Opening Statement of Senator Herb Kohl
Special Committee on Aging Hearing
Boon or Bane: Examining the Value of Long-Term Care Insurance
June 3, 2009

Good afternoon. Thank you all for being here. In March, this committee heard from experts, including Senator Kennedy, who all agreed that reforming our long-term care system is a necessary part of reforming the entire health care system. With America aging at an unprecedented rate, and with the high and rising costs of caring for a loved one, the financing of long-term care must be addressed if we are going to get health care costs under control. Today we are going to examine one way families can finance their long-term care costs, through long-term care insurance.

We all know that long-term care is expensive. The cost of an average nursing home is nearly $75,000 per year. However, according to the Congressional Research Service, most Americans do not realize that neither Medicare nor Medicaid will cover these costs unless their household savings are nearly eliminated. States share the responsibility of providing Medicaid funding for long-term care with the federal government, and are also looking for ways to reduce their expenses. As of today, 43 states are in the process of launching "Partnership" programs, which provide incentives to consumers who purchase private long-term care insurance. But in the rush to ease the burden of long-term care costs on state budgets, we fear that some key concerns are being overlooked.

We have a duty to make sure these policies, which may span many decades, are financially viable. Several long-term care insurance providers have applied for TARP funds in recent months, raising questions about their solvency. In addition, many insurance companies have been raising their policyholders' monthly premiums, which can be devastating for older persons who are living on a fixed income.

The Committee is aware of instances in which Americans living on modest or fixed incomes, who have held policies for many years, have seen premium rates double when a company encounters financial difficulties. For such consumers, the choices are stark and very limited: they can either dig deeper and pay the increased premiums, or let their policy lapse, leaving them with no coverage if they ever need care.

Last year, I was joined by several Senate and House colleagues in releasing a GAO report on whether adequate consumer protections are in place for those who purchase long-term care insurance. The report found that rate increases are common throughout the industry, and that consumer protections are uneven. While some states have adopted requirements that keep rates relatively stable, some have not, leaving consumers unprotected.

This afternoon we will discuss how we can best protect these policyholders. We need to ensure that premiums increases are kept at a minimum, insurance agents receive adequate training, and complaints and appeals are addressed in a timely manner. We should also make it easier for consumers to accurately compare policies from different insurance carriers, particularly with regard to what benefits are covered and whether the plan offers inflation protection. States should also have to approve materials used to market Partnership policies. Today I will introduce the Confidence in Long-Term Care Insurance Act of 2009, which will institute many of these improvements.

It is estimated that two out of three Americans who reach the age of 65 will need long-term care services and supports at some point to assist them with day-to-day activities, and enable them to maintain a high-quality, independent life. Long-term care insurance is an appropriate product for many who wish to plan for a secure retirement. But until we can guarantee that consumers have adequate information and protections, and that premiums won't skyrocket down the road, long-term care insurance is not ready to be a major part of the health care reform solution.

Thank you to all of today's witnesses. We look forward to your testimony. Now we turn to Senator Martinez for his opening statement.