

AB567 - Program Design "Straw Man" [DRAFT]

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Lower Cost

Higher Cost

Plan design element	Targeted LTC benefits & broader population covered [ancillary LTC benefit design] Design 1	Targeted LTC benefits & targeted population covered [informal caregiver support design] Design 2	Comprehensive benefits (low range) & broad population covered (65+) Design 3	Comprehensive benefits (mid range) & broad population covered (65+) [alternative 1] Design 4	Comprehensive benefits (mid range) & broad population covered (65+) [alternative 2] Design 5	Comprehensive benefits (high range) & broader population covered Design 6
Indicative program cost (\$ \$\$\$\$\$)	\$	\$	\$\$ (Estimated payroll tax range: 0.40% to 0.60%) ¹	\$\$\$	\$\$\$	\$\$\$\$\$
<small>¹Estimated 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	Broader population covered (18+) [✓]	Targeted population covered (informal caregivers)	Broad population covered (65+)	Broad population covered (65+)	Broad population covered (65+)	Broad 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 (50%) cash benefit alternative [✓]
Benefit period	2 years [✓]	2 years [✓]	1 year	18 months	18 months	2 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 (not automatically applied)	Inflation as a function of CPI; assessed annually	Inflation as a function of CPI; assessed annually	Inflation as a function of CPI; assessed annually	Inflation as a function of CPI; assessed annually	Inflation as a function of CPI; assessed annually	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 benefits (e.g., caregiver support including training and respite, adult day care, meal delivery, transportation, preventative equipment, home assessment, and minor home modifications)	Financial support for informal caregivers providing home care	Home and community-based care with select institutional care (e.g., adult day care, respite care)	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	N/A	Cash benefit (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) [✓]	Covered service; reimbursement to caregivers (subject to completion of certified caregiver training) [✓]	Covered service; reimbursement to caregivers (subject to completion of certified caregiver training) [✓]
Preventative benefits	N/A	N/A	Limited/contingent preventative benefits (e.g., partake in wellness program)	Offer preventative benefits before satisfying the benefit eligibility criteria but only after becoming fully vested in the program [✓]	Offer preventative benefits before satisfying the benefit eligibility criteria but only after becoming fully vested in the program [✓]	Offer preventative benefits before satisfying the benefit eligibility criteria but only after becoming fully vested in the program [✓]
Portability	Domestic portability; full benefits	Domestic portability; full 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 [✓] N/A (family members would contribute via a non-voluntary mechanism) [✓]
Family / spousal coverage	Individual coverage only	Individual coverage only	Individual coverage only	Individual coverage only	Individual coverage only	Individual coverage only
Program eligibility and enrollment						
Benefit eligibility age	Age 18+ (subject to vesting requirements) [✓]	Age 18+ (subject to vesting requirements) [✓]	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) [✓]	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 [✓]	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 [✓]
Private LTC considerations: before program enactment	N/A	N/A	Opt-out provision (for individuals with eligible private LTC) [✓]	Opt-out provision (for individuals with eligible private LTC) [✓]	Opt-out provision (for individuals with eligible private LTC) [✓]	Opt-out provision (for individuals with eligible private LTC) [✓]
Private LTC considerations: after program enactment ²	N/A	N/A	Reduced program contributions (for individuals with eligible private LTC) [✓]	Reduced program contributions (for individuals with eligible private LTC) [✓]	Reduced program contributions (for individuals with eligible private LTC) [✓]	Reduced program contributions (for individuals with eligible private LTC) [✓]
<small>²Supplemental LTC products designed after program enactment would not qualify for reduced program contributions (e.g., LTC with 2 year elimination period)</small>						
Program financing						
Revenue source	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 (for individuals not subject to payroll tax) [✓]
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 [✓]

