New thoughts on insuring long-term care

Long-term care claims are triggered when policyholders are not able to perform two to three specified Activities of Daily Living (ADLs), but ageing starts way before that. **Mr Mick James** of **RGAx EMEA** asks if long-term care insurance can be developed to protect seniors way before the ADL inability sets in.

For older individuals, a loss of capability as simple as being no longer able to reach down and cut one's toenails can ultimately be a lead indicator of morbidity risk. How so? The trajectory can move to the difficulty in keeping one's feet clean, therefore possible fungal infections, resulting in changes in gait and ultimately falls, bringing with them higher probability of broken bones.

Current LTC products may not be meeting evolving needs

In the context of long-term care insurance, a simple element such as this raises several thoughts. Traditionally, LTC insurance products have focused on immediate annuities, whole-of-life plans with long-term care acceleration riders, as well as standalone cover to provide lump sums or income streams to meet the high costs and short durations of end-of-life nursing home care.

Claims are generally triggered by the inability to perform two to three specified Activities of Daily Living (ADLs), depending on a policy's language and structure, such as feeding, bathing, dressing, toileting, transferring (the ability to get up from a bed or chair without assistance), and continence.

Policies have also recently been incorporating mental health language, such as: "Irreversible mental incapacity loss supported by evidence of progressive loss of ability to remember, reason, and perceive; understand; express and give effect to ideas."

As seniors worldwide are living longer than ever, current LTC products may not be meeting their evolving needs. "An Aging World 2015" from the US Census Bureau projects people older than age 65, which was 8.5% of the world's population in 2015, will be nearly 17% by 2050 and global life expectancy, 68.6 years in 2015, will be 76.2 by 2050.

China ageing population a concern

In Asia, the story might be even more dramatic. World Bank research shows several Asian countries already have substantial and fast-growing senior populations: In 2015, approximately 13% of South Korea's, 16% of Hong Kong's and 27% of Japan's were age 65 or older.

China, where 10% of its current population is 65 or older, is a particular concern. Its working-age population began to decline in 2015, and its total population may be ageing faster than that of almost any country in history. Part of its rapidly rising average age comes from the longevity of its one-child policy, which did not end until early 2016. The United Nations project that

China's dependency ratio will rise to approximately 44% by 2050.

These rapidly-rising average ages bring with them trends of increasing morbidity risk in the form of the chronic illnesses specific to older individuals, as well as higher comorbidities and the potential for longer durations of long-term care needs.

This is signalling a strengthening need for new leading indicators of risk. And perhaps, a rethink of several elements of long-term care cover itself.

A significant number of people will need institutional care and support

Talk to older people, they will tell you they want. They want to grow old in their own homes, surrounded by their special possessions and their memories. They want to age with independence, in the communities they know well, where they have friends, social ties and relationships, and want to feel safe, supported and socially valuable.

The unfortunate reality, however, is that this may not yet be possible. No one anticipates not being able to dress or feed themselves, and no one plans actively for dementia, making LTC, perhaps, the ultimate grudge purchase.

However, in the UK alone, one in four will likely need institutional care and support, and in the US, it is one in three. In addition, 80% of UK nursing home residents suffer from dementia or some other serious cognitive impairment, making these facilities difficult environments at best for the remaining 20% of sane albeit frail residents.

Rethinking of products

Today's LTCI is designed to cover the cost of end-of-life needs, and is triggered by specific ADLs. The signs that capabilities are lessening, however, tend to emerge far earlier than the inability to perform actual ADLs, and unfortunately are usually not noted (let alone acknowledged). As in the example of someone who cannot trim their own toenails any more, these signs can be blindingly simple and therefore easy to miss but are more important today than ever.

Would a product designed to provide the means to push back the point of capability collapse prove attractive? And what would insurers need to get there? It is a much more positive sales message, but it may require some distinctly different thinking.

A different perspective on ageing, well-being and morbidity

After age 65, people's physical and sometimes mental capabilities decline until they die. The decline takes place over three stages.

In Stage 1, slowly increasing frailty erodes an older person's capabilities. The point at which they enter Stage 2 is generally due to an event such as a fall, an illness, or loss of a spouse. In Stage 2, capabilities tend to decline sharply. National health systems in most countries will step in at this point to provide critical care to preserve life and enable the patient to return home. Capabilities, however, are unlikely to return to their Stage 1 levels. At Stage 3, the loss of ADLs becomes evident, triggering most long-term care policies.

Little energy has been expended on understanding Stage 1, the pre-collapse of capability stage, and of finding supportive, insured structures to push back the cliff edge of decline into Stage 2.

A long-term care product that could meet the needs of seniors in Stage 1 or 2 would require an entirely new set of claims triggers, as ADLs in today's products are too severe for these seniors. It may also require new thinking around the measurement of frailty, which is all too often physically based, as the impact of social connection and loneliness is increasingly being understood as severe for longevity.

Indeed, a 2015 study from the Association for Psychological Science found that chronic loneliness can be as detrimental for longevity as a 15-cigarette-a-day habit.

Independent living

Instrumental Activities of Daily Living (IADL), a concept which has been around since the late 1960s, focuses on the ability to perform activities related to independent living such as shopping, cooking, managing medications, doing housework and laundry, and managing finances.

An IADL assessment might help show when early health care interventions might be beneficial, but it takes no account of the complex picture of what might really be happening in older peoples' lives.

Four-dimensional model

A four-dimensional model that examines the physical, psychological, social and spiritual aspects of well-being of older individuals as they progress toward death was developed by Scott Murray, Professor of Palliative Care at Edinburgh University in Scotland.

The trajectories of each of the four aspects differ, depending on whether there is rapid, intermittent or gradual functional decline. For each of these types of declines, although the four aspects each have their own trajectories, they are clearly interlinked.

The four aspects have begun to be built into modern frailty assessment tools, such as the Electronic Frailty Index (eFI). Such systems take into account both the physical and social elements of ageing and are a useful step forward from previous frailty scores, which typically concentrated only on purely physical aspects such as grip strength or measuring the time it takes to get up from a chair, walk a few paces and sit back down.

Thinking forward

The challenge we face as an industry is to determine how to develop long-term care insurance products that can meet needs not previously considered. This will involve identifying new benefit trigger points, and could open the possibility of new products for this market, such as frailty care products designed to support seniors wishing to live at home for as long as possible.

We also would do well to think carefully about how to make claim benefits truly useful because we know that most of our customers lack the skills and knowledge to understand the problems associated with frailty and to act in an appropriate way. Successful life insurers of tomorrow will have to provide benefits and service wraparounds to guide claimants and their families to the best outcomes.

Insurance should be about creating socially useful outcomes at times of great need. As our ageing and increasingly frail populations expand and continue to prefer to live at home, insurance companies would do well to think imaginatively about current and possible novel long-term care claims triggers, and innovative ways to monitor and measure when claims-triggering incidents occur.

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