

Long Term Care Task Force

Meeting #12 – June 16, 2022

An Actuarial Perspective

This material was created with the intent to be verbally presented thus all commentary isn't written in the deck.



Who am I

- California Resident
- An Actuary [FSA, MAAA]
- Specialize in Life Insurance & Long-Term Care
- Expertise in Product Development
- I am the Governor appointed member of the Task Force representing “A certified actuary with expertise in long-term care insurance”

These are my comments & opinions and do not reflect views of my company. They do represent my actuarial perspective.

What is an Actuary?

A mathematician who specializes in the calculation of insurance risks

-Parag's definition



Dustin Plotkin

Parag Shah

Ahmad Kamil

Stephanie Moench

Jamala Arland

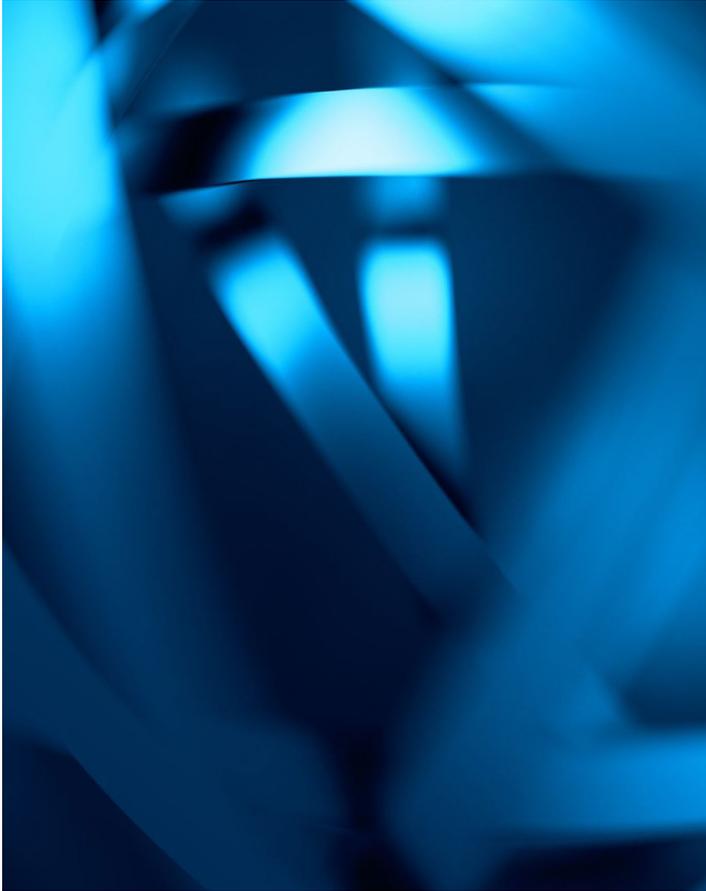
Bob Darnell

Oliver Wyman

LTC Task Force

California DOI

Goals



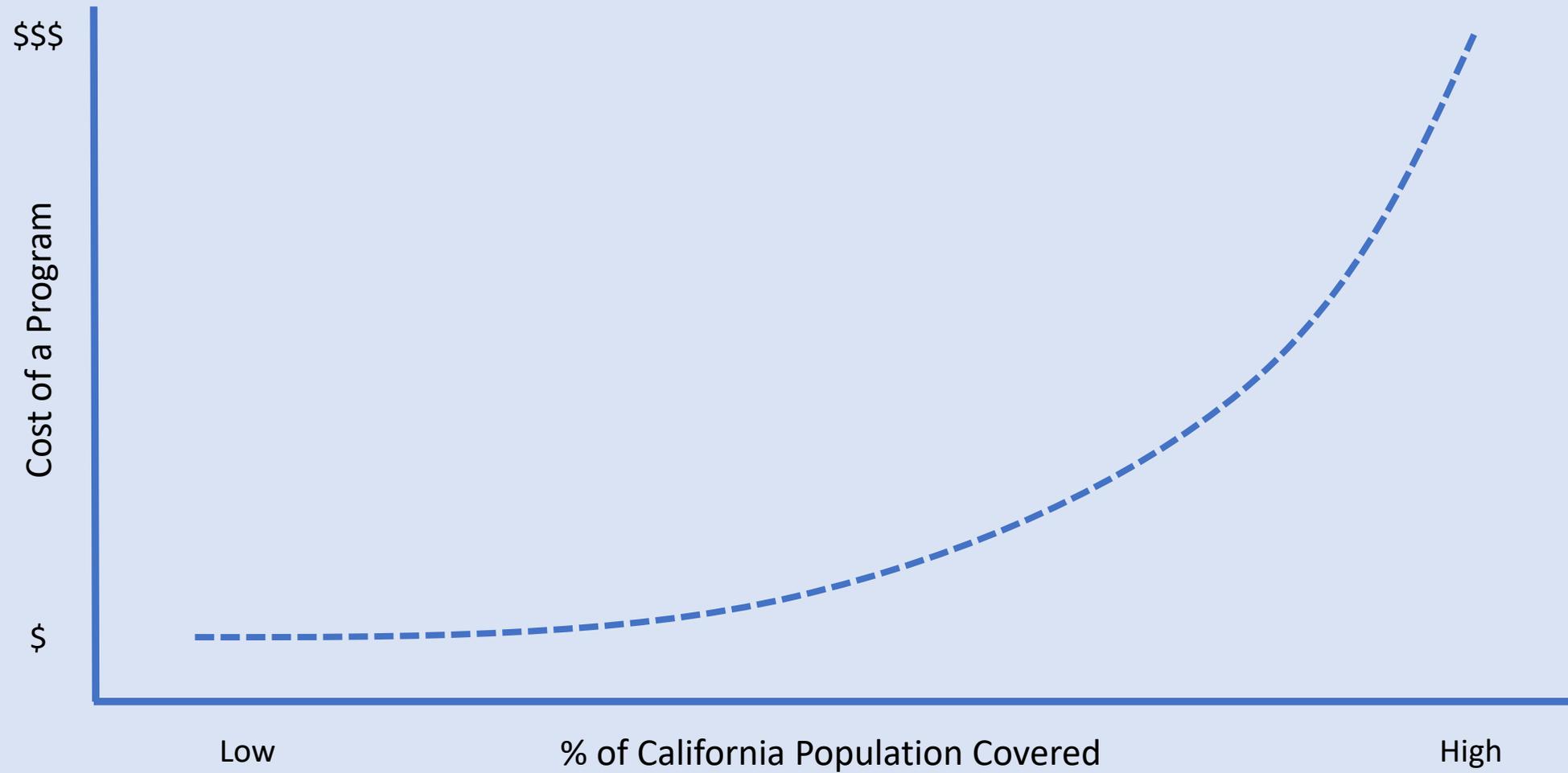
Suggestion for 'Framing' options to include as part of our recommendation

Share directional costs of our 'public program' to help generate thoughtful discussion

