

**AB567 - Program Design "Straw Man" [DRAFT - VERSION 2]**

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Lower Cost ←

→ Higher Cost

Plan design element	Targeted LTC benefits & <b>adult</b> population covered [ancillary LTC benefit design] Design 1	Targeted LTC benefits & targeted population covered [informal caregiver support design] Design 2	Comprehensive benefits (low-range) & <b>senior</b> population covered (65+) Design 3	Comprehensive benefits (mid-range) & <b>senior</b> population covered (65+) [Alternative 1] Design 4	Comprehensive benefits (mid-range) & <b>senior</b> population covered (65+) [Alternative 2] Design 5	Comprehensive benefits (high-range) & <b>adult</b> population covered (18+) Design 6
Indicative program cost (\$ - \$\$\$\$\$)	\$	\$	\$\$ (Estimated payroll tax range: 0.40% to 0.60% <sup>1</sup> )	\$\$\$	\$\$\$	\$\$\$\$\$
<small><sup>1</sup> Estimated range is based on the 2020 Millman CA LTSS Feasibility Study</small>						
Design philosophy						
Program benefit richness	Targeted benefits	Targeted benefits	Comprehensive benefits (low-range)	Comprehensive benefits (mid-range)	Comprehensive benefits (mid-range)	Comprehensive benefits (high-range) ✓
California population coverage	Adult population covered (18+) ✓	Targeted population covered (informal caregivers)	Senior population covered (65+)	Senior population covered (65+)	Senior population covered (65+)	Adult population covered (18+) ✓
Taxation progressivity	Proportional tax with a contribution cap	Proportional tax with a contribution cap	Proportional tax with a contribution cap	Proportional tax	Proportional tax with contribution waiver for lower-income individuals (most progressive)	Proportional tax with a contribution cap and a contribution waiver for lower-income individuals (partially progressive) ✓
Structure 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 ✓	Front-end coverage ✓ Vested social insurance ✓
Program benefits						
Benefit type	Reimbursement for all covered benefits (actual benefit amount reimbursed, subject to limitations)	Cash benefit (subject to completion of certified caregiver training)	Reimbursement for all covered benefits (actual benefit amount reimbursed, subject to limitations)	Reimbursement for all covered benefits (actual benefit amount reimbursed, subject to limitations)	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 (20%) cash benefit alternative ✓
Benefit period	3 years ✓	3 years ✓	1 year	18 months	18 months	3 years ✓
Benefit maximum	\$1,500 per month	\$2,000 per month	\$3,000 per month ✓	\$4,500 per month ✓	\$4,500 per month ✓	\$6,000 per month ✓
Benefit inflation	Inflation as a function of CPI; assessed annually (not automatically applied)	Inflation as a function of CPI; assessed annually (not automatically applied)	Inflation as a function of CPI; assessed annually (not automatically applied)	Inflation as a function of CPI; assessed annually (not automatically applied)	Inflation as a function of CPI; assessed annually (not automatically applied)	Inflation as a function of CPI; applied annually ✓
Elimination period	No elimination period ✓	No elimination period ✓	30-day elimination period	No elimination period ✓	No elimination period ✓	No elimination period ✓
Approved care settings	Ancillary LTSS (e.g., caregiver support, adult day care, meal delivery, transportation, preventative equipment, home assessment, and minor home modifications) and Residential Care Facility benefits Caregiver support includes: training, respite care, and financial support via certified provider reimbursement	Financial support for family caregivers providing informal home care	Home and community-based care with select institutional care (e.g., adult day care, respite care, Residential Care Facility)	Comprehensive (i.e., institutional care and home and community-based care) ✓	Comprehensive (i.e., institutional care and home and community-based care) ✓	Comprehensive (i.e., institutional care and home and community-based care) ✓
