Date of Hearing: June 19, 2018

ASSEMBLY COMMITTEE ON AGING AND LONG-TERM CARE
Ash Kalra, Chair
SB 1248 (Gaines) – As Amended June 12, 2018

SENATE VOTE: 38-0

SUBJECT: California Partnership for Long-Term Care Program

SUMMARY: Authorizes the Department of Health Care Services to certify a policy to allow an insurer to offer an applicant a lower cost option that provides a benefit of at least $100 per day for a nursing facility, a residential care facility, and home care and community-based services, if the policy provides a lifetime maximum benefit of not less than $73,000. Specifically, **this bill**:

1) Authorizes insurers to offer a policy with lower benefit levels so long as the alternative meets the following minimum benefit levels:

   a) A daily benefit of at least $100 for any services for a nursing facility, a residential care facility, homecare and community-based services, for home care, care in a residential care facility, or nursing home care.

   b) A lifetime benefit of at least $73,000 (enough to provide for at least two years with a $100 a day benefit).

   c) Other life time maximum benefit standards required by the Department of Health Care Services (DHCS).

   d) Requires the Partnership program to prepare educational materials explaining the lower cost options, requires the program to incorporate them into producer training, and requires insurers to provide them to applicants.

2) Deletes assisted living facility services from the list of required minimum services to be provided and clarifies that those required minimum services include care in a residential care facility.

EXISTING LAW:

1) Establishes the California Partnership for Long-Term Care Program, which is administered by the State Department of Health Care Services. The purpose of the program is to link private long-term care insurance and health care service plan contracts that cover long-term care with the In-Home Supportive Services (IHSS) program and the Medi-Cal program, and to provide IHSS and Medi-Cal program benefits to certain individuals who have income and resources above the eligibility levels for receipt of medical assistance, but who have purchased certified private long-term care insurance policies.

2) Prescribes specified criteria for certification of a long-term care insurance policy under the program, including a requirement that the policy provide levels and durations of benefits that meet minimum standards set by the department.

3) Requires a policy, certificate, or rider in which benefits are limited to the provision of all care settings, except nursing facility care, and that is offered under the California Partnership for

Long-Term Care Program to be called a home care and community-based services policy, certificate, or rider. A long-term care policy, certificate, or rider that purports to provide benefits of home and community-based services under the California Partnership for Long-Term Care Program is required to provide specified minimum services, including assisted living facility services and residential care facility services.

4) Includes minimum policy definitions of those facilities.

5) Also requires the DHCS to adopt regulations requiring that a long-term care insurance policy or health care service plan contract that includes long-term care services include, among other specified coverage categories, home care and community-based care coverage only.

6) Requires an insurer or producer, at the time of application, to provide to an applicant a graph that illustrates the difference in premium rates and policy benefits payable in accordance with specified inflation protection provisions.

FISCAL EFFECT: Pursuant to Senate Rule 28.8, this bill was not heard in Senate Appropriations Committee, it was ordered to the Consent Calendar.

COMMENTS:

According to the author, "…Partnership standards, adopted in 1993, have not kept up with market trends and the policies have grown too expensive for its target population. SB 1248 would give middle-income consumers more affordable options and greater access to Partnership policies."

BACKGROUND:

The Partnership certifies special Long Term Care Insurance (LTCI) policies intended for middle-income consumers. The program brings together private insurers and state agencies to offer LTCI products with benefits that coordinate with Medi-Cal's long-term care program.

Partnership policies were originally designed for middle-income consumers whose pensions and savings are adequate for retirement so long as they do not experience a serious chronic disability. These policies offer a unique "asset protection" feature triggered when they apply for Medi-Cal's nursing home benefit (which, unlike Medi-Cal's healthcare benefits, still involves an asset test). For every dollar of benefit received under a Partnership policy, a dollar is disregarded for the purposes of determining Medi-Cal eligibility and protected from Medi-Cal's estate recovery program. The insured is able to enroll in Medi-Cal's long-term care program and keep some assets that would normally be "spent down" or recovered from their estate.

But the Partnership's high standards, combined with the market-wide increases in LTCI costs, have driven these policies out of reach of the intended market. Sales have dwindled and insurers have left the program.

Most LTCI policies cover the cost of many long-term services and supports provided at home, residential care facility, or nursing homes. Benefits are usually capped at a dollar value as a per diem or monthly limit, as well as a lifetime limit. For example, a $150,000 lifetime policy may pay $125 a day for home care benefits and $250 a day for nursing home stays. The lower the benefit limits, the lower the cost of the policy.

Partnership standards require policies issued in 2018 to include at least a $220 a day nursing home benefit, $154 residential care facility benefit and, a $110 home care benefit. The $220 nursing home benefit significantly drives up the cost and may be more than some people need. For example, the average daily pay rate in Imperial County is estimated at $206. Consumers need more flexibility.

Argument in Support: California Health Advocates writes, "Since the beginning of the Partnership program in 1994 the market for long-term care insurance has changed dramatically. The Partnership program has not kept up with those changes. The administrative and regulatory process of making substantive changes to the program has hindered the ability of the Partnership to keep up with fast moving changes to long-term care insurance products. As a result the Partnership has fallen further and further behind the private market, causing companies to drop out of the program and leaving few options for Californians who might want a Partnership policy."

Argument in Opposition: None.

REGISTERED SUPPORT / OPPOSITION:

Support

Association of California Life & Health Insurance Companies
California Health Advocates
National Association of Insurance and Financial Advisors of California (NAIFA-California) and California Association of Health Underwriters (CAHU)

Opposition

None on file.

Analysis Prepared by: Barry Brewer / AGING & L.T.C. / (916) 319-3990