIGAP INSURANCE?—Continued

	Exists	Potential for abuse exists
Florida		X
Georgia		
Hawaii		X
Idaho	X	
Illinois		X
Indiana		X
Iowa		X
Kansas	X	
Kentucky	X	
Louisiana		X
Maine	X	
Maryland	X	
Massachusetts	X	
Michigan	X	
Minnesota	X	
Mississippi		X
Missouri	X	
Montana	X	
Nebraska	X	
Nevada	X	
New Hampshire		X
New Jersey		
New Mexico		
New York		X
North Carolina	X	
North Dakota	X	
Ohio	X	
Oklahoma		X
Oregon		X
Pennsylvania		X
Rhode Island		X
South Carolina		X
South Dakota	X	
Tennessee	X	
Texas		X
Utah	X	
Vermont		X
Virginia		X
Washington	X	
West Virginia		X
Wisconsin	X	
Wyoming	X	
Total	24	23

APPENDIXES

APPENDIX I.—INSURANCE COMPANIES REPRESENTED IN GAO REVIEW [1]

Acceleration Life Insurance Company
Aetna Life Insurance and Annuity Company
AIG Life Insurance Company
American Bankers Insurance Company
American Integrity Insurance Company
American Republic Insurance Company
AMEX Life Assurance Company (formerly Fireman's Fund)
Bankers [illegible]
Blue Cross of Washington and Alaska
California Benefit Life Insurance Company
Colonial Penn Life Insurance Company
Columbia Life Insurance
Continental Casualty [illegible]
Equitable Life and Casualty [illegible] Company
Great Republic Life Insurance [illegible]
Mutual Protective Insurance/Medico Life Insurance Company
National Foundation Life Insurance Company
Penn Treaty Life Insurance Company
Providers Fidelity Life Insurance Company
Prudential Insurance Company of America
Sterling Life Insurance Company
Transport Life Insurance Company
Underwriters Life Insurance Company
United Equitable Corporation, The
World Life and Health Insurance Company of Penn

[1] 1987 GAO Report on Long-Term Care Insurance to the Honorable Claude Pepper, Chairman, Subcommittee on Health and Long-Term Care, Select Committee on Aging.

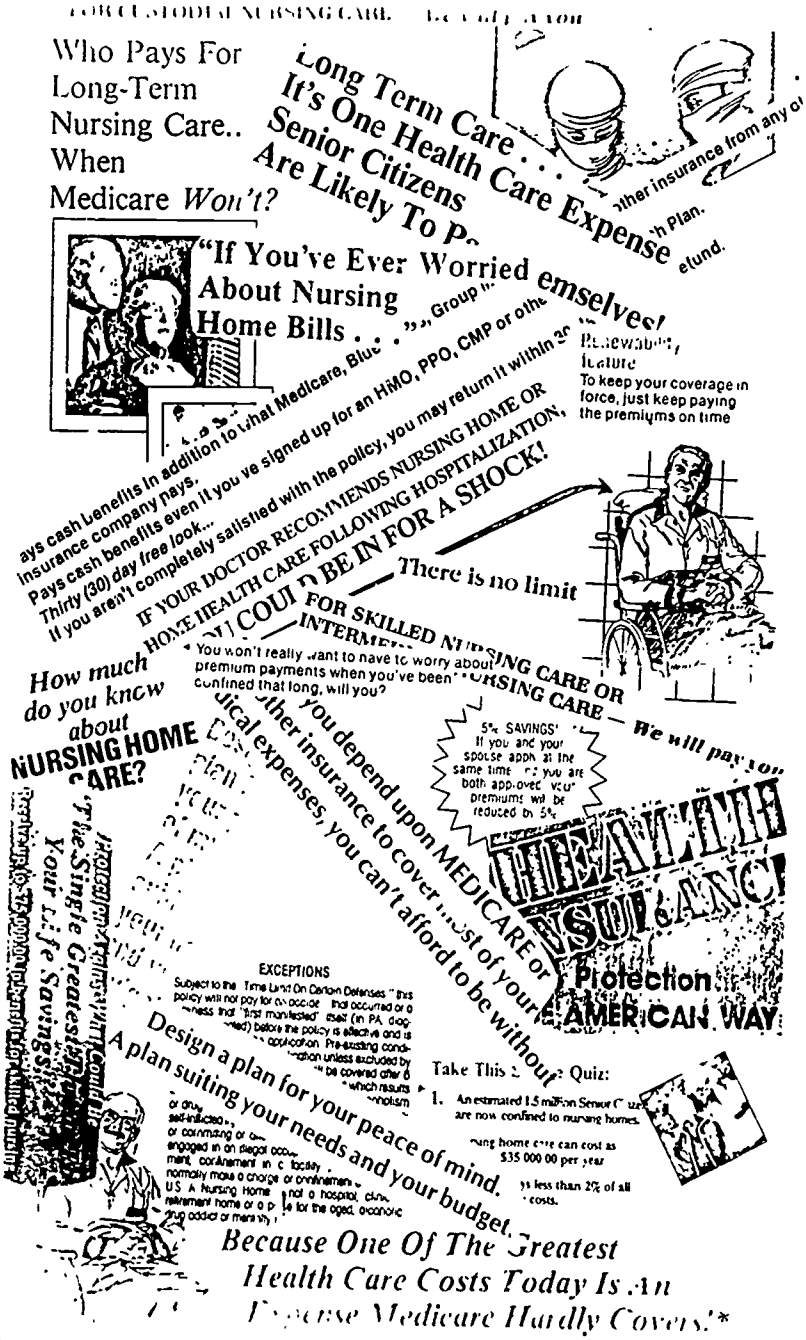
APPENDIX II.—INSURANCE COMPANIES THAT HAVE STATE APPROVED LONG-TERM CARE INSURANCE POLICIES [1]

