Cancer Claims in Long Term Care Insurance

Should we be concerned?

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LTCHI Cancer Claims - Should we be Concerned?

Agenda

- Amen to underwriting
- How common are LTCHI Cancer claims?
- Compression of Morbidity
- Claims experience
- Can Cancer Claims be managed?
- Conclusions
Cancer Claims in Long Term Care Insurance

Cancer can be Successfully Underwritten
History of Cancer as a LTCI Risk Factor

Cancer Claims per 1000 Covered Months

Underwritten

LTCG Claims Experience: Cancer

Based upon 12 years of Claims Experience
History of Cancer as a LTCI Risk Factor

Cancer Claims per 1000 Covered Months

Based upon 12 years of Claims Experience
Cancer Claims in Long Term Care Insurance

Cancer will be a Common Claimed Event
Cancer Incidence Rates*, All Sites Combined
All Races, 1975-2002

Rate Per 100,000

*Age-adjusted to the 2000 US standard population and adjusted for delay in reporting.

Leading Causes of Death: Both Sexes
(United States: 2004)

- Alzheimer
- CLR
- Cancer
- Other CVD
- Stroke
- Heart Disease

Source: NCHS and NHLBI 2004
Cancer and Disability

Overall cost of Cancer: $206.3 billion

- $72.9 billion for direct medical care
- $17.9 billion in lost productivity due to illness
- $110.2 billion in lost productivity due to death

Greater recovery – return to work after LT disability

- Breast cancer: 14% increase
- Colon cancer: 24% increase
- Prostate Cancer: 36% increase
Cancer and Disability

UNUM Long Term Disability Claims

1. Cancer 12.1%
2. Complications of pregnancy 11.7%
3. Joint/muscle/connective tissue 10.1%
4. Back Injuries 8.1%
5. Cardiovascular disease 8.0%

Unum Corporate Disability Data Base, 2006
Carrier A LTCI Claims Experience
(60,000+ Insureds)

Most frequent paid claimed events*

1. Dementia, Cognitive Impairment 32.5%
2. Cancer 21.1%
3. Cardiovascular, CHF, Stroke, etc. 16.0%
4. Neurological Disorders 8.9%
5. Musculoskeletal Disorders 6.8%
6. Fractures 4.6%
7. Respiratory disease 3.0%
8. Trauma 2.5%

*Accounts for 95.4% of Paid Claims
Carrier A LTCI Claims Experience

Average Paid per Claim

1. Dementia, Cognitive Impairment $53,153
2. Respiratory disease $31,037
3. Cardiovascular, CHF, Stroke, etc. $28,517
4. Neurological Disorders $27,960
5. Trauma $21,075
6. Musculoskeletal Disorders $8,308
7. Fractures $8,775
8. Cancer $6,714
Cancer Claims in Long Term Care Insurance

Compression of Morbidity
The Emerging Need for Long-Term Care

Increasing Life Expectancy

Source: U.S. Census Bureau
Compression of Morbidity (Disability)

Present

Live longer, same onset morbidity

Live longer, delayed morbidity

Life is longer, morbidity compressed

After Fries; Ann Intern Med. 2003. 139(5):456
Compression of Morbidity

Definition: As life expectancy increases there is a relative decrease in the number of years of disability at the end of life. That is, as life expectancy increases there is a corresponding decrease in overall lifetime disability.
Conundrum of Underwriting

Community experience without underwriting

What is the Effect of LTCI Underwriting?

Life is longer, morbidity compressed

Less mortality, shorter duration of disability

Live longer, delayed morbidity

Less mortality, no effect on duration of disability

Live longer, same onset morbidity

Less mortality, longer duration of disability

CANCER

CAD

OA, RA
Compression of Morbidity: Drivers

- Improvement in lifestyles – smoking, diet, exercise
- Aggressive treatment of cardiovascular disease
  - Lipids, hypertension, diabetes
  - PTCA, CABG, valve replacement
  - Rate control, stroke prophylaxis, ↑ LV function (pacemakers)
- Medications designed to lessen effects of osteoporosis
- Arthritis – joint replacement, remitting medication
- Dementia – new medications (potential cure?)
- Advances in treatment of infectious hepatitis, multiple sclerosis and spinal cord injuries; immunizations
Advances in the Treatment of Cancer

Cancer survivors

- Significant advances in chemotherapy and surgery
- More remissions, longer remissions
- Common at time of underwriting (21% of applicants >65 yrs)

Potential positive impact on future LTCI claims?

