

## V. COVERAGE IN GROUP PLANS: THROUGH EMPLOYMENT OR ASSOCIATIONS

This section describes those who buy LTCI coverage through employment or through associations and the features of the coverage that they purchased. In general, those buying coverage through groups tend to (1) be younger, (2) buy less rich plans, and (3) pay lower premiums than those buying as individuals.

### A. Age of Insureds in Group Plans

For group LTCI plans, the average age of Massachusetts and national policyholders are similar.

- The average age of Massachusetts LTCI policyholders was **47.7** in 2004<sup>31</sup> and **50.4** in 2008.<sup>32</sup>
- Nationally, the average age of LTCI policyholders was **49.3** in 2004<sup>33</sup> and **50.6** in 2008.<sup>34</sup>

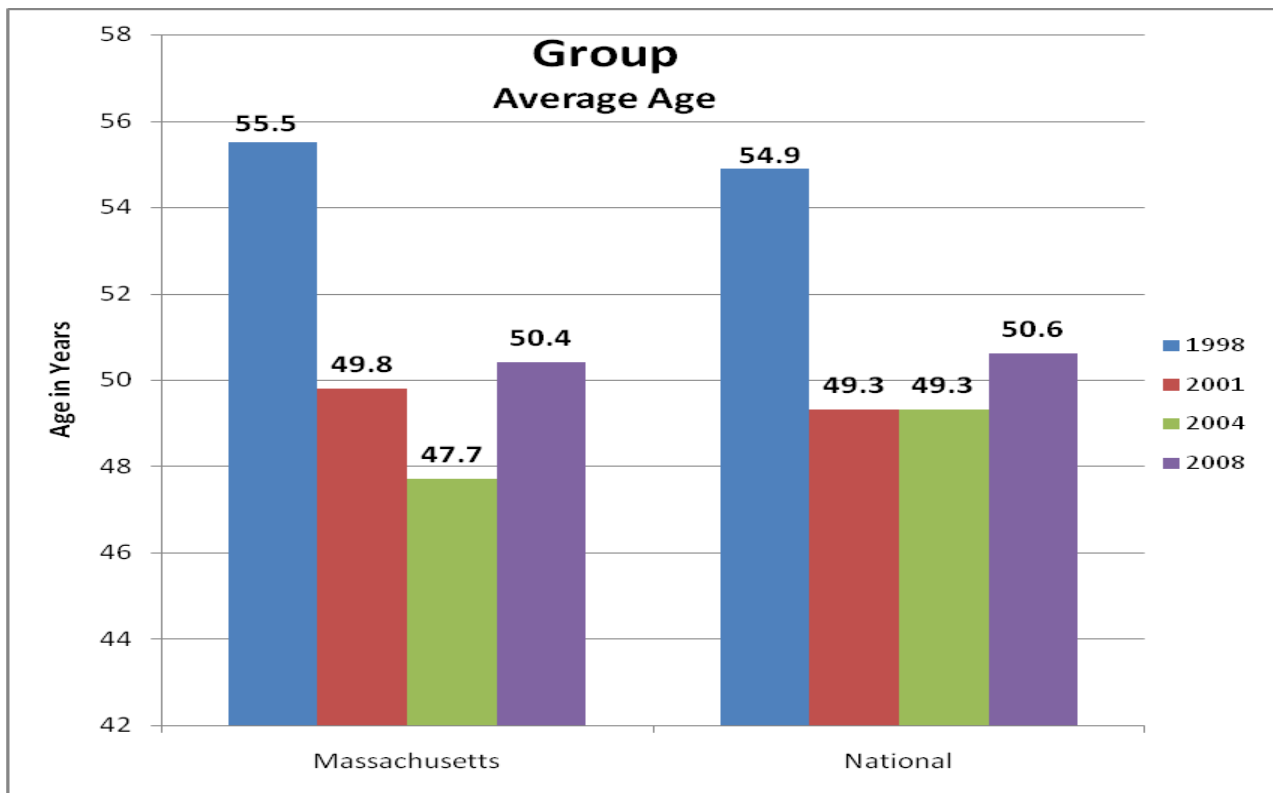


Exhibit 8

### B. Lifetime Maximum Benefit Periods

When group members apply for coverage, they choose how long the benefits under the plan will apply after they meet eligibility and waiting period rules. While individual products must offer coverage that will apply for at least two years of services<sup>35</sup>, there is no required minimum benefit for group products.