Acceleration Life Insurance Company
Aetna Life Insurance and Annuity Company
AIG Life Insurance Company
American Bankers Insurance Company
American Family Mutual of Iowa
American Independent Insurance Company
American Integrity Insurance Company
American Motorist
American Republic Insurance Company
American Sun Life Insurance Company
American Travelers Life
AMEX Life Assurance Company (formerly Fireman's Fund)
Atlantic American Life Insurance
Banker's Life and Casualty Company
Bankers Life Company
Bankers Multiple Line Insurance
Blue Cross of Washington and Alaska
California Benefit Life Insurance Company
Central Security Life of Texas
Central States Health and Life of Omaha
Certified Life Insurance
Colonial Life of America
Colonial Penn Life Insurance Company
Columbia Life Insurance Company
Constitution Life
Continental Casualty Company (CNA)
Continental General Insurance Company
Continental Life Insurance
Equitable Life and Casualty Insurance Company
Far West American Assurance Insurance
Federal Home Life
First Far West Insurance
Gerber Life
Great Fidelity Life Insurance
Great Republic Life Insurance Company
Guarantee Trust
Harvest Life
Integrity National Life
Intercontinental Life
Life General Security
Life & Health Insurance of America
Life Insurance of Connecticut

[1] 1987 GAO Report on Long-Term Care Insurance to the Honorable Claude Pepper, Chairman, Subcommittee on Health and Long-Term Care, Select Committee on Aging

Lumbermen Mutual
Massachusetts Indemnity and Life
Mutual of Omaha
Mutual Protective Insurance/Medico Life Insurance Company
National Foundation Life Insurance Company
National Health Insurance
National States Insurance
Old American
Orange State Life/Health
Penn Treaty Life Insurance Company
Physicians Mutual
Pilgrim Life
Pioneer Life of Illinois
Providers Fidelity Life Insurance Company
Prudential Insurance Company of America, The
Pyramid Life Insurance
Reserve Life
Sterling Life Insurance Company
Transport Life Insurance Company
Underwriters Life Insurance Company
Union Bankers Insurance
Union Benefit Life
Union Fidelity
United Equitable Corporation, The
United General Life
United of Omaha
United Security Assurance
World Insurance Company
World Life and Health Insurance Company of Penn

