

Partnering A Statewide LTC Insurance Program With Private LTC Insurance

**Presentation to CA LTCI Task Force
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Disclaimer: The views expressed by the presenter are intended to summarize aspects of the work of the Task Force to date, and also highlight key considerations identified by the Task Force for its work moving forward. Nothing in this presentation reflects the view of any particular Task Force member or their employer, including Genworth Financial and its affiliates. Please note that there is not a single industry view that has been adopted, but the comments presented here are representative of various viewpoints being discussed.

Agenda

Key Principles of a Public Long-Term Care Program

Key Program Design Elements

Public / Private Partnership Illustration

Grounding

Task Force Goal

The California Long Term Care Insurance Task Force is comprised of a diverse group of stakeholders representing government agencies, health policy, long-term care providers, senior and consumer advocate organizations, long-term care workers, residential care facilities, adult day service providers, hospice and palliative care providers, family caregivers, direct care workers, and the long-term care (LTC) insurance (LTCI) industry.

Among other things, members have been tasked with exploring how a statewide, culturally competent long-term care insurance program could be designed and implemented to expand the options for people who are interested in insuring themselves against the risk of costs associated with functional or cognitive disability and require long-term services and supports (LTSS).

A few goals of the Taskforce, as provided by AB 567, include:

- Evaluate how benefits under the program would be coordinated with existing private health care coverage benefits.
- Consider the establishment of a joint public and private system to make long-term care accessible to as many individuals within California as possible.

Preliminary Concepts Discussed by the Task Force by the Task Force (to date)

- Private long-term care (LTC) insurers should respond to California's LTSS program by offering reasonably priced, broader coverage options and services that are complementary to California's program
- Private LTC insurers could be incentivized to offer LTC solutions, through tax incentives or through a reduction in insurers' risk, if California's LTSS program covers some of the costs
- It is equitable to require individuals with private LTCI to participate in the statewide LTC insurance program
- It is not equitable to allow individuals with private LTCI to opt out of the statewide LTC insurance program

Key Principles Of A Public LTC Program

The Program Should Strive to Ensure That (ACLHIC, ACLI, NAIFA)* ...

- All Californians in need of LTC have equitable access to services that will allow them to live and age with dignity in the setting of their choice
- Services are culturally competent and can be accessed by all Californians in need, regardless of age or socio-economic background
- A meaningful base level of coverage is available that keeps pace with the cost of care in California, along with robust options
- Benefits are reasonable in relation to the contribution level made and provide a reasonable value to all program participants
- Individuals are encouraged to plan for their potential LTC needs to the extent they are able - personal coverage will be paramount to the success of any state program
- Public educational efforts providing information about benefits, services, supports, and care management provided by the public LTSS program, as well as via other existing programs and financing options (including private insurance products) is critical to success
- The system is designed to be robust, financially sustainable, and multi-generational
- There exists a viable partnership between public and private sectors that recognizes and preserves the commercial market - there is a role for private LTCI offerings

* Association of California Life and Health Insurance Companies, American Council of Life Insurers, National Association of Insurance and Financial Advisors

Key Principles Of A Public LTC Program

Essential Criteria for LTC Financing Reform Proposals* (American Academy Of Actuaries, AAA)

Coverage: How many people are expected to be covered / eligible and what are the attributes of those people

Comprehensiveness of Benefits: A clear definition of the amount of risk that is covered by the system, including benefit limitations, location of care, and eligibility for care

Quality of Care Benchmarking & Monitoring: A framework that would include measures for patient & family centeredness, transitional care processes, performance outcomes, safety, timeliness, efficiency, equity & cost effectiveness

Understandability & Choice: Recognizing that the needs of individuals vary widely, choices should be easy to assess, and educational tools should be provided

Affordability: The continuing availability of funds from income and/or assets, after accounting for necessities, that a purchaser would be willing to contribute toward the purchase of an LTC solution

