LONG-TERM CARE ISSUES

Bankruptcy Risk and State Regulation of Continuing Care Retirement Communities, by Christopher J. Conover and Frank A. Sloan

Continuing care retirement communities (CCRCs) often require substantial financial investment from residents, prompting concern about potential losses to residents in the event of a CCRC's bankruptcy. State governments have responded to this concern with varying levels of regulation. Overall, CCRC bankruptcy rates are very low (0.3 percent per year). The measures of varying regulation stringency had no effect on indicators of CCRCs' financial performance relating to bankruptcy risk. CCRCs that offer extensive contracts, including unlimited long-term care in addition to housing, have less positive indicators of financial strength than other types of CCRCs. When measured by traditional health care industry standards of financial strength, CCRCs appear less profitable than other types of health care facilities. This raises the question of whether CCRCs can continue to attract the needed capital from private markets and because of that, suggests that their future growth may be limited. *Inquiry*, Winter 1995/1996, 32(4): 444–456. (Reprinted with permission of ABI/Inform, copyright UMI.)

LONG-TERM CARE ISSUES

Risky Business: Long-Term Care Insurance Underwriting, by Christopher M. Murtaugh, Peter Kemper, and Brenda C. Spillman

Private insurance is one strategy for financing the large and growing cost of long-term care. Little is known, however, about the extent to which medical underwriting may limit the potential of private insurance to cover nursing home care, or whether the underwriting criteria used in this relatively new market successfully identify high-cost groups. Data from the National Mortality Followback Survey are used to address these two questions. It is estimated that between 12 and 23 percent of the population would be rejected from private long-term care insurance because of their health if everyone applied at 65. These figures rise to between 20 and 31 percent at age 75. The simulation results suggest that long-term care insurance underwriting criteria identify individuals who vary substantially in the financial risk they pose to insurers. In most cases, whether a criterion identifies a high-cost group is sensitive to the policy individuals are assumed to buy. *Inquiry,* Fall 1995, 32(3): 271–284. (Reprinted with permission of ABI/Inform, copyright UMI.)

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