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Improved Mental Screening Can Cut Claim Costs

A new look at dementia claims by screened policyholders

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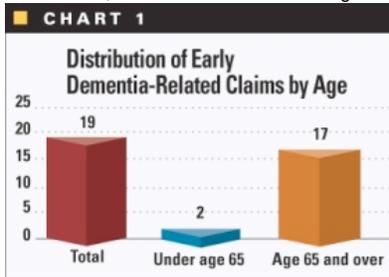
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Dementia-related claims costs continue to present the single largest claim liability to long term care carriers. Left unmanaged, this potential liability can threaten the long-term stability of premium rates--an issue of particular importance to LTC producers as well as policyholders, carriers, and insurance regulators.

It's not surprising then, that for the better part of the last two decades, insurers have been screening LTC applicants for dementia.

Early tests focused on identifying applicants who already exhibited signs of dementia. Second-generation tests were more predictive in that they were a bit more successful in identifying applicants at early stages of dementia, who typically exhibit some outward signs of a dementing disorder.

Nearly six years ago, a third-generation cognitive screen, the enhanced mental skills test (EMST) was introduced and is now extensively used by LTC carriers. The test is designed to detect applicants at the very earliest stages of cognitive decline, a state known as mild cognitive impairment (MCI).



MCI is a subtle but measurable memory disorder. A person with MCI experiences memory problems greater than is normally expected with aging but does not show other symptoms of dementia such as impaired judgment or reasoning. The rate of progression from MCI to dementia or Alzheimer's disease is between 6% and 25% per year and can be present for up to 7 years before manifesting itself as observable dementia.

Now that more than a quarter million EMST screens have been completed, there is enough credible data to report on the impact of such screening on the rate of early cognitive claims. This article will look at claims that have occurred within a three-year period after initial underwriting. The dataset is comprised of 208,000 people who were screened and became policyholders.

Roughly half (49%) were under age 65, 26% were between ages 65 and 71, and 25% were over 72. Some of these individuals received telephonic screens, whereas others were screened in person.

We surveyed 9 major LTC companies currently using the screen and obtained information about the number of policyholders who passed the EMST, became policyholders and who then had become claimants within three years of policy issue and whose primary diagnosis is Alzheimer's/dementia. Thus, we reported on the dementia-related claims experience of applicants screened for MCI and who were issued a policy.

Findings

Chart 1 shows the number of applicants who became early claimants as a result of dementia.

In total, out of 208,000 applicants who passed the cognitive screen, 19 have become early claimants, with a primary diagnosis of Alzheimer's/dementia within three years of policy issue over the period. This is a claims rate of .0091%, or about 1 person per 11,000 applicants for up to a three-year period. The corresponding rate for those over age 65 is .0167% (1 per 6,000) and for those below age 65, it is .0019% (1 per 53,000).

This claims rate does not control for the number of years of exposure to the dementia risk. For example, someone assessed and issued a policy in January 2009 only has been "exposed" to the risk of dementia

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for less than a year. To develop a more precise estimate, we focused on dementia-related claim rates per year of exposure for the applicant pool. That is, we analyzed the claims rates for all those who have been policyholders for at least one year (145,000 applicants), at least two years (87,000 applicants), and at least 3 years (43,000 applicants). We further broke this down by age—those over and under age 65.

As shown in Chart 2, among a cohort of applicants age 65 and over who have had their policies for at least 2 years, the early claims rate is .0268%. This means that for every 10,000 applicants age 65 and older who pass the EMST screen and are issued a policy, roughly 2 will become cognitive claimants within 2 years of being screened. The corresponding figure for those under age 65 is 1 in 25,000 applicants.

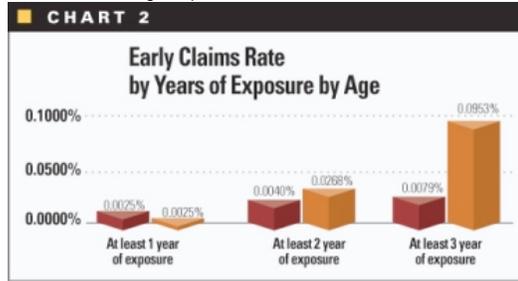
These are extremely low claim rates, attesting to the fact that effective screening for mild cognitive impairment can significantly reduce early dementia-related claims costs.

Population data suggests that annual expected incidence rates for dementia for the age groups represented in this sample are roughly 0.2% for those under 65 and 0.5% for those 65 and older. Thus, even when we focus on the subgroup with the highest early dementia claims rates—those who have been exposed for at least three years—the effective screening for mild cognitive impairment can succeed in screening out more than 90% of the prevalence rate during the period.

The early experience of effectively screening for mild cognitive impairment suggests that there are significant financial benefits in terms of reducing the most costly claims. Moreover, the benefits do not occur way off into the future, but rather within a few years of its use.

Because we have only analyzed experience for the first few years of its application, the results here probably understate the ultimate impact of such screening. It may well be that over the next few years, when claims rates would typically increase, the impact of the screen would be even greater in terms of claims cost reductions.

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