

Long-term care claims unpaid

Policyholders file complaints against some providers

BY CHARLES DUHIGG
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CONRAD, MONT. — Mary Rose Derks was a 65-year-old widow in 1990, when she began preparing for the day she could no longer care for herself. Every month, out of her grocery fund, she scrimped together about \$100 for an insurance policy that promised to pay eventually for a room in an assisted living home.

On a May afternoon in 2002, after bouts of hypertension and diabetes had hospitalized her dozens of times, Derks reluctantly agreed that it was time. She shed a few tears, watched her family pack a truck with photo albums and her favorite blankets and rode to Beehive Homes, five blocks from her daughter's farm equipment dealership.

At least, Derks said at the time, she would not be a financial burden on her family.

But when she filed a claim with her insurer, Consec, the company said she had waited too long. Then it said Beehive Homes was not an approved facility, despite its state license. Eventually, Consec argued that Derks was not infirm, despite her early-stage dementia and the 37 pills she takes each day.

After more than four years, Derks, now 81, has yet to receive a penny from Consec, while her family has paid about \$70,000. Her daughter has sent Consec dozens of bulky envelopes and spent hours on the phone. Each time the answer is the same: Denied.

Tens of thousands of elderly Americans have received life-prolonging care as a result of their long-term care policies. With more than 8 million customers, such insurance is a fast-growing business, one of the many products that insurers, financial companies, and drug makers are pitching to baby boomers and older Americans reaching retirement. Thanks to recently passed federal incentives intended to promote purchases of

long-term care policies, the business is expected to grow even more.

Yet thousands of long-term care policyholders say that years of paying premiums have resulted in only a stream of excuses about why insurers will not pay.

Confidential depositions from policyholder lawsuits and interviews by The New York Times indicate that some long-term care insurers have developed procedures that make it difficult — if not impossible — for policyholders to get paid. A review of more than 400 of the thousands of grievances and lawsuits filed in recent years shows elderly policyholders confronting unnecessary delays and overwhelming bureaucracies. In California alone, nearly one in every four long-term care claims was denied in 2005, according to the state.

"The bottom line is that insurance companies make money when they don't pay claims," said Mary Beth Senkewicz, who resigned last year as a senior executive at the National Association of Insurance Commissioners. "They'll do anything to avoid paying, because if they wait long enough, they know the policyholders will die."

In 2003, a subsidiary of Consec, Bankers Life and Casualty, sent an 85-year-old woman suffering from dementia the wrong form to fill out, according to a lawsuit, then denied her claim because of improper paperwork. Last year, according to another pending suit, the insurer Penn Treaty American decided that a 92-year-old man had so improved that he should leave his nursing home despite his forgetfulness, anxiety, and doctor's orders to seek continued care. Another suit contended that a company owned by the John Hancock Insurance Co. had tried to rescind the coverage of a 72-year-old man when he was diagnosed with Alzheimer's disease four years after buying the policy.

In court filings, all three companies said the denials had been proper.

They declined further comment on the cases, though Bankers Life and John Hancock eventually settled for unspecified amounts.

In general, insurers say criticisms of claims-handling are unfair because most policyholders are paid promptly and some denials are necessary to root out fraud.

In a statement, Consec said the company "is committed to the highest standards for ethics, fairness and accountability, and strives to pay all claims in accordance with policy contracts." Penn Treaty said in a statement, "We strive to treat all policyholders fairly, and to deliver the best, most efficient evaluation of their claim as possible."

But policyholders have lodged thousands of complaints against every major long-term care insurer. A disproportionate number have focused on Consec, its affiliate, Bankers Life, and Penn Treaty. In 2005, Consec received more than one complaint regarding long-term care insurance for every 383 such policyholders, according to data from the insurance commissioners' association. Penn Treaty received one complaint for every 1,207 long-term care policyholders. (The complaints touch on a variety of topics, including claims handling, price increases, and advertising methods.)

By comparison, Genworth Financial, the largest long-term care insurer, received only one complaint for every 12,434 policies.

In depositions and interviews, current and former employees at Consec, Bankers Life, and Penn Treaty described business practices that denied or delayed policyholders' claims for seemingly trivial reasons. Employees said that they had been prohibited from making phone calls to policyholders and that claims had been abandoned without informing policyholders. Such tactics, advocates for the elderly say, are becoming common throughout the industry.