- Fewer cancer claims, claimants older at time of claim
- Recurrent cancer embodies compression of morbidity
- Long term effects of treatment unknown
Understanding LTCI Claims Experience

Cancer Claims in Long Term Care Insurance
LTCG Claims Data Base

Risk Pool: >240,000 insureds
TQ Group and Individual, Comprehensive, 90 day EP

LTC Claims: >9,780 Approved LTCI Claims

- $344 million benefits paid, >$8 million/month
  - 43% paid for dementia and stroke

- Disability profile
  - 25% Cognitive Impairment (CI)
  - 45% 2+ ADL deficits
  - 30% Combined ADL & CI
LTCG Claims Experience

As of 4/2007: 9,786 Approved LTCI Claims

1,836 Cancer claims
- Age at issue: 66.6 years
- Age at time of claims: 72.5 years
- $14,532,093 paid to date
- $3,750 average claim payment

7,950 Claims other than cancer
- Age at issue: 71.1 years
- Age at time of claims: 77.6 years
- $318,918,398 paid to date
- $54,054 average claim payment
**LTCG Claims Experience**

**Most frequent paid claimed events**

1. Dementia, Cognitive Impairment  
   24.8%
2. Cancer  
   18.8%
3. Stroke with complications  
   10.8%
4. Fractures/Injuries/Falls/Gait problems  
   9.3%
5. Arthritic diseases  
   4.4%
6. Parkinson’s disease  
   4.1%
7. Respiratory disease  
   3.9%
8. CHF, Cardiomyopathy  
   3.1%
9. Back disorders  
   2.7%
10. Diabetic complications  
   1.8%

*Accounts for 84.6% of Paid Claims*

LTCG Claims Data Base 2007
# LTCG Claims Experience

**Top Claimed Events**

1. Dementia
2. Cancer
3. Stroke
4. Arthritis
5. Fractures/Injuries
6. Respiratory disease
7. Joint replacement
8. Parkinson’s disease
9. CHF, Cardiomyopathy
10. Diabetic complications

**Top Average Payments**

- Stroke
- Dementia
- Falls/gait abnormalities
- Osteoporosis
- ALS
- Cardiac disorders
- Other CNS disorders
- Joint replacement
- Parkinson’s disease
- Failed back surgery

LTCG Claims Data Base - 2007
<table>
<thead>
<tr>
<th>Principal Disabling Diagnosis</th>
<th>Avg Payment/Claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Stroke</td>
<td>$62,298</td>
</tr>
<tr>
<td>2. Dementia</td>
<td>$60,108</td>
</tr>
<tr>
<td>3. Parkinson’s disease</td>
<td>$58,121</td>
</tr>
<tr>
<td>4. Other CNS disorders</td>
<td>$52,544</td>
</tr>
<tr>
<td>5. Back Disorders</td>
<td>$45,937</td>
</tr>
<tr>
<td>6. Falls/Fractures/Gait Abnormalities</td>
<td>$45,190</td>
</tr>
<tr>
<td>7. Fractures/Injuries</td>
<td>$44,733</td>
</tr>
<tr>
<td>8. Arthritic diseases</td>
<td>$44,660</td>
</tr>
<tr>
<td>.......</td>
<td>.......</td>
</tr>
<tr>
<td>27. Cancer</td>
<td>$3,750</td>
</tr>
</tbody>
</table>
## LTCG Total Claims Payment

