

Presentation #4.D.



Coordination and Interaction with Private Long-Term Care Insurance

LTCi Eligibility

- Physical or Cognitive Impairment
 - Physical impairment: Inability to perform 2 out of 6 ADLs for a period of at least 90 days
 - 6 ADLs: Eating, Bathing, Continence, Dressing, Toileting, Transferring
 - Cognitive impairment: Loss of intellectual capacity comparable to Alzheimer's disease
- Plan of Care
- Receive formal long-term care services
- Satisfy the policy Elimination Period

Typical LTCi Benefits

- Home Care and Community-Based Services
 - Home health care
 - Adult day care
 - Personal care
 - Homemaker services
 - Hospice services
 - Respite care
- Residential Care Facilities (Assisted living)
- Nursing Facilities

Common Additional Benefits

- Care coordination
- Home modification
- Bed reservation
- Spousal shared care benefit

Typical LTCi Coverage

Typical coverage in new sales of traditional LTCi:

- Daily and monthly maximum: \$163/day, \$4,882/month
- Lifetime maximum: \$220,000
 - Duration = 3.75 years @ \$4,882/month)
- Elimination Period: 90-day period in 91% of sales
- Inflation Protection: 3% compound in 32.7% of sales
 - 5% compound in about 5% of sales, no inflation protection in about 20%
- Reimbursement benefit
 - Cash/indemnity benefits exist but are not common

Cost of Care in California

- In-Home Care:
 - Personal Care: \$66,352/year, \$5,529/month (5.21% growth)
 - Home Health: \$66,352/year, \$5,529/month (4.75% growth)
- Adult Day Care: \$20,800/year, \$1,733/month (0.77% growth)
- Assisted Living: \$60,000/year, \$5,000/month (5.92% growth)
- Nursing Facility:
 - Private Room: \$137,240/year, \$11,437/month (5.70% growth)
 - Semi-Private: \$110,960/year, \$9,247/month (4.42% growth)

LTCi Sales

- Prevalence: 4.8% of Californians age 50+ have traditional LTCi
- Cost: Average annual new LTCi premium in CA is \$3,532
- Average issue age: 57.7

LTCi Issues

- Price
 - Average annual premium for a new policy in CA is \$3,532
 - Why is it expensive? Low lapse rates, low interest rates, high claim costs
- Premium increases
 - Policies sold in the 1990's and early 2000's were underpriced
 - Carriers overestimated lapse rates and underestimated claim costs

Interaction of LTCi with a State Benefit: State Benefit Opt-out

- Opt-out: Allow individuals with LTCi to opt out of the state program.
 - Verification: The state program could periodically verify that the individual keeps the LTCi policy after opt-out.
 - Opt-out deadlines: If there is an opt-out deadline, it should provide a time period sufficient to avoid an unmanageable surge of applications.
- No opt-out: Require individuals with LTCi to pay into the state program.
 - Note Ins. Code 10235.91: If a state or national program “substantially duplicates” benefits covered by a LTCi policy, the policyholder is entitled to either a reduction in premium or an increase in benefits.

Coordination of LTCi with a State Benefit: Eligibility Criteria and Qualifying Care

- Advantages of eligibility criteria that align with federal tax-qualification standards (at least 2 of 6 ADLs or cognitive impairment):
 - Easier for insurers to design supplemental and complementary private insurance options.
 - Easier for consumers to navigate LTCi and State Benefit eligibility.
 - Streamlined training programs/requirements for eligibility assessments.
 - Potential tax-qualification for State Benefit payments?
- Qualifying care definitions (qualifying service + provider) should be aligned to reduce consumer confusion and the complexity of LTCi and State Benefit coordination.

Lessons from the WA Cares Fund

- The combination of a short opt-out window and no post-opt-out verification has been highly problematic.
 - Insurance carriers received a surge in applications.
 - Carriers have suspended new sales.
- Insurers have indicated that the program's unique 3 of 10 ADLs criteria is an obstacle to coordinated private LTCi coverage.

Coordination of LTCi with a State Benefit: Who pays first?

- State benefit as primary payer: state benefit pays before LTCi
- State benefit as secondary payer: state benefit pays only after LTCi is exhausted
 - Concurrent payments: If permitted, the state benefit pays costs that exceed the LTCi daily or monthly coverage limit.

Coordination of LTCi and Medi-Cal

Without LTCi:



With LTCi:

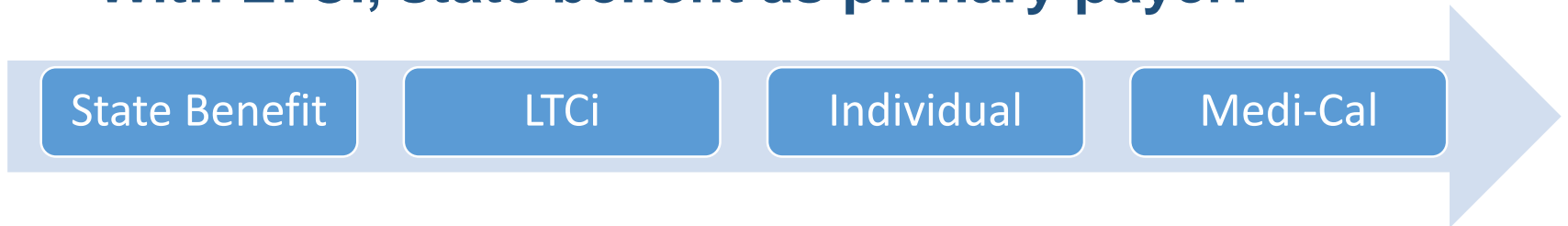


Coordination with a Front-end State Benefit (no opt-out)