APPENDIX III



A. PENDIX IV

STATE INSURANCE COMMISSIONERS

ALABAMA
Tharpe Forrester
Commissioner
Insurance Dept
64 N Union St , Rm 504
Montgomery AL 36130
(205) 269-3550

ALASKA
John George
Director
Div of Insurance
Commerce & Economic
Development Dept
Pouch D
Juneau, AK 99811
(907) 465-2515

ARIZONA
S. David Childers
Director
Dept of Insurance
1601 W Jefferson
Phoenix, AZ 85007
(602) 255-4862

ARKANSAS
Robert M Eubanks
Commissioner
Insurance Dept.
400 Univ Tower Bldg.
Little Rock, AR 72204
(501) 371-1325

CALIFORNIA
Bruce A Bunner
Commissioner
Dept of Insurance
600 S. Commonwealth
Ave.
Los Angeles, CA 90005
(213) 736-2551

COLORADO
John Kezer
Commissioner
Div of Insurance
Dept of Regulatory
Agencies
303 W Colfax Ave
5th Fl.
Denver CO 80204
(303) 373 3406

CONNECTICUT
Peter W. Gilles
Commissioner
Dept of Insurance
165 Capitol Ave
Hartford, CT 06106
(203) 566-5275

DELAWARE
David N Levinson
Commissioner
Dept of Insurance
21 The Green
Dover DE 19901
(302) 736-4251

FLORIDA
Bill Gunter Jr
State Treasurer & Insurance Commissioner
The Capitol
Tallahassee, FL 32301
(904) 488 3440

GEORGIA
Warren Evans
Comptroller General &
Insurance
Commissioner
Off of Comptroller
General
200 Piedmont Ave
Rm 704, W Tower
Atlanta, GA 30334
(404) 656-2056

HAWAII
Mauru Ramil
Insurance Commissioner
Div of Insurance
Commerce & Consumer
Affairs Dept
1010 Richards St
Honolulu, HI 96813
(808) 548-6522

IDAHO
Trent M Woods
Director
Dept of Insurance
700 W State St.
Boise, ID 83720
(208) 334-2250

ILLINOIS
John Washburn
Director
Dept of Insurance
320 W. Washington
4th Fl.
Springfield IL 62767
(217) 782-4515

INDIANA
Harry Eakin
Commissioner
Dept of Insurance
509 State Off Bldg
Indianapolis, IN 46204
(317) 232 2386

IOWA
Bruce W Foudree
Commissioner
Insurance Dept
Lucas State Off. Bldg
Des Moines, IA 50319
(515) 281 5705

KANSAS
Fletcher Bell
Commissioner
Insurance Dept.
420 SW Ninth St.
Topeka, KS 66612
(913) 296-3071

KENTUCKY
Gil McCarty
Commissioner
Dept of Insurance
Public Protection &
Regulation Cabinet
229 W Main St
Frankfort, KY 40601
(502) 564-6027

LOUISIANA
Sherman A Bernard
Commissioner
Dept of Insurance
P O Box 94214
Baton Rouge, LA
70804-9214
(504) 342-5322

MAINE
Theodore T Briggs
Superintendent
Bur of Insurance
Business, Occupational &
Professional Regulations
Dept.
State House Station #34
Augusta, ME 04333
(207) 289-3101

MARYLAND
Edward J Muhl
Commissioner
Div. of Insurance
Licensing & Regulation
Dept
50 St Paul Pl.
Baltimore MD
21202 2272
(301) 659-6300

MASSACHUSETTS
Peter Hiam
Commissioner
Div of Insurance
Exec Off of Consumer
Affairs
100 Cambridge St
Boston, MA 02202
(617) 727 3357

MICHIGAN
Nancy Baerwaldt
Commissioner of
Insurance
Licensing & Regulation
Dept
1048 Pierpont
P O Box 30220
Lansing, MI 48 3
(517) 373-9273

MINNESOTA
Michael Hatch
Commissioner
Dept of Commerce
5th Fl , Metro Sq Bldg.
Seventh & Robert St
St Paul, MN 55101
(612) 296-6406

