

Presentation #22.A (revised)

# AB 567 ACTUARIAL ANALYSIS

Potential Program design change questionnaire results

December 2023

A business of Marsh McLennan

# **QUALIFICATIONS, ASSUMPTIONS AND LIMITING CONDITIONS**

Oliver Wyman was commissioned by the California Department of Insurance (CDI) to provide support associated with assessing the feasibility of developing and implementing a culturally competent statewide insurance program for long-term care services and supports. The primary audience for this report includes stakeholders from the California Department of Insurance, members of the Long-Term Care Insurance Task Force, and members of the general public within the state of California.

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# EXECUTIVE SUMMARY

Task Force members were asked to complete a questionnaire regarding their views on potential changes to the five AB 567 Program designs recommended in the Feasibility Report. Task Force Members were given an opportunity to revise their views given the results of the actuarial analysis; changes from the current baseline are denoted by **blue font**

Program element	Key takeaway
Design 1 monthly maximum benefit	<ul style="list-style-type: none"><li>• \$1,500 monthly maximum</li></ul>
Design 2 approved care settings	<ul style="list-style-type: none"><li>• Include coverage for residential care facilities (“RCFs”)</li></ul>
Design 2 elimination period	<ul style="list-style-type: none"><li>• 90-day elimination period</li></ul>
Design 5 vesting period	<ul style="list-style-type: none"><li>• 5-year vesting period</li></ul>
Portability	<ul style="list-style-type: none"><li>• <b>International portability on all designs</b></li></ul>
Benefit eligibility age	<ul style="list-style-type: none"><li>• 18+ for Designs 1, 3, 4 and 5</li><li>• 65+ for Design 2</li></ul>
Investment strategy	<ul style="list-style-type: none"><li>• Assume investment in bonds, stocks, and equities for baseline actuarial modeling</li></ul>
Contribution caps	<ul style="list-style-type: none"><li>• \$400,000 contribution cap for Designs 1, 2, 3, and 5</li><li>• No contribution cap for Design 4</li></ul>
Contribution waivers and exclusions	<ul style="list-style-type: none"><li>• \$30,000 contribution waiver/exclusion threshold for all designs</li></ul>
Private insurance exemption	<ul style="list-style-type: none"><li>• No private insurance exemption for Design 1</li><li>• Allow opt out for eligible private insurance purchased on or before Program effective for Designs 2-5</li></ul>
Employer contributions	<ul style="list-style-type: none"><li>• Split contributions 50% / 50% between employers and employees</li></ul>

The results in this presentation are based on questionnaire responses from **eleven** Task Force members and **25** public respondents

# QUESTION 1 (1 OF 6)

Do you recommend changing the Program designs to reflect any of the following design elements?

## TASK FORCE MEMBER RESPONSES (OUT OF 11 VOTES)

Program element	Description	Design 1	Design 2	Design 3	Design 4	Design 5
Design 1 monthly maximum benefit	\$1,000	18%	N/A	N/A	N/A	N/A
	\$1,500 [current baseline]	82%	N/A	N/A	N/A	N/A
Design 2 approved care settings	Exclude care in an RCF	N/A	18%	N/A	N/A	N/A
	Include RCF [current baseline]	N/A	82%	N/A	N/A	N/A
Design 2 elimination period	0-day	N/A	18%	N/A	N/A	N/A
	30-day	N/A	18%	N/A	N/A	N/A
	90-day [current baseline]	N/A	64%	N/A	N/A	N/A
Design 5 vesting period	5 years (with partial vesting) [current baseline]	N/A	N/A	N/A	N/A	64%
	10 years (with partial vesting)	N/A	N/A	N/A	N/A	36%
Portability <sup>1,2</sup>	Full domestic portability [Designs 1 and 4 current baseline]	36%	N/A	N/A	27%	N/A
	Partial domestic portability [Designs 2 and 3 current baseline]	N/A	45%	36%	N/A	N/A
	Full international portability [Design 5 current baseline]	64%	N/A	N/A	73%	N/A
	Partial international portability	N/A	55%	64%	N/A	N/A

1. Under the current baseline scenario, Designs 1 and 4 offer full domestic portability while Designs 2 and 3 offer partial domestic portability; under the alternative scenarios, these designs would offer international portability but maintain the current baseline recommendation of either full or partial benefits outside California.

2. At least one Task Force Member recommended that Designs 2 and 3 offer full international portability.

# QUESTION 1 (2 OF 6)

Do you recommend changing the Program designs to reflect any of the following design elements?

