California Long Term Care Insurance Task Force

Meeting #2
June 4, 2021

Hosted by: The California Department of Insurance

www.insurance.ca.gov

RICARDO LARA
INSURANCE COMMISSIONER
California Department of Insurance

Welcome!

Task Force Members:

- Please turn on your video
- Remain muted unless speaking
- Please identify yourself when you are making a motion

Public Observers:

- Comments are limited to 3 minutes per person
- Please use the “raise hand” feature to indicate that you would like to speak
- If you joining the meeting telephonically and wish to speak, please send an email to CDIBoards@insurance.ca.gov and provide your name and phone number.

RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

PUBLIC NOTICE OF MEETING

California Long Term Care Insurance Task Force

Friday, June 4, 2021
1:00 p.m. – 3:30 p.m. (PST)

This public meeting will be held *via* Zoom Video Conferencing services with the option to participate online or via telephone. Access the Zoom meeting online by using the website link at:
https://us02web.zoom.us/j/84966265170?pwd=QTQ4VmlKcThGcWo1dWZNeldGUUJHUT09
Passcode: 266360
Or Telephone:
USA 215 446 3649 US Toll
USA 888 557 8511 US Toll-free
Conference code: 832767

Instructions to connect to the meeting:

If you are joining the Zoom meeting online, your microphone will automatically be muted. If you would like to make a comment, please select the icon to raise your hand and you will be allowed to unmute when the Chair asks for public comment.

If you are joining *via* telephone, you may dial-in as a teleconference-only participant using the access code provided; however, you will be unable to see any of the projected materials that are part of the presentation and you will not have the ability to comment live. To submit your questions ahead of time, and to request meeting materials, please email: CDIBoards@insurance.ca.gov.

NOTICE: Pursuant to Governor Gavin Newsom's Executive Order N-29-20, in response to the COVID-19 pandemic, the meeting is being held entirely virtual *via* online and teleconference. No physical public location is being made available for public participation. Members of the public may observe or participate using the link above.

- The California Long Term Care Insurance Task Force (Task Force) meetings operate under the requirements of the Bagley-Keene Open Meeting Act (Act) set forth in Government Code Section 11120-11132. The Act generally requires that the Task Force publicly notice meetings, prepare agendas, accept public testimony, and conduct sessions in public unless specifically authorized by the Act to meet in closed session. Agenda items may be taken out of order and action (e.g. voting) may be taken on any agenda item.
- The Task Force conducts public meetings to ensure adequate opportunity for public participation. Time limitation on public comments is at the discretion of the Chair and must relate to agenda items. Materials reviewed during meetings are available for public review and comment on the Department of Insurance website at http://www.insurance.ca.gov/0500-about-us/03-appointments/ltcitf.cfm. Members of the public may also email: CDIBoards@insurance.ca.gov to request a copy of the materials.
- Requests for disability-related accommodations or modifications should be made to the Appointments Officer at (916) 492-3335, or via email: CDIBoards@insurance.ca.gov no later than five (5) business days prior to the day of the meeting.

CALIFORNIA DEPARTMENT OF INSURANCE
PROTECT • PREVENT • PRESERVE
300 Capitol Mall, 17th Floor
Sacramento, California 95814
Tel: (916) 492-3500 • Fax: (916) 445-5280

California Long Term Care Insurance (LTCI) Task Force – Meeting #2

Friday, June 4, 2021
1:00 p.m. – 3:30 p.m. (PST)

Task Force Members:

Chair

- Insurance Commissioner Ricardo Lara
    - Designee: Susan Bernard, Deputy Commissioner, Financial Surveillance Branch

Department Directors

- Kim McCoy Wade, Director, Department of Aging
- Will Lightbourne, Director, Department of Health Care Services
    - Designee: Anastasia Dodson, Associate Director

Commissioner Appointees

- Dr. Lucy Andrews, CEO & Director of Nursing, At Your Service Home Care
- Grace Cheng Braun, President & CEO, Wise & Healthy Aging
- Michael Mejia, Senior Vice President of Operations, Atria Senior Living
- Doug Moore, Executive Director, United Domestic Workers (UDW/AFSCME 3930)
- Dr. Karl Steinberg, Chief Medical Officer, Mariner Health Care
- Tiffany Whiten, Senior Government Advocate, SEIU California State Council

Governor's Appointees

- Blanca Castro, Advocacy Director, AARP-California
- Eileen Kunz, Chief of Government Affairs and Compliance, On Lok Senior Health Services
- *Appointment pending*
- *Appointment pending*

Senate Committee on Rules Appointee

- Jamala Arland, Vice President and Actuary, Genworth Financial

Assembly Speaker's Appointee

- *Appointment pending*

CDI Staff Members:

- Michael Martinez, Senior Deputy Commissioner and Legislative Director
- Amanda Bastidas, Appointments Officer
- Josephine Figueroa, Deputy Legislative Director
- Ryan de la Torre, Attorney, Policy Approval Bureau
- Emily Smith, Attorney, Policy Approval Bureau
- Perry Kupferman, Chief Life Actuary
- Tyler McKinney, Attorney, Legal Division

Meeting Goals:

- Receive various presentations to help create a common foundation of knowledge on population demographics, current state of LTCI, and other statewide/state long-term care services and supports efforts
- Discuss revised Work Breakdown and Program Design Concepts/Benefit Designs Concepts
- Identify next steps and goals for next meeting

AGENDA

1. Welcome & Introductions of New Members • Housekeeping Items	Susan Bernard
2. Approve Minutes from Meeting #1	Susan Bernard
3. CDI Presentation: Long-Term Care Insurance Demographics	Perry Kupferman
4. CDI Presentation: Current State of Long-Term Care Insurance	Ryan de la Torre
5. DHCS Presentation: Population Demographics and the 2020 DHCS LTSS Feasibility Study Final Report	Milliman
Break (5 minutes)	
6. CDA Presentation: Master Plan on Aging Overview	Kim McCoy Wade
7. CDI Presentation: Washington LTSS Trust	Perry Kupferman
8. Working Documents • *Work Breakdown and Considerations* • *Program Design Concepts* & *Benefit Design Concepts*	Open Discussion
9. Next Steps & Closing • Next Meeting Dates	Susan Bernard