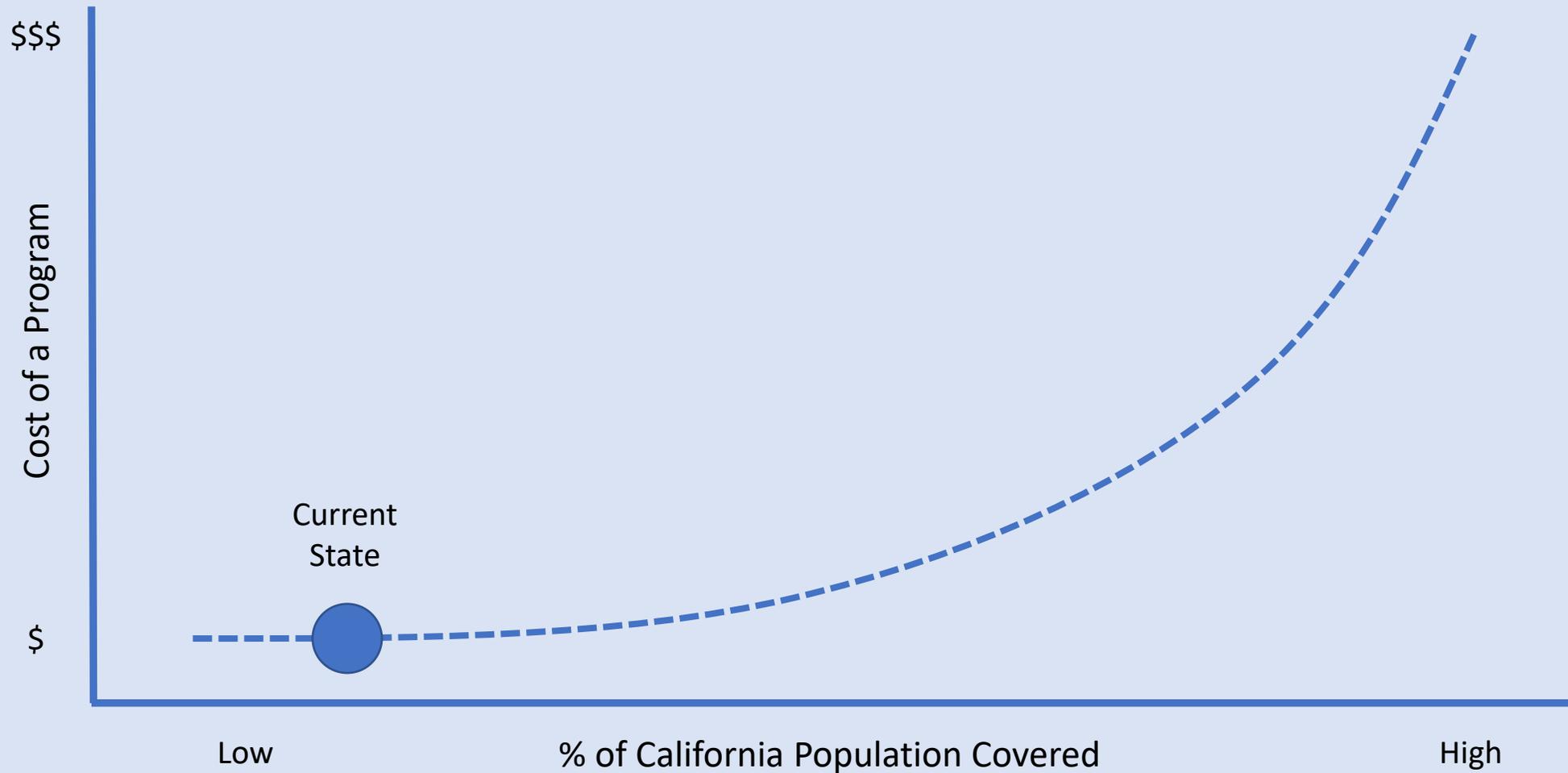
Supplemental items to consider

These are my comments & opinions and do not reflect views of my company. They do represent my actuarial perspective.

Program Options: Cost vs. Population Tradeoff



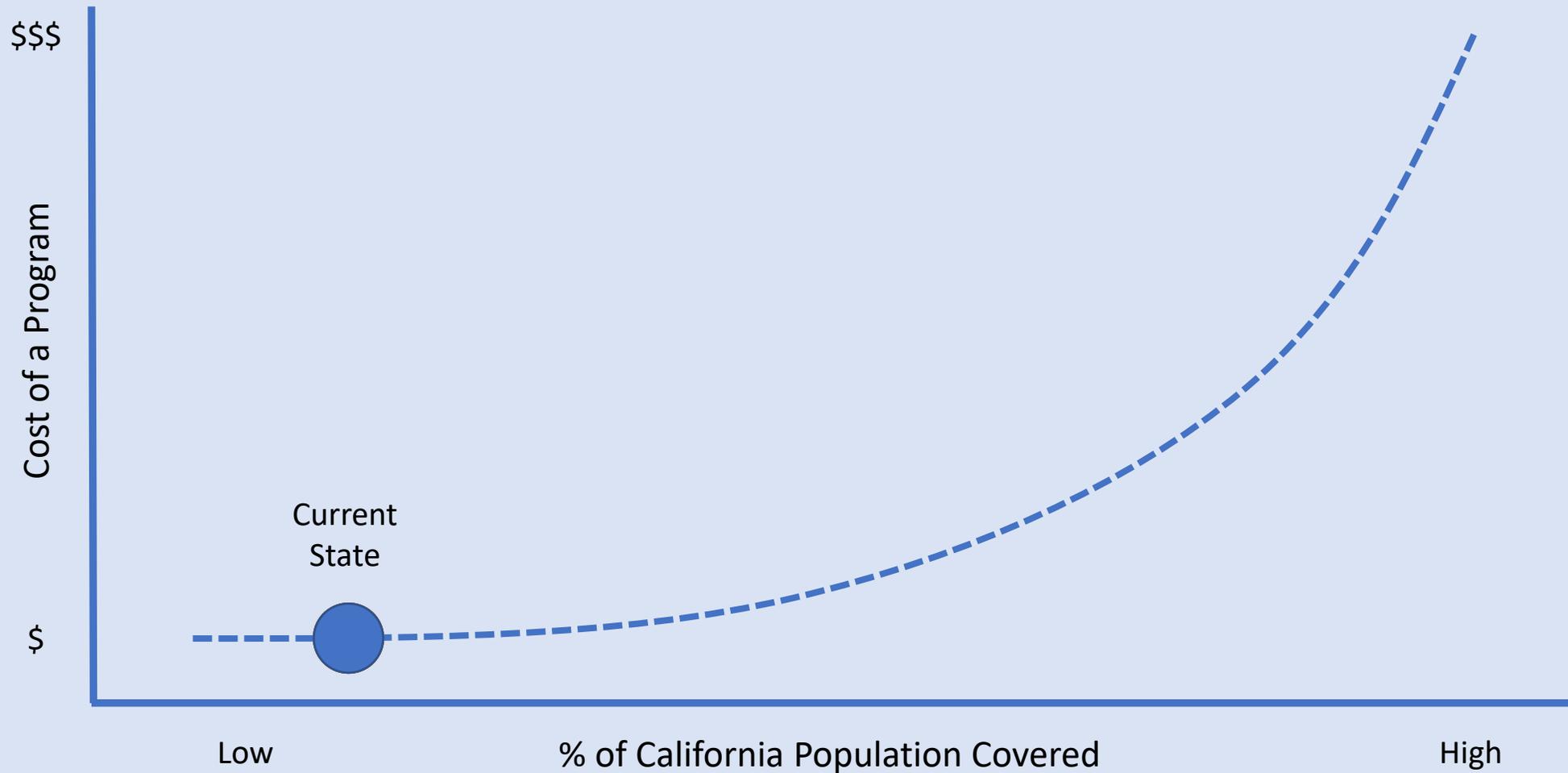
Program Options: Cost vs. Population Tradeoff