## PUBLIC RESPONSES

Program element	Description	Design 1	Design 2	Design 3	Design 4	Design 5
Design 1 monthly maximum benefit	\$1,000	16%	N/A	N/A	N/A	N/A
	\$1,500 [current baseline]	84%	N/A	N/A	N/A	N/A
Design 2 approved care settings	Exclude care in an RCF	N/A	12%	N/A	N/A	N/A
	Include RCF [current baseline]	N/A	88%	N/A	N/A	N/A
Design 2 elimination period	0-day	N/A	4%	N/A	N/A	N/A
	30-day	N/A	16%	N/A	N/A	N/A
	90-day [current baseline]	N/A	80%	N/A	N/A	N/A
Design 5 vesting period	5 years (with partial vesting) [current baseline]	N/A	N/A	N/A	N/A	76%
	10 years (with partial vesting)	N/A	N/A	N/A	N/A	24%
Portability <sup>1</sup>	Full domestic portability [Designs 1 and 4 current baseline]	68%	N/A	N/A	60%	N/A
	Partial domestic portability [Designs 2 and 3 current baseline]	N/A	68%	64%	N/A	N/A
	Full international portability [Design 5 current baseline]	32%	N/A	N/A	40%	N/A
	Partial international portability	N/A	32%	36%	N/A	N/A

1. Under the current baseline scenario, Designs 1 and 4 offer full domestic portability while Designs 2 and 3 offer partial domestic portability; under the alternative scenarios, these designs would offer international portability but maintain the current baseline recommendation of either full or partial benefits outside California.

# QUESTION 1 (3 OF 6)

Do you recommend changing the Program designs to reflect any of the following design elements?

## TASK FORCE MEMBER RESPONSES (OUT OF 11 VOTES)

Program element	Description	Design 1	Design 2	Design 3	Design 4	Design 5
Benefit eligibility age	18+ [current baseline for all but Design 2]	73%	27%	73%	73%	73%
	30+	0%	0%	0%	0%	0%
	40+	0%	0%	0%	0%	0%
	50+	0%	18%	0%	0%	0%
	65+ [Design 2 current baseline]	27%	55%	27%	27%	27%
Contribution caps	No cap [Design 4 current baseline]	18%	18%	18%	55%	18%
	\$500,000 cap	9%	18%	9%	9%	9%
	\$400,000 cap [current baseline for all but Design 4]	55%	46%	55%	18%	55%
	\$200,000 cap	18%	18%	18%	18%	18%
Contribution waivers and exclusions <sup>1</sup>	\$20,000 threshold	0%	18%	0%	0%	0%
	\$30,000 threshold [current baseline]	73%	55%	73%	82%	82%
	\$35,000 threshold	9%	27%	9%	9%	9%
	\$50,000 threshold	18%	0%	18%	9%	9%

1. For all designs, taxable wages/income below a specified threshold (\$30,000 for baseline actuarial modeling purposes) are not subject to the tax; for Design 2, individuals with wages/income below the specified threshold do not contribute and do not receive vesting credits. The "contribution exclusion" and "contribution waivers" alternative scenarios quantify the impact of increasing or decreasing the specified threshold for Designs 2 and all other designs, respectively

# QUESTION 1 (4 OF 6)

Do you recommend changing the Program designs to reflect any of the following design elements?

## PUBLIC RESPONSES

Program element	Description	Design 1	Design 2	Design 3	Design 4	Design 5
Benefit eligibility age	18+ [current baseline for all but Design 2]	76%	40%	80%	80%	80%
	30+	4%	4%	4%	4%	4%
	40+	4%	4%	4%	4%	4%
	50+	12%	8%	8%	8%	8%
	65+ [Design 2 current baseline]	16%	60%	16%	16%	16%
Contribution caps	No cap [Design 4 current baseline]	32%	32%	32%	68%	32%
	\$500,000 cap	16%	16%	16%	4%	16%
	\$400,000 cap [current baseline for all but Design 4]	48%	48%	48%	24%	48%
	\$200,000 cap	8%	8%	8%	8%	8%
Contribution waivers and exclusions <sup>1</sup>	\$20,000 threshold	4%	0%	4%	4%	4%
	\$30,000 threshold [current baseline]	76%	84%	76%	76%	76%
	\$35,000 threshold	4%	4%	4%	4%	4%
	\$50,000 threshold	16%	12%	16%	16%	16%

Results exceed 100% due to Public respondents selecting more than one choice

1. For all designs, taxable wages/income below a specified threshold (\$30,000 for baseline actuarial modeling purposes) are not subject to the tax; for Design 2, individuals with wages/income below the specified threshold do not contribute and do not receive vesting credits. The "contribution exclusion" and "contribution waivers" alternative scenarios quantify the impact of increasing or decreasing the specified threshold for Designs 2 and all other designs, respectively

# QUESTION 1 (5 OF 6)

Do you recommend changing the Program designs to reflect any of the following design elements?