<table>
<thead>
<tr>
<th>Claimed Events*</th>
<th>Total Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Dementia</td>
<td>$96,967,844</td>
</tr>
<tr>
<td>2. Stroke with complications</td>
<td>$45,564,461</td>
</tr>
<tr>
<td>3. Fractures/Injuries</td>
<td>$28,150,444</td>
</tr>
<tr>
<td>4. Parkinson’s disease</td>
<td>$18,832,667</td>
</tr>
<tr>
<td>5. Arthritic diseases</td>
<td>$15,733,965</td>
</tr>
<tr>
<td>6. <strong>All Cancers</strong></td>
<td><strong>$14,532,093</strong></td>
</tr>
<tr>
<td>7. Respiratory diseases</td>
<td>$10,556,817</td>
</tr>
<tr>
<td>8. Back Disorders</td>
<td>$ 9,616,564</td>
</tr>
<tr>
<td>9. CHF, Cardiomyopathy</td>
<td>$ 8,137,643</td>
</tr>
<tr>
<td>10. Diabetic complications</td>
<td>$ 5,509,566</td>
</tr>
</tbody>
</table>

LTCG Claims Database 2007

*Accounts for 75% of total claims payments*
LTCG Cancer Claims Experience

Age Distribution
Cancer versus All Other Diagnoses

Based upon the 12th year of exposure
<table>
<thead>
<tr>
<th>Type of Tumor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>GI Tract</td>
<td>24.1%</td>
</tr>
<tr>
<td>Lung &amp; Bronchus</td>
<td>18.8%</td>
</tr>
<tr>
<td>Lymphoma, Leukemia</td>
<td>11.4%</td>
</tr>
<tr>
<td>Brain/CNS</td>
<td>9.1%</td>
</tr>
<tr>
<td>Breast Cancer</td>
<td>8.4%</td>
</tr>
<tr>
<td>Female Reproductive</td>
<td>6.1%</td>
</tr>
<tr>
<td>GU Tract</td>
<td>4.5%</td>
</tr>
<tr>
<td>Prostate</td>
<td>4.3%</td>
</tr>
<tr>
<td>Head/Neck</td>
<td>1.5%</td>
</tr>
<tr>
<td>Melanoma of skin</td>
<td>1.4%</td>
</tr>
<tr>
<td>Metastatic CA (unknown 1°)</td>
<td>8.2%</td>
</tr>
<tr>
<td>All Other Sites</td>
<td>2.1%</td>
</tr>
</tbody>
</table>
## LTGCI Cancer Claims Versus Cancer Cases
### Females

<table>
<thead>
<tr>
<th>Cancer Site</th>
<th>New ACS Cases</th>
<th>LTGCI Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breast Cancer</td>
<td>31%</td>
<td>14.1%</td>
</tr>
<tr>
<td>Lung &amp; bronchus</td>
<td>12%</td>
<td>18.7%</td>
</tr>
<tr>
<td>GI Tract</td>
<td>11%</td>
<td>23.1%</td>
</tr>
<tr>
<td>Female Reproductive</td>
<td>9%</td>
<td>10.3%</td>
</tr>
<tr>
<td>Lymphoma, Leukemia</td>
<td>4%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Melanoma of skin</td>
<td>4%</td>
<td>1.3%</td>
</tr>
<tr>
<td>GU Tract</td>
<td>5%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Brain/CNS</td>
<td>2%</td>
<td>8.5%</td>
</tr>
<tr>
<td>All Other Sites</td>
<td>22%</td>
<td>20.1%</td>
</tr>
</tbody>
</table>

Source: American Cancer Society, 2006; LTGCG Claims Data Based 2007
## LTCA Cancer Claims Versus Cancer Cases

**Males**

<table>
<thead>
<tr>
<th>Cancer Site</th>
<th>New ACS Cases</th>
<th>LTCI Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prostate Cancer</td>
<td>33%</td>
<td>10.6%</td>
</tr>
<tr>
<td>Lung &amp; bronchus</td>
<td>13%</td>
<td>18.9%</td>
</tr>
<tr>
<td>GI Tract</td>
<td>10%</td>
<td>25.6%</td>
</tr>
<tr>
<td>GU Tract</td>
<td>9%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Melanoma of skin</td>
<td>5%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Leukemia, lymphoma</td>
<td>7%</td>
<td>15.1%</td>
</tr>
<tr>
<td>Oral cavity</td>
<td>3%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Brain/CNS</td>
<td>2%</td>
<td>10.1%</td>
</tr>
<tr>
<td>All Other Sites</td>
<td>18%</td>
<td>8.7%</td>
</tr>
</tbody>
</table>

