



California Long-Term Care Insurance Task Force

Presentation to NAIC
Senior Issues Task Force

Task Force background

- **Statutory Mandate:** To recommend options for a public LTC insurance program in California.
- **Work Product:**
 - A Feasibility Study recommending potential program designs was issued on 12/14/2022.
 - An Actuarial Analysis assessing the cost and viability of the recommended designs was issued on 12/21/2023.
- **Members:** 15 volunteers and state agency representatives with expertise relating to LTC or LTC insurance.

Process

- Twenty-four public Task Force meetings with public comment
 - Early discussions covered structure, coordination/interaction, eligibility/enrollment, benefits/services, administration, financing, workforce, and access
- Three Actuarial Subcommittee meetings
- Individual polling of Task Force members and the public between meetings to align on design preferences
- Consultation with other state agencies and WA Cares Fund representatives
- Multiple drafts of reports

What is the status of the program?

- The Legislature may or may not choose to proceed with legislation to establish a public LTC program in California
- If the Legislature does proceed with legislation, it may choose to adopt some, all, or none of the Task Force's recommendations
- As of right now, the Legislature has not made any decisions about a public LTC program in California

Notable benefit recommendations

- 2-of-6 ADL or severe cognitive impairment eligibility criteria
- 5 or 10-year vesting period with partial vesting after 3 or 5 years, respectively
- Reimbursement benefits in all designs and 50% cash alternative in Designs 2, 4, and 5
- Benefit inflation based on Consumer Price Index

Notable benefit recommendations

- Reimbursement for informal or family caregivers (subject to a training requirement)
- Coverage for minor home modifications and home assessment
- Partial to full domestic and international portability in all designs

Notable financing recommendations

- Progressive payroll tax (and income-based tax for self-employed individuals)
- Contribution cap (\$400k) in most designs, indexed with inflation
- Contribution waiver (first \$30k) in all designs, indexed with inflation
- Contribution rates split 50/50 between employee and employer

Interactions with private LTCi

- Private LTCi pays before program
- Program pays before Medi-Cal (Medicaid)
- Opt-out available if eligible LTCi coverage is purchased before Program effective date
- Reduced contribution rate if eligible LTCi coverage is purchased after Program effective date

Interactions with private LTCi

- Eligible LTCi coverage is not yet defined
- Recurring recertification required
- Recommendation to establish a working group to explore supplemental private insurance options

Recommended program designs

Design	Description	Estimated contribution rate
Design 1: Supportive LTC benefits	<ul style="list-style-type: none"> • \$36,000 over two years for ages 18+ • Examples of supportive services include caregiver support, adult day care, meal delivery, transportation, durable medical equipment, home assessment, and minor home modifications • Formal home care and facility care are not covered 	0.60%
Design 2: Home care and residential care facility (RCF) benefits for older adults	<ul style="list-style-type: none"> • \$110,400 over two years for ages 65+ • Covered services are the same as Design 1 <i>plus</i> formal home care and care in an RCF • Limits duplication with Medi-Cal by excluding low-income individuals (no contributions or vesting credit) • Individuals below income limit in some years will still vest if they accumulate enough vesting credits over their working life 	1.15%
Design 3: Lower-range comprehensive LTSS benefits	<ul style="list-style-type: none"> • \$36,000 over one year for ages 18+ • Covered services are the same as Design 2 • Inspired by the WA Cares Fund design, with select updates 	0.65%

Recommended program designs

Design	Description	Estimated contribution rate
Design 4: Mid-range comprehensive LTSS benefits	<ul style="list-style-type: none">• \$81,000 over 18 months for ages 18+• Covered services include those from Design 3 <i>plus</i> care in a skilled nursing facility• Benefits can be shared with spouses and domestic partners	1.60%
Design 5: Higher-range comprehensive LTSS benefits	<ul style="list-style-type: none">• \$144,000 over two years for ages 18+• Covered services are the same as Design 4• Benefits can be shared with spouses/domestic partners	3.00%

Summary of key design features

Design element	Design 1	Design 2	Design 3	Design 4	Design 5
Benefit period	2 years		1 year	18 months	2 years
Monthly maximum benefit	\$1,500 / month	\$4,600 / month	\$3,000 / month	\$4,500 / month	\$6,000 / month
Elimination period	None	90 days	None		
Benefit type	Reimbursement	Reimbursement with up to 50% as cash	Reimbursement	Reimbursement with up to 50% as cash	
Coverage type	Individual			Shared pool for spouses/domestic partners	
Vesting criteria	5 years with partial vesting after 3 years		10 years with partial vesting after 5 years		5 years with partial vesting after 3 years and voluntary top-up
Portability	Full international portability	Partial international portability (grade to 50% over 5 years)		Full international portability	

12 Text in green font signifies a unique Program design element (i.e., a feature that is not consistent across at least 3 of the 5 recommended designs)

Summary of key design features

Design element	Design 1	Design 2	Design 3	Design 4	Design 5
Intergenerational equity	N/A	Grade up benefits over first 20 years of Program			
Contribution caps	No contributions on income above \$400,000			No cap	No contributions on income above \$400,000
Contribution waivers and exclusions	No contributions on first \$30,000 of income	No contributions or vesting credit if income is below \$30,000	No contributions on first \$30,000 of income		
Private insurance coordination	N/A	Opt-out option for eligible private insurance purchased prior to program effective date; reduced contributions for eligible private insurance purchased after program effective date			

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Key cost drivers

Element	Description
Investment strategy	<ul style="list-style-type: none">• Task Force recommended that Program funds be invested in bonds (excluding California municipal bonds), stocks, and other equities• It may be challenging to obtain the state constitutional amendment required for this investment strategy
Employer contributions	<ul style="list-style-type: none">• Task Force recommended that the Program tax rate be split 50%/50% between employees and employers• It may be challenging to garner support for an employer-paid tax from the business community
Tax rate calculation	<ul style="list-style-type: none">• Preliminary Program tax rates are set to achieve a zero-ending Program fund balance in 2099• Prolonged solvency requires additional upfront funding

- Estimated contribution rates are materially higher if these elements are altered

Anticipated additional steps

- Conduct public outreach and education
- Determine coordination with private insurance
- Pursue federal demonstration waiver from CMS to allow the state to retain federal Medicaid savings
- Address LTSS workforce issues
- Consider coverage options for current retirees

Insights for Task Force or Working Group: what worked well

- Broad range of participant backgrounds and experience
- Extensive briefing/education of participants
- Dedicated support team
- Roadmap of topics to address
- Bifurcation of design development and cost analysis
- Extended timeline (over 2 years from start to finish)
- Ongoing public involvement

Insights for Task Force or Working Group: key takeaways

- Set project scope and reasonable expectations
- Determine resources needed (consultants, technical experts, guest speakers)
- Allocate time early on to educate participants
- Be prepared for steep learning curve
- Control the narrative (get ahead of industry messaging)

Questions

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