

GOOD MORNING, AND THANK YOU FOR THE OPPORTUNITY TO BE HERE. I AM SAM MARSHALL, AND I HEAD UP THE INSURANCE FEDERATION. I AM JOINED BY ROD PERKINS WITH GENWORTH FINANCIAL. ROD BRINGS KNOWLEDGE OF LONG-TERM CARE INSURANCE AND THE PARTNERSHIP PROGRAM FROM NOT JUST A NATIONAL LEADER IN PROVIDING THE COVERAGE, BUT AS ONE WHO HAS BEEN INVOLVED WITH ITS REGULATION HERE, IN STATES ACROSS THE COUNTRY AND AT THE NAIC.

WE'RE BIG BELIEVERS IN LONG-TERM CARE INSURANCE - NO SURPRISE THERE. WE THINK IT IS A CRITICAL COMPONENT OF ANY RESPONSIBLE RETIREMENT PLAN - ESPECIALLY AS WE SEE THE TURMOIL OF THE FINANCIAL MARKETS AND THE EROSION OF STOCK PORTFOLIOS AND HOUSING VALUES DEplete OTHER COMPONENTS OF RETIREMENT SAVINGS.

THAT'S PARTICULARLY TRUE AS WE LIVE LONGER BUT NOT NECESSARILY BETTER. THE REALITY IS THAT MORE OF US WILL NEED LONG-TERM CARE, AND NEED MORE OF IT, THAN IN GENERATIONS PAST. AND THE TYPE OF CARE NEEDED IS GOING TO BE MORE DIFFICULT, WITH THE SAD GROWTH OF COGNITIVE IMPAIRMENT, BUT IT WILL ALSO MEAN THE CHANCE FOR MORE CARE IN THE HOME AS OPPOSED TO INSTITUTIONAL SETTINGS.

WE ALSO THINK LONG-TERM CARE INSURANCE HAS AN INCREASING PUBLIC AS WELL AS PERSONAL VALUE. RIGHT NOW, MUCH OF LONG-TERM CARE IS PROVIDED BY MEDICAID - NOT MEDICARE OR STANDARD HEALTH PLANS, WHICH GENERALLY DON'T PAY FOR LONG-TERM CARE SERVICES.

THAT MEANS, ABSENT SOME FORM OF PRIVATE COVERAGE, INCREASED DEMANDS ON MEDICAID PROGRAMS - A PARTICULAR PROBLEM FOR THIS COMMONWEALTH, WITH ITS OLDER POPULATION. AND IT ALSO MEANS THAT CONSUMERS NEEDING MEDICAID COVERAGE HAVE TO "SPEND DOWN" - DEplete THEIR SAVINGS OR PAY CREATIVE LAWYERS AND FINANCIAL PLANNERS TO FIGURE OUT WAYS TO TRANSFER SAVINGS.

THAT MAKES A STRONG CASE FOR LONG-TERM CARE INSURANCE, AND IT WAS AND REMAINS THE VALUE OF THE PENNSYLVANIA PARTNERSHIP PROGRAM ENACTED IN 2007. THAT PROGRAM IS DESIGNED TO ALLOW THOSE WHO PURCHASE LONG-TERM CARE INSURANCE TO PROTECT THEIR ASSETS RATHER THAN HAVING TO "SPEND DOWN" TO QUALIFY FOR MEDICAID COVERAGE IF THEIR LONG-TERM NEEDS EXCEEDED THEIR PRIVATE COVERAGE. IT MAKES SENSE FOR CONSUMERS, AND IT MAKES SENSE FOR THE COMMONWEALTH - SINCE OUR MEDICAID PROGRAM WON'T SEE AS MANY PEOPLE UNINSURED IN TERMS OF LONG-TERM CARE COVERAGE.

THE QUESTION IS, WHAT CAN BE DONE TO PROMOTE IT - NOT JUST THE PARTNERSHIP PROGRAM, BUT THE PURCHASE OF LONG-TERM CARE COVERAGE GENERALLY. I THINK THE ANSWER IS TWO-FOLD: THE GOVERNMENT AND EMPLOYERS NEED TO PROMOTE IT WITH EDUCATION, OFFERINGS AND TAX INCENTIVES; AND THE GOVERNMENT AND INSURERS NEED TO MAKE SURE THAT THE COVERAGE MEETS CONSUMERS' NEEDS - IN WHAT IS COVERED, WHAT ITS COSTS AND HOW CLAIMS ARE HANDLED.

THE RENDELL ADMINISTRATION HAS WORKED ON THE EDUCATION FRONT. A YEAR AGO, IT IMPLEMENTED A PENNSYLVANIA VERSION OF THE FEDERAL HHS "OWN YOUR FUTURE" CAMPAIGN, WITH THE GOVERNOR WRITING TO 1.7 MILLION PENNSYLVANIANS BETWEEN THE AGES OF 45 AND 65 ABOUT THE IMPORTANCE OF PERSONAL RESPONSIBILITY IN PLANNING FOR THE FUTURE, INCLUDING THE IMPORTANCE OF CONSIDERING LONG-TERM CARE.