Risk Management & Cost Control: An evaluation framework to identify, assess, measure, mitigate, and manage risk; utilizing a projection model and sensitivity & stress testing. Cost controls should align the interests of all stakeholders

Financial Soundness & Sustainability: Ability to deliver on what is promised, well into the future, with considerations of funding structure, investment strategy, complexity of the program & interaction with other benefits & programs

* www.actuary.org/sites/default/files/files/publications/Essential_Criteria_for_Long-Term_Care_Financing_Reform_Proposals_112916.pdf

Lessons Learned from WA Cares Fund

Private LTCI Industry has Faced Potential Challenges that Can Inform a Public Program

- WA Cares did not address several of the key principles recommended by ACHLIC, ACLI, NAIFA, or AAA, including
 - Providing a meaningful base level of coverage (*benefits would not last 4 months in a nursing home in the Seattle area*)
 - Benefits that are reasonable in relation to the contribution level made and provide a reasonable value to all program participants
 - Understanding how many people are expected to be covered, given the administration of the opt out provisions
 - Being financially sound and sustainable, particularly regarding program solvency and investment strategy (*various assumptions were made about ensuring financial viability of the program including the use of equity investments, which was ultimately not approved via ballot initiative*)
 - Ensuring that industry, producer or employer groups were meaningfully consulted or included during the creation of the program

Key Program Design Elements

Exemptions (if permitted)

Caveat: Insurance industry is not making a recommendation about whether exemptions should be part of the program. However, it is important that the Task Force consider the following when evaluating the possibility:

- **Avoid a negative impact to the sustainability of the program**
 - Too broad an exemption could create financial challenges on a state program
- **Structure to ensure individuals keep private coverage in place to address their future LTC needs**
 - There is a risk that those who purchased coverage to qualify for a potential exemption drop their coverage, particularly those with products that provide a full return of premium upon lapse

The Task Force should consider ways to encourage participation from individuals across the income spectrum; otherwise, the financial viability of the program could be at risk.