Materials to Review in Advance:

- Draft Minutes from Meeting #1
- Program Design Concepts
- Benefit Design Concepts
- Work Breakdown and Considerations (Revised)
- Presentation materials

RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

California Long Term Care Insurance (LTCI) Task Force
Meeting #1 Minutes
Tuesday, March 9, 2021

1. **Task Force Meeting Call to Order** – 1:03 PM
   - Roll Call – present: Dr. Lucy Andrews, Grace Cheng Braun, Anastasia Dodson, Michael Mejia, Doug Moore, Dr. Karl Steinberg, Kim McCoy Wade, Tiffany Whiten
   - Quorum was met.

2. **Agenda Item #1:** Welcome & Introductions
   - Chair Susan Bernard introduced Insurance Commissioner Ricardo Lara who welcomed the Task Force.
   - Susan went over housekeeping items.
   - Introductions were made by each Task Force member and from each California Department of Insurance (CDI) staff member present.
   - Public comments were taken:
     - Jane Washburn introduced herself and stated she is very excited for this, but want to make sure people like me are heard – people who are on claim and need assistance to live at home are not often included in the discussions that affect us.
     - Donna Benton introduced herself and stated she is so happy we are dealing with this issue as it is very important.

3. **Agenda Item #2:** Bagley-Keene Open Meeting Act Overview
   - An overview of the Act was provided by Appointments Officer Amanda Bastidas.

4. **Agenda Item #3:** Values & Goals
   - Susan explained that the purpose of the Charter is to get us all on the same page about what we are doing and what our roles are and asked for comments or a motion to approve.
   - Dr. Karl Steinberg moved to adopt the Charter and Doug Moore seconded.

5. **Agenda Item #4**: Overview of tasks/timeline
   - Discussion and thoughts of the *work breakdown and considerations* document
     - There was a lot of positive feedback on this document and appreciation for it as a visual aid, breaking down the work into manageable pieces.
     - "Workforce" will probably need many more little boxes because it is so critical component. Whether through paid or unpaid (family caregiving). Need to build out the workforce, the diversity of it, and the wages.
     - We need to be more creative when we talk about financing and look for other possible buckets.

- We should have our equity commitment more visible, it's more than being "culturally responsive". Let's pay a little more attention to highlighting that and meeting California's diverse needs. Kim McCoy Wade is happy to help with those edits.
- Public comment:
    - Add a box for "community liaison"
    - The first three columns need substantial input from actuarial experts and the last four columns need significant definition before the first three columns can properly be addressed, especially column two.
    - Where would the rights of the disabled insured fit into this chart?
        - The Task Force agreed to place it under "Access".
    - How will you be building off the studies done by DHCS?
        - The Task Force agreed to leverage off of it to the extent possible.
    - Persons with disabilities are not represented on this Task Force. Disabled people need care their whole lives.
        - The current vacancies under the Governor's Office were mentioned. Other members expressed their connection to the disabled community.
    - "Program integrity" should be under "Administrative Considerations" including "benefit appeal".
    - "Family caregiver assessment" should be part of "Access".
    - There should be a separate column for "Evaluation of the Program", making sure it's meeting the needs and reaching the target populations.
        - Response: Once things get going there will be regular, ongoing considerations (apart from this work breakdown) that we will need to be doing. It may go across areas, so maybe across all columns ("Evaluation and Efficacy").
    - Will the focus be on LTC insurance or the public benefit or both?
        - Response: Yes, both.
    - In terms of building on the Milliman actuarial study, it would be good to ensure focus on the groups (non-workforce) that were not considered in the report, as well as race/gender impacts on poverty/income/wealth.
    - Under "Services" category, it was suggested to add a box for exploring other residential models, i.e. group home up to 8-10 residents with caregivers with on-site nurse.
        - Task Force agreed to add a box for "Other models/living situations".
    - It was recommended that Washington state be brought into discuss their program and where they are on the role of LTCI coming in potentially as a supplement to the program, and also explore their use of waivers as a source of financing.
    - Coordinate with Medicare policy; so much needs to be changed about LTC in Medicare.
    - DME (Durable Medical Equipment) is critical to LTC. There are frequently pieces of equipment that are critical but are not covered by Medicare.
        - Response: Add a sub-box under "Coordination/Interaction" to remember to look at and address as needed.
    - The box "share of cost" under financing is a key element. It is important to know the financial constraints of the variety of Californians in both their financing of

their plans and the cost of caregiving. What is catastrophic for the variety of Californians?

- Brief Zoom disconnection occurred. With the meeting reconnected, the roll was once again taken (same members were present) and quorum established.
  - Medicare may need its own box under "Coordination"
  - "Training" should be flushed out in addition to "Certification". Flesh out the workforce with other providers.
  - There was a lot of positive feedback from members on this document overall.
  - Susan Bernard asked that everyone please spend some time thinking about this and we will add to it as we go.

