

AB 567 - Program Design "Straw Man" [DRAFT - VERSION 5]

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This "straw man" summarizes the five program designs included in the draft Feasibility Report dated November 16, 2022.

The program designs included in this file are subject to change based on the input from Task Force Members and the public.

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Lower Cost

Higher Cost

Plan design element	Supportive LTC benefits & adult population covered (18+)	Home care and residential care facility benefits & senior population covered (65+)	Comprehensive benefits (lower-range) & adult population covered (18+)	Comprehensive benefits (mid-range) & adult population covered (18+)	Comprehensive benefits (higher-range) & adult population covered (18+)	Relative cost benchmarks ⁴ (high-level estimates for reference only; actual Program cost relativities will differ)
	Design 1	Design 2	Design 3	Design 4	Design 5	
Indicative Program cost (\$ - \$\$\$\$\$)	\$	\$\$	\$\$ (Estimated payroll tax range: 0.40% to 0.60% ¹)	\$\$\$	\$\$\$\$\$	
<small>¹ Estimates are based on the 2020 Milliman CA LTSS Feasibility Study</small>						
Design philosophy						
Program benefit richness	\$36,000 in supportive LTSS benefits	\$110,400 in targeted benefits	\$36,000 in comprehensive benefits (lower-range)	\$81,000 in comprehensive benefits (mid-range)	\$144,000 in comprehensive benefits (higher-range)	
California population coverage	Adult population covered (18+) [✓]	Senior population covered (65+) [✓]	Adult population covered (18+) [✓]	Adult population covered (18+) [✓]	Adult population covered (18+) [✓]	
Taxation progressivity	Progressive tax with a contribution cap and a contribution waiver for lower-income individuals	Progressive tax with a contribution cap	Progressive tax with a contribution cap and a contribution waiver for lower-income individuals	Progressive tax with a contribution waiver for lower income individuals [✓]	Progressive tax with a contribution cap and a contribution waiver for lower-income individuals	
Structure (coverage and design)						
Program structure	Front-end coverage [✓] Vested social insurance [✓]	Front-end coverage [✓] Vested social insurance [✓]	Front-end coverage [✓] Vested social insurance [✓]	Front-end coverage [✓] Vested social insurance [✓]	Front-end coverage [✓] Vested social insurance [✓]	
Program benefits and services						
Benefit type	Reimbursement for all covered benefits (actual benefit amount reimbursed, subject to limitations)	Reimbursement for all covered benefits (actual benefit amount reimbursed, subject to limitations) with reduced (50%) cash benefit alternative [✓]	Reimbursement for all covered benefits (actual benefit amount reimbursed, subject to limitations)	Reimbursement for all covered benefits (actual benefit amount reimbursed, subject to limitations) with reduced (50%) cash benefit alternative [✓]	Reimbursement for all covered benefits (actual benefit amount reimbursed, subject to limitations) with reduced (50%) cash benefit alternative [✓]	N/A
Benefit period	2 years [✓] \$1,500 per month	2 years [✓]	1 year	18 months	2 years [✓]	- Decrease benefit period from 2 years to 18 months: 22% savings - Decrease benefit period from 2 years to 1 year: 45% savings - Decrease monthly benefit maximum from \$6,000 to \$4,500: 27% savings - Decrease monthly benefit maximum from \$6,000 to \$3,000: 50% savings - Decrease monthly benefit maximum from \$6,000 to \$1,500: 75% savings
Benefit maximum	[alternative scenario: \$1,000 per month] Inflation as a function of CPI; assessed annually (not automatically applied)	\$4,600 per month [✓] Inflation as a function of CPI; assessed annually (not automatically applied)	\$3,000 per month [✓] Inflation as a function of CPI; assessed annually (not automatically applied)	\$4,500 per month [✓] Inflation as a function of CPI; assessed annually (not automatically applied)	\$6,000 per month [✓] Inflation as a function of CPI; applied annually [✓]	N/A