The following represents companies' commonly sold benefit periods when sold through associations or employment-based policies in 2008:

Massachusetts <sup>36</sup>	National <sup>37</sup>	
2	2	Number of companies where 3-year benefit period is most common
6	7	Number of companies where 5-year benefit period is most common
0	1	Number of companies where 6-year benefit period is most common

### C. Level of Nursing Home Coverage

When group members apply for coverage, they choose whether the plan covers care in a nursing home or other facility<sup>38</sup> and the amount of daily or monthly nursing home benefits under the plan. In Massachusetts, individual products must offer a benefit of at least \$125 per day in a nursing home,<sup>39</sup> group plans are not subject to the same minimum offer requirements.

- In Massachusetts, 100% of group plans had nursing home coverage and the average daily nursing home benefit increased from \$110.77 in 2004 to \$121.46 in 2008. (Individual policies had an average daily nursing home benefit of \$182.73 in 2008.)
- Nationally, 100% of the group plans had nursing home coverage and the average daily nursing home benefit increased from \$112.31 in 2004 to \$116.14 in 2008. (Individual policies had an average daily nursing home benefit of \$139.07 in 2008.)

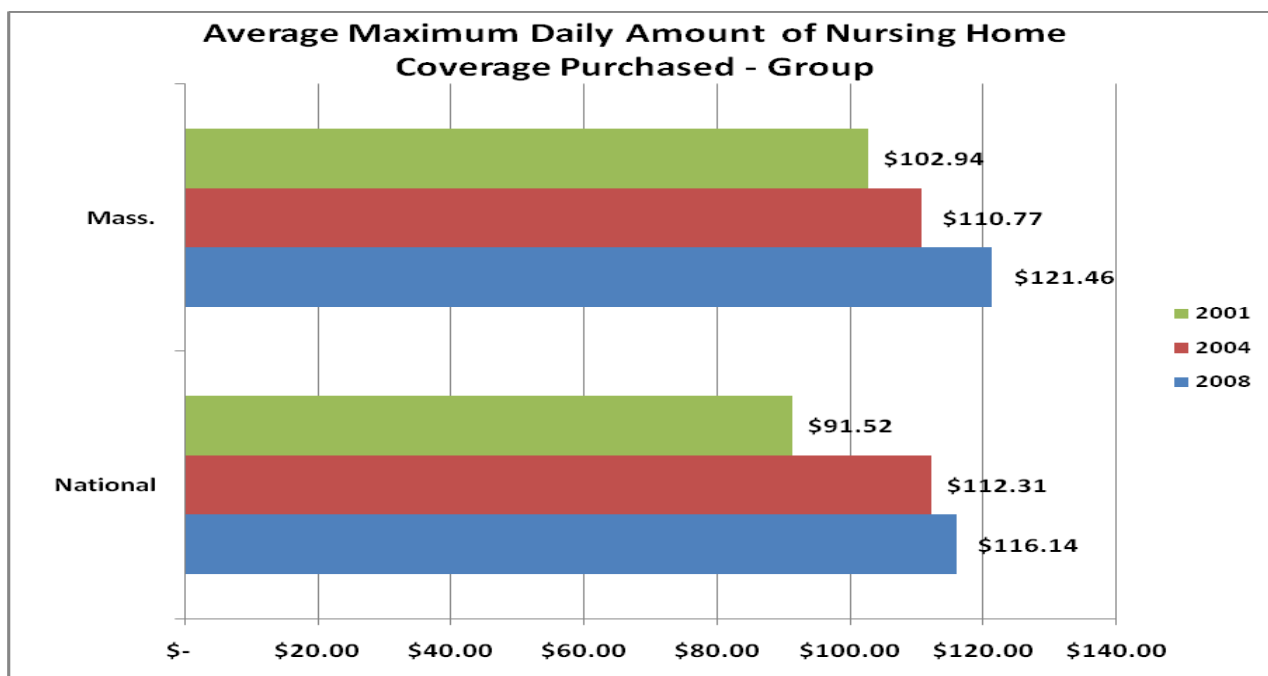


Exhibit 8