6. **Agenda Item #5**: Discuss survey responses
   - This survey was sent out to the Task Force members prior to the meeting to gauge interest in topics for future meeting presentation topics. Susan Bernard asked Task Force members for their top three topics they would like to see covered at the next meeting.
   - Topics mentioned: Financing, systems delivery, and workforce, Washington program and their lessons learned (what is not working well) as well as their quality of jobs/wages, social insurance experts.
   - Many Task Force members agreed that demographics on the current and projected population in need was most important to cover first.
   - Public comments:
     - Understand the failures of the private market, Partnership and CalPERS closures of applications. Understand the spend-down population and how to handle people in Medi-Cal with share of cost.
       - Anastasia Dodson offered to do a presentation on the Partnership program as a related issue
     - Information on the role of family caregivers in providing much of our LTSS care (per AARP, the economic value of unpaid care is more than what California spends on Medi-Cal), needs of this population, and allowing family caregivers to be the ones providing care.
     - An article by Steve Forman, an LTC broker in the Washington area, was shared.
   - We need to avoid false solutions like the idea that people can actually afford traditional LTC insurance policies. Let's be innovative.
   - Are there other states doing similar endeavors besides Washington? Milliman is working with Illinois and Michigan, similar to what they did for California. Hawaii and Minnesota have done work in this area. If we really want to think outside the box, maybe we look at the way other countries have universal health insurance.
   - The Task Force decided to start with three presentations at the next meeting. The topics will be: demographics, the Washington program, and the current state of the long-term care insurance market.
     - 30-minutes each (20 minute presentation with 10 minute question and answer) with a short break after the second. We will ask presenters for their slides ahead of time to share with the Task Force.
   - Public comment:
     - There was an offer to share an article and presentation from the California Summit about state initiatives on LTSS financing which included six or seven states. There was another offer to share a brief published by the American Academy of Actuaries that

outlines seven essential criteria for LTC programs.

7. **Agenda Item #6**: Next Steps
    - Next meeting date will likely be in early June. CDI will send around another survey monkey. Hopefully we will have more Task Force members in place by then.
    - Zoom Chat comments will be shared with all of the Task Force members.

8. **Agenda Item #7**: Closing
    - At 2:41 PM, Susan Bernard asked for a motion to adjourn. Motion to adjourn taken from Doug Moore and Dr. Karl Steinberg seconded.

Long-term Care Insurance Demographics

California Stand-Alone LTC Experience Reporting Form 5 Data from YE 2020 Annual Statement

Average Annual Premium is calculated as the ratio of Earned Premiums in 2020 to the number of lives in force as of 12/31/2020.

All Insurers (CA)	# of New Lives Insured	# of Lives in Force Year End	Incurred Claims	Average Annual Premium	# of Claims Open	# of Claims Opened in 2020
2020 Standalone LTC	16,569	556,988	$ 1,011,200,717	$ 1,786	14,587	5,362

Top 10 Companies by CA Sales in 2020	# of New Lives Insured (CA)	# of New Lives Insured (TX)	# of New Lives Insured (FL)	# of New Lives Insured (IL)
UNUM LIFE INSURANCE COMPANY OF AMERICA	9,448	2,792	1,490	4,108
TRANSAMERICA LIFE INSURANCE COMPANY	2,227	456	307	224
BANKERS LIFE AND CASUALTY COMPANY	1,480	1,030	3,118	21
MUTUAL OF OMAHA INSURANCE COMPANY	1,355	1,147	485	570
NEW YORK LIFE INSURANCE COMPANY	1,236	527	313	188
NORTHWESTERN LONG TERM CARE INSURANCE COMPANY	424	390	467	520
MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY	217	17	102	27
GENWORTH LIFE INSURANCE COMPANY	154	249	38	137
NATIONAL GUARDIAN LIFE INSURANCE COMPANY	18	46	12	24
PROVIDENT LIFE AND ACCIDENT INSURANCE COMPANY	6	6	4	5

	New Lives Insured in 2020
CA	16,569
TX	6,864
FL	6,339
IL	5,865
Total U.S.	92,764

Long-term Care Insurance Demographics

California Stand-Alone LTC Experience Reporting Form 5 Data from YE 2020 Annual Statement

Average Annual Premiums are calculated as the ratio of Earned Premiums in 2020 to the number of lives in force as of 12/31/2020.

All companies below, with the exception of State Farm, file using the Life/Health/Fraternal Annual Statement.

Top 10 Companies by CA Lives in Force YE2020	# of CA Lives In Force Year End	# of New CA Lives Insured	($000's) Incurred Claims	Average Annual Premium	# of Claims Open	# of Claims Opened in 2020
UNUM LIFE INSURANCE COMPANY OF AMERICA[1]	155,252	9,448	$ 122,845	$ 709	1,622	609
GENWORTH LIFE INSURANCE COMPANY	124,624	154	$ 338,455	$ 2,734	4,439	1,742
JOHN HANCOCK LIFE INSURANCE COMPANY (U.S.A.)	58,364	-	$ 102,414	$ 1,845	1,766	545
METROPOLITAN LIFE INSURANCE COMPANY	42,168	-	$ 61,882	$ 1,573	1,193	543
TRANSAMERICA LIFE INSURANCE COMPANY	23,346	2,227	$ 71,125	$ 2,149	1,050	266
NEW YORK LIFE INSURANCE COMPANY	22,860	1,236	$ 18,200	$ 2,052	343	150
NORTHWESTERN LONG TERM CARE INSURANCE COMPANY	14,001	424	$ 22,102	$ 3,225	118	37
BANKERS LIFE AND CASUALTY COMPANY	13,866	1,480	$ 45,015	$ 1,882	1,043	455
PRUDENTIAL INSURANCE COMPANY OF AMERICA (THE)	13,655	-	$ 33,366	$ 2,141	310	118
ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA	10,360	-	$ 41,532	$ 979	321	62
STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY	16,144	-	$ 33,895	$ 1,962	476	139

[1]Unum LTC policies are primarily sold with limited benefits to employer groups, with premiums often being paid by employers.

