

**Testimony of
Anne Henry, Chief Operating Officer at the
Pennsylvania Health Care Association (PHCA) and
Center for Assisted Living Management (CALM)
on
House Bill 1251
before the
House Insurance Committee
at the
Sharpsburg Council Chambers
1611 Main Street
Pittsburgh, PA
on
Thursday, November 5, 2009**

Chairman DeLuca, Chairman Micozzie, Representative Costa and members of the Committee: Thank you for allowing us to submit testimony at this important hearing. On behalf of the Pennsylvania Health Care Association and our sister organization, the Center for Assisted Living Management, I would like to thank you for your focus on long-term care insurance in Pennsylvania, and for your work to ensure that consumers who take advantage of these important policies get the protections they need and deserve.

At PHCA/CALM, we believe that residents and families can and must begin to take control of their own future long-term care needs. To date, however, far too few Pennsylvanians have begun to address this critical issue. While long-term care insurance is one of many available options, it is under-purchased and, for many, misunderstood. The issues surrounding long-term care are complex, diverse and costly, and we are pleased to support the legislature's intent here to guarantee some basic consumer protections with House Bill 1251, as it is a measure of importance to our membership and the residents they serve.

PHCA/CALM is a statewide advocacy organization for the state's elderly and disabled residents and their providers of care. Our mission is to ensure that those who need long-term care receive quality services in the most appropriate setting as they age. For some, services at home can be safely and cost effectively delivered. For others, a nursing home is the most appropriate setting for safe and cost-effective care.

We represent both for-profit and nonprofit providers who offer services that range from integrated retirement communities and multi-level care campuses to freestanding nursing homes, assisted living/personal care homes, and ancillary care/home-care enterprises. PHCA/CALM represents 334 long-term care and senior service providers that care for almost 38,000 elderly and disabled individuals.

Like all of you, we share a deep belief that how we care for the commonwealth's rapidly aging population promises to be one of our state's most pressing social and fiscal challenges.

Pennsylvania has a lot at stake. We are among the nation's oldest and most rapidly aging states. Our commonwealth ranks third nationally by percentage of population age 65 or older, behind Florida and West Virginia. Today, about 2 million of our 12 million residents are age 65 or older. That number will increase by 50 percent to 3 million by 2020. In the decades ahead, when we talk about the elderly in Pennsylvania, we will be among them.

This is part of a national trend. Simply put, Americans are getting older. According to recent U.S. Census Bureau statistics, residents who are 65 or older currently make up 13 percent of the population. But their number will double to 88.5 million by mid-century. The baby boomers will continue padding the senior population until it accounts for one in five U.S. residents by 2030. An estimated 3.4 million of these baby boomers, or 5 percent, live in Pennsylvania.

Again, our commonwealth has a lot at stake. Unless individuals, families and government at every level start planning ahead, we will be overcome by a social and fiscal tsunami. While this hearing is designed specifically to address House Bill 1251, it plays another larger role in bringing awareness to the issue of long-term care in general.

No one likes to think about getting older, facing chronic illness or becoming too frail to safely live on their own. But it happens, and when it does, more and more seniors and their families are finding themselves unprepared. Data show that only 35 percent of people 65 or older think they will need long-term care in the future, whereas 70 percent of those turning 65 this year will eventually require some form of long-term care.

Most people have the misconception that their long-term care needs are covered. They couldn't be more wrong. Medicare only pays for long-term care in specific circumstances, state Medicaid programs are already stretched almost to the breaking point due to the large numbers of elderly and disabled needing care, and basic insurance doesn't cover long-term care services, nor does Social Security.

Despite these facts, few people have insurance coverage against the high cost of their long-term care. And that needs to change.

At PHCA/CALM, we are often asked: "Should everyone have long-term care insurance?" Our general answer is that while there is no single rule of thumb for every individual to follow regarding coverage, financial experts say that unless you are poor enough to qualify for Medicaid or wealthy enough to pay for your care as you do other bills, you should consider long-term care insurance. We encourage consumers to buy a policy that covers the broad range of long term care services including in-home care as well as assisted living and nursing homes.

Potential purchasers also should compare policies and prices among insurance providers, as they can range greatly, and they need to take time to understand the rating system in Pennsylvania for insurance companies, as not all insurance companies are rated equally.

The reality is that the long-term care system today is far too complex, and the population we are trying to serve is far too diverse for any single solution. Buying long-term care insurance is one option, but it is not an easy task, and it requires a great deal of caution on behalf of the consumer.

But considering the high cost of long-term care, it's worth it for many people --- so long as consumers get what they are paying for. That makes the consumer protections afforded by House Bill 1251 all the more important.

Turning now to the legislation:

Insurance policies are designed to protect the consumer. But in many cases, we are hearing about long-term care insurance carriers denying claims that they should be paying, or delaying payment for long periods of time. That affects both the consumer and their provider of care. (Although private-pay insurance represents only a small portion of nursing home revenues, payment delays and denials are budget-breaking since nursing homes operate on such small margins.)

Many Americans are spending thousands of dollars on private long-term care insurance, and yet when they need help the most, they often face lengthy waiting periods and wrongful denials of claims. In fact, in June 2008, the U.S. General Accounting Office issued a report, "Long-Term Care Insurance: Oversight of Rate Setting and Claims Settlement Practices," that questioned the performance of long-term care insurance underwriters with respect to rates and claims.

As our population ages, and as more and more Americans choose to purchase private long-term care insurance to prepare for future needs, we must ensure that the product is fair and accessible.

House Bill 1251 aims to take consumer protections similar to those in the state's "Quality Health Care Accountability Protection Act" (Act 68 of 1999) and apply them to long-term care coverage. In other words, the same protections provided in accident and health insurance, for example, are being expanded to cover a separate and growing segment of insurance policies with long-term care.

Insurance companies should offer fair pricing and timely responses to complaints, and our commonwealth should impose the highest standards of consumer protections to ensure these products are viable and don't leave consumers with little security. House Bill 1251 is a step in the right direction.

That being said, PHCA/CALM does have a concern with the legislation as it is written. The measure is specifically geared toward long-term care insurance; yet, it's definitions of the facilities that provide this care are unclear. While the bill defines "health care provider," it does not define "health care facility." We believe the measure should be amended to include and more clearly define those providers who serve Pennsylvania's long-term care continuum --- nursing homes, assisted living facilities, personal care homes, adult day care and home care.

Moreover, because the state's long-term care network is evolving to serve a changing and aging population, this committee may want to look at amending the measure to provide generally for these providers of long-term care so that House Bill 1251, once enacted, continues to ensure consumer protections over time as policies change.

PHCA/CALM would welcome the opportunity to work with you in both of these regards.

During the last legislative session, the legislature enacted the Long-Term Care Partnership Program. This law provides incentives for the purchase of long-term care insurance by allowing residents to protect assets on a dollar-for-dollar basis. For example, the purchase of \$100,000 in long-term care coverage allows residents to keep \$100,000 in assets and still receive Medicaid if and when their insurance coverage runs out.

That act was an important step to ensure that as the baby boomer generation ages, standards will be in place to help them plan and pay for their health-care needs. One of the best ways to do that is through long-term care insurance, as it provides coverage for a full range of services, including home care, adult day care, personal care home/assisted living and nursing homes. Not only does it give seniors and their families more options in choosing the long-term care venue of their choice, it can also help to safeguard hard-earned assets.

The General Assembly was right last session in creating these incentives for the purchase of long-term care insurance. And this committee is correct trying to ensure that those who purchase long-term care insurance find peace of mind in knowing they are protected and that they will have timely access to care. House Bill 1251 is the perfect start.

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