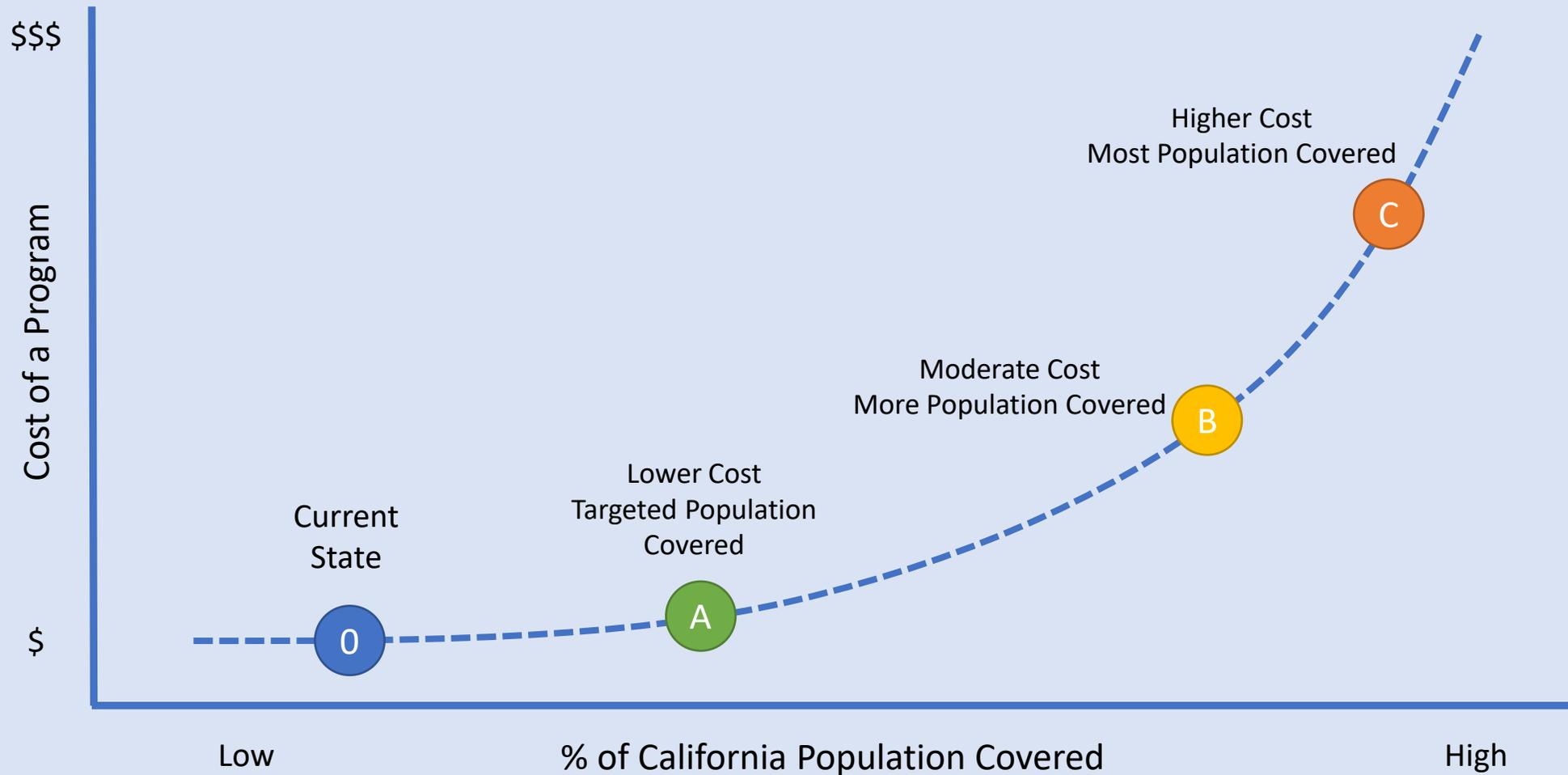
Our Mission

“The Task Force shall recommend options for establishing a statewide long-term care insurance program and comment on the respective degrees of feasibility of those options in a report submitted to the Commissioner, the Governor, and the Legislature on or before January 1, 2023

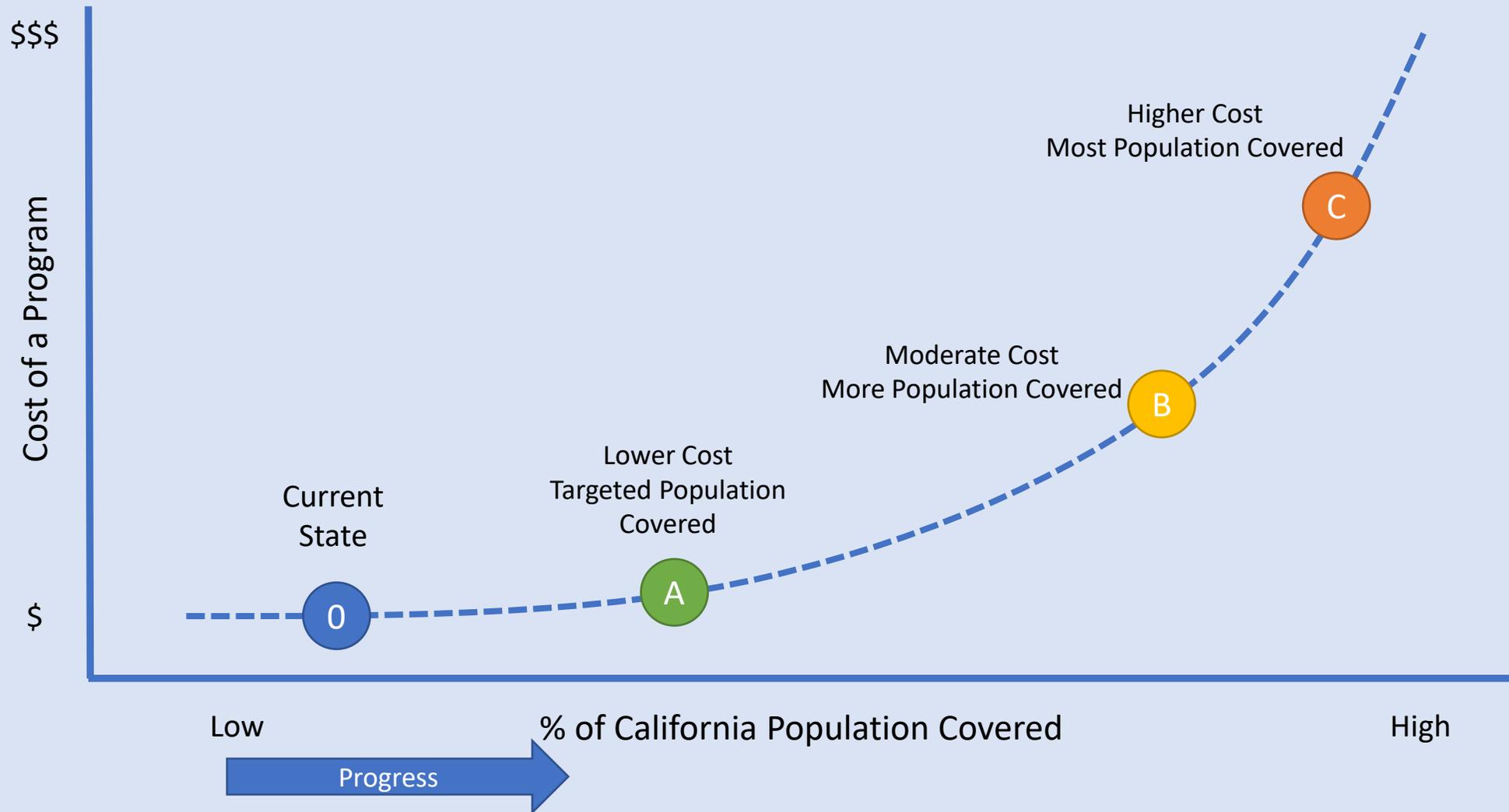
Program Options: Cost vs. Population Tradeoff