Elimination period	No elimination period [✓] Supportive LTSS (e.g., caregiver support, adult day care, meal delivery, transportation, durable medical equipment, home assessment, and minor home modifications)	90-day elimination period	No elimination period [✓]	No elimination period [✓]	No elimination period [✓]	- Increase elimination period from 0 days to 30 days: 4% savings - Increase elimination period from 0 days to 90 days: 8% savings
Approved care settings	Caregiver support includes: training, respite care, and financial support via certified provider reimbursement	Home and community-based care (including all approved care settings reflected in Design 1) along with residential care facility	Home and community-based care (including all approved care settings reflected in Design 1) along with residential care facility	Comprehensive (i.e., facility care and home and community-based care). Includes all approved care settings reflected in Design 2, along with skilled nursing facility [✓]	Comprehensive (i.e., facility care and home and community-based care). Includes all approved care settings reflected in Design 2, along with skilled nursing facility [✓]	- Change approved care settings from comprehensive to home care only: 39% savings
PACE coverage	N/A	N/A	N/A	Covered service; certified provider reimbursement [✓]	Covered service; certified provider reimbursement [✓]	N/A
Informal / family caregivers	Covered service; reimbursement to caregivers (subject to completion of certified caregiver training; minimum requirements that do not discourage benefit utilization to be defined in a culturally competent manner) [✓]	Covered service; reimbursement to caregivers (subject to completion of certified caregiver training; minimum requirements that do not discourage benefit utilization to be defined in a culturally competent manner) [✓]	Covered service; reimbursement to caregivers (subject to completion of certified caregiver training; minimum requirements that do not discourage benefit utilization to be defined in a culturally competent manner) [✓]	Covered service; reimbursement to caregivers (subject to completion of certified caregiver training; minimum requirements that do not discourage benefit utilization to be defined in a culturally competent manner) [✓]	Covered service; reimbursement to caregivers (subject to completion of certified caregiver training; minimum requirements that do not discourage benefit utilization to be defined in a culturally competent manner) [✓]	N/A
Preventative benefits	N/A	Limited/contingent preventative benefits (e.g., partake in wellness program)	Limited/contingent preventative benefits (e.g., partake in wellness program)	Preventative benefits before satisfying the benefit eligibility criteria but only after becoming fully vested in the Program [✓]	Preventative benefits before satisfying the benefit eligibility criteria but only after becoming fully vested in the Program [✓]	N/A
Family / spousal coverage	Individual coverage only	Individual coverage only	Individual coverage only	Coverage can be extended to a spouse or domestic partner through a shared benefit pool	Coverage can be extended to a spouse or domestic partner through a shared benefit pool	N/A
Program eligibility and enrollment						
Benefit eligibility age	Age 18+ (subject to vesting requirements) [✓]	Age 65+ (subject to vesting requirements)	Age 18+ (subject to vesting requirements) [✓]	Age 18+ (subject to vesting requirements) [✓]	Age 18+ (subject to vesting requirements) [✓]	- Increase benefit eligibility age from 18+ to 65+: 12% savings
Benefit eligibility criteria	HIPAA benefit eligibility (2 of 6 ADLs for 90 days or severe cognitive impairment) [✓]	HIPAA benefit eligibility (2 of 6 ADLs for 90 days or severe cognitive impairment) [✓]	HIPAA benefit eligibility (2 of 6 ADLs for 90 days or severe cognitive impairment) [✓]	HIPAA benefit eligibility (2 of 6 ADLs for 90 days or severe cognitive impairment) [✓]	HIPAA benefit eligibility (2 of 6 ADLs for 90 days or severe cognitive impairment) [✓]	N/A
