

AB567 - Program Design "Straw Man" [DRAFT - VERSION 3 – Accessible Version]

The purpose of this "straw man" is to lay out several potential program designs for inclusion in the AB 567 Feasibility Report. The program designs included in this file are subject to change based on the input from Task Force Members and the public.

Legend

- [✓] indicates a plan design element that is consistent with preliminary Task Force recommendations

	<i>Supportive LTC benefits & adult population covered (18+)</i>	<i>Home care benefits & senior population covered (65+)</i>	<i>Comprehensive benefits (low-range) & adult population covered (18+)</i>	<i>Comprehensive benefits (mid-range) & adult population covered (18+)</i>	<i>Comprehensive benefits (high-range) & adult population covered (18+)</i>
Plan design element	Design 1	Design 2	Design 3	Design 4	Design 5
Indicative program cost (\$ - \$\$\$\$\$)	\$	\$\$	\$\$ (Estimated payroll tax range: 0.40% to 0.60% ¹)	\$\$\$	\$\$\$\$\$
¹ Estimated range is based on the 2020 Milliman CA LTSS Feasibility Study					
Design philosophy					
Program benefit richness	Targeted benefits	Targeted benefits	Comprehensive benefits (low-range)	Comprehensive benefits (mid-range)	Comprehensive benefits (high-range) [✓]
California population coverage	Adult population covered (18+) [✓]	Senior population covered (65+)	Adult population covered (18+) [✓]	Adult population covered (18+) [✓]	Adult population covered (18+) [✓]

Taxation progressivity		Proportional tax with a contribution cap and a contribution waiver for lower-income individuals [✓]	Proportional tax with a contribution cap	Proportional tax with a contribution cap and a contribution waiver for lower-income individuals [✓]	Proportional tax with a contribution waiver for lower-income individuals[✓]	Proportional tax with a contribution cap and a contribution waiver for lower-income individuals[✓]
Structure and design						
Program structure		Front-end coverage [✓]	Front-end coverage [✓]	Front-end coverage [✓]	Front-end coverage [✓]	Front-end coverage [✓]
		Vested social insurance [✓]	Vested social insurance [✓]	Vested social insurance [✓]	Vested social insurance [✓]	Vested social insurance [✓]
Program benefits						
Benefit type		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 [✓]	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	2 years [✓]
Benefit maximum		\$1,500 per month [alternative scenario: \$1,000 per month]	\$4,600 per month [✓]	\$3,000 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; applied annually [✓]
Elimination period		No elimination period [✓]	90-day elimination period	30-day elimination period	No elimination period [✓]	No elimination period [✓]
Approved care settings		Supportive LTSS (e.g., caregiver support, adult day care, meal delivery, transportation, preventative equipment, home assessment, and minor home modifications) Caregiver support includes: training, respite care, and financial support via certified provider reimbursement	Home and community-based care only	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) [✓]
PACE coverage		N/A	N/A	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; minimum requirements that do not discourage benefit utilization to be defined in a culturally competent manner) [✓]	Covered service; reimbursement to caregivers (subject to completion of certified caregiver training; minimum requirements that do not discourage benefit utilization to be defined in a culturally competent manner) [✓]	Covered service; reimbursement to caregivers (subject to completion of certified caregiver training; minimum requirements that do not discourage benefit utilization to be defined in a culturally competent manner) [✓]	Covered service; reimbursement to caregivers (subject to completion of certified caregiver training; minimum requirements that do not discourage benefit utilization to be defined in a culturally competent manner) [✓]	Covered service; reimbursement to caregivers (subject to completion of certified caregiver training; minimum requirements that do not discourage benefit utilization to be defined in a culturally competent manner) [✓]
Preventative benefits	N/A	Limited/contingent preventative benefits (e.g., partake in wellness program)	Limited/contingent preventative benefits (e.g., partake in wellness program)	Preventative benefits before satisfying the benefit eligibility criteria but only after becoming fully vested in the program [✓]	Preventative benefits before satisfying the benefit eligibility criteria but only after becoming fully vested in the program [✓]	Preventative benefits before satisfying the benefit eligibility criteria but only after becoming fully vested in the program [✓]
Portability	Domestic portability; full benefits	Domestic portability; partial benefits outside of California (grade to 50% over 5 years)	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	Individual coverage only	Coverage can be extended to a	Coverage can be extended to a	Coverage can be extended to a