THE TIMING IN SOME WAYS COULDN'T HAVE BEEN MORE UNFORTUNATE - ALL OF US HAVE GOTTEN UNDERSTANDABLY SWEEPED INTO ADJUSTING TO THE INSTABILITY OF THE PRESENT. BUT AS WE WORK OUR WAY OUT OF THIS MESS, THE "OWN YOUR FUTURE" MESSAGE WILL BE MORE PRESCIENT: ONE LESSON LEARNED IN TODAY'S DIFFICULTIES IS THAT PLANNING AHEAD, WITH THE REAL GUARANTEES THAT INSURANCE CAN PROVIDE, IS CRUCIAL.

AND EVEN IN TOUGH ECONOMIC TIMES, THE RESPONSE TO THE GOVERNOR'S LETTER WAS PRETTY GOOD, AT LEAST IN GENERATING MORE QUESTIONS AND THOUGHTS - AND HOPEFULLY PLANS - FROM CONSUMERS. OUR RECOMMENDATION IS THAT THE EDUCATION BE RENEWED, AND THE INSURANCE DEPARTMENT HAS BEEN DOING MUCH OF THAT. LEGISLATORS CAN AND SHOULD DO THE SAME WITH YOUR OWN OUTREACH EFFORTS, AND I'D RECOMMEND YOU CONTACT THE ADMINISTRATION FOR MATERIALS.

EMPLOYERS ALSO PLAY A ROLE IN THIS, BECAUSE LIKE OTHER ASPECTS OF RESPONSIBLE RETIREMENT PLANNING, IT IS BEST TO PLAN FOR LONG-TERM CARE COVERAGE BEFORE YOU'VE RETIRED. THE BEST TIME IS WHEN YOU ARE WORKING - NOT JUST BECAUSE YOU HAVE MONEY, BUT BECAUSE YOU CAN LOCK INTO COVERAGE WITH GUARANTEED RENEWABILITY AND A HANDLE ON RATE INCREASES.

THAT MEANS GETTING EMPLOYERS TO OFFER LONG-TERM CARE COVERAGE, AT LEAST AS AN OPTION, IN CAFETERIA PLANS AND FLEXIBLE SPENDING ACCOUNTS - SO EMPLOYEES CAN PURCHASE THIS COVERAGE WITH PRE-TAX DOLLARS, AS THEY DO WITH OTHER FORMS OF EMPLOYER-BASED LIFE AND HEALTH BENEFITS. IMPROVING ACCESS TO LONG-TERM CARE COVERAGE AT WORK IS A KEY - WE DO IT WITH OTHER RETIREMENT PLANNING, SO LET'S EXPAND IT HERE.

TAX INCENTIVES ALSO PLAY A ROLE IN GENERATING AWARENESS OF LONG-TERM CARE COVERAGE. FRANKLY, THAT'S MORE A FEDERAL THAN A STATE QUESTION, AND TAX CREDITS AND INCENTIVES ARE TOUGH AT EVERY LEVEL OF GOVERNMENT RIGHT NOW.

THE PARTNERSHIP PROGRAM ACT ALSO PLAYS A PIVOTAL ROLE - MORE ACCURATELY, IT WILL ONCE IT GETS UP AND RUNNING. IT IS ONE OF THOSE RARE "WIN-WIN" ACTS: CONSUMERS WIN BY GETTING A DOLLAR-FOR-DOLLAR CREDIT FROM THEIR LONG-TERM CARE COVERAGE IF THEY ULTIMATELY HAVE TO "SPEND DOWN" FOR MEDICAID COVERAGE, AND THE STATE WINS BY REDUCING DEMANDS ON MEDICAID BECAUSE MORE PEOPLE HAVE COVERAGE.

TWO YEARS AFTER THE ACT WAS PASSED, HOWEVER, THE PARTNERSHIP PROGRAM IS STILL LARGELY ON THE "DRAWING BOARD" OF FILINGS WAITING FOR INSURANCE DEPARTMENT APPROVAL. SOME OF THAT IS DELAY IN OUR REGULATORY APPROVAL PROCESS, AND SOME OF IT IS DELAY IN GETTING THE RULES LAID OUT AT THE FEDERAL LEVEL. THERE ARE A FEW PARTNERSHIP POLICIES IN THE MARKET NOW, BUT NOT MANY; OUR NATIONAL EXPERTS BELIEVE PARTNERSHIP SALES ARE A NEGLIGIBLE PART OF ONGOING LONG-TERM CARE INSURANCE SALES SIMPLY BECAUSE NOT MANY INSURERS HAVE THE POLICIES IN THE MARKET YET.

