She’s 82. The cost of her long-term care insurance just went up 80%

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Joyce Viets’ dad was in the life insurance business, so she knew from an early age that you have to plan ahead. “I heard about actuarials my entire life,” the Temecula resident told me.

Viets, 82, purchased long-term care insurance nearly two decades ago, anticipating there would come a time when she’d be glad to cover the costs of a nursing home, which can run nearly $300 a day in California for a private room.

So it was with more than a little dismay — and a strong sense of betrayal — that she received a recent letter from her long-term care insurance provider, Genworth Financial, informing her that her monthly premium is rising by 80%, to $530.71 from $294.84.

Genworth, the largest long-term care insurance provider by number of policyholders, blamed the huge price hike on “higher than expected aggregate policyholder claims costs.”

In other words, they screwed up the math. The company failed to adequately anticipate price increases over time for healthcare and assisted living.

“Genworth is one of the last long-term care providers standing,” said Amy Bach, executive director of San Francisco’s United Policyholders, an insurance advocacy group. “Most of the others have gone belly up.”

She acknowledged that long-term care insurers have a right to seek rate increases from state authorities, especially for older policies that may have promised more than they can deliver.

But such increases still come as a shock to policyholders who have been steadily paying their premiums year after year in anticipation of promised coverage.

“It’s a bait and switch,” Bach said. “But it’s a legal one. That’s the problem.”

According to the American Assn. for Long-Term Care Insurance, there are fewer than a dozen coverage providers still writing policies.

All have applied in recent years for higher rates — permission that is typically granted because the only other recourse would be the companies going bankrupt, making it difficult if not impossible for policyholders to submit claims.

“It’s not a bait and switch,” said Jesse Slome, executive director of the association. “An insurance company has to accurately project multiple things many years into the future.”

When those variables fail to pencil out, he said, the coverage provider has no choice but to adapt to the changed circumstances, which almost always means higher rates, reduced coverage or both.

“Nobody likes to pay more,” Slome said. “But over the 10 or 15 years since a person bought the policy, things have changed.”

In 2000, for example, U.S. healthcare spending totaled $1.4 trillion. It’s since more than doubled to $3.5 trillion. In 2000, the average American lived about 77 years. Today, average life expectancy is closer to 79 years.

Julie Westermann, a Genworth spokeswoman, said such changes couldn’t have been anticipated.

“When long-term care insurance was launched as a new product in the 1970s and 1980s, there was no historical experience — long-term care insurance claims data — available that actuaries could use to determine pricing,” she told me.

Westermann said insurers “used their professional judgment and assumptions from similar product lines,” such as disability coverage, to come up with pricing for benefits that may not be used for 30 years.

“In fact, no one can accurately predict these risks for over 30 years into the future,” she acknowledged.

It wasn't until long-term care insurers started paying claims after about 2005 that the companies "realized that their original assumptions were incorrect."

Westermann said Genworth now has more than 1 million policyholders. She declined to say how many are experiencing rate hikes, although she said the company is "actively pursuing rate actions" for its oldest policies, "which comprise the majority of our long-term care business."

I first wrote about this growing problem seven years ago, when the cost of long-term care coverage was up 17% from a year earlier and some insurers were growing increasingly tightfisted when it came to paying claims.

At the start, her long-term care policy cost about $180 a month. Viets said the premium rose to $285 a few years ago. And now it's soaring to $530.

"I'm on a limited income," she said. "I can't pay that."

Genworth told Viets that she has about $52,000 invested in her policy, which she won't lose. But instead of being sufficient to cover years of care, that amount may be good for only about six months in a nursing home.

After that, unless she pays the higher premiums, Viets will be on her own.

"Of course it bothers me," she responded when I asked how that made her feel. "It bothers me a great deal."

But she said she'll manage, presumably by leaving nothing to her heirs, which is the opposite of what she intended when she bought her long-term care policy.

Bach at United Policyholders acknowledged that options are limited for people in Viets' position. She advised protesting any changes to the insurer in hopes of obtaining more favorable terms, such as a lower premium.

Bach also recommended lodging a complaint with the state Department of Insurance, which may be in a position to see if a mistake was made on the insurer's part.

Viets said her main concern at this point is making other seniors aware of the pitfalls that may lie ahead.

Things are even worse now as the country’s aging population places greater financial stress on the insurance industry to make good on decades-old promises.

“Most people are coming to realize that their long-term care insurance will not pay for everything,” Slome said. “It will pay some of the costs, and the policyholder will pay some of the costs.”

Which would be fine if that was the bargain made years ago, which it wasn’t. Many older policies pledged years of fully covered long-term care in return for what were originally reasonable premiums.

That’s what Viets thought she was buying when she purchased her policy from Genworth in 2001.

“I wanted to take care of myself,” she said. “I didn’t want to burn through whatever was left of my estate.”

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Viets said her main concern at this point is making other seniors aware of the pitfalls that may lie ahead.

"I can't do much for myself," she said. "I just want other people to know what's happening."