Vesting criteria	5 years of contributions [✓]	5 years of contributions [✓]	10 years of contribution	10 years of contribution	[alternative scenario: 10 years of contribution] Pro-rated benefits (no benefits for individuals who contribute for less than 3 years, 50% of the benefits for individuals who contribute between 3 and 5 years, 100% of the benefits for individuals who contribute for 5 or more years) and voluntary alternative Program contribution option to "top up" benefits [✓]	- Increase vesting criteria from 5 years to 10 years: 13% savings
Flexibility for those unable to vest	Pro-rated benefits (no benefits for individuals who contribute for less than 3 years, 50% of the benefits for individuals who contribute between 3 and 5 years, 100% of the benefits for individuals who contribute for 5 or more years)	Pro-rated benefits (no benefits for individuals who contribute for less than 3 years, 50% of the benefits for individuals who contribute between 3 and 5 years, 100% of the benefits for individuals who contribute for 5 or more years)	Pro-rated benefits (no benefits for individuals who contribute for less than 5 years, 50% of the benefits for individuals who contribute for 5 years, grading up by 10% each year up to 100% of benefits in year 10)	Pro-rated benefits (no benefits for individuals who contribute for less than 5 years, 50% of the benefits for individuals who contribute for 5 years, grading up by 10% each year up to 100% of benefits in year 10)	Pro-rated benefits (no benefits for individuals who contribute for less than 5 years, 50% of the benefits for individuals who contribute for 5 or more years) and voluntary alternative Program contribution option to "top up" benefits [✓]	- Remove partial vesting (10 year vesting criteria): 14% savings - Change from full domestic portability to partial domestic portability (grade to 50% over 5 years): 17% savings
Portability	Domestic portability; full benefits	Domestic portability; partial benefits outside of California (grade to 50% over 5 years)	Domestic portability; partial benefits outside of California (grade to 50% over 5 years)	Domestic portability; full benefits	International portability; full benefits [✓]	
Private LTC considerations: on or before Program enactment	N/A	Individuals with eligible private LTC insurance ² may opt out of the Program. They would be exempt from making Program contributions and will not be eligible to receive Program benefits [✓]	Individuals with eligible private LTC insurance ² may opt out of the Program. They would be exempt from making Program contributions and will not be eligible to receive Program benefits [✓]	Individuals with eligible private LTC insurance ² may opt out of the Program. They would be exempt from making Program contributions and will not be eligible to receive Program benefits [✓]	Individuals with eligible private LTC insurance ² may opt out of the Program. They would be exempt from making Program contributions and will not be eligible to receive Program benefits [✓]	N/A
Private LTC considerations: after Program enactment ³	N/A	Individuals with eligible substitutive (i.e., non-supplemental) private LTC insurance ² would be subject to reduced Program contributions (and will remain eligible to receive Program benefits as a secondary payor to their private LTC insurance) [✓]	Individuals with eligible substitutive (i.e., non-supplemental) private LTC insurance ² would be subject to reduced Program contributions (and will remain eligible to receive Program benefits as a secondary payor to their private LTC insurance) [✓]	Individuals with eligible substitutive (i.e., non-supplemental) private LTC insurance ² would be subject to reduced Program contributions (and will remain eligible to receive Program benefits as a secondary payor to their private LTC insurance) [✓]	Individuals with eligible substitutive (i.e., non-supplemental) private LTC insurance ² would be subject to reduced Program contributions (and will remain eligible to receive Program benefits as a secondary payor to their private LTC insurance) [✓]	N/A