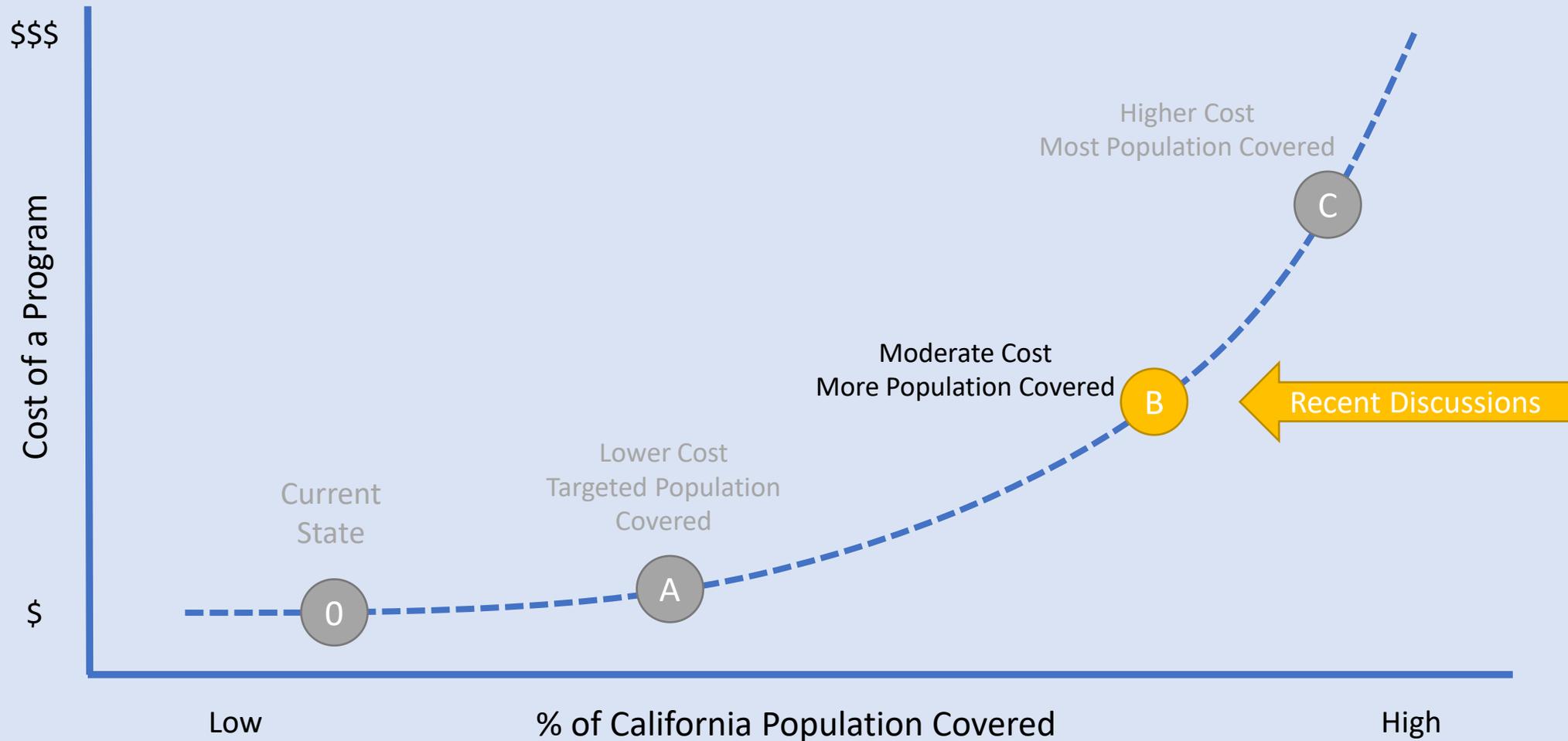
Program Options: Cost vs. Population Tradeoff



Program Options: Cost vs. Population Tradeoff



Program Options: Cost vs. Population Tradeoff



Current Design - Cost

Note: These are rough costs to help drive thoughtful discussion. Final numbers would need a comprehensive actuarial evaluation.

Methodology

Using Washington's program to frame the conversation

Using Milliman's Actuarial Report to demonstrate impacts

'Factors' leverage Presentation 5C and 6C

These are NOT exact values & don't account for interaction effects

Intent is to provide values to allow for proactive discussion*

Choices impacting value/cost of program

Monthly Benefit

Benefit Period
[1yr, 2yr, etc.]

Benefits
(e.g. Reimburse,
Cash)

Elimination
Period

Inflation

Portability

Vesting

Age
Requirements

Impact on those
Below Poverty

Opt-Outs

Care Setting

Are Equity
Investments
Allowed?

Cost

Salary of \$60,000
[approximate median income for CA]



TOTAL PROGRAM COST

e.g. \$15B



'TAX' AS PERCENTAGE OF
PAYROLL

e.g. 0.58%



DOLLAR AMOUNT
DEDUCTED FROM PAYROLL

e.g. \$348

Salary	\$60,000
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Payroll Tax	0.58%
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Washington Program

\$348 annually

Salary	\$60,000
Payroll Tax	0.37%

History	Annual Payroll Deduction
WA	\$348

2 of 6 ADLs
Decrease 36%

\$223 annually

Salary	\$60,000
Payroll Tax	0.67%

History	Annual Payroll Deduction
WA	\$348
2 of 6 ADLs	\$223

2 Year Benefit Period

Increase 80%

\$402 annually

Salary	\$60,000
Payroll Tax	0.70%

History	Annual Payroll Deduction
WA	\$348
2 of 6 ADLs	\$223
2 Year	\$402

Reimbursement w/reduced Cash Benefit

\$420 annually

Increase 4%

Salary	\$60,000
Payroll Tax	0.73%

History	Annual Payroll Deduction
WA	\$348
2 of 6 ADLs	\$223
2 Year	\$402
Reim. w/Cash Ben	\$420

Elimination
 Period
 0 Days
Increase 4%

\$438 annually

Salary	\$60,000
Payroll Tax	0.89%

History	Annual Payroll Deduction
WA	\$348
2 of 6 ADLs	\$223
2 Year	\$402
Reim. w/Cash Ben	\$420
EP 0 Days	\$438

**Inflation
Adjustment
@ 3.0%**
Increase 22%

\$535 annually

Salary	\$60,000
Payroll Tax	1.07%

History	Annual Payroll Deduction
WA	\$348
2 of 6 ADLs	\$223
2 Year	\$402
Reim. w/Cash Ben	\$420
EP 0 Days	\$438
Inflation @3%	\$535

Waive
 Contributions
 for those @
 Poverty Level
Increase 20%

\$642 annually

Salary	\$60,000
Payroll Tax	1.41%

Partial Portability

Increase 32%

\$845 annually

History	Annual Payroll Deduction
WA	\$348
2 of 6 ADLs	\$223
2 Year	\$402
Reim. w/Cash Ben	\$420
EP 0 Days	\$438
Inflation @3%	\$535
Waive Contrib.	\$642

Salary	\$60,000
Payroll Tax	1.43%

Allow Partial Vesting

Increase 1%

\$857 annually

History	Annual Payroll Deduction
WA	\$348
2 of 6 ADLs	\$223
2 Year	\$402
Reim. w/Cash Ben	\$420
EP 0 Days	\$438
Inflation @3%	\$535
Waive Contrib.	\$642
Partial Portability	\$845

Salary	\$60,000
Payroll Tax	2.86%

Monthly Benefit
\$6,100

Increase 100%

\$1,713 annually

History	Annual Payroll Deduction
WA	\$348
2 of 6 ADLs	\$223
2 Year	\$402
Reim. w/Cash Ben	\$420
EP 0 Days	\$438
Inflation @3%	\$535
Waive Contrib.	\$642
Partial Portability	\$845
Partial Vesting	\$857

Impact on Preliminary Recommendation *[Higher End]*

\$1,713*
2.86%

Reimbursement with reduced cash

MODERATE

Monthly Benefit (\$6,100)

VERY HIGH

2 Year Benefit

VERY HIGH

Benefits inflated (3%)

HIGH

Contribution Waiver for certain incomes

HIGH

Portability

HIGH

Vesting

LOW

Desirable

\$1,713

2.86%

2 Year @ \$6,100 per month
Reimburse. w/ reduced Cash benefit
Comprehensive Coverage
3% Inflation
w/ Partial Vesting
18+
Partial Portability (50% outside CA)
Contribution Waiver for low income
0-Day Elimination Period

Moderate

\$605

1.01%

2 Year @ \$3,000 per month
Reimburse. w/ reduced Cash benefit
Comprehensive Coverage
2.5% Inflation
No Partial Vesting
18+
Partial Portability (50% outside CA)
Contribution Waiver for low income
0-Day Elimination Period

\$110k Program targeted to older individuals for staying at home

Desirable

\$1,713

2.86%

2 Year @ \$6,100 per month
Reimburse. w/ reduced Cash benefit
Comprehensive Coverage
3% Inflation
w/ Partial Vesting
18+
Partial Portability (50% outside CA)
Contribution Waiver for low income
0-Day Elimination Period

Moderate

\$605

1.01%

2 Year @ \$3,000 per month
Reimburse. w/ reduced Cash benefit
Comprehensive Coverage
2.5% Inflation
No Partial Vesting
18+
Partial Portability (50% outside CA)
Contribution Waiver for low income
0-Day Elimination Period

@ Home

\$259

0.43%

2 Year @ \$4,600 per month
Reimburse. w/ reduced Cash benefit
Home Care Only
2.5% Inflation
w/ Partial Vesting
65+
Partial Portability (50% outside CA)
Low income excluded from program
90-Day Elimination Period

