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CALIFORNIA INSURANCE COMMISSIONER

California Long Term Care Insurance (LTCI) Task Force
Meeting #8 Minutes
Thursday, February 17th, 2022

1. **Task Force Meeting Call to Order** – 1:00 PM
    - Roll Call – present: Dr. Lucy Andrews, Jamala Arland, Susan Bernard, Anastasia Dodson, Joe Garbanzos, Eileen Kunz, Laurel Lucia, Doug Moore, Parag Shah, Sarah Steenhausen, Dr. Karl Steinberg, Tiffany Whiten, and Brandi Wolf. Absent: Grace Cheng Braun.
        - Note, Sarah and Doug joined subsequent to roll call being completed.
    - Quorum was met.

2. **Agenda Item #1:** Welcome & Housekeeping Items
    - Chair Susan Bernard went over housekeeping items.

3. **Agenda Item #2:** Preliminary Recommendations to Date
    - Dustin Plotkin provided an overview of the Task Force's preliminary recommendations to date, as well as a reminder of the Task Force's ability to opine on multiple program designs, as the feasibility report will include a range of potential configuration options.

4. **Agenda Item #3:** Affordability Considerations
    - Laurel Lucia provided an overview of affordability considerations for a statewide long-term care (LTC) insurance program in California.
    - <u>Task Force Member Comments:</u>
        - Parag stated that many statistics about private LTC insurance do not include life insurance policies with LTC riders. Parag mentioned that the combination product market is approximately three times larger than that of traditional LTC, and that these hybrid products are meeting many individuals' needs, but are not being captured due to the limited availability of reliable data.
        - Joe urged the Task Force to expand the framing and discussion around affordability in terms of what individuals are getting in return. Joe said that the United States spends the most on healthcare, yet produces less-than-ideal outcomes, and that we need to figure out how to achieve the best outcomes, potentially with an innovative solution such as capitation.
            - Parag asked for clarification regarding the term, 'capitation'.

- Joe replied that capitation is paying for a specific outcome, rather than fee-for-service.
  - [Post-meeting note: In the healthcare industry, capitation typically takes the form of a fixed payment amount per patient per unit of time for a defined range of services and without regard to counts of specific services rendered. This is in contrast to a fee-for-service system, in which the payment amount depends on the specific count and types of services rendered. Under capitation, ultimate payment may be adjusted based on quality measures.]
- Joe stated that the Affordable Care Act (ACA) may not be a model for how to roll out a program, but it may be a good case study. Joe reminded the Task Force that the ACA was based on the 10 essential benefits, which address basic needs, but it is lacking in terms of preventive care. Joe added that he is convinced that affordability and sustainability can be achieved by marketing this program as preventive in nature, that it will help people stay at home and age with dignity. Joe urged the Task Force to consider reinventing the idea of a public LTSS program and the outcomes it can achieve.
- Dr. Karl disagreed with Joe's point about the ACA, but he really agrees with Joe's point about positioning the program to allow individuals to age at home. He noted that the benefits will likely not be enough to fully cover institutional care for an individual, but many individuals do not want to go into an institution. While especially true during the pandemic, people have never been fond of institutions and are generally more comfortable aging at home.
- Parag asked what the Task Force's goal is with this program: to cover 80%-90% of individuals or would it be considered a win to cover 20% to 25% of individuals? He noted the trade-off between cost and coverage and cited the political implications therein.
  - Response: We are taking this trade-off into consideration. We can investigate different options as part of the feasibility study, such as what it would look like to cover different populations, but there are going to be trade-offs.

- <u>Public Comments:</u>
  - Ramon Castellblanch asked if home equity is considered in calculation of household wealth.
    - Response: Laurel is unsure if home equity was included in the study but will look into this and report back.
      - [Post-meeting note: In the Urban Institute study cited on page 6 of this presentation, "household wealth includes the value of housing and other real assets, retirement account balances, and other financial assets, net of housing and other debt."]
  - Bonnie Burns stated that many combination products being sold today are being sold to higher-income individuals. Bonnie cautioned against the public program competing with private insurance. Bonnie reminded the Task Force that if an opt-out provision is implemented it is likely that many of the

individuals that opt out will be higher-income individuals, which will affect funding of the program.

        - Steve Cain stated that there are products that cover LTC services at much lower price points, including short-term care and group LTC. Steve reiterated that there are a wide variety of solutions on the market today that should be considered in our discussions.

5. **Agenda Item #4:** Long-Term Care Insurance Financing Options and Considerations
    - Chris Hoene and Kayla Kitson provided an overview of potential financing options and considerations for a statewide long-term care (LTC) insurance program in California.
    - Kevin Russell provided an overview of a handful of additional financing options for consideration.
    - <u>Task Force Member Comments:</u>
        - Parag asked if the Gann Limit only applies to general tax revenues. Parag also asked whether the two-thirds legislature vote requirement would apply to the California program if it is a social insurance program.
            - Response: The Gann Limit covers both general funds and special funds, but trust funds are outside the scope. The state Constitution goes into more detail on this. Legal counsel would need to review the recommended program structure to confirm whether it is outside the scope of the two-thirds legislature vote.
        - Jamala asked about the last time a payroll tax was added in California: what it was for, and how the process for acceptance went.
            - Response: In the recent past, there was an add-on to the State Disability Insurance (SDI) program to include Paid Family Leave (PFL). There was no two-thirds vote requirement for this, perhaps because there was already statute in place defining the financing method for the SDI Program, so adding PFL just required an adjustment to the statutory formula. Kayla mentioned that someone she talked to on the legislative staff was not aware of any new payroll taxes in California in the past six years.
        - Doug asked if there are ways to make payroll taxes more progressive?
            - Response: Applying the tax only to wages above a certain level or having higher rates on higher wages would both be more progressive.
        - Jamala stated that for a few of the different financing options presented, employers are a big stakeholder. Jamala asked how the Task Force plans to engage with corporations and big employers in California to get broader feedback and buy-in on the program.
            - Response: In accordance with Bagley-Keene, all discussions must be conducted during Task Force Meetings. This can be earmarked for discussion at a future meeting.
        - Dr. Karl asked about the potential revenue from a small increase in tax (corporate tax, sales tax, etc.)?

