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

<table>
<thead>
<tr>
<th>Design</th>
<th>Description</th>
<th>Estimated contribution rate</th>
</tr>
</thead>
</table>
| **Design 1: Supportive LTC benefits** | • $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** | • $110,400 over two years for ages 65+  
• Covered services are the same as Design 1 plus 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** | • $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% |
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| **Design 4**: Mid-range comprehensive LTSS benefits | • $81,000 over 18 months for ages 18+  
• Covered services include those from Design 3 plus care in a skilled nursing facility  
• Benefits can be shared with spouses and domestic partners | 1.60% |
| **Design 5**: Higher-range comprehensive LTSS benefits | • $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

<table>
<thead>
<tr>
<th>Design element</th>
<th>Design 1</th>
<th>Design 2</th>
<th>Design 3</th>
<th>Design 4</th>
<th>Design 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit period</td>
<td>2 years</td>
<td></td>
<td>1 year</td>
<td>18 months</td>
<td>2 years</td>
</tr>
<tr>
<td>Monthly maximum benefit</td>
<td>$1,500 / month</td>
<td>$4,600 / month</td>
<td>$3,000 / month</td>
<td>$4,500 / month</td>
<td>$6,000 / month</td>
</tr>
<tr>
<td>Elimination period</td>
<td>None</td>
<td>90 days</td>
<td></td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>Benefit type</td>
<td>Reimbursement</td>
<td>Reimbursement with up to 50% as cash</td>
<td>Reimbursement</td>
<td>Reimbursement with up to 50% as cash</td>
<td></td>
</tr>
<tr>
<td>Coverage type</td>
<td>Individual</td>
<td></td>
<td>Shared pool for spouses/domestic partners</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vesting criteria</td>
<td>5 years with partial vesting after 3 years</td>
<td>10 years with partial vesting after 5 years</td>
<td></td>
<td>5 years with partial vesting after 3 years and voluntary top-up</td>
<td></td>
</tr>
<tr>
<td>Portability</td>
<td>Full international portability</td>
<td>Partial international portability (grade to 50% over 5 years)</td>
<td></td>
<td>Full international portability</td>
<td></td>
</tr>
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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)
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<tr>
<td>Intergenerational equity</td>
<td>N/A</td>
<td>Grade up benefits over first 20 years of Program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution caps</td>
<td>No contributions on income above $400,000</td>
<td>No cap</td>
<td>No contributions on income above $400,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution waivers and exclusions</td>
<td>No contributions on first $30,000 of income</td>
<td>No contributions or vesting credit if income is below $30,000</td>
<td>No contributions on first $30,000 of income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private insurance coordination</td>
<td>N/A</td>
<td>Opt-out option for eligible private insurance purchased prior to program effective date; reduced contributions for eligible private insurance purchased after program effective date</td>
<td></td>
<td></td>
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# Key cost drivers

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<td><strong>Investment strategy</strong></td>
<td>• Task Force recommended that Program funds be invested in bonds (excluding California municipal bonds), stocks, and other equities&lt;br&gt;• It may be challenging to obtain the state constitutional amendment required for this investment strategy</td>
</tr>
<tr>
<td><strong>Employer contributions</strong></td>
<td>• Task Force recommended that the Program tax rate be split 50%/50% between employees and employers&lt;br&gt;• It may be challenging to garner support for an employer-paid tax from the business community</td>
</tr>
<tr>
<td><strong>Tax rate calculation</strong></td>
<td>• Preliminary Program tax rates are set to achieve a zero-ending Program fund balance in 2099&lt;br&gt;• Prolonged solvency requires additional upfront funding</td>
</tr>
</tbody>
</table>

• 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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