The State of Long-Term Care Insurance

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Coverage

- Home Care and Community-Based Services
  - Home health care
  - Adult day care
  - Personal Care
  - Homemaker services
  - Hospice Services
  - Respite Care
- Residential Care Facilities (Assisted living)
- Nursing Facilities

Eligibility

- Physical or Cognitive Impairment
  - Physical impairment: Inability to perform 2 or more ADLs for a period of at least 90 days
  - Cognitive impairment: Loss of intellectual capacity comparable to Alzheimer's disease
- Plan of Care
- Receive formal long-term care services
- Satisfy the policy Elimination Period

Traditional Long-Term Care Insurance (LTCi)

- Level premium
- Use it or lose it
- No cash value
- Lower cost, larger LTCi benefit relative to hybrid policies
- If premiums are paid, the policy remains in force
- Carrier must offer 5% compound inflation protection

Hybrid Policies (life insurance with LTCi)

- Accelerated Death Benefits (ADB) for Long-term Care:
  A portion of the death benefit is used to pay LTC expenses
- Extension of Benefits (EOB) for Long-Term Care:
  Pays additional LTC benefits after the ADB is exhausted.
- Sold with Whole or Universal Life
- Not “use it or lose it” - receive LTCi or a death benefit
- Cash value
- Generally more expensive than traditional LTCi
- Carriers generally offer inflation protection for EOBs but not ADBs

ADB for Chronic Illness

- NOT Long-term Care Insurance, but similar
- A portion of the life policy death benefit is payable when the policyholder is chronically ill
- Similar to an ADB for Long-term Care but:
  - Eligibility is not conditioned on the receipt of LTC
  - Benefit payments can be used for any purpose
  - Typically no premium or cost of insurance, but a "present value discount" is assessed when the benefit is paid

California Partnership for Long-Term Care

- Administered by DHCS
- Qualifying policies receive MediCal asset protection
  - Asset protection: The amount of policy benefits paid protects an equal amount of assets for the purpose of MediCal eligibility. (Policyholders don't need to spend-down the protected assets.)
- The program is authorized under federal law
- Qualifying policies must:
  - Include at least 3% compound inflation protection
  - Provide care coordination
  - Limit each rate increase to no more than 40% spread over 3 years

Sales

- Prevalence: 4.8% of Californians age 50+ have traditional LTCi
- Cost: Average new LTCi premium in CA is $3,532
- Declining sales of traditional LTCi: Nationwide, sales peaked at about 750,000 policies per year in the early 2000's but are now around 55,000
- Growth of hybrid LTCi and chronic illness benefit market: In 2018, 85 percent of product sales were hybrid LTCi or chronic illness benefits

Sales, continued

- Average issue age: 57.7
- Average benefit period: 3.79
- Average maximum monthly benefit: $4,882
- Inflation protection: 3% compound in 32.7% of new sales
- Elimination Period: 90-day period in 91% of new sales

Issues

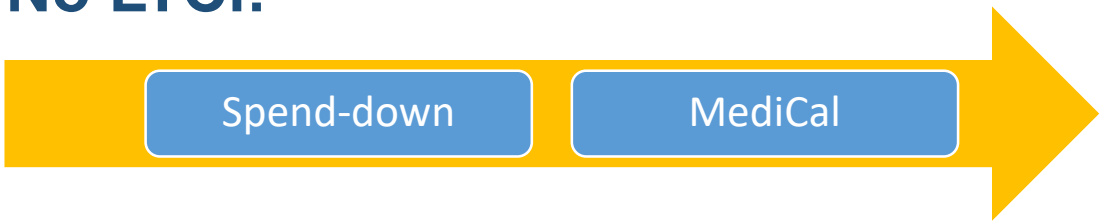
- Price
  - Average annual premium for a new policy in CA is $3,532
  - Why is it expensive? Low lapse rates, low interest rates, high claim costs
- Premium increases
  - Policies sold in the 1990's and early 2000's were underpriced
  - Carriers overestimated lapse rates and underestimated claim costs
  - LTC policies are guaranteed renewable – the policy must be renewed for as long as premiums are paid, but the carrier has the right to raise rates
  - Policyholders are receiving very large rate increases
  - Carriers are taking large losses on legacy policies
  - Rate increases undermine consumer confidence in new policies

National Reform Efforts

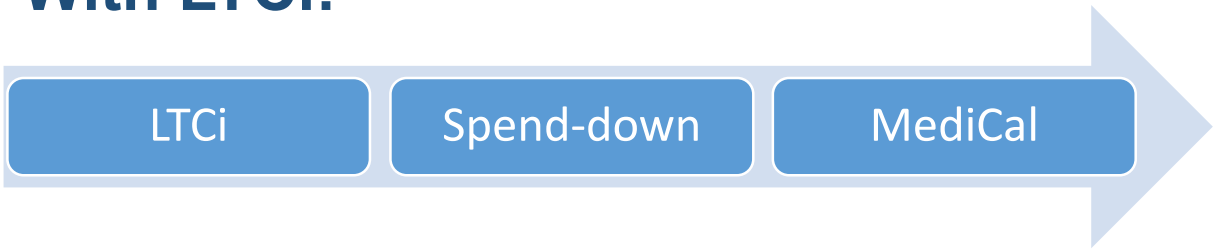
- CLASS Act: National, voluntary program included in ACA but repealed in 2013
- Maine universal home care initiative: 3.8% payroll tax (shared by employee/employer) rejected 63-37 in 2018 ballot
- Washington Trust Act: Vested program for limited, front-end coverage for vested workers, effective 1/1/2022
- Medicare Advantage expansion: As of 2019, Medicare Advantage plans are allowed to include certain LTSS benefits
- Medicare Supplement expansion: Recent Minnesota proposal to require Medicare supplement plans to include limited, nonmedical LTSS benefit package

LTC Expenditure Sources

No LTCi:



With LTCi:



With Partnership LTCi:

California Master Plan for Aging & LTSS

Together We ENGAGE

MPA & LTSS:
Stakeholders Identified LTSS as a Top Priority

The MPA Stakeholder Advisory Committee's Long-Term Services & Supports Subcommittee released a report in 2020 outlining LTSS recommendations to the Administration:

- Objective 1: A System that all Californians can Navigate
- Objective 2: Access to LTSS in Every Community
- Objective 3: Affordable LTSS Choices
- Objective 4: Highly Valued, High-Quality Workforce
- Objective 5: State and Local Administrative Structures

MPA Goal 2: Health Reimagined

Strategy A: Bridging Health Care with Home

Initiative 33: Advocate with the new federal Administration to create a universal Long-Term Services and Supports benefit and assess opportunities for federal/state partnership.

