



# Risk: Managing A Cash Benefit

THE ELEVENTH ANNUAL INTERCOMPANY LONG TERM CARE INSURANCE CONFERENCE

# ILTCI



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# Long Term Care Insurance Cash Benefit Variations in the Marketplace



# LTCL Cash Benefit Variations

- **Pure Cash Policy**
  - 100% Monthly Benefit available as cash benefit
- **40% Cash Alternative Benefit (built-in, standard feature)**
  - Allows the insured to decide each month to receive up to 100% Monthly Benefit as expense reimbursement for ‘qualified’ expenses OR receive 40% Monthly Benefit as cash benefit
- **Flexible Cash Benefit (a rider)**
  - Allows the insured to receive 50% Monthly Benefit in cash; other 50% available for expense reimbursement for ‘qualified’ expenses
- **Cash Benefit Rider (a rider)**
  - Allows the insured to receive 100% Monthly Benefit as cash benefit



# LTCI Cash Benefit Variations

- **Cash-First Benefit (built-in, standard feature)**
  - Allows the insured to decide each month to receive up to 100% Monthly Benefit as expense reimbursement for ‘qualified’ expenses OR receive 40% Monthly Home Care Benefit as cash benefit; NO elimination period requirement for cash option
- **Additional Cash Benefit (a rider)**
  - Provides a monthly cash benefit of 15% Monthly Benefit as a separate pool-of-money which can be used *in addition to* the regular full expense-reimbursement Monthly Benefit; cash benefit also subject to elimination period



# LTCI Cash Benefit Variations

- **Flexible Care Benefit (built-in, standard feature)**
  - Allows the insured to decide each month to receive up to 100% Monthly Benefit as expense reimbursement for ‘qualified’ expenses OR receive 40% Monthly Benefit as cash benefit
- **Flexible Benefit (built-in, standard feature) (a ‘managed’ cash benefit)**
  - Allows the insured to receive up to 100% Monthly Benefit as expense reimbursement for ‘qualified’ expenses AND receive 50% of the unused expense reimbursement benefit for *any* product or service related to long term care need; if no expense reimbursement for ‘qualified’ services in a given month, then full 50% Monthly Benefit available as Flexible Benefit



# LTCL Cash Benefit Variations

- **Indemnity Benefit Rider (a rider)**
  - Allows the insured to receive 100% Monthly Benefit as a cash indemnity benefit for each day a covered service is received (regardless of actual expense)



# Cash Benefit Payout Methods

## 100% “Pure Cash”

Cash Policy

Cash Benefit Rider

Indemnity Benefit Rider

## Either/Or Usage (monthly)

40% Cash Alternative Benefit

Cash-First Benefit

Flexible Care Benefit

## Simultaneous Usage (monthly)

Flexible Cash Benefit Rider

Additional Cash Benefit Rider

Flexible Benefit





# Class Act

- **CLASS Act may also pursue a ‘managed cash’ variation within its cash LTCI design:**

*“Cash benefits paid into a Life Independence Account of an eligible beneficiary shall be used to purchase non-medical services and supports that the beneficiary needs to maintain his or her independence at home or in another residential setting of their choice in the community, including (but not limited to) home modifications, assistive technology, accessible transportation, homemaker services, respite care, personal assistance services, home care aides, and nursing support.”*



# Long Term Care Insurance Underwriting



# LTCI Underwriting

- Attracting Younger Buyers- Average Age ~ 55
- Increasing Electronic Enrollment with E-Signatures
- Confusion with Disability Income
- Financial Suitability and Over insurance



# Risk Mitigation-Underwriting

- Recorded Phone Interviews
- Phone Cognitive Testing
- Prescription Records
- Review Medical Records for other physicians
- Photo ID for in person assessments
- MIB
- Employment Verification
- Compliance spot checking e-signatures
- Institute Caps for amount of Combined LTCI



# Long Term Care Insurance Benefits



# LTCI Benefit Access

## Under Cash Benefit policies

- Claimants are Younger (avg age 68)
- 38% of all approved claimants in force <2yrs  
(50 out of 126 approved)
- Increased denial for Benefit Eligibility-initially as high as 40% when claimants confused LTC with Disability Income
- Increased potential for fraud



# LTCL Benefit Access

## Reimbursement versus Cash

### Top 3 Reasons for Claim

- Cash Benefit plans: Cancer, Back Problems, CVA
- Reimbursement plans: Dementia, Arthritis, CVA



