

**U.S. House of Representatives**  
**Energy and Commerce Subcommittee on Oversight and Investigations**  
**“Long Term Care Insurance: Are Consumers Protected for the Long Term?”**  
**Hearing**  
**July 24, 2008, 10:00 am**  
**2123 Rayburn House Office Building, Washington, DC**

**Prepared for Thomas (Buck) Stinson**  
**Genworth Financial**

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- VIII. Conclusion

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**INTRODUCTION**

- Mr. Stupak, Members of the Committee, thank you for extending an invitation to Genworth Financial to testify at today’s hearing.
- My name is Thomas (Buck) Stinson. I am the President of Genworth Financial’s Long Term Care insurance business. Genworth Financial is a Richmond, Virginia-based company which provides retirement income, life, long term care, and mortgage insurance products to more than 15 million customers in 25 countries.
- Our organization helped to pioneer long term care insurance back in 1974, and today we are the largest, most experienced, long term care insurance provider in the country.
- We currently provide service to over 1.3 million policyholders and pay approximately \$3 million per day in long term care benefits. Over the last 34 years Genworth has paid a combined total of \$5.6 billion in claims benefits. We are very proud of this fact as this coverage has saved thousands of families an enormous financial and emotional toll.
- Importantly, we also know that this insurance has helped to protect Medicaid dollars for those that need it most.
- We take our responsibility as a market leader very seriously. Our Long Term Care insurance offering is a key element of Genworth’s overall Financial Security strategy.
- The long term nature of this product and extremely high policyholder retention requires a focused and prudent approach towards underwriting, pricing and customer service.

- We know that well over half of the population over age 50 will need some form of long term care services during their remaining lifetime.
- Above all, we have a very strong record of paying claims. We believe our process for handling claims is best-in-class and we have over 250 Genworth associates specifically dedicated to handling the claims needs of our long term care policyholders.

## **DESCRIPTION OF LONG TERM CARE INSURANCE**

- Long term care insurance is important for four reasons: First, it generally provides peace of mind in a time of shifting and uncertain economic burdens. Second, it represents a critical part of a sound retirement plan – protecting assets and preserving funding sources for future family needs. In certain cases on the more severe claims, it can prevent the need to access Medicaid funds. Third, it can serve to increase the number of care options available to policyholders and their families. Finally, care coordination and other information resources provide value beyond the payment of financial benefits.
- Long term care insurance covers expenses for home health care, nursing homes, and assisted living facilities when a policyholder is chronically ill, as defined by the federal HIPAA (Health Insurance Portability and Accountability Act) statute. Specifically, a policyholder is chronically ill when they either need assistance with two or more activities of daily living (such as bathing, dressing, and feeding themselves) or they need assistance because of severe cognitive impairment, such as Alzheimer’s disease.
- 40% of our claimants file claims based on cognitive impairment, the majority associated with Alzheimer’s disease.
- Many people often link long term care insurance with nursing homes, but this is outdated thinking. Long term care insurance has evolved from nursing home coverage in the 1970’s and 80’s to providing care across all settings today. In fact, 75% of our initial claims are filed for services in the policyholder’s home.
- In addition, today’s long term care insurance products offer care coordination services to develop plans of care for policyholders and help in finding caregivers. For our customers, the policy is

not just about avoiding the devastating expense of long term care needs, but also about having access to quality care and information.

- Long term care insurance covers services for chronic conditions that aren't generally covered by health insurance or Medicare and may be provided by state Medicaid programs once an individual spends all of their assets and becomes destitute. And unlike Medicaid, which typically only covers institutional care, long term care insurance covers home health care, including informal caregivers.
- Spending down to Medicaid eligibility isn't necessarily a seamless transition, and oftentimes adult siblings or the children of adults who need care find themselves spending their own savings, college tuition accounts for their kids, or even borrowing home equity to pay for their family member's care until they arrive at nursing home care through Medicaid.

## **CLAIMS PAYMENT**

- The issue of how policyholder claims are processed and paid is of interest to this committee, and I'd like to highlight some of the key steps in Genworth's claims process, which I believe has helped us become an industry leader and a trusted name in the market.

### Claim Notification

- Our insured or his/her representative contacts Genworth Financial to notify us of a claim by telephone (toll free line). Hours of the call center are 9 am to 8 pm ET Monday through Friday. No forms are required to initiate this process.
- A Genworth associate answers all calls to the claims call center. Our insured does not have to go through a complicated menu to reach a live person.
- All calls are recorded and a sample is monitored each week to ensure fair and compassionate treatment of our insured.
- The Claims Service Representative clarifies policy benefits and reviews benefit eligibility criteria.

### Claim Intake

- An Intake Nurse will contact our insured or his/her representative within 48 hours on business days to offer assistance with obtaining care and services. The Intake Nurse also explains the claims process and answers any other questions of the insured or family.
- The Intake Nurse sends claim forms for two day delivery to our insured. Much of the information like name, address, assigned claims number, etc. is pre-printed on the claims form to reduce the paperwork burden.
- The Intake Nurse can also make a referral to Care Scout, a Genworth Affiliate, who provides information about care providers in the local area.
- A care coordinator is assigned to our insured at this point.
- All Intake calls are recorded and a sample of intake calls is monitored each week to ensure fair and compassionate treatment of our insureds.