Initiative 34: Plan and develop innovative models to increase access to long-term services and supports for people receiving Medicare only.

Initiative 35: Plan and develop innovative models to increase access to long-term services and supports and integrated health care for people receiving both Medicare & Medi-Cal ("duals"): by implementing statewide Managed Long-Term Services and Supports (MLTSS) and Dual Eligible Special Needs Plan (D-SNP) structure, in partnership with stakeholders.

Initiative 36: Expand access to home and community-based services for people receiving Medi-Cal: via CalAIM, by implementing "In Lieu of Services" (including: Housing Transition Navigation Services, Housing Deposits, Housing Tenancy and Sustaining Services, Short-term Post Hospitalization Housing, Recuperative Care, Respite, Day Habilitation Programs, Nursing Facility Transition/Diversion to Assisted Living Facilities of Home, Personal Care and Homemaker Services, Home Modifications, Medically Tailored Meals, Sobering Centers, and Asthma Remediation) and "Enhanced Care Management."

Together We ENGAGE

Ensuring Equity in Aging

"It is the intent of the Legislature to enact legislation establishing a task force to explore the feasibility of developing and implementing a culturally competent statewide insurance program for long-term care services and supports."

- Assembly Bill 567, 2019-2020.

Opportunities to Apply an Equity Lens to the LTCI Task Force's Work

1. Assign the Equity in Aging Advisory Committee (EAAC) to Provide an Equity Lens to the LTCI's work
2. Establish a LTCI Task Force Equity Work Group to apply an Equity Lens to the LTCI's work
3. Apply the MPA Equity Work Group – Equity Tool Independently to each LTCI Task Force Objective and Program or Policy Recommendation

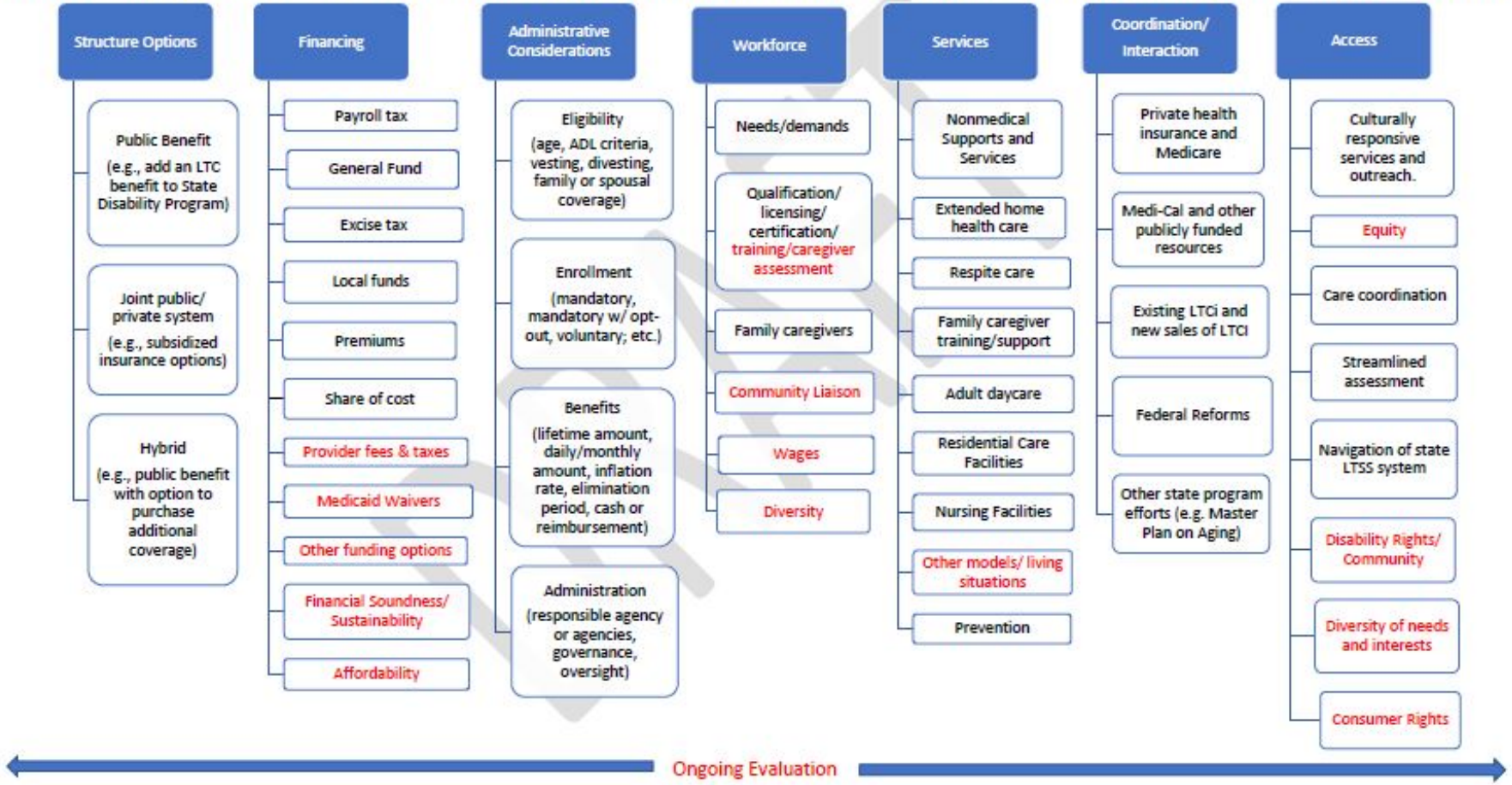
Note: The next Equity in Aging Advisory Committee meeting is 6/16, 2-4pm. Open to the public.