MISSISSIPPI
George Dale
Commissioner
Dept of Insurance
1804 Sillers Bldg
Jackson, MS 39201
(601) 359-3569

MISSOURI
C. Donald Ainsworth
Director
Div of Insurance
Dept of Economic
Development
Truman Bldg , Box 690
Jefferson City, MO 65102
(314) 751 2451

MONTANA
John Bebee
Chief Deputy
Commissioner
Insurance Div,
Off of State Auditor
Mitchell Bldg
Helena, MT 59620
(406) 444-2996

NEBRASKA
Michael J Dugan
Director
Dept of Insurance
301 Centennial Mall S.
P O Box 94699
Lincoln, NE 68509-4699
(402) 471 2201

NEVADA
Kevin Sullivan
Commissioner
Div. of Insurance
Dept of Commerce
201 S Fall St
Carson City, NV 89701
(702) 885-4270

NEW HAMPSHIRE
Louis E. Bergeron
Commissioner
Insurance Dept.
169 Manchester St
Concord, NH 03301
(603) 271-2261

NEW JERSEY
Hazel Frank Gluck
Commissioner
Dept of Insurance
201 E. State St
Trenton, NJ 08625
(609) 292 5360

NEW MEXICO
Vincente B. Jasso
Superintendent
State Insurance Bd
State Corporation Comm.
Rm 428, PERA Bldg.
Santa Fe, NM 87503
(505) 827-4542

NEW YORK
James Corcoran
Superintendent of
Insurance
Insurance Dept
Empire State Plaza
Agcy Bldg #1
Albany, NY 12224
(518) 474-4330

NORTH CAROLINA
James E Long
Commissioner
Dept of Insurance
430 N Salisbury St.
Raleigh, NC 27611
(919) 733-7343

NORTH DAKOTA
Earl R Pomeroy
Commissioner
Insurance Dept
5th Fl , State Capitol
Bismarck, ND 58505
(701) 224-2440

OHIO
George Fabe
Director
Dept of Insurance
2100 Stella Ct
Columbus OH 43215
(614) 466-3584

OKLAHOMA
Gerald Grimes
Commissioner
Insurance Dept
408 Will Rogers Bldg.
Oklahoma City, OK
73105
(405) 521-2828

OREGON
Josephine M Driscoll
Commissioner
Div of Insurance
Dept of Commerce
158 12th St , NE
Salem, OR 97310
(503) 378-4474

PENNSYLVANIA
George F Grode
Commissioner
Insurance Dept
Strawberry Sq , 13th Fl
Harrisburg PA 17120
(717) 7[illegible]-3173

RHODE ISLAND
Clifton A. Moore
Director
Dept of Business
Regulation
100 N Main St.
Providence, RI 02903
(401) 277-2246

SOUTH CAROLINA
John O Richards
Chief Insurance
Commissioner
Dept of Insurance
2711 Middleburg Dr.
Columbia, SC 29204
(803) 758-3366

SOUTH DAKOTA
Susan Walker
Director
Div. of Insurance
Commerce & Regulations
Dept
Insurance Bldg
Pierre, SD 57501
(605) 773-3563

TENNESSEE
John Neff
Commissioner
Dept of Commerce &
Insurance
114 State Off Bldg
Nashville, TN 37219
(615) 741 2241

TEXAS
Tom Bond
Commissioner
Bd of Insurance
1100 San Jacinto Blvd
Austin TX 78786
(512) 475-2273

UTAH
Roger C Day
Commissioner
Dept of Insurance
160 E. 300 S
Salt Lake City, UT
84110-5803
(801) 530-6400