## TASK FORCE MEMBER RESPONSES (OUT OF 11 VOTES)

Program element	Description	Design 1	Design 2	Design 3	Design 4	Design 5
Private insurance exemption	No opt-out [Design 1 current baseline]	91%	27%	27%	27%	27%
	Opt-out on or before Program effective date <sup>1</sup> [current baseline for all but Design 1]	9%	55%	55%	55%	55%
	Opt-out 1-year prior to Program effective date <sup>1</sup>	N/A	18%	18%	18%	18%
Employer contributions <sup>2</sup>	0% employer contribution	9%	9%	9%	9%	9%
	25% employer contribution	18%	18%	18%	18%	18%
	50% employer contribution [current baseline]	73%	73%	73%	73%	73%
Investment strategy <sup>3</sup> (for baseline actuarial modeling purposes only)	Invest in only U.S. Treasuries	27%	18%	27%	18%	18%
	Invest in bonds, stocks, and equities [current baseline]	73%	82%	73%	82%	82%

The outcome of this question will not alter the Task Force's broader recommendation to pursue a state constitutional amendment

1. Program effective date is assumed to be the beginning of the calendar year following the Governor's approval of proposed legislation  
 2. Employee portion of contributions is equal to (1 – employer portion)  
 3. We seek to clarify what we should assume for actuarial modeling purposes rather than what should be pursued by the Legislature



# QUESTION 1 (6 OF 6)

Do you recommend changing the Program designs to reflect any of the following design elements?

## PUBLIC RESPONSES

Program element	Description	Design 1	Design 2	Design 3	Design 4	Design 5
Private insurance exemption	No opt-out [Design 1 current baseline]	64%	24%	24%	28%	28%
	Opt-out on or before Program effective date <sup>1</sup> [current baseline for all but Design 1]	36%	76%	76%	72%	72%
	Opt-out 1-year prior to Program effective date <sup>1</sup>	N/A	4%	4%	4%	4%
Employer contributions <sup>2</sup>	0% employer contribution	40%	28%	24%	24%	24%
	25% employer contribution	4%	4%	4%	4%	4%
	50% employer contribution [current baseline]	56%	68%	72%	72%	72%
Investment strategy <sup>3</sup> (for baseline actuarial modeling purposes only)	Invest in only U.S. Treasuries	8%	8%	4%	4%	4%
	Invest in bonds, stocks, and equities [current baseline]	92%	92%	96%	96%	96%

Results exceed 100% due to Public respondents selecting more than one choice

The outcome of this question will not alter the Task Force's broader recommendation to pursue a state constitutional amendment

1. Program effective date is assumed to be the beginning of the calendar year following the Governor's approval of proposed legislation  
 2. Employee portion of contributions is equal to (1 – employer portion)  
 3. We seek to clarify what we should assume for actuarial modeling purposes rather than what should be pursued by the Legislature

## QUESTION 2

Are there any additional financial sensitivities (i.e., financial impact quantification of alternative program designs) that you would like to recommend be performed?<sup>1</sup>

### TASK FORCE MEMBER RESPONSES

#### Additional financial sensitivities

- I believe this is already planned, but there should be a cost for including retirees and a separate item to account for the cost of reserving for those that are a part of the program but when the program funds terminate.
- We need to understand the net cost of the program for the state (adding this program and the benefits to Medicaid).
- I am interested in seeing the impact of eliminating the shared pool in designs 4 and 5.
- I understand that Oliver Wyman will be estimating the future program benefits and expenses if current retirees participated in the program. It would also be helpful to explore tax rates for financing those potential benefits.
- PACE is explicitly called out as a covered service in Designs 3-5. Given the alignment of PACE services with the intention of covering HCBS benefits for older adults, I recommend a financial sensitivity analysis to assess the impact of including PACE under Design 2.
- Quantification of cost savings to employers associated with having a Program (e.g., through a decrease in the number of employee hours “lost” to caregiving demands; lost hours could either be due to employees taking time off or employees leaving the workforce entirely)

#### Other recommendations

- For the [Actuarial Report], it would be valuable to document which assumptions have the greatest influence on the viability of the program.

