

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

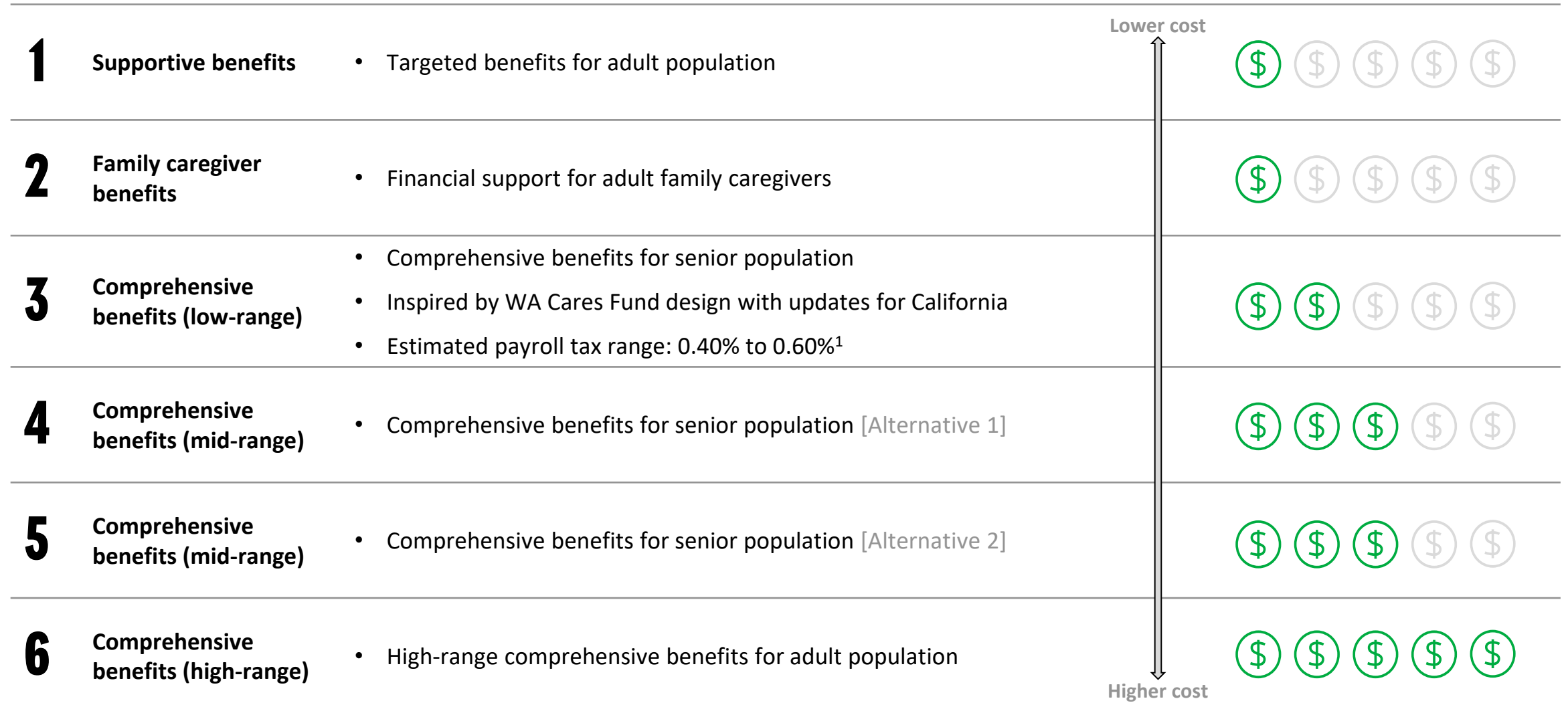
Oliver Wyman was commissioned by the California Department of Insurance (CDI) to provide support associated with assessing the feasibility of developing and implementing a culturally competent statewide insurance program for long-term care services and supports. The primary audience for this report includes 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.

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AB 567 PRELIMINARY PROGRAM DESIGN OPTIONS – OVERVIEW








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



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



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