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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] [✓]	No maximum contribution limitations	No maximum contribution limitations	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) [✓] Invest program contributions in stocks, bonds, and U.S. Treasuries (constitutional amendment required) [✓]	Level tax rate (with guidelines stipulating the process to amend the tax rate); no variability by age (or any other characteristics) [✓] Invest program contributions in stocks, bonds, and U.S. Treasuries (constitutional amendment required) [✓]	Level tax rate (with guidelines stipulating the process to amend the tax rate); no variability by age (or any other characteristics) [✓] Invest program contributions in stocks, bonds, and U.S. Treasuries (constitutional amendment required) [✓]	Level tax rate (with guidelines stipulating the process to amend the tax rate); no variability by age (or any other characteristics) [✓] Invest program contributions in stocks, bonds, and U.S. Treasuries (constitutional amendment required) [✓]	Level tax rate (with guidelines stipulating the process to amend the tax rate); no variability by age (or any other characteristics) [✓] Invest program contributions in stocks, bonds, and U.S. Treasuries (constitutional amendment required) [✓] Grade-in benefits over first 20 years [✓]	Level tax rate (with guidelines stipulating the process to amend the tax rate); no variability by age (or any other characteristics) [✓] Invest program contributions in stocks, bonds, and U.S. Treasuries (constitutional amendment required) [✓] Grade-in benefits over first 20 years [✓]
Investment strategy	None	None	None	None	None	None
Intergenerational consideration	None	None	None	None	None	None
Coordination and interaction (with other LTSS financing sources)						
Coordination: private LTC	Private LTC pays before Program; concurrent, non-duplicative payments permitted [✓] Program pays before Medi-Cal; concurrent, non-duplicative payments permitted; Program benefits should not otherwise influence Medi-Cal eligibility [✓]	Private LTC pays before Program; concurrent, non-duplicative payments permitted (if informal care is covered by private LTC) [✓] Program pays before Medi-Cal; concurrent, non-duplicative payments permitted; Program benefits should not otherwise influence Medi-Cal eligibility [✓]	Private LTC pays before Program; concurrent, non-duplicative payments permitted [✓] Program pays before Medi-Cal; concurrent, non-duplicative payments permitted; Program benefits should not otherwise influence Medi-Cal eligibility [✓]	Private LTC pays before Program; concurrent, non-duplicative payments permitted [✓] Program pays before Medi-Cal; concurrent, non-duplicative payments permitted; Program benefits should not otherwise influence Medi-Cal eligibility [✓]	Private LTC pays before Program; concurrent, non-duplicative payments permitted [✓] Program pays before Medi-Cal; concurrent, non-duplicative payments permitted; Program benefits should not otherwise influence Medi-Cal eligibility [✓]	Private LTC pays before Program; concurrent, non-duplicative payments permitted [✓] Program pays before Medi-Cal; concurrent, non-duplicative payments permitted; Program benefits should not otherwise influence Medi-Cal eligibility [✓]
Coordination: Medi-Cal	Program should not be designed with the intent of being mutually exclusive with Medi-Cal [✓]	Program should not be designed with the intent of being mutually exclusive with Medi-Cal [✓]	Program should not be designed with the intent of being mutually exclusive with Medi-Cal [✓]	Program should not be designed with the intent of being mutually exclusive with Medi-Cal [✓]	Program should not be designed with the intent of being mutually exclusive with Medi-Cal [✓]	Program should not be designed with the intent of being mutually exclusive with Medi-Cal [✓]
Medi-Cal mutual exclusivity	Program should not be designed with the intent of being mutually exclusive with Medi-Cal [✓]	Program should not be designed with the intent of being mutually exclusive with Medi-Cal [✓]	Program should not be designed with the intent of being mutually exclusive with Medi-Cal [✓]	Program should not be designed with the intent of being mutually exclusive with Medi-Cal [✓]	Program should not be designed with the intent of being mutually exclusive with Medi-Cal [✓]	Program should not be designed with the intent of being mutually exclusive with Medi-Cal [✓]

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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