Provides \$55,000 annually for 2 years. Total Pool of \$110,000

Target/Focus on those aged 65+

Focus on providing care at Home

Rely on Medi-Cal for those with limited means

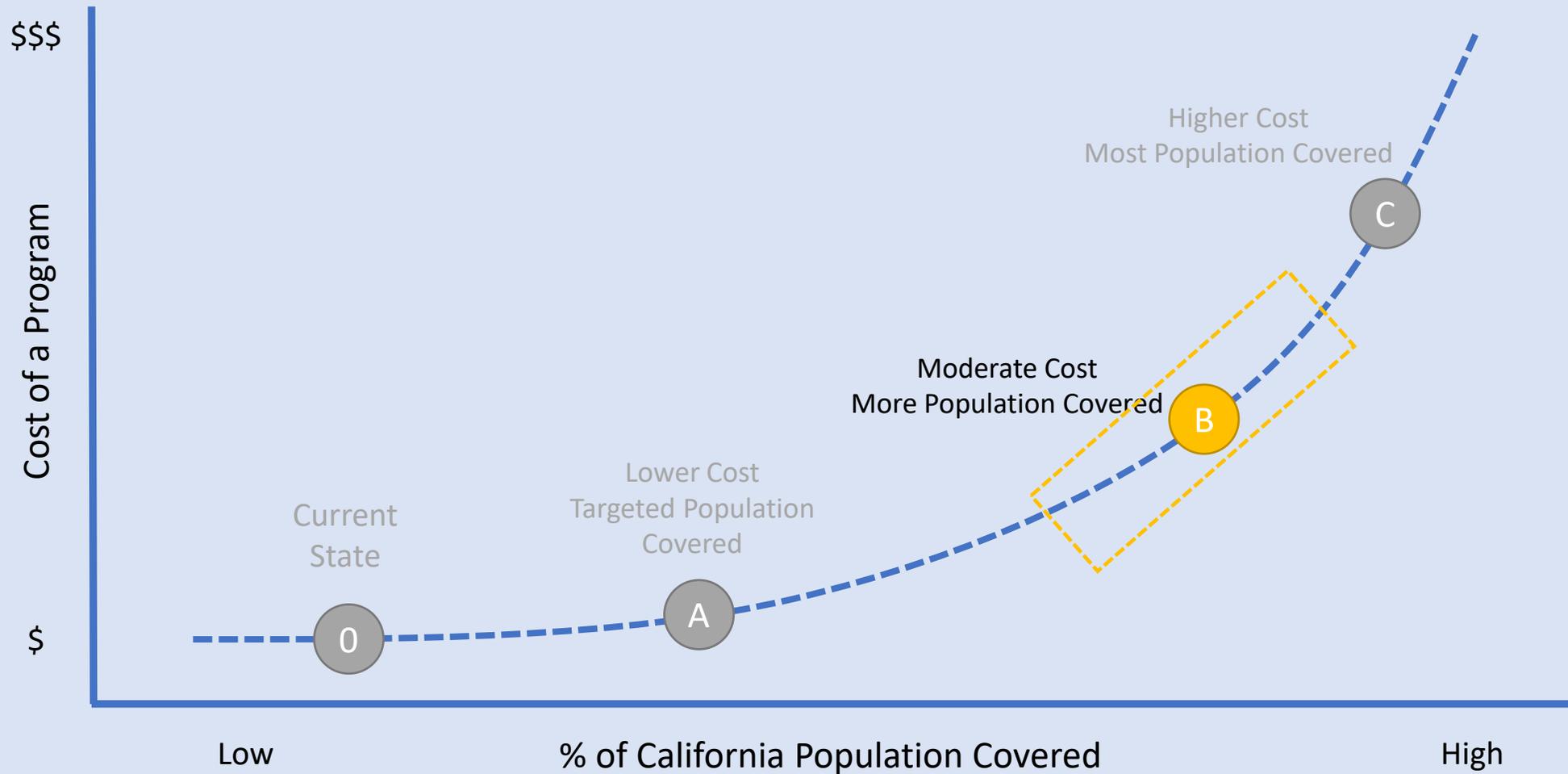
Example provided to demonstrate how packages could be arranged.

Not a recommendation from me.

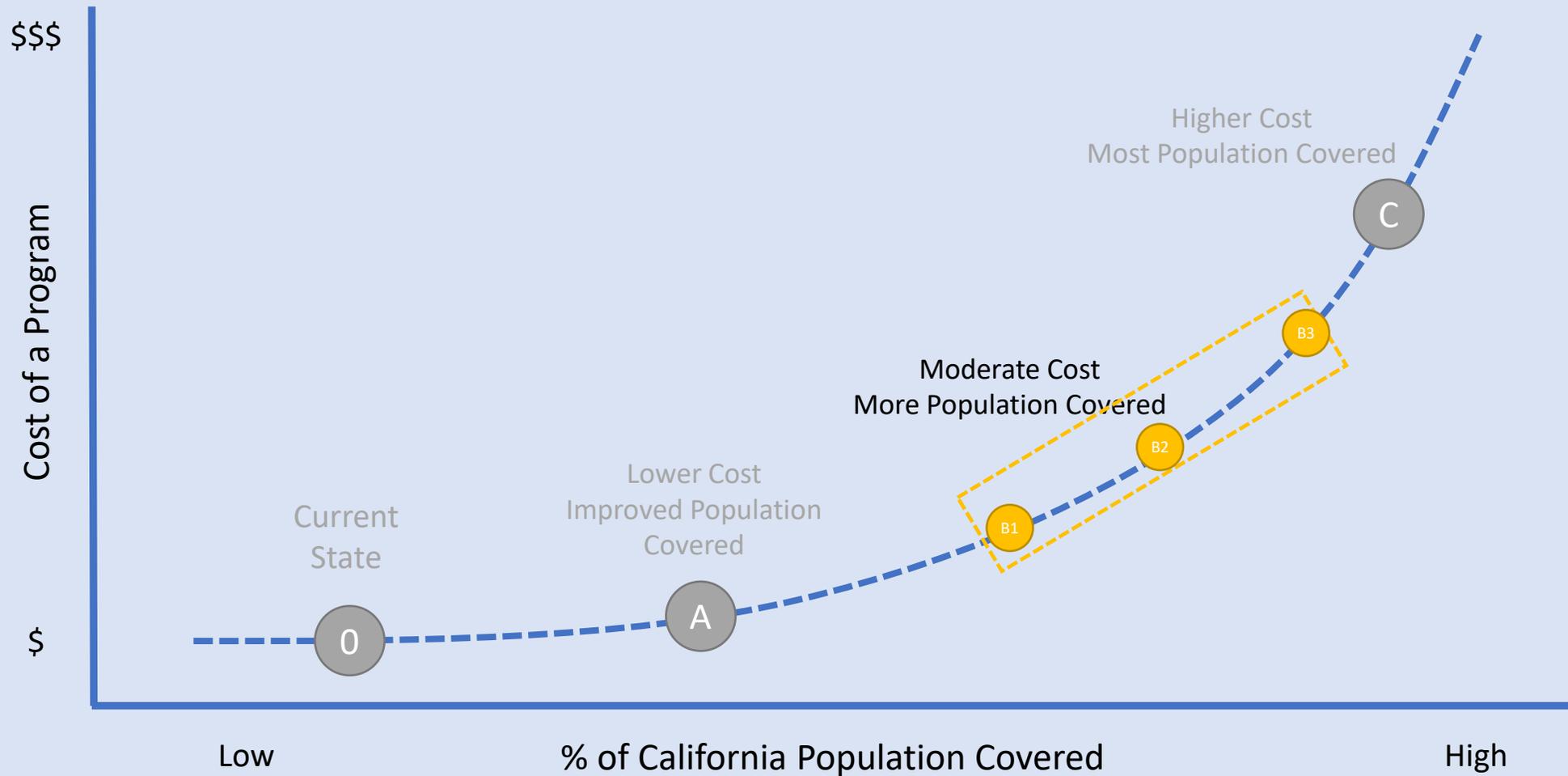
Interaction effects are not fully accounted for.