### Care Coordination

- Geriatric professionals provide care coordination services. Genworth Financial contracts with a third party to provide these services to our insureds. These professionals do not make adjudication decisions. They provide information on the current care environment and needs.
- Care coordination services include an in-home comprehensive assessment, home safety check, referrals to local support services (e.g. meals on wheels), development of plans of care, ongoing monitoring of care needs and assistance with locating home health care agencies.
- The care coordinator that conducts the in-home assessment provides assistance with completing the claims forms and mails them to Genworth to ensure timely handling.

### Initial Eligibility

- Each insured is assigned a Benefit Analyst (Claims Examiner) who will contact our insured/or representative by telephone to explain the process again, communicate next steps, and answer any questions.
- The Benefit Analyst begins the gathering of supporting documentation from the required sources (i.e. direct to facilities, medical providers, care providers, etc.) to determine benefit eligibility.
- Until benefit eligibility is determined, the Benefit Analyst will communicate status to the insured/or representative that includes communication of any outstanding items.
- Genworth approves 95% of submitted claims. At time of approval the Benefit Analyst contacts our insured/or representative telephonically and in writing and reviews the benefit payment. Next, the Benefit Analyst requests implementation of the plan of care and provides copy of the plan of care to our insured and the attending physician.
- In the event our insured and/or a provider does not satisfy benefit eligibility requirements, the claim file is referred to a Claims Technical Specialist for a complete secondary review. If the Claims Technical Specialist concurs with the declination, the Benefit Analyst will contact our insured telephonically and in writing of the determination. The communication will always include the basis of our determination, as well as information on how to appeal the decision.
- Reasons for a denial include the policyholder receiving care from a provider not covered under the policy, or the policyholder not meeting the conditions that would trigger benefits – that is, not needing help with two or more Activities of Daily Living as defined by HIPAA or not being cognitively impaired.

- Benefit Analyst decisions and payments are audited extensively against standard operating procedures and feedback is provided regularly. In addition to decisions, correspondence and documentation are also audited each month.

### Ongoing Payment

- Approximately 400 new claims are opened each week. Payments are made monthly to our insured on their designated payment date. This provides a predictable stream of payments. The insured may elect to receive monthly payments through electronic funds transfer. Currently 40% of our insureds opt to have payments directly deposited to their account. Genworth pays approximately \$3 million per day and has paid over \$5.6 billion in total benefit payments to over 130,000 policyholders since 1974.
  - Benefit calculations are automated in the claim system specific to the policy benefits. This ensures the accuracy of benefit payments.
  - All conversations with the Benefit Analyst are recorded and a sample is monitored each week to ensure fair and compassionate treatment of our insureds.
  - The Benefit Analyst reviews the claim regularly and remains in contact with our insured/or representative and care coordinator to determine if care needs have changed.
- As it relates to those claims that are denied, only those claims that do not meet the requirements of the customer's policy are denied. As highlighted in the process description above, every time a claim is denied, a secondary review of the denial is conducted by a specialist who has not been previously involved in the claim. Only after that second review, is the policyholder notified of a denial. No single employee at Genworth may deny a claim on his or her own. If the policyholder still feels that the claim is warranted or if new information is available, there is an appeals process whereby a policyholder or their family can contest the decision. These appeals are often reviewed by our Chief Medical Officer, a physician who helps to ensure that any decision to deny a claim is accurate and appropriate, our Chief Operating Officer and myself.

## **MARKETING LONG TERM CARE INSURANCE**

- Purchasing long term care insurance is a smart decision for many people, but we recognize that it is not appropriate for all people. We abide by strict suitability standards as provided for under the National Association of Insurance Commissioner's (NAIC) Model, to ensure that only consumers with appropriate income thresholds purchase a policy. This generally prohibits marketing to individuals with less than \$30,000 in household income.
- Genworth's long term care insurance products are sold by dedicated specialists, independent individual and group brokers and financial planners, and through affinity relationships like AARP. All individuals who market our products are subject to their respective state requirements for Life and Health insurance licensing, which may require additional continuing education credits for state partnership policies.
- We believe it is critically important that people recognize the need for long term care and we recognize that consumers must have access to information on long term care options and benefits available to them and their families. That is why we conduct an annual Cost of Care Survey, which details the cost of care in cities and states across the country for long term care services provided in the home, in adult day care centers, in assisted living facilities, and in nursing homes.
- We also believe that education and awareness programs are very effective. The Own Your Future campaign led by Health and Human Services is one such example of how education and awareness can help people learn about long term care and gain access to valuable information on how to plan for possible future care needs for themselves and their families.
- Long term care insurers have continued to work with the NAIC to develop and implement additional consumer safeguards, including protections against arbitrary rate increases, enhanced disclosure requirements, and flexibility for consumers to adjust their policy benefits to meet future needs and reduce costs.

