

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

Blue font indicates a change relative to Version 2

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
- Yellow shading represents a **less generous** plan design element relative to Design 3
- Green shading represents a **more generous** plan design element relative to Design 3
- Grey shading represents a **different** (not necessarily more or less generous) plan design element relative to Design 3

Lower Cost

Higher Cost

Plan design element	Supportive LTC benefits & adult population covered (18+) Design 1	Home care benefits & senior population covered (65+) Design 2	Comprehensive benefits (low-range) & adult population covered (18+) Design 3	Comprehensive benefits (mid-range) & adult population covered (18+) Design 4	Comprehensive benefits (high-range) & adult population covered (18+) Design 5
Indicative program cost (\$ - \$\$\$\$\$)	\$	\$\$	\$\$\$ (Estimated payroll tax range: 0.40% to 0.60%)	\$\$\$\$	\$\$\$\$\$
Design philosophy	Targeted benefits	Targeted benefits	Comprehensive benefits (low-range)	Comprehensive benefits (mid-range)	Comprehensive benefits (high-range) ✓
California population coverage	Adult population covered (18+) ✓ Proportional tax with a contribution cap and a contribution waiver for lower-income individuals ✓	Senior population covered (65+) ✓ Proportional tax with a contribution cap	Adult population covered (18+) ✓ Proportional tax with a contribution cap and a contribution waiver for lower-income individuals ✓	Adult population covered (18+) ✓ Proportional tax with a contribution cap and a contribution waiver for lower-income individuals ✓	Adult population covered (18+) ✓ Proportional tax with a contribution cap and a contribution waiver for lower-income individuals ✓
Structure and design	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 ✓
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 ✓ \$1,500 per month	2 years ✓	1 year	18 months	2 years ✓
Benefit maximum	[Alternative scenario: \$1,000 per month] Inflation as a function of CPI; assessed annually (not automatically applied)	\$4,600 per month ✓ Inflation as a function of CPI; assessed annually (not automatically applied)	\$3,000 per month ✓ Inflation as a function of CPI; assessed annually (not automatically applied)	\$4,500 per month ✓ Inflation as a function of CPI; assessed annually (not automatically applied)	\$6,000 per month ✓ Inflation as a function of CPI; applied annually ✓
Elimination period	No elimination period ✓ Supportive LTSS (e.g., caregiver support, adult day care, meal delivery, transportation, preventative equipment, home assessment, and minor home modifications)	90-day elimination period	30-day elimination period	No elimination period ✓	No elimination period ✓
Approved care settings	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	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; certified provider reimbursement ✓ 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; certified provider reimbursement ✓ 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; certified provider reimbursement ✓ 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) ✓
Informal / family caregivers	N/A	Limited/contingent preventative benefits (e.g., partake in wellness program) Domestic portability; partial benefits outside of California (grade to 50% over 5 years)	Limited/contingent preventative benefits (e.g., partake in wellness program) Domestic portability; partial benefits outside of California (grade to 50% over 5 years)	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; full benefits	Domestic portability; full benefits	Domestic portability; full benefits Coverage can be extended to a spouse or domestic partner through a shared benefit pool	International portability; full benefits ✓ Coverage can be extended to a spouse or domestic partner through a shared benefit pool
Family / spousal coverage	Individual coverage only	Individual coverage only	Individual coverage only	Individual coverage only	Individual coverage only
Program eligibility and enrollment	Age 18+ (subject to vesting requirements) ✓ HIPAA benefit eligibility (2 of 6 ADLs for 90 days or severe cognitive impairment) ✓	Age 65+ (subject to vesting requirements) HIPAA benefit eligibility (2 of 6 ADLs for 90 days or severe cognitive impairment) ✓	Age 18+ (subject to vesting requirements) ✓ HIPAA benefit eligibility (2 of 6 ADLs for 90 days or severe cognitive impairment) ✓	Age 18+ (subject to vesting requirements) ✓ HIPAA benefit eligibility (2 of 6 ADLs for 90 days or severe cognitive impairment) ✓	Age 18+ (subject to vesting requirements) ✓ 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	[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 years, 100% of the benefits for individuals who contribute for 5 or more years)	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 years, 100% of the benefits for individuals who contribute for 5 or more years) 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 ✓	Pro-rated benefits (no benefits for individuals who contribute for less than 3 years, 50% of the benefits for individuals who contribute for 5 years, grading up by 10% each year up to 100% of benefits in year 10) 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 ✓	Pro-rated benefits (no benefits for individuals who contribute for less than 3 years, 50% of the benefits for individuals who contribute for 5 years, grading up by 10% each year up to 100% of benefits in year 10) 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 ✓	Pro-rated benefits (no benefits for individuals who contribute for less than 3 years, 50% of the benefits for individuals who contribute for 5 or more years) and voluntary alternative program contribution option to "top up" 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: before program enactment	N/A	Individuals with eligible 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) ✓	Individuals with eligible 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) ✓	Individuals with eligible 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) ✓	Individuals with eligible 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) ✓
Private LTC considerations: after program enactment ³	N/A	Individuals with eligible 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) ✓	Individuals with eligible 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) ✓	Individuals with eligible 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) ✓	Individuals with eligible 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) ✓

¹ 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)

² 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)

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Lower Cost

Plan design element	Supportive LTC benefits & adult population covered (18+) Design 1	Home care benefits & senior population covered (65+) Design 2	Comprehensive benefits (low-range) & adult population covered (18+) Design 3	Comprehensive benefits (mid-range) & adult population covered (18+) Design 4	Comprehensive benefits (high-range) & adult population covered (18+) Design 5
Program financing	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 considered [✓]	Payroll tax (split between employees and employers); non-voluntary premium contributions via an income tax for the self-employed [✓]	Payroll tax (split between employees and employers); non-voluntary premium contributions via an income tax for the self-employed [✓]	Payroll tax (split between employees and employers); non-voluntary premium contributions via an income tax for the self-employed [✓]
Revenue source	[Alternative scenario: reduce/eliminate employer portion of the program contributions]	[Alternative scenario: reduce/eliminate employer portion of the program contributions]	[Alternative scenario: reduce/eliminate employer portion of the program contributions]	[Alternative scenario: reduce/eliminate employer portion of the program contributions]	[Alternative scenario: reduce/eliminate 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) [✓] 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 to Medi-Cal eligibility requirements)	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) [✓]	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) [✓]	Waive contributions for individuals below a specified poverty level (e.g., 138% of FPL) [✓]
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)
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)	[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][✓]
Coordination and interaction (with other LTSS financing sources)	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 [✓]
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 [✓]
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.
Coordination: Medicare	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 [✓]
	[Coordination of benefits TBD]	[Coordination of benefits TBD]	[Coordination of benefits TBD]	[Coordination of benefits TBD]	[Coordination of benefits TBD]
	Pursue a CMS federal demonstration waiver to retain federal Medicare savings from the program [✓]	Pursue a CMS federal demonstration waiver to retain federal Medicare savings from the program [✓]	Pursue a CMS federal demonstration waiver to retain federal Medicare savings from the program [✓]	Pursue a CMS federal demonstration waiver to retain federal Medicare savings from the program [✓]	Pursue a CMS federal demonstration waiver to retain federal Medicare savings from the program [✓]

Legend

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Higher Cost

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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