Together We ENGAGE

Ensuring Equity in Aging

California Long-term Care Insurance Task Force – Work Breakdown and Considerations

Note: This draft deliberative chart is not meant to be comprehensive at this point, but is merely a starting point for Task Force discussion and will be built upon as discussions progress. Each column is not independent, but should be considered in concert with the other categories. The overarching goal of the Task Force should remain true to the intent of the Legislature in passing Assembly Bill 567: "To enact legislation establishing a task force to explore the feasibility of developing and implementing a culturally competent statewide insurance program for long-term care services and supports."



Ensuring Equity in Aging

Sample Questions Based on the EWG Equity Tool

1. What needs, gaps, and/or organizational barriers are you addressing to further diversity, equity, and inclusion?
2. How were the basic needs, gaps, and/or organizational barriers to equity determined when designing the recommendation, policy, or program?
3. Do the recommended policies and programs take into account the cultures and languages of impacted communities? For example, in determining those needs, was key information collected directly from the communities and made available in-language and in-culture?
4. How do the data/research inform or support the policies, statements, strategies, or conclusions? Did you refer to research conducted in a way that was/is inclusive and reflective of the demographic and cultural makeup of California?

Washington Long-Term Services and Supports (LTSS) Trust Act

www.wacaresfund.wa.gov

- Benefit plan for employees in Washington
- Benefits only payable while living in Washington
- No dependent coverage
- Non-underwritten, but must be employed to qualify and vest

Vesting Requirements

- Ten years taxed, with at least five consecutive, or three of the last six years when applying for benefits
- Employed at least 25% of full-time hours annually which is 500 hours out of 2,000
- Not eligible after leaving state for five years
- Not taxed after turning age 65 even if still employed

Funding

- Uncapped payroll deduction of 58¢ per $100 earnings starting 2022
- Pre-funded by tax and investment earnings
- Trust funds projected to earn 4.5% annually
- Ballot initiative failed, which would have also allowed equity investment
- Trust investments limited to low yielding Treasury-Types
- Modeled 75 years to cover entire lifecycle
- More recent estimate with 2.5% investment return raises tax to 64¢

Participation Mandatory

- Program is mandatory for all W-2 employees in Washington State with self-employed and independent contractors having the ability to “opt in” by 2024
- Those under age 18 are not able to participate
- Opt-out allowed with proof of private LTC insurance
- Federal and tribal employees automatically exempt
- Employees wanting exemption must get approval letter
- Exempted employees become permanently ineligible
- No exemptions issued after 2022
- Employers and employees are buying LTC insurance in 2021 to avoid being taxed and participating in the plan
- People who live elsewhere but work for a Washington employer will be paying premium but are not benefit-eligible

Key Modeling Considerations

- Extent of low-risk employee opt-out
- Wage growth
- Impacts of inflation are reviewed annually
- Investment return, initially 4.5%
- New service and care method costs in the future, but not currently anticipated
- Benefit utilization
- Family member compensation
- Migration into and out of state, and by age
- Fertility rates
- Age and gender mortality