THE GOOD NEWS IS THAT ONCE WE WORK THROUGH REGULATORY APPROVAL, POLICIES SOLD DURING THIS INTERIM PERIOD WILL BECOME PARTNERSHIP POLICIES ONCE WE GET REGULATORY APPROVAL - AND CONSUMERS WHO BOUGHT POLICIES BETWEEN FEBRUARY OF 2006 AND JULY OF 2007 WILL GET THE OPTION TO EXCHANGE THOSE POLICIES FOR PARTNERSHIP ONES. AGAIN, THAT'S GOOD FOR CONSUMERS, AND IT'S GOOD FOR THE STATE.

IN THE END, WE AS INSURERS HAVE THE MAIN RESPONSIBILITY OF GETTING GOOD LONG-TERM CARE INSURANCE TO CONSUMERS. WE NEED TO PROVIDE COVERAGE THAT ADDRESSES THE NEEDS OF CONSUMERS AND IS AFFORDABLE - NOT ALWAYS AN EASY BALANCE. WE NEED TO MAKE SURE COVERAGE IS BEING MARKETED BY AGENTS WHO KNOW WHAT THEY'RE TALKING ABOUT. WE NEED TO MAKE SURE CLAIMS ARE PAID FAIRLY AND EFFICIENTLY, WITH CLEAR EXPLANATIONS TO CONSUMERS AND WITH THE RECOGNITION THAT THESE ARE AMONG OUR MOST VULNERABLE CONSUMERS. AND WE NEED TO MAKE SURE THE MONEY IS THERE TO MEET THE CLAIMS THAT WILL COME DOWN THE ROAD.

WE HAD PROBLEMS IN THE PAST - NOT ACROSS THE BOARD, BUT WITH SOME CARRIERS AND AGENTS. BUT THE INDUSTRY - THROUGH GREATER KNOWLEDGE OF THIS LINE OF COVERAGE, THROUGH MARKET PRESSURES AND THROUGH BETTER REGULATION - IS MAKING THE

NECESSARY CHANGES. WE'VE GOTTEN A BETTER HANDLE ON THE COST OF THIS COVERAGE, AND WE'VE GOTTEN GREATER EXPERTISE IN THOSE MARKETING COVERAGE AND THOSE HANDLING CLAIMS. AND THE REGULATORY SYSTEM HAS GOTTEN BETTER - MORE TARGETED AND MORE INTEGRATED AMONG THE STATES.

THAT'S MADE INSURERS MORE ACCOUNTABLE AND THE REGULATORY SYSTEM BETTER EQUIPPED TO DO THE ACCOUNTING. IT HAS MADE FOR MORE RATE STABILITY. IT HAS ALSO MADE FOR BETTER COVERAGE, AS WE'VE SEEN THE TYPE OF CARE CHANGE AND BEEN ABLE TO ADJUST POLICIES ACCORDINGLY. WE'VE SEEN THE RESULTS IN STUDIES ON CONSUMER SATISFACTION: HHS RECENTLY COMPLETED A SURVEY THAT FOUND 97% OF POLICYHOLDERS RECEIVING BENEFITS WERE SATISFIED WITH HOW THEIR CLAIMS WERE HANDLED.

WE'RE WORKING ON OUR OWN AND WITH REGULATORS ON SOME SPECIFIC IMPROVEMENTS THAT BEAR MENTION. ONE IS WHAT I'LL DESCRIBE AS "OPTIONALITY" - WHERE AN INSURER GIVES CONSUMERS THE OPTION OF REDUCED COVERAGE WHEN FACING RATE INCREASES OF A CERTAIN AMOUNT AT RENEWAL. THE OTHER IS EXTERNAL REVIEW IN CLAIMS DISPUTES. SOME COMPANIES ARE ALREADY DOING BOTH, AND THE INDUSTRY IS WORKING WITH THE NAIC ON MODEL LAWS IN THESE AREAS. OF COURSE, AS YOU CAN

SEE FROM THE DELAYS ON THE PARTNERSHIP PROGRAM, THAT TAKES TIME.

I'LL CLOSE WITH A GENERAL OBSERVATION: IN ALL THE TALK OF HEALTH CARE REFORM, WE TOO OFTEN LEAVE OUT OR UNDERSTATE LONG-TERM CARE INSURANCE. WE SHOULDN'T - THIS SHOULD BE PART OF ANY EVALUATION OF THE UNINSURED - AND WE APPRECIATE HEARINGS LIKE THIS AS A CHANCE TO GET CONSUMERS TO UNDERSTAND ITS VALUE AND TO MAKE SURE THEY HAVE UNDERSTANDABLE AND ACCOUNTABLE COVERAGE.