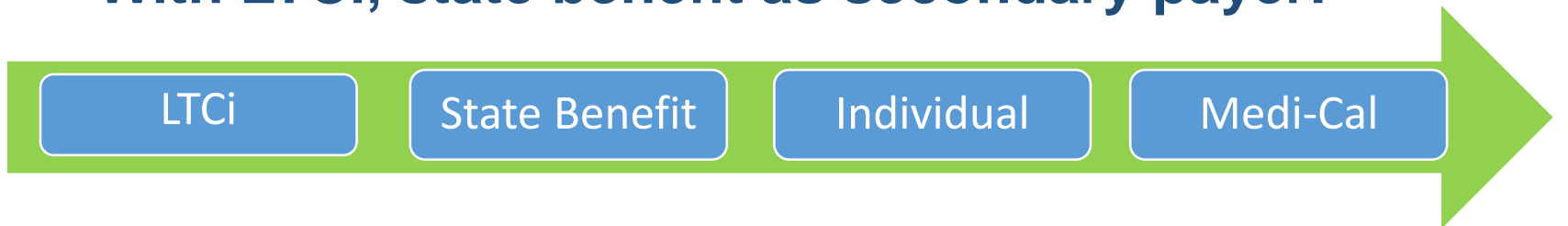
Without LTCi:



With LTCi, state benefit as primary payer:

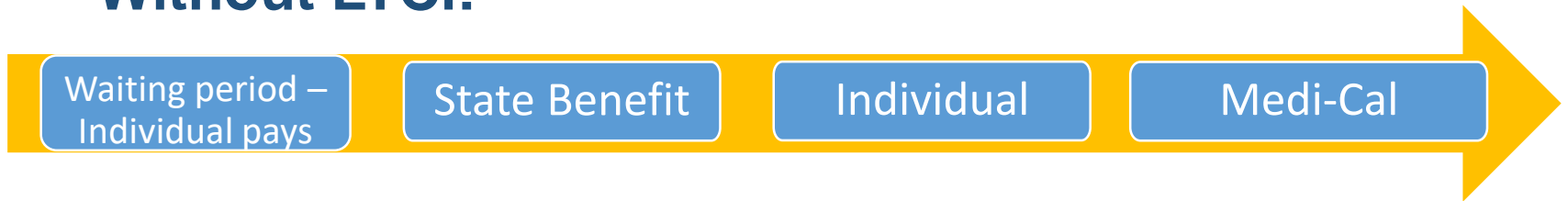


With LTCi, state benefit as secondary payer:

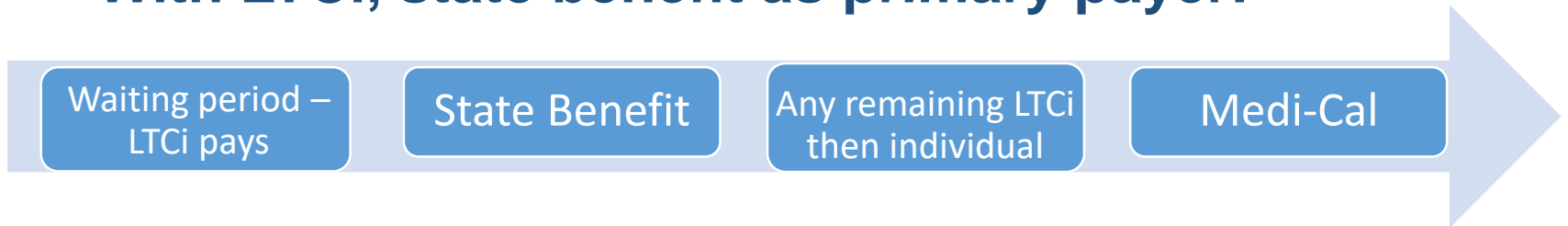


Coordination with a Back-end State Benefit (no opt-out)

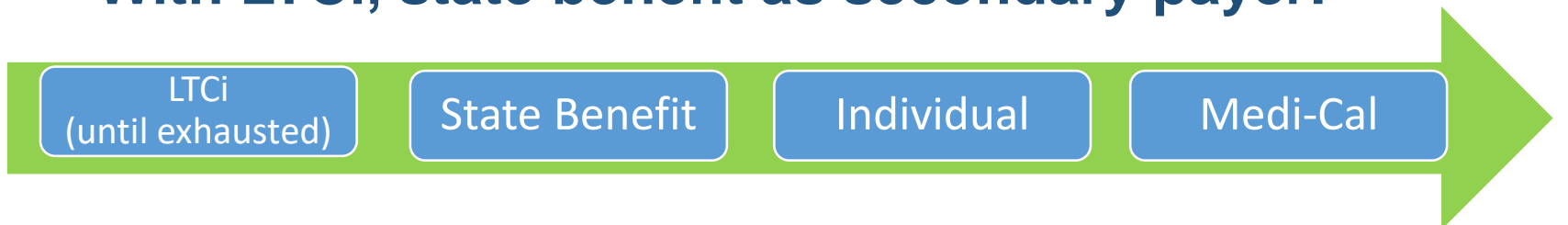
Without LTCi:



With LTCi, state benefit as primary payer:



With LTCi, state benefit as secondary payer:



Potential for New LTCi Products

- Additional daily / monthly benefit paid concurrent with state program
- Coverage beginning after state benefit is exhausted
- Coverage during an elimination or waiting period
- Benefits paying for co-insurance, fair-share contributions, or deductibles
- Coverage for services not covered by state benefit
- Coverage for services from excluded or nonparticipating providers