Choice Alternatives

Program Options: Cost vs. Population Tradeoff

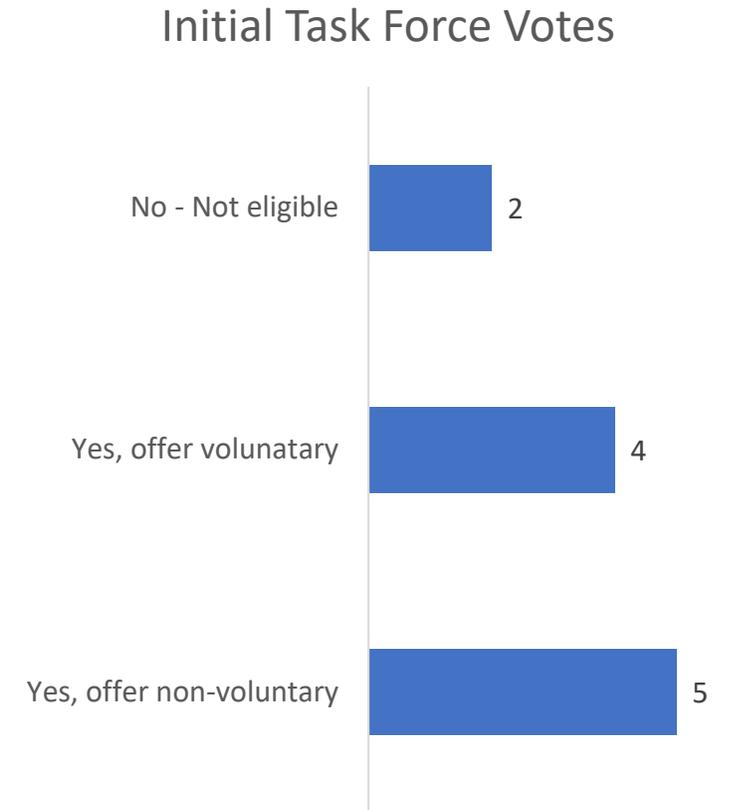


Program Options: Cost vs. Population Tradeoff

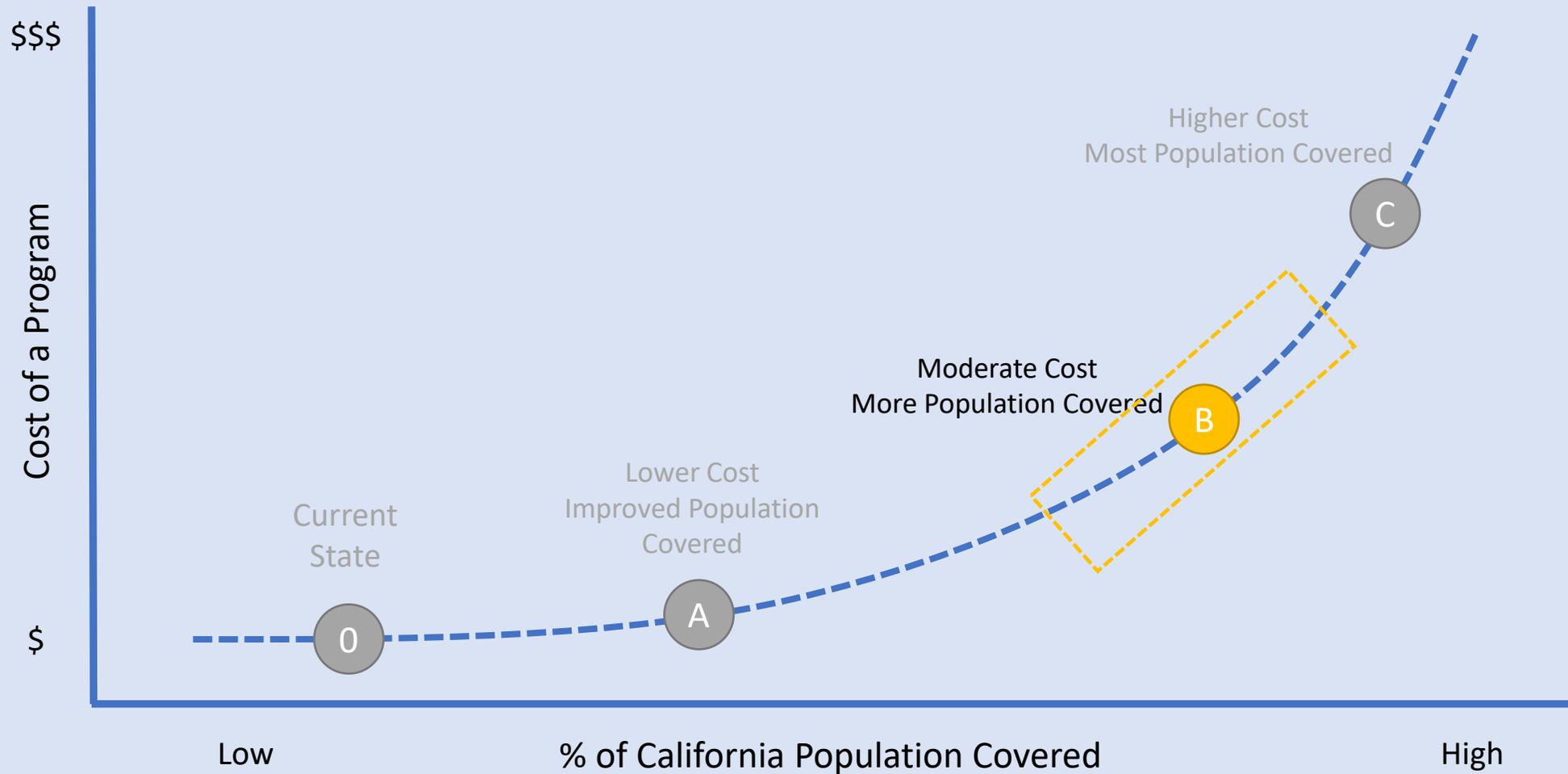


QUESTION 9 (1 OF 2)

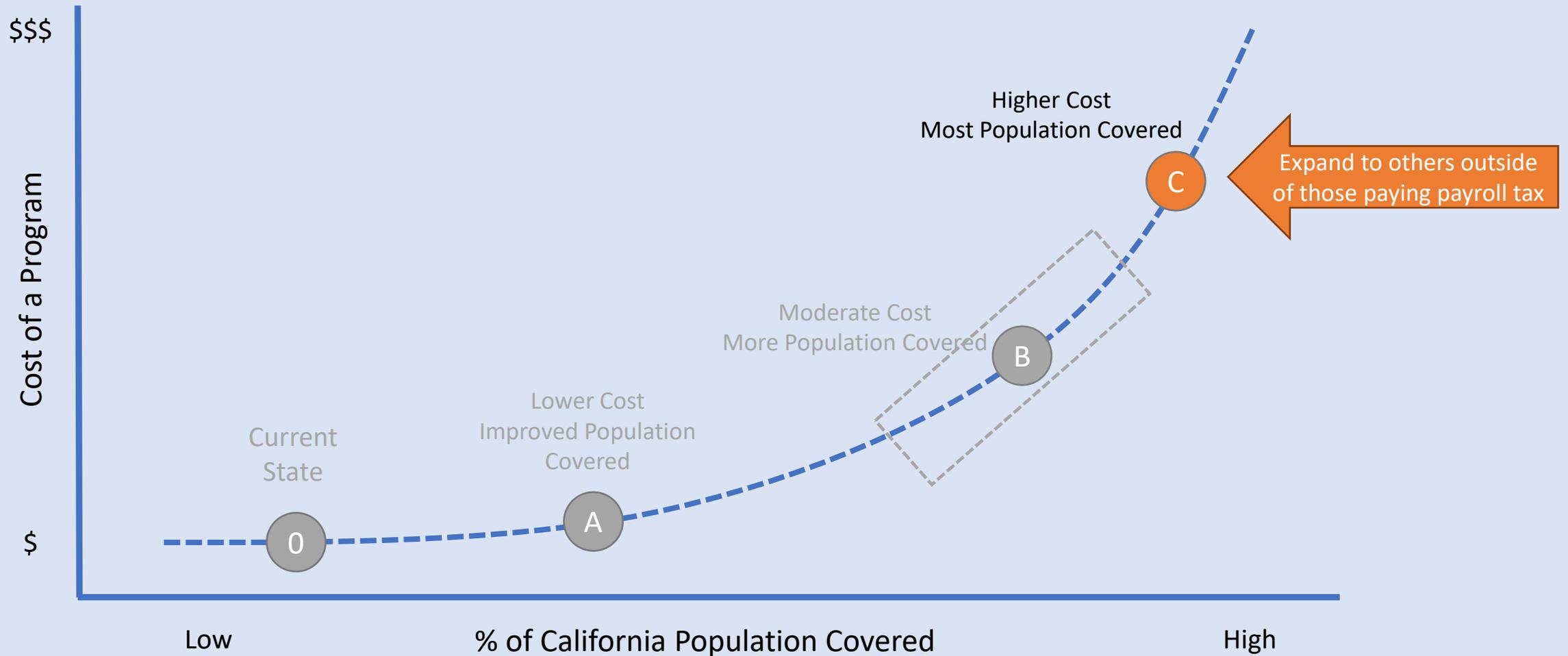
In light of the current preference to finance the program primarily via a payroll tax, should the program design include a mechanism by which to extend coverage to individuals excluded from the program as a result of the chosen financing option?



