

CALIFORNIA DEPARTMENT OF INSURANCE: LONG TERM CARE INSURANCE PROGRAM

Program design options as of August 3, 2022¹

¹This presentation reflects most of the recent feedback received in the Program Interdependencies questionnaire, except where questionnaire results were close and require further discussion during Task Force Meeting #15

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.

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.

AB 567 PRELIMINARY PROGRAM DESIGN OPTIONS – OVERVIEW

Six preliminary program designs are undergoing refinement by the Task Force (as of August 3, 2022)

1	Supportive benefits	<ul style="list-style-type: none"> Targeted benefits for adult population 	Lower cost	
2	Family caregiver benefits	<ul style="list-style-type: none"> Financial support for adult family caregivers 		
3	Comprehensive benefits (low-range)	<ul style="list-style-type: none"> Comprehensive benefits for senior population Inspired by WA Cares Fund design with updates for California Estimated payroll tax range: 0.40% to 0.60%¹ 		
4	Comprehensive benefits (mid-range)	<ul style="list-style-type: none"> Comprehensive benefits for senior population [Alternative 1] 		
5	Comprehensive benefits (mid-range)	<ul style="list-style-type: none"> Comprehensive benefits for senior population [Alternative 2] 		
6	Comprehensive benefits (high-range)	<ul style="list-style-type: none"> High-range comprehensive benefits for adult population 	Higher cost	

¹ Estimated range is based on the 2020 Milliman CA LTSS Feasibility Study

AB 567 PRELIMINARY PROGRAM DESIGN OPTIONS – COMMON ELEMENTS

Several core design elements received near unanimous support from the Task Force

	Program structure	<ul style="list-style-type: none">• Front-end coverage (benefits payable near beginning of LTSS need)• Vested social insurance with pro-rated benefits (criteria varies slightly by option)
	Benefit eligibility	<ul style="list-style-type: none">• 2 of 6 activities of daily living (ADLs) or severe cognitive impairment• Benefits available at age 18+
	Portability	<ul style="list-style-type: none">• Program benefits are available outside of California (level varies slightly by option)
	Contribution rate structure	<ul style="list-style-type: none">• Level, proportional payroll tax split between employees and employers• Contributions begin at age 18, no maximum age
	Inflation	<ul style="list-style-type: none">• Benefit increases based on Consumer Price Index<ul style="list-style-type: none">– Evaluated annually but not automatic except for Design 6
	Investment strategy	<ul style="list-style-type: none">• Invest in stocks, bonds, and U.S. treasuries (state constitutional amendment required)
	Coordination/interaction	<ul style="list-style-type: none">• Private LTC insurance pays <u>before</u> program• Considerations for individuals with (eligible) private insurance:<ul style="list-style-type: none">– Opt-out provision if purchased <u>before</u> program enactment– Reduced program contributions if purchased <u>after</u> program enactment• Program pays <u>before</u> Medi-Cal and should not influence Medi-Cal eligibility

AB 567 PRELIMINARY PROGRAM DESIGN OPTIONS – DESIGNS 1 AND 2

Designs 1 and 2 are targeted designs that offer more narrow coverage for a lower cost; Task Force is considering merging these two design options

	Design 1	Design 2
 Benefits	<ul style="list-style-type: none"> • Reimbursement benefits • Maximum \$36,000 (\$1,500 / month) • No elimination period • Individual coverage 	<ul style="list-style-type: none"> • Cash benefits • Maximum \$48,000 (\$2,000 / month) • No elimination period • Individual coverage
 Services	<ul style="list-style-type: none"> • Supportive LTSS services, including: <ul style="list-style-type: none"> – Caregiver training and support – Adult day care – Preventative equipment – Transportation – Home delivered meals 	<ul style="list-style-type: none"> • Financial support for family caregivers providing home care
 Eligibility and enrollment	<ul style="list-style-type: none"> • 5-year vesting period 	<ul style="list-style-type: none"> • 5-year vesting period • Eligibility criteria applies to <u>caregiver</u> (vs. care recipient)
 Financing	<ul style="list-style-type: none"> • Contribution cap • Alternative funding beyond payroll tax to be considered 	<ul style="list-style-type: none"> • Contribution cap • Alternative funding beyond payroll tax to be considered

Task Force recommended an additional lower-cost design that provides home care coverage and excludes lower income individuals

AB 567 PRELIMINARY PROGRAM DESIGN OPTIONS – DESIGN 3

Design 3 incorporates elements of the WA Cares Fund with refinements to address lessons learned

	Design 3	WA Cares Fund (for reference)
 Benefits	<ul style="list-style-type: none"> • Reimbursement benefits • Maximum \$36,000 (\$3,000 / month) • 30-day elimination period • Partial benefits outside CA (grade to 50% over 5 years) • Individual coverage 	<ul style="list-style-type: none"> • Reimbursement benefits • Maximum \$36,500 (\$100 / day) • Up to 45-day elimination period¹ • No portability • Individual coverage
 Services	<ul style="list-style-type: none"> • Home and community-based care • Select institutional care, including: <ul style="list-style-type: none"> – Adult day care – Respite care – Residential care facilities • Limited preventative benefits 	<ul style="list-style-type: none"> • Institutional care • Home and community-based care • Wide range of services covered
 Eligibility and enrollment	<ul style="list-style-type: none"> • 10-year vesting period with pro-rating 	<ul style="list-style-type: none"> • Benefits available at age 18+ • 10-year vesting period or 3 of the last 6 years; no pro-rating except for those near retirement age
 Financing	<ul style="list-style-type: none"> • Contribution cap • Income tax for those not subject to payroll tax 	<ul style="list-style-type: none"> • No contribution cap • No employer contribution

¹ Elimination period may be shorter depending on the time required to process benefit request

AB 567 PRELIMINARY PROGRAM DESIGN OPTIONS – DESIGNS 4, 5 AND 6

Designs 4 and 5 provide mid-range benefits while design 6 is the most extensive option; Task Force is considering merging designs 4 and 5

	Designs 4 & 5	Design 6
 Benefits	<ul style="list-style-type: none"> • Reimbursement benefits • Maximum \$81,000 (\$4,500 / month) • No elimination period • Shared benefit pool for non-vested spouses and domestic partners 	<ul style="list-style-type: none"> • Reimbursement benefits with 50% cash alternative • Maximum \$144,000 (\$6,000 / month) • No elimination period • Annual benefit inflation automatically applied • International portability • Shared benefit pool for non-vested spouses and domestic partners
 Services	<ul style="list-style-type: none"> • Institutional care • Home and community-based care • Preventative benefits before benefit eligibility triggers 	<ul style="list-style-type: none"> • Institutional care • Home and community-based care • Preventative benefits before benefit eligibility triggers
 Eligibility and enrollment	<ul style="list-style-type: none"> • 10-year vesting period • Grade-in benefits over first 20 years [Design 5 only] 	<ul style="list-style-type: none"> • 5-year vesting period with option to top-up benefits if unable to fully vest • Grade-in benefits over first 20 years
 Financing	<ul style="list-style-type: none"> • No maximum contribution limits • Waiver for lower income individuals [Design 5 only] • Income tax for those not subject to payroll tax 	<ul style="list-style-type: none"> • Contribution cap • Waiver for lower income individuals • Income tax for those not subject to payroll tax



A business of Marsh McLennan