² The criteria for private LTC insurance to be considered eligible under the opt-out provision are TBD (and will be determined at a later date)

³ Supplemental LTC products designed after program enactment would not qualify for reduced program contributions (e.g., private LTC insurance with a 2-year elimination period)

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Plan design element	Lower Cost ← → Higher Cost					Relative cost benchmarks ¹ (high-level estimates for reference only; actual Program cost relativities will differ)
	Supportive LTC benefits & adult population covered (18+) Design 1	Home care and residential care facility benefits & senior population covered (65+) Design 2	Comprehensive benefits (lower-range) & adult population covered (18+) Design 3	Comprehensive benefits (mid-range) & adult population covered (18+) Design 4	Comprehensive benefits (higher-range) & adult population covered (18+) Design 5	
Program financing						
Revenue source	Progressive payroll tax (split between employees and employers); non-voluntary premium contributions via an income tax for the self-employed; alternative funding sources beyond payroll/income tax may also be considered [✓] [Alternative scenario: reduce/eliminate employer portion of the program contributions]	Progressive payroll tax (split between employees and employers); non-voluntary premium contributions via an income tax for the self-employed; alternative funding sources beyond payroll/income tax may also be considered [✓] [Alternative scenario: reduce/eliminate employer portion of the program contributions]	Progressive payroll tax (split between employees and employers); non-voluntary premium contributions via an income tax for the self-employed [✓] [Alternative scenario: reduce/eliminate employer portion of the program contributions]	Progressive payroll tax (split between employees and employers); non-voluntary premium contributions via an income tax for the self-employed [✓] [Alternative scenario: reduce/eliminate employer portion of the program contributions]	Progressive payroll tax (split between employees and employers); non-voluntary premium contributions via an income tax for the self-employed [✓] [Alternative scenario: reduce/eliminate employer portion of the program contributions]	N/A
Program contribution age: minimum	Age 18 [✓]	Age 18 [✓]	Age 18 [✓]	Age 18 [✓]	Age 18 [✓]	N/A
Program contribution age: maximum	No maximum (contributions dependent on being on payroll or self-employed) [✓]	No maximum (contributions dependent on being on payroll or self-employed) [✓]	No maximum (contributions dependent on being on payroll or self-employed) [✓]	No maximum (contributions dependent on being on payroll or self-employed) [✓]	No maximum (contributions dependent on being on payroll or self-employed) [✓]	N/A
Program contribution limits: taxable earnings waiver	Waive contributions for individuals below a specified poverty level (e.g., 138% of FPL) [✓] Apply a contribution cap. Consider contribution caps in excess of Social Security (e.g., 2x Social Security cap) [✓] [Alternative scenario: no maximum contribution limitation]	Individuals below a specified poverty level will not contribute or receive vesting credits (the individual may still vest in the Program if they meet the vesting requirement over their working lifetime). Such individuals could receive LTSS benefits from Medi-Cal (subject to Medi-Cal eligibility). Apply a contribution cap. Consider contribution caps in excess of Social Security (e.g., 2x Social Security cap) [✓] [Alternative scenario: no maximum contribution limitation]	Waive contributions for individuals below a specified poverty level (e.g., 138% of FPL) [✓] Apply a contribution cap. Consider contribution caps in excess of Social Security (e.g., 2x Social Security cap) [✓] [Alternative scenario: no maximum contribution limitation]	Waive contributions for individuals below a specified poverty level (e.g., 138% of FPL) [✓]	Waive contributions for individuals below a specified poverty level (e.g., 138% of FPL) [✓] Apply a contribution cap. Consider contribution caps in excess of Social Security (e.g., 2x Social Security cap) [✓] [Alternative scenario: no maximum contribution limitation]	- Do not waive Program contributions for individuals below 138% of FPL (but still receive benefits): 3% savings - Do not waive Program contributions for individuals below 138% of FPL (but do not receive benefits): 22% savings
Program contribution limits: taxable earnings maximum				No maximum contribution limitations		N/A
Contribution rate structure	Level tax rate (with guidelines stipulating the process to amend the tax rate); no variability by age or other characteristics besides income level [✓] Invest Program contributions in U.S. treasuries, bonds, stocks, and other equities (California constitutional amendment required) [Alternative scenario: consider the financial implications of not obtaining a constitutional amendment][✓]	Level tax rate (with guidelines stipulating the process to amend the tax rate); no variability by age or other characteristics besides income level [✓] Invest Program contributions in U.S. treasuries, bonds, stocks, and other equities (California constitutional amendment required) [Alternative scenario: consider the financial implications of not obtaining a constitutional amendment][✓]	Level tax rate (with guidelines stipulating the