### D. Level of Home Health Care Coverage

When group members apply for coverage, they choose whether the plan covers home health care or other community-based services<sup>40</sup> and the amount of daily or monthly home health care benefits under the plan. In Massachusetts individual products with both nursing home and home health care benefits must provide the home health care benefit at a level at least 50% of the benefit for nursing home coverage,<sup>41</sup> group plans are not subject to the same offer requirements.

- Over 99% of new group LTCI plans written in Massachusetts had coverage for home health care and the average daily benefit increased from \$76.50 in 2004 to \$93.19 in 2008. (Individual policies had an average daily home health care home benefit of \$177.51 in 2008.)
- Nationally, 98% of new group LTCI policyholders had coverage for home health care and the average daily benefit in all policies increased from \$77.27 in 2004 to \$79.01 in 2008. (Individual policies had an average daily home health care benefit of \$136.38 in 2008.)

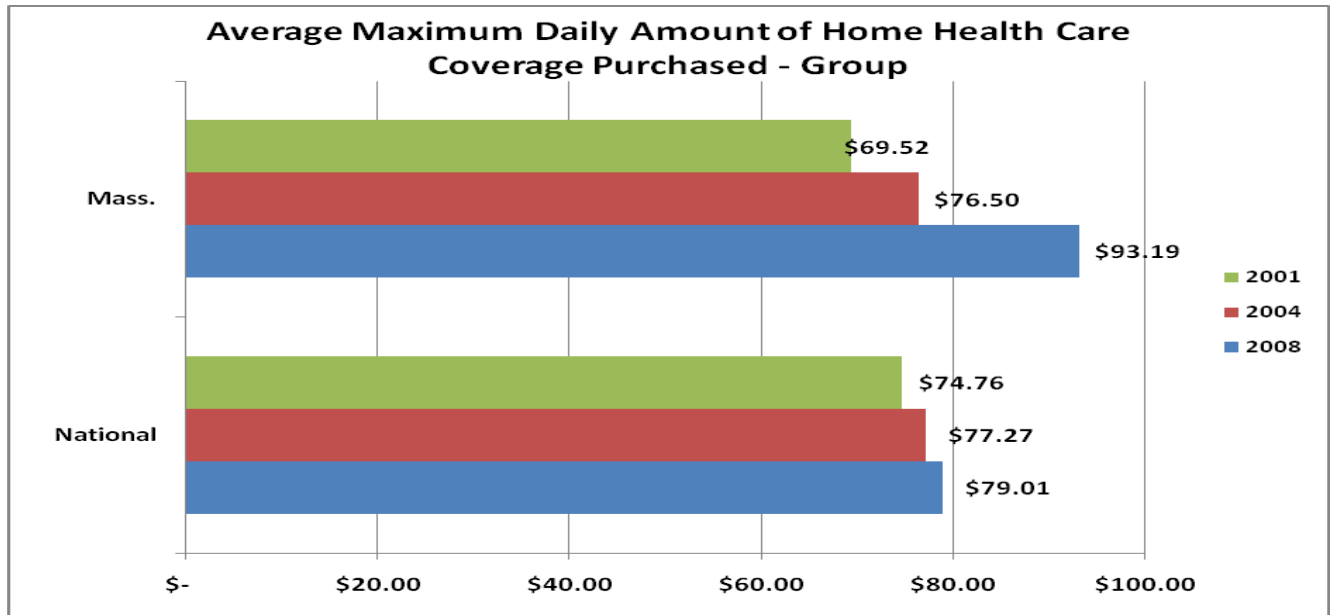


Exhibit 8

**E. Inflation Protection Benefits**

When group members apply for coverage, they choose a daily or monthly benefit amount of coverage under the plan; unless the policyholder buys inflation protection, the covered amount will be fixed and will not keep pace with changes in the cost of providing care. In Massachusetts individual products are required to offer an inflation protection option,<sup>42</sup> group plans are not subject to the same requirements

- In Massachusetts, 41.9% of new group coverage written in 2008 included inflation protection.
- Nationally, 31.9% of new group coverage written in 2008 included inflation protection.