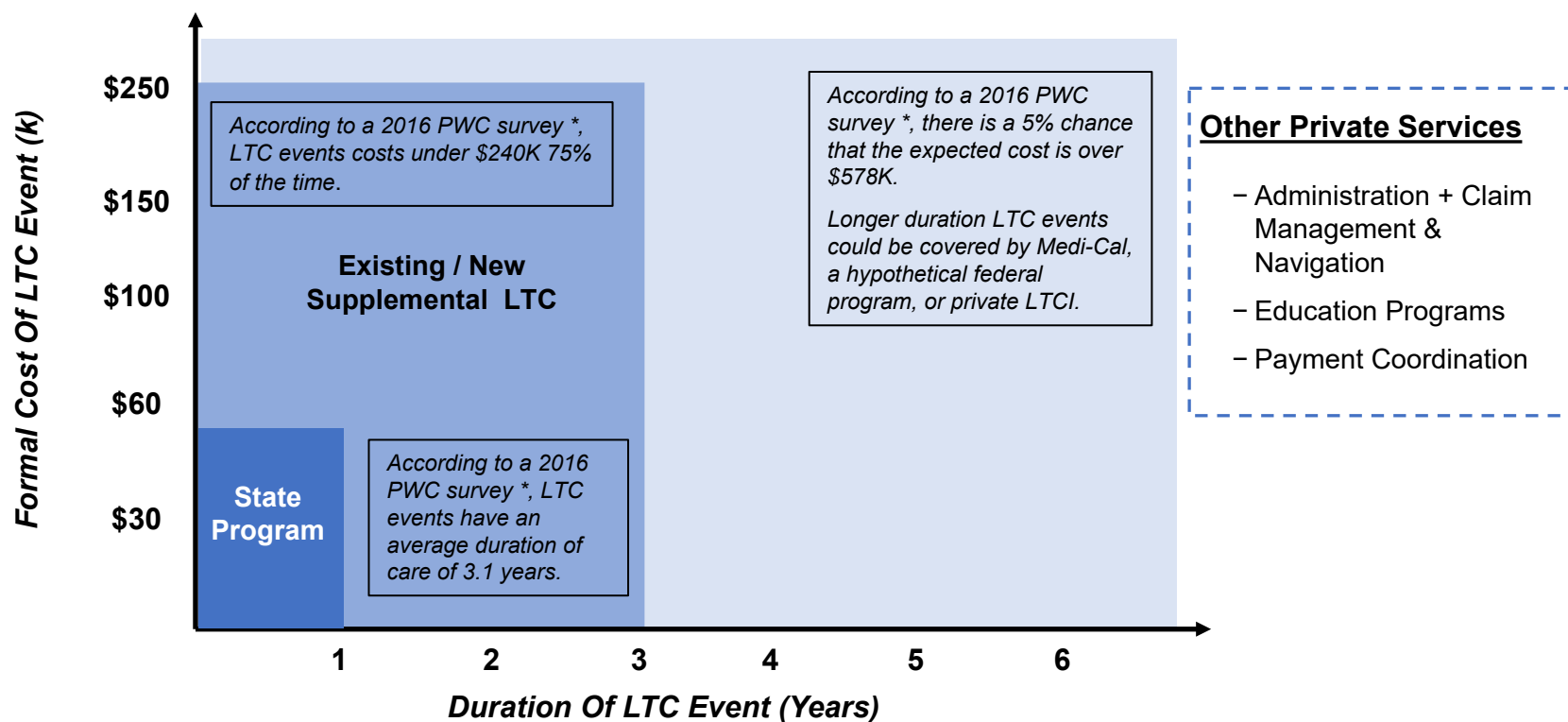
Key Program Design Elements

Coordination

- **Consider the purpose of the program (i.e., is the program intended to be a comprehensive social program or one that will enable each person to address their respective LTC needs due to aging?)**
- **Consideration should be given for coordination approaches to address each cohort:**
 - Individuals who purchased private LTC insurance before the potential legislative approval of the program
 - Individuals who purchased private LTC coverage in combination with another type of insurance product (life or annuity) before the potential legislative approval of the program
 - Individuals who opt to purchase private LTC insurance between the potential legislative approval of the program and an arbitrary date in the future in the lead-up to the potential program effective date
 - Individuals who opt to purchase (supplementary) private LTC insurance after the potential program effective date

The Task Force should consider ways to ensure coordination between the public and private insurance options, which will reduce the burden on state/Medicaid programs.

Public / Private Partnership Illustration



The private insurance industry can play a role in a public LTSS program, regardless of how the benefit is structured

- Supplemental coverage to establish a meaningful total benefit for Californians
- Coordination with existing public programs & existing coverage options
- Wellness and early intervention/prevention (including addressing social determinants of health)

• www.pwc.com/us/en/insurance/assets/pwc-insurance-cost-of-long-term-care.pdf

• Based on private insurance data on a nationwide basis; excludes costs paid by Medicaid or Medicare and costs for care provided to individuals with disability levels below insurance benefit triggers

Conclusion

Public / Private Partnerships

- Neither the public sector, nor the private sector, can completely cover California's long-term care needs exclusively
- Public programs providing some level of coverage for LTSS should build on the strong framework that exists in the private market, not seek to replace it
- A public program that integrates with a variety of LTC insurance options will result in more consumers having access to the coverage they need, as well as overall Medicaid and Medi-Cal savings
- To potentially lessen the burden on public programs, the private market can develop and offer innovative supplemental products, likely at more widely affordable price points
- Consider ways to build on and enhance existing programs like the Partnership program
- Ensure that private market options can reach the marketplace in a timely manner
- Administrative capabilities in the private sector can be readily and efficiently utilized to deliver LTC services under public programs
- Leverage insurance agents to support and execute public education initiatives