1. Additional financial sensitivities will be documented as a "next step" within the Actuarial Report (i.e., quantifications will not be performed before the completion of the Actuarial Report)

# APPENDIX

# RECAP OF AB 567 PROGRAM DESIGN OPTIONS: OVERVIEW

Five program designs were recommended by the Task Force

#	Design	Description
1	Supportive LTC benefits	<ul style="list-style-type: none"><li>• \$36,000 in supportive LTC benefits for Californians ages 18+</li><li>• Supportive services include adult day care, caregiver support, meal delivery, transportation, and minor home modifications</li></ul>
2	Home care and residential care facility (“RCF”) benefits for older adults	<ul style="list-style-type: none"><li>• \$110,400 in targeted benefits for Californians ages 65+</li><li>• Covered services are the same as Design 1, along with formal home care and care in an RCF</li><li>• Carve-out for individuals with income below a specified threshold to limit duplication with Medi-Cal, California’s Medicaid Program</li></ul>
3	Lower-range comprehensive long-term service and support (“LTSS”) benefits	<ul style="list-style-type: none"><li>• \$36,000 in comprehensive benefits for Californians ages 18+</li><li>• Covered services are the same as Design 2</li></ul>
4	Mid-range comprehensive LTSS benefits	<ul style="list-style-type: none"><li>• \$81,000 in comprehensive benefits for Californians ages 18+</li><li>• Covered services include those from Design 3, along with care in a skilled nursing facility</li></ul>
5	Higher-range comprehensive LTSS benefits	<ul style="list-style-type: none"><li>• \$144,000 in comprehensive benefits for Californians ages 18+</li><li>• Covered services are the same as Design 4</li></ul>

# RECAP OF AB 567 PROGRAM DESIGN OPTIONS: DETAILS

Refer to Section 2 of the [AB 567 Feasibility Report](#) for further information regarding the Task Force’s recommended program designs

Design element	Design 1	Design 2	Design 3	Design 4	Design 5
<b>Benefit period</b>	2 years		1 year	18 months	2 years
<b>Monthly maximum benefit</b>	\$1,500 / month	\$4,600 / month <sup>1</sup>	\$3,000 / month <sup>1</sup>	\$4,500 / month <sup>1</sup>	\$6,000 / month <sup>1</sup>
<b>Elimination period (“EP”)</b>	No EP	90-day EP	No EP		
<b>Benefit type</b>	Reimbursement only	Reimbursement with 50% cash alternative <sup>2</sup>	Reimbursement only	Reimbursement with 50% cash alternative <sup>2</sup>	
<b>Coverage type</b>	Individual			Shared pool with spouses or domestic partners	
<b>Vesting criteria</b>	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 <sup>3</sup>
<b>Portability</b>	Full domestic portability	Partial domestic portability (grade to 50% over 5 years)		Full domestic portability	Full international portability
<b>Intergenerational equity</b>	N/A	Grade up benefits over first 20 years of Program			
<b>Contribution caps<sup>4</sup></b>	No contributions on income above a specified level			No cap	No contributions on income above a specified level
<b>Contribution waivers and exclusions<sup>4</sup></b>	No contributions on income below a specified level	No contributions or vesting credit if income is below a specified level	No contributions on income below a specified level		
<b>Private insurance coordination</b>	N/A	Opt-out option if purchased prior to Program effective date and reduced contributions if purchased after			

1. The Task Force recommended removing the monthly benefit maximum on Designs 2 through 5 for select higher-cost services, including durable medical equipment and home modifications; see Task Force Meeting [Presentation #20.A](#) for additional detail

2. The Task Force recommended that beneficiaries be permitted to change their benefit type one time (e.g., switch from cash to reimbursement); see Task Force Meeting [Presentation #20.A](#) for additional detail

3. The voluntary option to top-up benefits is not explicitly modeled; see Actuarial Subcommittee Meeting [Presentation #2.A](#) for a preliminary list of modeling simplifications

4. A \$400,000 contribution cap and \$30,000 contribution waiver/exclusion threshold are assumed as baselines for modeling purposes; the specific cap and waiver/exclusion threshold have yet to be determined (see Actuarial Subcommittee Meeting [Presentation #2.A](#) for additional detail)



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