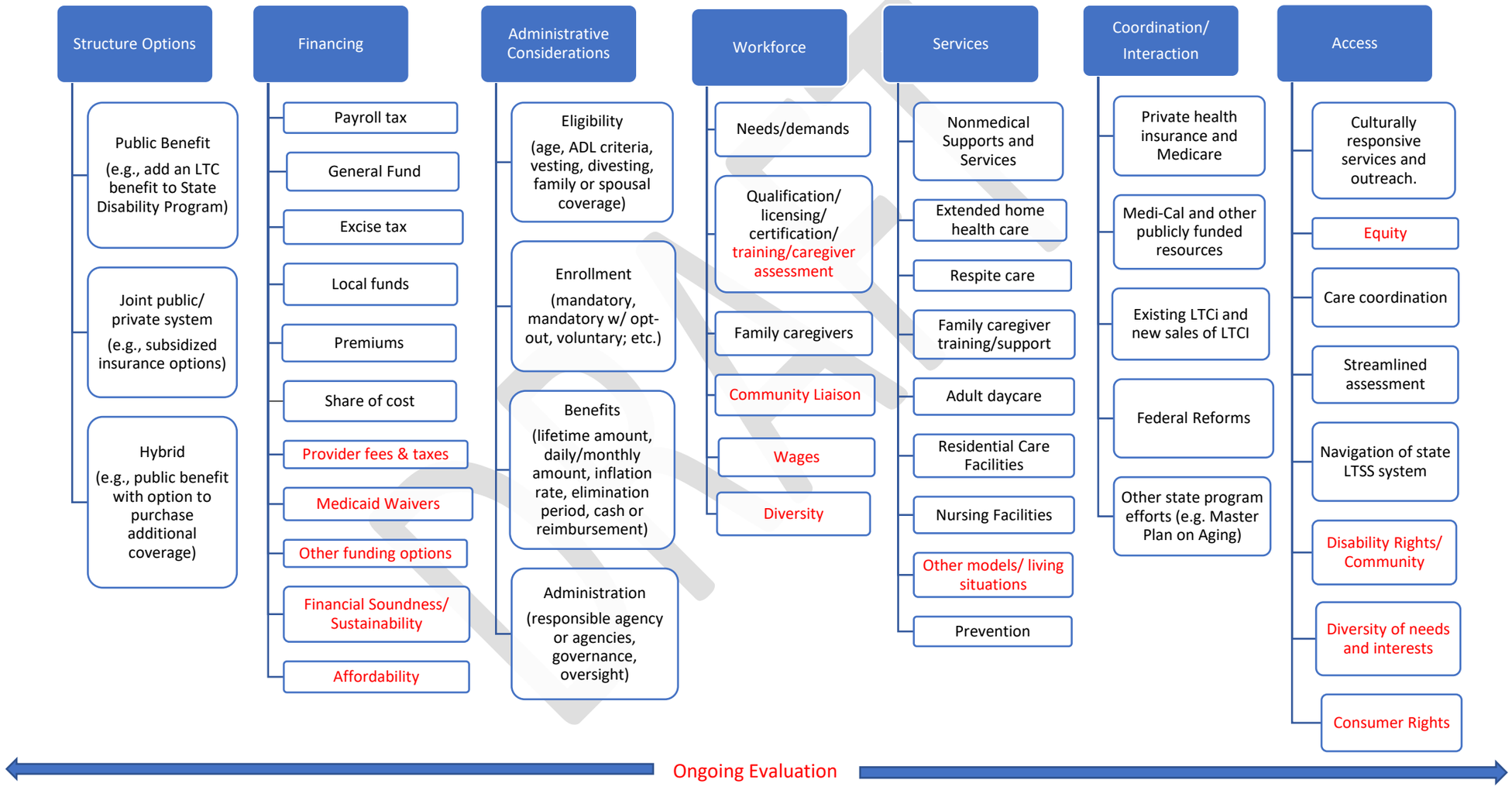
Benefits

- Available in 2025
- One-time 30-day deductible
- $100 per day maximum, up to $36,500 lifetime maximum
- Must fail at least 3 Activities of Daily Living (ADL) as per Medicaid
- Program-reimbursed providers need regulatory approval

- Comprehensive coverage for:
  - Home care
  - Nursing facility and residential settings
  - Memory care
  - Home safety evaluation
  - Home delivered meals
  - Family members can be paid following approved formal training
  - Transportation
  - Equipment

California Long-term Care Insurance Task Force – Work Breakdown and Considerations

Note: This draft deliberative chart is not meant to be comprehensive at this point, but is merely a starting point for Task Force discussion and will be built upon as discussions progress. Each column is not independent, but should be considered in concert with the other categories. The overarching goal of the Task Force should remain true to the intent of the Legislature in passing Assembly Bill 567: "To enact legislation establishing a task force to explore the feasibility of developing and implementing a culturally competent statewide insurance program for long-term care services and supports."



Program Design Concepts: Public, Private, and Hybrid Solutions

1. Public Benefit Options

Examples	Questions	Pros	Cons
a. Universal Social Insurance or Assistance - Denmark, France, Japan, Germany, Netherlands, Singapore - Maine Universal Home Care Initiative – A universal home care proposal, assessing 3.8% payroll tax (1.9% from employee, 1.9% from employer) on income over $128k, was rejected by a 63-37 margin in 2018 ballot initiative	- Can this be done effectively at the state level? - How would the program be funded? - How would it interact with Medicaid and other federal programs? - How would it interact with private LTC insurance?	- Everyone is covered - Cost control – ability to negotiate and/or regulate service prices - Potentially lower administrative costs	- High total program cost - Potential loss of federal Medicaid contributions - Political/popular opposition?
b. Vested Social Insurance: - Washington Trust Act –State program, funded by a 0.58% payroll tax, paying vested workers a $36,500 benefit ($100/day for 365 days) that is indexed for inflation. - CLASS Act – Voluntary (opt-out) national LTCi program funded by premiums paid through payroll deductions that was included in ACA but repealed in 2013 due to concerns about adverse selection, high premiums, and program sustainability	- How is LTSS funded for everyone who is not vested? - How would the program be funded? - How would it interact with Medicaid and other federal programs? - How would it interact with private LTC insurance?	- Less costly than universal coverage (0.58% payroll tax under WA plan; 0.5% - 1% payroll tax for most program scenarios in DHCS Feasibility Study) - Likely less overlap with Medicaid (vested workers less likely to qualify for Medicaid) - More politically feasible?	- Only vested workers, and potentially family of vested workers, are covered - Costly, although significantly less costly than a universal program - May overlap with Medicaid to some extent, and therefore may reduce federal contributions
c. **Targeted Social Assistance** - Hawaii Kapuna Caregivers Program – $350 weekly benefit for unpaid family caregivers - Credit for Caring Act –Proposed federal law that would provide a tax credit for informal family caregivers - Some have proposed a public benefit covering catastrophic losses for those with Alzheimer's disease	- Is the benefit meaningful? - How would it be funded?	- Least costly - Least likelihood for overlap with Medicaid - Easier to design and implement	- Will not solve larger LTSS demographic and funding issues

2. Public Support for Private Market Solutions

Examples	Questions	Pros	Cons
a. Public-private reinsurance or risk-sharing for private LTCi - Some have proposed public support (design, legislation, and/or funding) for a program that would reimburse private insurer LTCi costs for catastrophic claims or in the event of unexpected adverse claims experience	- Would this materially reduce LTCi premiums? - Would any reduction in LTCi premiums produce a sufficient improvement in LTCi sales?	- Would provide insurance companies with more certainty when estimating premiums - Not disruptive – largely maintains status quo - Less costly - Comparatively simple	- Would it do enough to motivate more private insurers to enter the market? - Milliman Feasibility Study in Michigan found that a reinsurance program had "limited potential" to increase LTCi prevalence, as the costs of funding the reinsurance pool would likely ultimately be passed to consumers - Political/popular opposition (could be viewed as a subsidy to insurance companies)
b. Promote/Incentivize new products - Term-life + LTCi – Minnesota is supporting development of a term life policy that converts to LTC coverage at a certain age (the state is funding actuarial analysis and market research) - LTC in Medicare Advantage –As of 2019, Medicare Advantage plans are allowed to include certain LTC benefits (adult day care, in-home personal care, respite care, home modification, and non-opioid pain management). As of 2020, plans may offer chronically ill members "non-primarily health related" assistive services, including food and transportation benefits.	- Would the new products materially reduce LTCi premiums or increase LTCi sales? - Will an opt-in Medicare Advantage plan be actuarially viable?	- Not disruptive – largely maintains status quo - Very little cost for state - Comparatively simple	- Would the new options do enough to motivate more private insurers to enter the market? - Likely not sufficient, in isolation, to solve larger LTSS demographic and funding problems