Program Options: Cost vs. Population Tradeoff



Program Options: Cost vs. Population Tradeoff



Salary	\$60,000
Payroll Tax	2.86%

Monthly Benefit
\$6,100

Increase 100%

\$1,713 annually

History	Annual Payroll Deduction
WA	\$580
2 of 6 ADLs	\$223
2 Year	\$402
Reim. w/Cash Ben	\$420
EP 0 Days	\$438
Inflation @3%	\$535
Waive Contrib.	\$642
Partial Portability	\$845
Partial Vesting	\$857

Salary	\$60,000
Payroll Tax	3.76%

Household Benefit

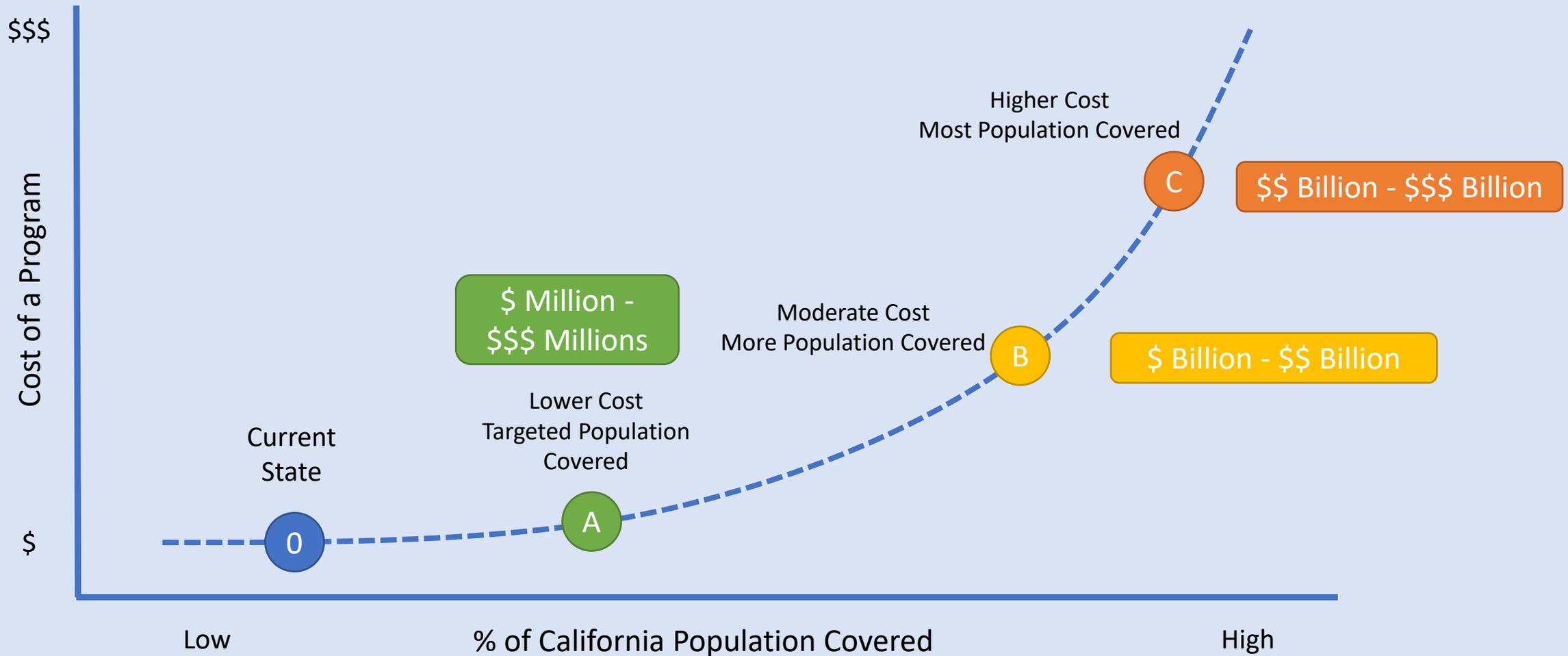
Increase 32%

\$2,258 annually

History	Annual Payroll Deduction
WA	\$580
2 of 6 ADLs	\$223
2 Year	\$402
Reim. w/Cash Ben	\$420
EP 0 Days	\$438
Inflation @3%	\$535
Waive Contrib.	\$642
Partial Portability	\$845
Partial Vesting	\$857
Monthly Ben \$6,100	\$1,731

Financing is still a Payroll Tax but Program enrollment would also include spouses/partners + Adult Dependent Children aged 18 to 26

Program Options: Cost vs. Population Tradeoff



Example - Hawaii

Kupuna Care Program

- Not a social insurance program
- Targeted home and community-based care benefits for individuals aged 60 years and over who need LTSS at home but do not qualify for Medicaid

Kupuna Caregivers Program

- Not a social insurance program
- Designed to support family caregivers employed outside the home

Total Budget <\$10m

Misc. Actuarial Thoughts



LTC Benefits Taxable?



LTC Benefits paid by private LTC Insurance policies are generally not taxable.



They fall under IRS Tax Code 7702B and are viewed as 'reimbursement for expenses incurred for medical care'



Would our Program also qualify for favorable tax treatment?

Private
Insurance
Coordination
[Assembly Bill
No. 567]

“(3) Evaluate how benefits under the program would be coordinated with existing private health care coverage benefits.”