The proportion of group coverage written with inflation protection has decreased dramatically from 2001 to 2008 with Massachusetts inflation protection dropping from 60.5% in 2001 to 41.9% in 2008.

Percent Purchasing Inflation Benefit	<u>2001</u>	<u>2004</u>	<u>2008</u>
<i>Massachusetts</i> <sup>43</sup>	60.5%	36.8%	41.9%
<i>National</i> <sup>44</sup>	70.7%	53.5%	31.9%

Among plans initially issued during 2008, persons with inflation protection chose the following types of inflation protection:

<u>Massachusetts</u>	<u>National</u>	
7.1%	7.3%	with inflation protection based on 5% simple interest rate;
3.7%	3.3%	with inflation protection based on the consumer price index;
0.0%	0.1%	with inflation protection based on 3% compound interest rate;
18.9%	19.4%	with inflation protection based on 5% compound interest rate;
12.2%	21.4%	with inflation protection based on some other type of inflation protection; and
58.1%	48.4%	without any inflation protection.

## F. Status as a Federally Tax-Qualified Plan

When group members apply for coverage, they may choose whether or not to buy a federally tax-qualified policy according to standards set forth in the federal Internal Revenue Code<sup>45</sup> and related regulations. A federally tax-qualified plan may qualify the insured for special tax treatment under federal tax laws. All non-employer-based coverage is required to explain on the front of the policy whether it is intended to be a federally-qualified plan.<sup>46</sup>

Percent Purchasing Federally Tax-Qualified Plans <sup>47,48</sup>	<u>2001</u>	<u>2004</u>	<u>2008</u>
<i>Massachusetts</i>	98.9%	90.7%	100.0%
<i>National</i>	97.9%	94.3%	99.8%

## G. Status as a Plan Qualifying for Certain MassHealth Exemptions

When group members apply for coverage, they may choose whether or not to buy a plan that satisfies certain standards to qualify for certain MassHealth exemptions.<sup>49</sup> Under such a plan, the policyholder may be able to meet certain MassHealth (Medicaid) standards when entering a nursing home. All non-employer-based coverage is required to explain on the front of the policy whether it meets certain MassHealth (Medicaid) exemption standards.<sup>50</sup>

In Massachusetts all individual plan carriers are required to offer at least one plan that satisfies the MassHealth (Medicaid) exemption standards,<sup>51</sup> group plans are not required to make the same offer. In 2008, 31.9% of newly written LTCI group coverage in Massachusetts were plans that were intended to meet the MassHealth requirements.

Percent Purchasing Plans Intended to Qualify for Certain Mass Health Exemptions <sup>52,53</sup>	<u>2001</u>	<u>2004</u>	<u>2008</u>
<i>Massachusetts Group Market</i>	28.2%	31.5%	31.9%

## H. Average Premiums in a Group Plan

An LTCI group plan's premiums vary based upon the age of the individual when the policy is first bought and the level of benefits (*i.e.*, lifetime maximum benefit period, nursing home coverage, home health care coverage, inflation protection, federal tax-qualified status, MassHealth status, etc.) included in the coverage. As noted in sections C and D, Massachusetts plans cover a higher level of daily benefit and Massachusetts premiums are higher than those of national plans.

Average Annual Premium for Plans Sold in Particular Year <sup>54</sup>	<u>2001</u>	<u>2004</u>	<u>2008</u>
<i>Massachusetts</i>	\$554.50	\$485.59	\$513.22
<i>National</i>	\$514.71	\$484.20	\$445.17