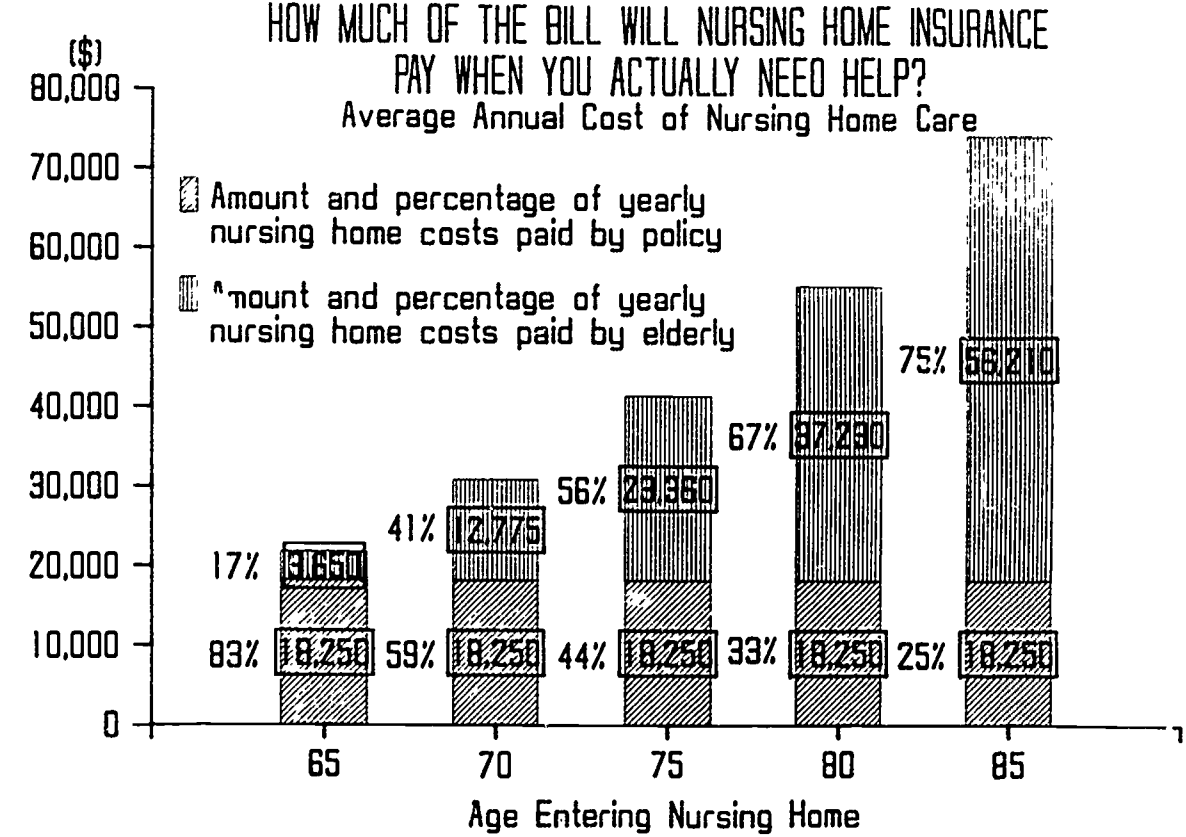
VERMONT
David T Bard
Commissioner
Dept of Banking &
Insurance
120 State St
Montpelier, VT 05602
(802) 828-3301

VIRGINIA
Preston C Shannon
Chairman
State Corporation Comm
13th Fl , Jefferson Bldg.
Richmond, VA 23219
(804) 786-3601

WASHINGTON
Richard C Marquardt
Insurance Commissioner
& State Fire Marshal
Off of Insurance
Insurance Bldg
Olympia WA 98504
(206) 753-7301

WEST VIRGINIA
Fred E. Wright
Commissioner
Dept of Insurance
2100 Washington St , E.
Charleston WV 25305
(304) 348 3394

77-383 (44)


HOW MUCH OF THE BILL WILL NURSING HOME INSURANCE PAY WHEN YOU ACTUALLY NEED HELP?
Average Annual Cost of Nursing Home Care
($)
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
Amount and percentage of yearly nursing home costs paid by policy
Amount and percentage of yearly nursing home costs paid by elderly
17%
3,650
83%
18,250
41%
12,775
59%
18,250
56%
23,360
44%
18,250
67%
37,230
33%
18,250
75%
56,210
25%
18,250
65
70
75
80
85
Age Entering Nursing Home