PACE coverage	N/A	N/A	Covered service; certified provider reimbursement ✓	Covered service; certified provider reimbursement ✓	Covered service; certified provider reimbursement ✓	Covered service; certified provider reimbursement ✓
Informal / family caregivers	Covered service; reimbursement to caregivers (subject to completion of certified caregiver training) ✓	Cash benefit to caregiver (subject to completion of certified caregiver training) ✓	Covered service; reimbursement to caregivers (subject to completion of certified caregiver training) ✓	Covered service; reimbursement to caregivers (subject to completion of certified caregiver training) ✓ Offer preventative benefits before satisfying the benefit eligibility criteria but only after becoming fully vested in the program ✓	Covered service; reimbursement to caregivers (subject to completion of certified caregiver training) ✓ Offer preventative benefits before satisfying the benefit eligibility criteria but only after becoming fully vested in the program ✓	Covered service; reimbursement to caregivers (subject to completion of certified caregiver training) ✓ Offer preventative benefits before satisfying the benefit eligibility criteria but only after becoming fully vested in the program ✓
Preventative benefits	N/A	N/A	Limited/contingent preventative benefits (e.g., partake in wellness program)			
Portability	Domestic portability; full benefits	Domestic portability; full benefits (i.e., a vested informal caregiver may provide care in a state outside of California and remain eligible to receive full cash benefits)	Domestic portability; partial benefits outside of California (grade to 50% over 5 years)	Domestic portability; full benefits	Domestic portability; full benefits	International portability; full benefits ✓
Family / spousal coverage	Individual coverage only	Individual coverage only (i.e., only fully vested individuals may receive financial support for providing informal care)	Individual coverage only	Individual coverage only	Individual coverage only	Individual coverage (family members may contribute via a non-voluntary mechanism) ✓
Program eligibility and enrollment						
Benefit eligibility age	Age 18+ (subject to vesting requirements) ✓	Age 18+ (subject to vesting requirements) (i.e., financial support is only provided to informal caregivers above this age) ✓	Age 65+ (subject to vesting requirements)	Age 65+ (subject to vesting requirements)	Age 65+ (subject to vesting requirements)	Age 18+ (subject to vesting requirements) ✓
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) ✓ Although this Design provides financial support for informal caregivers, the benefit eligibility criteria is based on the condition of the care recipient (i.e., the benefit eligibility criteria is not based on the vested caregiver)	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) ✓
Vesting criteria	5 years of contributions ✓	5 years of contributions (i.e., an informal caregiver may receive financial support after contributing to the program for 5 years) ✓	10 years of contribution	10 years of contribution	10 years of contribution	5 years of contributions ✓
Flexibility for those unable to vest	Pro-rated benefits (benefits are reduced to a level that is proportionate with the amount of the vesting period the individual is able to satisfy)	Pro-rated benefits (benefits are reduced to a level that is proportionate with the amount of the vesting period the individual is able to satisfy)	Pro-rated benefits (benefits are reduced to a level that is proportionate with the amount of the vesting period the individual is able to satisfy)	Pro-rated benefits (benefits are reduced to a level that is proportionate with the amount of the vesting period the individual is able to satisfy)	Pro-rated benefits (benefits are reduced to a level that is proportionate with the amount of the vesting period the individual is able to satisfy)	Pro-rated benefits (benefits are reduced to a level that is proportionate with the amount of the vesting period the individual is able to satisfy) and voluntary alternative program contribution option to "top up" benefits ✓