					spouse or domestic partner through a shared benefit pool	spouse or domestic partner through a shared benefit pool
Program eligibility and enrollment						
Benefit eligibility age	Age 18+ (subject to vesting requirements) [✓]	Age 65+ (subject to vesting requirements)	Age 18+ (subject to vesting requirements) [✓]	Age 18+ (subject to vesting requirements) [✓]	Age 18+ (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	5 years of contributions [✓] [alternative scenario: 10 years of contribution]	
Flexibility for those unable to vest	Pro-rated benefits (no benefits for individuals who contribute for less than 3 years, 50% of the benefits for individuals who contribute between 3 and 5	Pro-rated benefits (no benefits for individuals who contribute for less than 3 years, 50% of the benefits for individuals who contribute between 3 and 5	Pro-rated benefits (no benefits for individuals who contribute for less than 5 years, 50% of the benefits for individuals who contribute for 5 years, grading up	Pro-rated benefits (no benefits for individuals who contribute for less than 5 years, 50% of the benefits for individuals who	Pro-rated benefits (no benefits for individuals who contribute for less than 3 years, 50% of the benefits for individuals who	

		years, 100% of the benefits for individuals who contribute for 5 or more years)	years, 100% of the benefits for individuals who contribute for 5 or more years)	by 10% each year up to 100% of benefits in year 10)	contribute for 5 years, grading up by 10% each year up to 100% of benefits in year 10)	contribute between 3 and 5 years, 100% of the benefits for individuals who contribute for 5 or more years) and voluntary alternative program contribution option to “top up” benefits [✓]
Private LTC considerations: before program enactment	N/A	Individuals with eligible private LTC insurance ² 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 ² 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 ² 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 ² 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 ² 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 ³	N/A	Individuals with eligible substitutive (i.e., non-supplemental) private LTC insurance ² would be subject to	Individuals with eligible substitutive (i.e., non-supplemental) private LTC insurance ² would be subject to	Individuals with eligible substitutive (i.e., non-supplemental) private LTC insurance ² would be subject to	Individuals with eligible substitutive (i.e., non-supplemental) private LTC insurance ² would be subject to	Individuals with eligible substitutive (i.e., non-supplemental) private LTC insurance ² would be subject to

		reduced program contributions (and will remain eligible to receive program benefits as a secondary payor to their private LTC insurance) [✓]	reduced program contributions (and will remain eligible to receive program benefits as a secondary payor to their private LTC insurance) [✓]	to reduced program contributions (and will remain eligible to receive program benefits as a secondary payor to their private LTC insurance) [✓]	to reduced program contributions (and will remain eligible to receive program benefits as a secondary payor to their private LTC insurance) [✓]
² 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)					
³ 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)					
Program financing					
Revenue source	Payroll tax (split between employees and employers); non-voluntary premium contributions via an income tax for the self-employed; alternative funding sources beyond payroll/income tax may also be considered [✓]	Payroll tax (split between employees and employers); non-voluntary premium contributions via an income tax for the self-employed; alternative funding sources beyond payroll/income tax may also be	Payroll tax (split between employees and employers); non-voluntary premium contributions via an income tax for the self-employed [✓] [Alternative scenario: reduce/eliminate	Payroll tax (split between employees and employers); non-voluntary premium contributions via an income tax for the self-employed [✓] [Alternative scenario: reduce/eliminat	Payroll tax (split between employees and employers); non-voluntary premium contributions via an income tax for the self-employed [✓] [Alternative scenario: reduce/eliminat