process to amend the tax rate); no variability by age or other characteristics besides income level [✓] Invest Program contributions in U.S. treasuries, bonds, stocks, and other equities (California constitutional amendment required) [Alternative scenario: consider the financial implications of not obtaining a constitutional amendment][✓]	Level tax rate (with guidelines stipulating the process to amend the tax rate); no variability by age or other characteristics besides income level [✓] Invest Program contributions in U.S. treasuries, bonds, stocks, and other equities (California constitutional amendment required) [Alternative scenario: consider the financial implications of not obtaining a constitutional amendment][✓]	Level tax rate (with guidelines stipulating the process to amend the tax rate); no variability by age or other characteristics besides income level [✓] Invest Program contributions in U.S. treasuries, bonds, stocks, and other equities (California constitutional amendment required) [Alternative scenario: consider the financial implications of not obtaining a constitutional amendment][✓]	N/A
Investment strategy						- Restrict investment strategy to U.S. treasuries: 20% cost increase ⁴
Intergenerational consideration (i.e., upon Program inception, older individuals are likely to contribute less to the Program over their lifetime relative to younger individuals; this inequity wanes as the Program matures)	None	Grade-up benefits over first 20 years [✓]	Grade-up benefits over first 20 years [✓]	Grade-up benefits over first 20 years [✓]	Grade-up benefits over first 20 years [✓]	N/A
<small>Estimate is based on the 2020 Milliman WA Cares LTSS Actuarial Study, so it does not reflect California demographics</small>						
Coordination and interaction (with other LTSS financing sources)						
Coordination: private LTC	Private LTC pays before Program; concurrent, non-duplicative payments permitted [✓] Program pays before Medi-Cal; concurrent, non-duplicative payments permitted. Program benefits should not influence Medi-Cal eligibility. The Program should not exclude contributions or benefits for individuals eligible for Medi-Cal in the past, present, or future.	Private LTC pays before Program; concurrent, non-duplicative payments permitted [✓] Program pays before Medi-Cal; concurrent, non-duplicative payments permitted. Program benefits should not influence Medi-Cal eligibility. The Program should not exclude contributions or benefits for individuals eligible for Medi-Cal in the past, present, or future.	Private LTC pays before Program; concurrent, non-duplicative payments permitted [✓] Program pays before Medi-Cal; concurrent, non-duplicative payments permitted. Program benefits should not influence Medi-Cal eligibility. The Program should not exclude contributions or benefits for individuals eligible for Medi-Cal in the past, present, or future.	Private LTC pays before Program; concurrent, non-duplicative payments permitted [✓] Program pays before Medi-Cal; concurrent, non-duplicative payments permitted. Program benefits should not influence Medi-Cal eligibility. The Program should not exclude contributions or benefits for individuals eligible for Medi-Cal in the past, present, or future.	Private LTC pays before Program; concurrent, non-duplicative payments permitted [✓] Program pays before Medi-Cal; concurrent, non-duplicative payments permitted. Program benefits should not influence Medi-Cal eligibility. The Program should not exclude contributions or benefits for individuals eligible for Medi-Cal in the past, present, or future.	N/A
Coordination: Medi-Cal	Pursue a CMS federal demonstration waiver to retain federal Medicaid savings from the program Assess the feasibility of having Program pay after Medicare.	Pursue a CMS federal demonstration waiver to retain federal Medicaid savings from the program Assess the feasibility of having Program pay after Medicare.	Pursue a CMS federal demonstration waiver to retain federal Medicaid savings from the program Assess the feasibility of having Program pay after Medicare.	Pursue a CMS federal demonstration waiver to retain federal Medicaid savings from the program Assess the feasibility of having Program pay after Medicare.	Pursue a CMS federal demonstration waiver to retain federal Medicaid savings from the program Assess the feasibility of having Program pay after Medicare.	N/A
Coordination: Medicare						N/A

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.

Oliver Wyman shall not have any liability to any third party in respect of this report or any actions taken or decisions made as a consequence of the results, advice or recommendations set forth herein.

The opinions expressed herein are valid only for the purpose stated herein and as of the date hereof. Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been verified. No warranty is given as to the accuracy of such information. Public information and industry and statistical data are from sources Oliver Wyman deems to be reliable; however, Oliver Wyman makes no representation as to the accuracy or completeness of such information and has accepted the information without further verification. No responsibility is taken for changes in market conditions or laws or regulations and no obligation is assumed to revise this report to reflect changes, events or conditions, which occur subsequent to the date hereof.