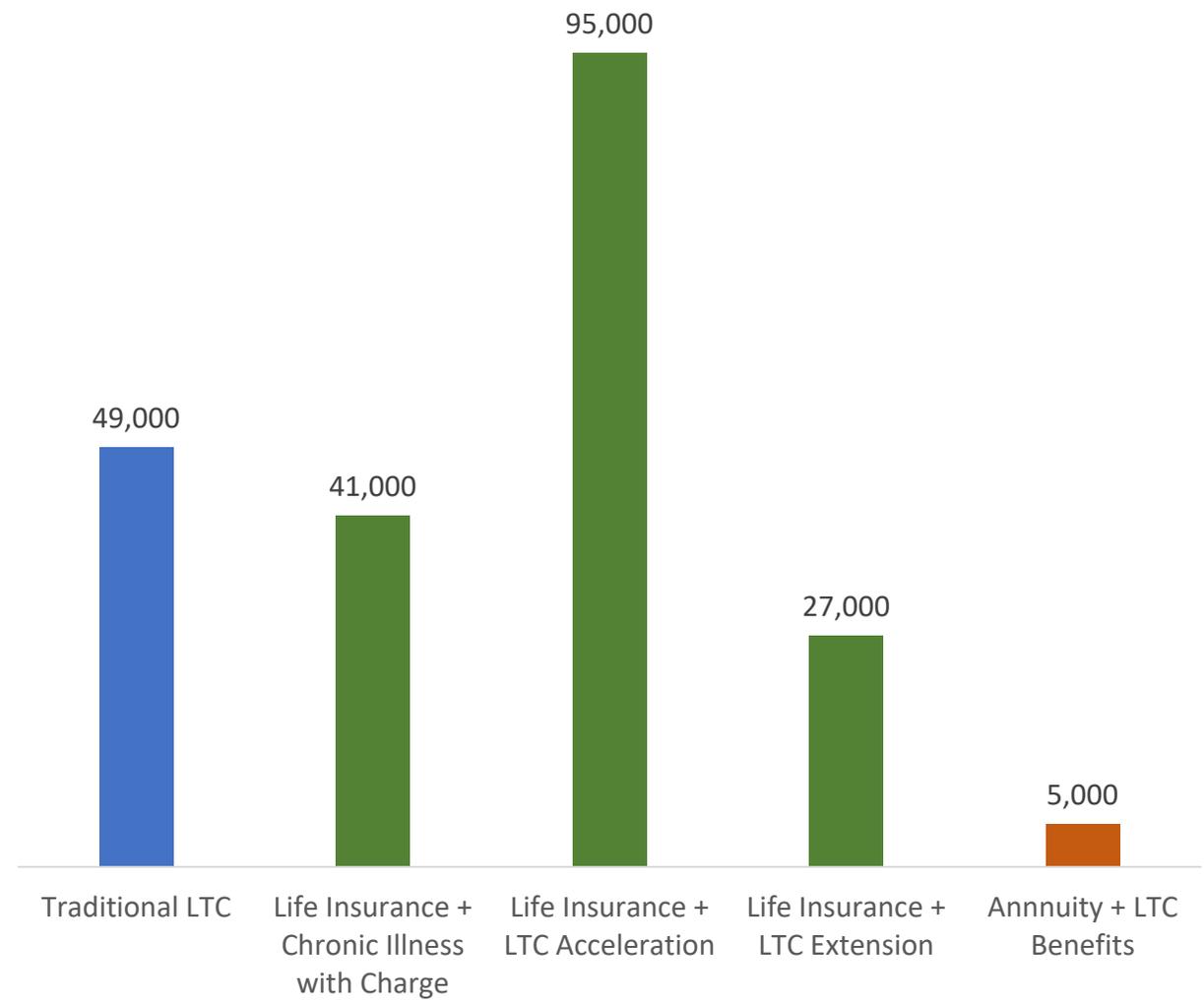
Coordination

Policies sold
before program

Policies sold after
the program

Private Insurance Solutions for those needing LTC support

Policies Sold in 2020

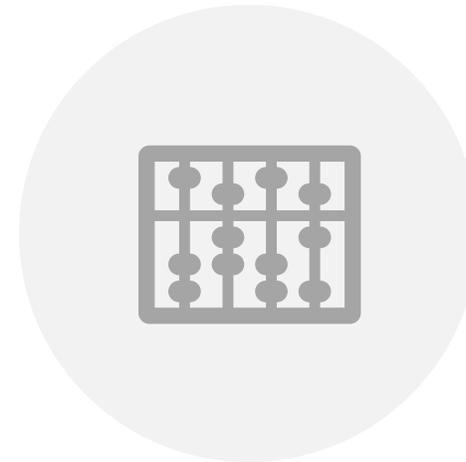


Source: LIMRA Individual Life Combination Products for Life Insurance + Chronic Illness with Charge, Life Insurance + LTC Rider & Life Insurance + LTC Extension. Traditional LTC from US Individual Long Term Care Insurance Annual Review. Annuity LTC from US Individual Annuity Yearbook, part 2 (2019). Data is for United States [Nationwide] (not just California)

Wrap Around Products [post Program launch]



HOW WOULD IT WORK?

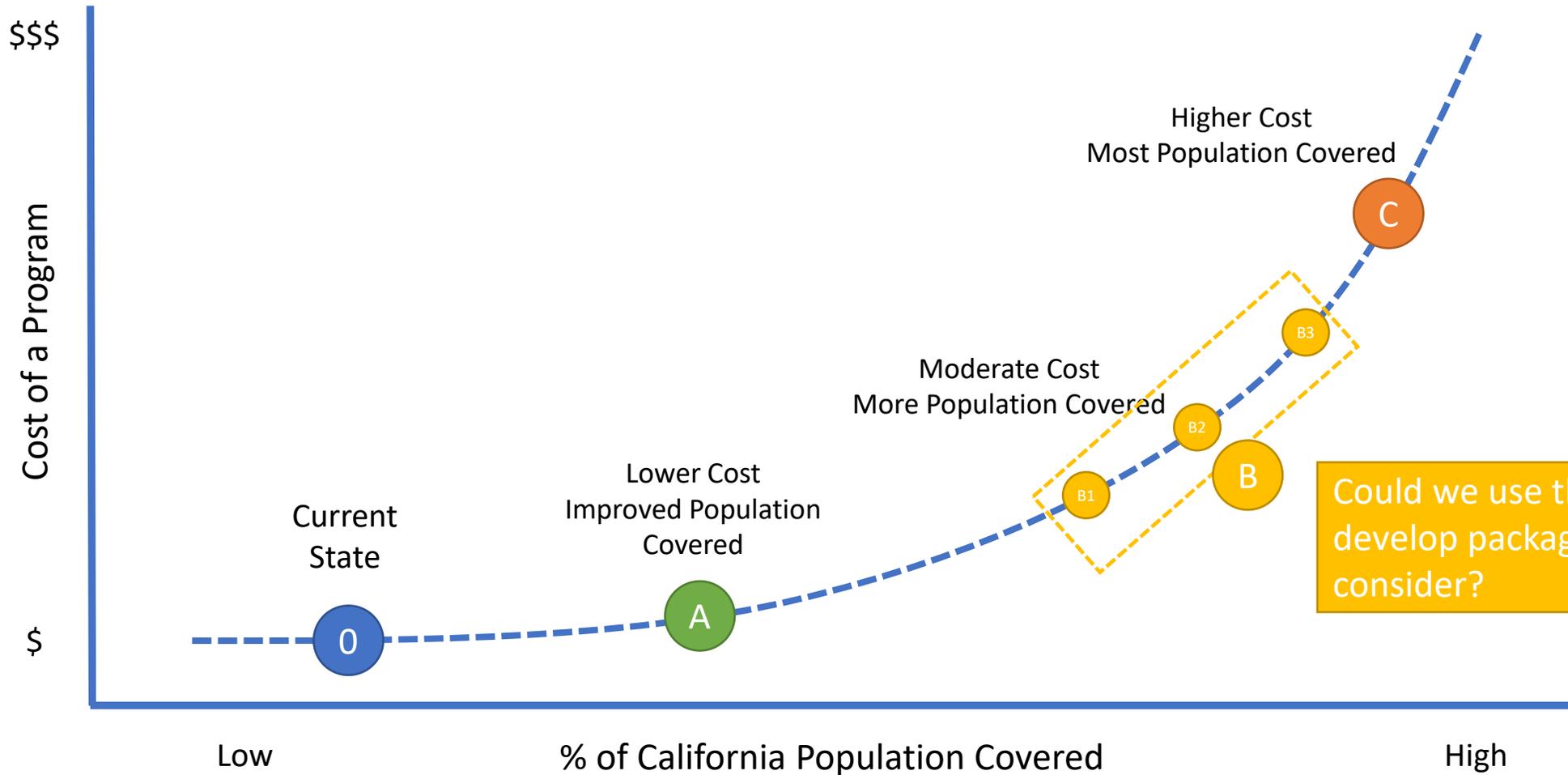


WILL THE INSURANCE INDUSTRY
WELCOME BUILDING WRAP-AROUND
PRODUCTS?

Summary

Do we want to provide a wider range of options as part of our recommendation?

Need to consider supporting topics like 'are benefits taxable' and 'how will product coordination work'



Could we use the "factors" to develop packages under 'B' to consider?

Disclosure

Information provided is intended to help generate thoughtful discussion within the California Task Force. Information provided is my actuarial perspective and doesn't represent those of my company. The numbers provided are illustrative based on data available from the Washington program and Milliman report. These don't represent final numbers of any program developed by the Task Force. Based on recommendations from the Task Force, a separate actuarial analysis would need to be focused on California and taking account program design and impact of certain levers/features on the total program design. The presentation was built to be verbally discussed and not a stand-alone document. This is not intended to be an Actuarial Communication as defined by the American Academy of Actuary. If you have read this far in the disclosures, I am personally impressed. This line has been included to bring the word count of this disclosure to one hundred and fifty.

Thanks