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Private LTC considerations: before program enactment	N/A	N/A	Individuals with eligible private LTC insurance <sup>2</sup> 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 <sup>2</sup> 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 <sup>2</sup> 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 <sup>2</sup> may opt out of the program. They would be exempt from making program contributions and will not be eligible to receive program benefits [✓]
Private LTC considerations: after program enactment <sup>3</sup>	N/A	N/A	Individuals with eligible private LTC insurance <sup>2</sup> 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 private LTC insurance <sup>2</sup> 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 private LTC insurance <sup>2</sup> 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 private LTC insurance <sup>2</sup> would be subject to reduced program contributions (and will remain eligible to receive program benefits as a secondary payor to their private LTC insurance) [✓]
<small><sup>1</sup> 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)</small>						
<small><sup>2</sup> 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)</small>						
<b>Program financing</b>						
Payroll tax (split between employees and employers) [✓]	Payroll tax (split between employees and employers) [✓]	Payroll tax (split between employees and employers) [✓]	Payroll tax (split between employees and employers) [✓]	Payroll tax (split between employees and employers) [✓]	Payroll tax (split between employees and employers) [✓]	Payroll tax (split between employees and employers); non-voluntary premium contributions via an income tax (for individuals not subject to payroll tax, such as the self-employed) [✓]
Revenue source	Alternative funding sources may also be considered	Alternative funding sources may also be considered	Payroll tax (split between employees and employers) [✓]	Payroll tax (split between employees and employers) [✓]	Payroll tax (split between employees and employers) [✓]	Payroll tax (split between employees and employers) [✓]
Program contribution age: minimum	Age 18 [✓]	Age 18 [✓]	Age 18 [✓]	Age 18 [✓]	Age 18 [✓]	Age 18 [✓]
Program contribution age: maximum	No maximum (contributions dependent on being on payroll) [✓]	No maximum (contributions dependent on being on payroll) [✓]	No maximum (contributions dependent on being on payroll) [✓]	No maximum (contributions dependent on being on payroll) [✓]	No maximum (contributions dependent on being on payroll) [✓]	No maximum [✓]
Program contribution limits: taxable earnings waiver	No contribution waiver for individuals below a specified poverty level	No contribution waiver for individuals below a specified poverty level	No contribution waiver for individuals below a specified poverty level	No contribution waiver for individuals below a specified poverty level	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) [✓]
Program contribution limits: taxable earnings maximum	Cap similar to Social Security (\$147,000 in 2022) [alternative caps may also be considered] [✓]	Cap similar to Social Security (\$147,000 in 2022) [alternative caps may also be considered] [✓]	Cap similar to Social Security (\$147,000 in 2022) [alternative caps may also be considered] [✓]	Cap similar to Social Security (\$147,000 in 2022) [alternative caps may also be considered] [✓]	Cap similar to Social Security (\$147,000 in 2022) [alternative caps may also be considered] [✓]	Cap similar to Social Security (\$147,000 in 2022) [alternative caps may also be considered] [✓]
Contribution rate structure	Level tax rate (with guidelines stipulating the process to amend the tax rate); no variability by age (or any other characteristics) [✓]	Level tax rate (with guidelines stipulating the process to amend the tax rate); no variability by age (or any other characteristics) [✓]	Level tax rate (with guidelines stipulating the process to amend the tax rate); no variability by age (or any other characteristics) [✓]	Level tax rate (with guidelines stipulating the process to amend the tax rate); no variability by age (or any other characteristics) [✓]	Level tax rate (with guidelines stipulating the process to amend the tax rate); no variability by age (or any other characteristics) [✓]	Level tax rate (with guidelines stipulating the process to amend the tax rate); no variability by age (or any other characteristics) [✓]
Investment strategy	Invest program contributions in stocks, bonds, and U.S. Treasuries (constitutional amendment required)	Invest program contributions in stocks, bonds, and U.S. Treasuries (constitutional amendment required)	Invest program contributions in stocks, bonds, and U.S. Treasuries (constitutional amendment required)	Invest program contributions in stocks, bonds, and U.S. Treasuries (constitutional amendment required)	Invest program contributions in stocks, bonds, and U.S. Treasuries (constitutional amendment required)	Invest program contributions in stocks, bonds, and U.S. Treasuries (constitutional amendment required)
Intergenerational consideration	Consider a scenario where the constitutional amendment is not achieved [✓]	Consider a scenario where the constitutional amendment is not achieved [✓]	Consider a scenario where the constitutional amendment is not achieved [✓]	Consider a scenario where the constitutional amendment is not achieved [✓]	Consider a scenario where the constitutional amendment is not achieved [✓]	Consider a scenario where the constitutional amendment is not achieved [✓]
Coordination and interaction (with other LTSS financing sources)						
Coordination: private LTC	Private LTC pays before Program; concurrent, non-duplicative payments permitted [✓]	Private LTC pays before Program; concurrent, non-duplicative payments permitted (if informal care is covered by private LTC) [✓]	Private LTC pays before Program; concurrent, non-duplicative payments permitted [✓]	Private LTC pays before Program; concurrent, non-duplicative payments permitted [✓]	Private LTC pays before Program; concurrent, non-duplicative payments permitted [✓]	Private LTC pays before Program; concurrent, non-duplicative payments permitted [✓]
Coordination: Medi-Cal	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.	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.	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.	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.	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.	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.
	Pursue a CMS federal demonstration waiver to retain federal Medicaid savings from the program [✓]	Pursue a CMS federal demonstration waiver to retain federal Medicaid savings from the program [✓]	Pursue a CMS federal demonstration waiver to retain federal Medicaid savings from the program [✓]	Pursue a CMS federal demonstration waiver to retain federal Medicaid savings from the program [✓]	Pursue a CMS federal demonstration waiver to retain federal Medicaid savings from the program [✓]	Pursue a CMS federal demonstration waiver to retain federal Medicaid savings from the program [✓]

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.

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