Source: American Cancer Society, 2006; LTCA Cancer Claims Data Based 2007
LTCG Cancer Claims Experience

Location of Care

- Hospice: 44.9%
- Home Health: 23.2%
- SNF: 9.7%
- ALF: 8.5%
- IP: 12.7%

Based upon the 12th year of exposure
LTCG Cancer Claims Experience

Cancer versus All Other Location of Care

Based upon the 12th year of exposure
LTCG Cancer Claims Experience

Compression of Morbidity
Cancer versus All Other Diagnoses

Based upon the 12th year of exposure
LTCG Cancer Claims Experience

Terminal Claim Location of Care

- Hospice: 52.7%
- Home Health: 19.2%
- SNF: 10.1%
- ALF: 6.1%
- IP: 10.6%

Based upon the 12th year of exposure
LTCG Cancer Claims Experience

Terminal Claim: Cancer versus All Other
Location of Care

Based upon the 12th year of exposure
LTCG Cancer Claim Experience

Typical cancer claim:
- 71 years of age, metastatic colon cancer
- 2+ ADL dependencies
- 4 months, $10,120 paid, Home Hospice

Most costly claim to date:
- 69 years of age, cardiomyopathy from chemo
- 3-4 ADL dependencies
- 49 months and counting; $219,000 (ALF)
Cancer Claims in Long Term Care Insurance

Can LTCI Cancer Claims be Managed?
LTCG’s Early Cancer Claims Experience
Circa 1999

- Close to 85% presented with terminal cancer
  - Severe and rapidly progressive disability
  - Significant compression of morbidity
  - Many request benefits at incipient ADL dependency
  - Most die before end of deductible period

- Few accessed benefits
  - Less than 50% outlive deductible period
  - Average claim payment less than $2,500
The Spectrum of Benefit Eligibility

- Benefit Eligible
- Grey Zone
- Ineligible for Benefits

- Two ADL Dependencies; Cognitively Intact
- Moderately Cognitively Impaired; ADL’s Intact
- Severely Cognitively Impaired
- Three or More ADL Dependencies
- 6/6 ADL Dependencies
- Coma

Special Handling Rules: Recognize rapid downhill disease course
New LTCI Benefit: Hospice Benefit
Circa 2000

New LTCI Hospice Benefit was introduced

- Waive deductible if benefit eligible and in hospice
- Certificate of Terminal Illness required
- Special Handling Rules developed
- Early care management support critical
- Provide custodial care to supplement hospice
- Provide respite to family caregivers
47% more cancer claimants receive benefit payments

LTCG Claims Experience: Cancer
$1,300 more benefits paid per cancer claim

Proactively Managing Cancer Claims

Average Payments per Paid Cancer Episode

$0
$500
$1,000
$1,500
$2,000
$2,500
$3,000
$3,500
$4,000

Pre-Benefit
Post-Benefit

$1,300 more benefits paid per cancer claim

LTCG Claims Experience: Cancer
Lessons Learned: New LTCI Hospice Benefits

- New significant care resources available to those with terminal cancer
- Major incentive to call sooner than later
- Care management impact much earlier in a claimant’s disease process
- New processes required to deal with outlier
- Very high claimant and family satisfaction
- Other diseases are potential candidates for this benefit
LTCI Cancer Claims

Conclusions
Conclusions

- Cancer is a common LTCI claimed event
- Most claims are brief (compression of morbidity)
- Early intervention is important
- Service day deductibles thwart many cancer claims
- Hospice Benefits provide real value
- Care Management can be very effective
  - Support end of life care, respite
  - Very high claimant and family satisfaction
- Cancer care is a model for other diseases at end of life
Cancer Claims in Long Term Care Insurance

Questions and Discussion

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