Obama, Clinton Call for Investigation into LTC Abuses

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WASHINGTON — Members of Congress are calling for investigations into alleged long-term-care-insurance abuses just as the government is set to release its latest survey, showing a 97% satisfaction rate among policy claimants.

Sen. Barack Obama, D-Ill., on April 5 joined Sen. Hillary Rodham Clinton, D-N.Y., in requesting that the Government Accountability Office, which provides Congress with research on public-policy issues, conduct a study of the LTC industry. The two senators are vying for the Democratic nomination for president.

Sen. Amy Klobuchar, D-Minn., also has asked the Senate Health Education Labor and Pensions Committee to investigate media reports that LTC insurance companies are denying legitimate claims made by senior citizens on their policies. In addition, Rep. Anthony Weiner, D-N.Y., asked a subcommittee of the House Energy and Commerce Committee to investigate the reports.

‘Poorly underwritten’

At press time, there was no word as to whether the GAO or either of the congressional committees would heed the requests.

Many LTC policies have been “oversold” and “underpriced,” said Frank Darras, managing partner of the Ontario, Calif., office of Shernoff Bidart & Darras LLP of Claremont, Calif. The firm reviews some 1,000 disability and LTC cases each month, making it what he claims is the largest such practice in the United States.

In many cases, LTC policies “were poorly underwritten, with too many bells and whistles,” Mr. Darras said. As policyholders have aged and have started making claims on their policies, interest rates and investment returns have declined.

Many carriers have stopped booking new LTC business, Mr. Darras said, and those companies have little incentive to serve their customers well. That has led to a higher incidence of wrongful claim denials among those carriers, he said.

Other companies have petitioned state regulators for hefty premium increases, which elderly people on fixed incomes can ill afford, Mr. Darras added.

As many as one-fourth of all claims are being denied, according to the media reports. But figures to be released in the next few months by the Department of Health and Human Services show that 97% of claims filed had no disagreement with their insurance company or had a disagreement that was resolved satisfactorily, according to Marc Cohen, president of LifePlans Inc. of Waltham, Mass., which is conducting the study.

“We have high satisfaction in this program,” said Karen Ignagni, president of America’s Health Insurance Plans in Washington, which represents carriers accounting for more than 90% of the LTC insurance market. “We’re going to be prepared to tell that story to members of Congress.”

Some 8 million LTC policies are in force in the United States, bringing in an estimated $8 billion of premium volume annually, according to figures supplied by AHIP. Financial advisers have been advising clients to purchase such plans to protect their assets as they age.

Referring to a March 26 story in The New York Times about LTC claims that appeared to have been denied wrongfully, Frank Keating, American Council of Life Insurers president and chief executive, said in a statement: “Neither our companies nor the regulators who oversee our products will stand for such treatment and indifference if these allegations are true.” The ACLI is based in Washington.

LTC policyholders received $3.3 billion in benefits last year, which prevented them from being a burden on their families or taxpayers, Mr. Keating said in the statement. Long-term care is a crucial retirement-planning component for the 76 million baby boomers, many of whom are nearing retirement, he said.

Both AHIP and the ACLI support the enactment of model LTC consumer protection laws developed by the National Association of Insurance Commissioners in Kansas City, Mo. Twenty-four states have adopted that model so far, according to AHIP.