	[Alternative scenario: reduce/eliminate employer portion of the program contributions]	considered [✓] [Alternative scenario: reduce/eliminate employer portion of the program contributions]	employer portion of the program contributions]	e employer portion of the program contributions]	e employer portion of the program contributions]
Program contribution age: minimum	Age 18 [✓]	Age 18 [✓]	Age 18 [✓]	Age 18 [✓]	Age 18 [✓]
Program contribution age: maximum	No maximum (contributions dependent on being on payroll or self-employed) [✓]	No maximum (contributions dependent on being on payroll or self-employed) [✓]	No maximum (contributions dependent on being on payroll or self-employed) [✓]	No maximum (contributions dependent on being on payroll or self-employed) [✓]	No maximum (contributions dependent on being on payroll or self-employed) [✓]
Program contribution limits: taxable earnings waiver	Waive contributions for individuals below a specified poverty level (e.g., 138% of FPL) [✓]	Individuals below a specified poverty level will not contribute or receive vesting credits (the individual may still vest in the program if they meet the vesting requirement over their working lifetime). Such individuals could receive LTSS benefits from Medi-Cal (subject	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) [✓]	Waive contributions for individuals below a specified poverty level (e.g., 138% of FPL) [✓]

		to Medi-Cal eligibility requirements)			
Program contribution limits: taxable earnings maximum	Apply a contribution cap. Consider contribution caps in excess of Social Security (e.g., 2x Social Security cap) [✓]	Apply a contribution cap. Consider contribution caps in excess of Social Security (e.g., 2x Social Security cap) [✓]	Apply a contribution cap. Consider contribution caps in excess of Social Security (e.g., 2x Social Security cap) [✓]	No maximum contribution limitations	Apply a contribution cap. Consider contribution caps in excess of Social Security (e.g., 2x Social Security cap) [✓]
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) [✓]
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)

		[Alternative scenario: consider the financial implications of not obtaining a constitutional amendment][✓]	[Alternative scenario: consider the financial implications of not obtaining a constitutional amendment][✓]	[Alternative scenario: consider the financial implications of not obtaining a constitutional amendment][✓]	[Alternative scenario: consider the financial implications of not obtaining a constitutional amendment][✓]	[Alternative scenario: consider the financial implications of not obtaining a constitutional amendment][✓]
Intergenerational consideration (i.e., upon program inception, older individuals are likely to contribute less to the program over their lifetime relative to younger individuals; this inequity wanes as the program matures)	None	Grade-up benefits over first 20 years [✓]	Grade-up benefits over first 20 years [✓]	Grade-up benefits over first 20 years [✓]	Grade-up benefits over first 20 years [✓]	Grade-up benefits over first 20 years [✓]
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 [✓]	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 [✓]

<p>Coordination: Medi-Cal</p>	<p>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.</p> <p>Pursue a CMS federal demonstration waiver to retain federal Medicaid savings from the program [✓]</p>	<p>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.</p> <p>Pursue a CMS federal demonstration waiver to retain federal Medicaid savings from the program [✓]</p>	<p>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.</p> <p>Pursue a CMS federal demonstration waiver to retain federal Medicaid savings from the program [✓]</p>	<p>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.</p> <p>Pursue a CMS federal demonstration waiver to retain federal Medicaid savings from the program [✓]</p>	<p>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.</p> <p>Pursue a CMS federal demonstration waiver to retain federal Medicaid savings from the program [✓]</p>
<p>Coordination: Medicare</p>	<p>[Coordination of benefits TBD]</p> <p>Pursue a CMS federal demonstration</p>	<p>[Coordination of benefits TBD]</p> <p>Pursue a CMS federal demonstration</p>	<p>[Coordination of benefits TBD]</p> <p>Pursue a CMS federal demonstration</p>	<p>[Coordination of benefits TBD]</p> <p>Pursue a CMS federal demonstration</p>	<p>[Coordination of benefits TBD]</p> <p>Pursue a CMS federal demonstration</p>

	waiver to retain federal Medicare savings from the program [✓]	waiver to retain federal Medicare savings from the program [✓]	waiver to retain federal Medicare savings from the program [✓]	waiver to retain federal Medicare savings from the program [✓]	waiver to retain federal Medicare savings from the program [✓]
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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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