# LTCI Benefit Access

- Core components under HIPAA still apply
  - Approved claimants must be certified to be Chronically Ill Individuals, and
  - Must require Qualified Long Term Care Services, even if received on an informal (unpaid) basis
- Reimbursement plans
  - Claims staff rely heavily upon care notes and other provider records between scheduled reassessments (and even as part of the actual reassessment process)
  - How do we monitor fraud?
  - How do we detect recovery?
- Administrative costs will be higher both initially and over life of claim due to need for more onsite assessments





# LTCI Claim Process – One approach

## Establishing initial eligibility

- Client submits notice of claim
- Benefit Eligibility Assessment ordered
- Contestable review conducted if within first 24 months
- Order APS – not routinely (unless a contestable claim), however, as medical records typically not helpful to detect qualifying functional impairment
- Google search client – signs of fraud?
- TQ trigger – 2 ADL deficit/90 days or Severe Cognitive Impairment



# LTCI Claim Process – One approach

## Contestability Review

- All original underwriting reviewed
- Current medical records reviewed
- Current benefit eligibility assessment reviewed



# LTCI Claim Process - managing ongoing claims

## Reestablishing benefit eligibility and monitoring eligibility over time

- Care notes, nursing assessment, facility and home care service plans – critical components of the eligibility decision process – many cash benefit plans won't require receipt of formal care.
- Seek objective evidence of qualifying ADL or cog deficits
  - Records of actual care\*
  - Periodic provider updates in Service Plans, MDS, etc.\*
  - Periodic onsite assessments by licensed nurses
  - Independent Medical Exams
  - Affidavits from informal caregivers



# Fraud Monitoring

- Because benefit eligibility decision process relies largely on self-report, potential for exaggeration and/or outright deception is very real.
- Beyond administrative cost associated with increased use of onsite assessments, might carriers need to budget increased costs for investigation, Independent Medical Exams (IME), surveillance and other private investigative work?
- Case studies which follow document the challenges of managing cash benefits.



# LTCI Benefit Case Study

- 56 y/o male
- Resides w/spouse
- Claim followed laminectomy with fusion, synovial cyst removal with ongoing complications, claims weakness, unsteadiness, legs buckle, poor ROM
- Self reports need for HOA w/transfer, dressing, bathing and toileting.
- Inforce ~ 2 years
- Approved 8/1/09-Off claim 10/30/09



# LTCI Benefit Case Study

- 44 year old female. Claim requested due to new spinal cord tumor causing difficulty with ADL's
- During review of her medical records and Benefit Determination Assessment revealed history of these tumors due to neurofibromatosis that was not disclosed at the time of application & underwriting
- Policy was rescinded



# LTCI Benefit Case Study

- 55 year old insurance agent
- \$450 daily benefit if reimbursement, \$225 cash benefit without requirement to receive formal care or prove receipt of informal care
- Claiming total dependency due to cognitive impairment and multiple ADL deficits – sudden onset
- Internet search revealed claimant still in business
- Neuropsych exam conducted with surveillance day of, day following IME
  - IME doc reported normal exam with feigning and exaggeration
  - Surveillance documented fully independent individual conducting business, driving car, traveling alone
- Claim was closed and not appealed



# LTCL Benefit Case Study

- 54 year old female.
- Claim requested due to depression causing inability to perform ADL's.
- Reluctant to provide physician information, required persistent questioning during multiple phone conversations to obtain MD information
- Google search reveals an ongoing Workers' Comp Case for >4 years
- Medical records reveal h
  - history of depression, back surgeries, epidural injections to the spine, long history of use of multiple narcotic medications and hospitalizations not disclosed at time of application
- Policy was Rescinded





# Fraud Monitoring-Red Flags

- Not very different from reimbursement claims, but harder to detect without evidence of care
- Conditions not disclosed at UW
- Physicians not disclosed at UW
- Attending physician or agent is a relative
- Plan of Care not consistent with diagnosis
- Unwillingness to let carrier talk to claimant
- Benefit Assessment is “staged”
- Unwillingness to disclose physicians
- Insured/POA demanding and threatening



# Risk Mitigation-Benefits

- Initial Plan of Care-include discharge plan-recovery
- Photo ID for in person assessments
- Unannounced Visits during claim
- Periodically check for employment records
- Check Social Websites – initially and periodically over length of claim
- Set approval period consistent with diagnosis
- 30-day phone calls with insured to check recovery – sentinel effect can be powerful
- Document all contacts
- Periodically check DMV records
- Contact other insurers – disabled persons can be expected to be under ongoing medical care
- Ongoing Medical Record Retrieval
- Surveillance



# Summary

- Cash benefits are attractive
- Administrative costs can be higher
- Claim management must be tight
- Increase potential for fraud and consumer creativity



# Summary

Questions?