## **RISK MANAGEMENT**

- As the largest provider of this important insurance, we appreciate our responsibility in remaining strong financially and in the way we manage our company. There are four primary drivers of

economics in a long term care insurance product: Morbidity, Mortality, Investment Yield and Voluntary Lapses. Our business growth strategy involves originating our own policies versus acquiring blocks. This has helped to preserve the continuity of our risk management disciplines.

- Our 34 years of experience provides unique insights into the costs of long term care and Morbidity trends. Our experience with this line of business and that of the general insurance industry provides a good basis for predicting Mortality patterns. Due to the long tail nature of the liability, we deploy a relatively conservative investment strategy and generally invest in long term assets to match the liability duration.
- The single largest driver of performance on the older policies we service was the Actuarial assumption for voluntary lapses, which was originally predicted to be 5.5%, but has actually turned out to be closer to 1%.
- The voluntary lapse assumption was the primary driver of our decision to request our first rate increase – an amount of 8-12 percent on policies introduced up through 1997, which would increase the average policyholder’s payments by less than \$20 per month.
- Genworth retains the right to raise rates on its long term care insurance policies, but not on the basis of individual circumstances, such as age or health. Genworth Financial can only raise rates on a class-wide basis and can only do so based on state review/approval.

## **HOW GENWORTH ANTICIPATES AND PLANS FOR FUTURE LONG TERM CARE NEEDS**

- We are confident that our current policies will adequately provide for the long term care needs of policyholders 20 to 30 years from now. The policies we sell today include coverage for a wide array of care providers including formal and informal homecare and flexible definitions of Assisted Care Facilities to accommodate the changing care delivery environment.
- Additionally, our policies contain an Alternate Care Benefit that allows for payment of services not specifically covered within the policy benefit language. Examples include in-home safety devices, community based services, and medical response devices.

- Genworth is also proud to be a thought leader for the long term care industry, and we have worked hand-in-hand with policymakers and opinion leaders through initiatives such as the National Commission for the Quality of Long Term Care in order to ensure that the industry is providing the types of care and the quality of care that consumers need.
- In addition, our annual National Long Term Care Symposium brings together leaders from government, industry and consumer groups to talk about important issues and discuss possible solutions to challenges in the long term care industry. We also have a long term relationship with the National Alzheimer's Association, and work directly with their call center to connect policyholders to local Alzheimer's Association chapters.

## **CHANGES IN STATE & FEDERAL POLICIES**

- Medicaid spending on long term care alone is now over \$100 Billion annually, which many say cannot be sustained for very long. Most of Medicaid's spending goes to nursing homes because of an institutional bias that dates back to the program's original design. Medicaid only now provides for limited home-based care through state-specific waiver programs.
- We have learned that there is no one-size-fits-all solution to solve the long term care financing problems that are looming for millions of Americans. In the end, many different approaches will have to be applied if we are to solve the problem.
- The State Partnerships for Long Term Care and the Own Your Future campaign are two examples of how both federal and state government can work together to better ensure that more Americans are planning ahead.
- Partnership policies allow for an individual to receive private long term care insurance benefits with the confidence of Medicaid as a backstop should they exhaust their coverage. This program has been a huge success, heralded by Governors across the country, and is now available in 18 states.
- To date, with over 265,000 policies sold, only 213 people – less than 1% of individuals – have exhausted benefits and had to utilize Medicaid.

- Recent regulatory changes also made it possible to bring to market new products that link long term care insurance with annuities and life insurance products, which may help instill greater value of these products among more Americans.
- In terms of how federal and state governments could support broader adoption and penetration of private long term care insurance policies, consistency matters, whether it be a broader adoption of the NAIC model regulations at the state level, or consistency through a federal charter. Either approach would be helpful from both a consumer and public policy standpoint.
- Our view of a solution to the long term care financing dilemma would involve private insurance paying first dollar of coverage, with the government playing more of a “re-insurers” role, and the focus being on the consumer segment that represents the greatest risk to Medicaid.

## **CONCLUSION**

- In closing I would like to underscore to this committee that this is a very important insurance product that is a critical part of the private/public solution to America’s long term care dilemma.
- We seriously appreciate our obligations to market and administer this product appropriately, knowing that our customers have provided us with precious dollars on the promise that we will uphold our commitments.
- At Genworth we manage our company with two guiding principles in mind; meet the needs of our customers today with best-in-class service, and keep our company strong so that we can meet the needs of our customers in the future.
- Long term care insurance is a complex type of insurance company to operate for a variety of reasons – not the least of which is the fact that we provide care for family members and loved ones who can no longer care for themselves. It’s a very emotional experience for a family to go through.
- At Genworth, we are proud of the products and services we offer and the way in which we conduct ourselves in carrying out our business.

- Thank you for inviting me to testify this morning. I would be pleased to answer any questions that you have.