c. Require Medicare Supplement health plans to include limited LTSS benefit - A Minnesota proposal would require Medicare supplement health plans to include a limited, nonmedical LTSS benefit package.	- Would the new plans materially increase LTCi sales? - Would the plans be actuarially viable? - Would the plans be affordable?	- Not disruptive – largely maintains status quo - Very little cost for state - Comparatively simple	- Any material benefit is likely to increase plan costs significantly and could lead to policy lapse - Might drive Med Supp carriers from the market to avoid repricing and new claims expertise needed - Likely not sufficient, in isolation, to solve larger LTSS demographic and funding problems
d. Expanded Partnership options - Cheaper policies - More program participation	- Would this materially reduce LTCi premiums or increase LTCi sales?	- Not disruptive – maintains status quo - Very little cost for state - Comparatively simple	- Would the expanded options do enough to motivate more private insurers to enter the market? - Likely not sufficient, in isolation, to solve larger LTSS demographic and funding problems

3. Hybrid Public-Private Solutions

Examples	Questions	Pros	Cons
a. Public benefit supplemented by private insurance - Option to purchase private supplemental coverage – covering liability beyond amount covered by public benefit, services not covered by public benefit, or providers not participating in public benefit - Option to purchase complementary insurance – covering any co-pays, share-of-cost, deductible, etc. - Supplemental and complementary options exist in most countries with social LTC insurance	- Would new legislation be required to allow for or facilitate the sale of supplemental or complementary coverage? - Would supplemental or complementary coverage be affordable?	- Will help keep costs of public benefit down - Allows consumers greater freedom to choose the amount of coverage they want - Would help to fill gaps in the public system	- Private carriers would need to enter/adapt to a new market

Benefit Design Concepts: Front-end, Back-end, or Comprehensive Coverage

1. Front-end – Benefits payable at or near the beginning of an individual's eligibility for LTSS

Examples	Questions	Pros	Cons
- Washington Trust Act – State program, funded by a 0.58% payroll tax, paying vested workers a $36,500 benefit ($100/day for 365 days) that is indexed for inflation.	- Does a front-end benefit reduce spend-down / impoverishment? - Would it help individuals who would otherwise qualify for Medicaid? - Should it exclude individuals who would otherwise qualify for Medicaid? - How would it interact with private LTC insurance?	- Everyone who qualifies and needs LTSS receives a benefit - Less costly than back-end and comprehensive coverage (0.58% payroll tax under WA plan; 0.5% - 1% payroll tax for most program scenarios in DHCS Feasibility Study) - More predictable program costs - Likely less overlap with Medicaid than back-end and comprehensive	- Pays less than back-end and comprehensive - Benefit likely insufficient to cover most LTSS costs (median LTSS costs are over $100,000, 75th percentile is about $250,000) - Individuals whose LTSS expenditures exceed public benefit will need to spend down any remaining assets before qualifying for Medicaid

2. Back-end – Benefit payable after an individual is impaired for a specified period of time

Examples	Questions	Pros	Cons
- Some have proposed a public benefit covering all LTSS expenses after an individual is physically or cognitively impaired for a certain period of time (likely 2, 3, or 4 years) - Medicaid (payable after an individual's assets are exhausted)	- Does a back-end benefit reduce spend-down / impoverishment? - Would it help individuals who would otherwise qualify for Medicaid? - Should it exclude individuals who would otherwise qualify for Medicaid? - How would it interact with private LTC insurance?	- Pays more than front-end - More beneficial than front-end for those with high claim costs (90th percentile LTSS costs are close to $500,000, 99th percentile about $1 million) - More likely to reduce state Medicaid spending - Easier for private market to design supplemental front-end coverage (front-end risk/liability is easier to predict)	- More expensive than front-end (1.83% - 3.32% payroll tax in scenarios modeled in DHCS Feasibility Study) - Provides a benefit to a smaller number of people (about 50% of LTC claims end within 2 years) - Significant overlap with Medicaid - Potential loss of federal Medicaid contributions - Many will be impoverished during a waiting period - More unpredictable program costs (due to more variable catastrophic liability)

3. Comprehensive – Benefit payable for initial and back-end (catastrophic) LTSS needs

Examples	Questions	Pros	Cons
- Denmark, France, Japan, Germany, Netherlands, Singapore - Maine Universal Home Care Initiative – A universal home care proposal, assessing 3.8% payroll tax (1.9% from employee, 1.9% from employer) on income over $128k, was rejected by a 63-37 margin in 2018 ballot initiative	- Can this be done effectively at the state level? - How would it be funded? - How would it interact with Medicaid and other federal programs? - How would it interact with private LTC insurance?	- Everyone who qualifies and needs LTSS receives a benefit - Cost control – ability to negotiate and/or regulate service prices - Potentially lower administrative costs	- High total program cost - Potential loss of federal Medicaid contributions - Political/popular opposition? - More unpredictable program costs (due to more variable catastrophic liability)

Next Steps

Tentative meeting schedule on the 3rd Thursday of each of the indicated months:

Task Force Meeting	Proposed Timing	Proposed Topic
3	August 2021	Structure Options
4	October 2021	Coordination/Interaction
5	December 2021	Administration and Services
6	February 2022	Financing
7	April 2022	Workforce
8	June 2022	Access and Regulation
9	September 2022	Draft Feasibility Report
10	December 2022	Final Feasibility Report
11	September 2023	Draft Actuarial Report
12	December 2023	Final Actuarial Report

Thank you!

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http://www.insurance.ca.gov/0500-about-us/03-appointments/ltcitf.cfm

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