        - Response: You can generate the most revenue when the tax base is the broadest. Small percentage increases in payroll taxes can generate large amounts of revenue. There may be more space on the corporate side to raise income tax rates or reduce tax credits, but this is not as broad of a base, so a small percentage increase doesn't generate as much revenue.
    - Susan noted that all premium tax revenue is allocated to the state General Fund.
- Public Comments:
    - Ramon Castellblanch stated that there is a lot of stress on California's unemployment insurance (UI) fund, and that the state is looking to increase the payroll tax to combat this. Ramon noted that if the Task Force considers a payroll tax as a financing option, we may have to "get in line".
        - Response: Employers are paying very low rates relative to UI funds in other states (only applied to the first $7,000 of wages in California). If employers pay higher rates for the UI fund, this could relieve stress on the payroll side.
    - Ramon Castellblanch asked if a wealth tax—like the one proposed by Senator Elizabeth Warren—is being considered?
        - Response: Wealth taxes are difficult to implement at the state level, and there currently is no precedent. It could take many years for such a tax to be implemented and scaled up. The idea of 'wealth' can be challenging to concretely define and it would make more sense to impose at the federal level. If one state were to implement a wealth tax, it could lead to increased emigration (individuals with wealth leaving the state). May not be feasible in parallel to this program, but it does have the potential for sizeable revenue (in the range of $20 billion based on some state-level proposals).
    - Steve Cain praised the Task Force for the holistic view and analysis from guest speakers on financing. Steve stated that the average income for someone who opted out of the WA Cares Fund program was $189,000. Steve proposed that those who already own private LTC insurance be taxed less than those who do not as they would be less of a burden to Medi-Cal and the state in terms of LTSS risk.
    - Lindsay Imai Hong stated that if we decide to go with a payroll tax, it's imperative that we make it as progressive as possible. Lindsay urged affordability and accessibility for everyone that requires support.

6. **Agenda Item #5:** Medicaid and Related Federal Waivers for LTSS
    - Anastasia Dodson provided an overview of Medicaid and related federal waivers that may need to be considered as part of the implementation of a statewide long-term care (LTC) insurance program in California.
    - Kevin Russell provided an overview of additional considerations for Medicaid and related federal waivers.
    - Task Force Member Comments:
        - Joe asked what waiver category the PACE program belongs to. Joe stated that if the PACE program is expanded, you may be able to get more funding

for new eligible individuals. He noted that the PACE program should be part of the mix of a provider-driven offering.

    - Response: PACE has a separate authorization. It is a nationwide program that has a special federal statute. Local PACE organizations can apply to the state, and then the state can apply to the federal government to license a new PACE organization. Local PACE programs are also licensed by the state.

  - Eileen noted that the PACE program came up under a federal 1115 waiver. It is no longer operating under waivers. PACE is small relative to other programs; however, it offers a good amount of integration at the provider level that can benefit individuals who need LTSS.
  - Joe stated that population health is crucial to managing costs under a statewide LTC program. Joe urged the Task Force to focus on preventive benefits and wellness.
  - Anastasia reminded the Task Force that the asset limit for Medi-Cal will be increasing later this year and will be removed by 2025. Anastasia also noted that the existing income limits will <u>not</u> be changing.

7. **Agenda Item #6:** Other Financing and Sustainability Considerations
   - Stephanie Moench provided an overview of sustainability considerations for a statewide LTC insurance program in California.
   - <u>Task Force Member Comments:</u>
     - Joe asked if existing funding sources such as Medicare/Medi-Cal could be leveraged to the furthest extent possible with additional contributions added to cover potential benefit expansions under existing programs.
       - Response: The Task Force should consider a scenario where this program is an expansion of existing programs in California, but there are many unknowns in this area, such as whether existing programs/funding sources can support the program design(s) recommended by the Task Force.
   - <u>Public Comments:</u>
     - Ramon Castellblanch is interested in the hybrid funding approach and a potential mechanism for immediate coverage for certain cohorts. Where would the immediate funding come from if such a hybrid funding approach were used? Social Security faced this dilemma when it was introduced and had two streams of revenue, Titles I and II, to fund immediate and future benefits, respectively.
       - Response: One potential option could be to fund immediate coverage from premiums assessed on currently disabled or retired individuals. It is important to keep in mind the political feasibility of various financing options, and it is helpful to have an idea of the universe of financing options available.

8. **Agenda Item #7:** General Public Commentary
   - No additional public comments were expressed.

9. **Agenda Item #8**: Next Steps & Closing
   - The recording for this meeting will be available early next week.
   - At 4:14, Susan Bernard requested a motion to adjourn the meeting. Parag Shah made the motion, which was seconded by Joe Garbanzos and approved.