Who needs Long Term Care (LTC)?

- Among persons age 65 and over, an estimated 70 percent will use Long Term Services and Supports (LTSS)
- 85% of LTSS needs last less than three years, BUT:
  - persons age 85 and over – the fastest growing segment of the U.S. population – are four times more likely to need LTSS than persons age 65 to 84
  - 20% of California’s population will be 65 years or older by 2030
  - 15% of seniors over the age of 65 will incur LTSS expenses over $250,000
  - Almost 1 in 5 women over age 65 will have LTSS expenses over $250,000
Why do we need LTC Financing?

- Approximately 6 million Californians today have no workplace pension or retirement savings program, e.g., 401Ks.
- A large majority (64%) of workers without access to a workplace retirement plan are people of color, with Latinos making up the largest share (46%).
- Nearly half (47%) of California workers—public and private—are projected to retire with incomes below 200% of federal poverty level (about $22,000 a year).
  - Particularly true for California small business operators and independent contractors.
- For those with retirement savings:
  - Tax penalties for withdrawing savings before the age of 59, and
  - Withdrawals at any age taxed as ordinary income even if used for LTSS.
Current long-term care insurance market (LTCi):

- across-the-board premium hikes on both prospective and retrospective business
- tightened underwriting practices
- reduction in consumer demand
- 90% of insurance companies that once offered LTCi on a national basis no longer do so

Trend towards:

- high-end niche products
- few or no insurance options for middle-income
Developing options: Community Conversations

- Three facilitated sessions hosted by LeadingAge, AARP and the Alzheimer’s Association, with other A & LTC stakeholders and policy analysts
- Six possible approaches examined
- Smaller stakeholder group looking into:
  - Finalizing concepts with consumer, stakeholder, and provider feedback
  - Addressing regulatory issues (state and federal)
  - Addressing political feasibility issues
  - Refining proposal(s)
  - Legislative solutions?
#1. Private options: front-end, intermediate and catastrophic coverage

- **Goals**
  - Affordable and suitable for middle-income consumers
  - Streamlined but meaningful benefits
  - Simple to understand
  - Acceptable risk for carriers

- **Front-end plan:**
  - would help consumers through the first years of LTC
  - pay for home and community-based services
  - include care coordination benefit
#1. Private options: front-end, intermediate and catastrophic coverage (cont’d.)

- **Intermediate coverage:**
  - simplified plans with daily or monthly benefits and duration to cover the most typical LTCi claims
  - provide approximately $250,000 to cover LTSS expenses

- **Catastrophic coverage:**
  - for people who anticipate needing care for several years, e.g. Alzheimer’s and ALS
  - includes a wait period of at least two years
#2. Transforming Life Insurance into LTCi

Premise:

- Incorporating LTC benefits into life insurance or annuity products increasingly popular in LTCi market.

- Addresses consumer question and barrier to long-term care insurance purchase -- *what happens to my premiums if I don’t need long-term care?*
Concept:

- provides a **term life insurance benefit** during working ages, when middle-income consumers need it most
- upon retirement, **CHANGES** to provide a **LTC insurance benefit**
- same premium and for the same level of coverage (actuarial analysis suggests $100,000 benefit, for a 50 year-old male, as low as $50 per month)
- Periodic future opportunities to increase benefit (for additional cost)
#3. Add an LTSS benefit to Medicare supplement

Background:
- Many consumers retire w/o adequate resources to pay for LTC
- Medicare coverage provides limited LTSS benefits
- Medicare supplement or Medicare Advantage programs provide **no** LTSS benefits
- Current LTSS options
  - pay out of pocket
  - limited private long-term care insurance
  - divest assets to qualify for the California Medicaid program
#3. Add an LTSS benefit to Medicare supplement (Cont’d.)

LTSS Benefit would:

- add a modest home & community care benefit to all California Med Supplement and Medicare Advantage plans
- incorporate benefit into the consumer paid med-supplement premiums to help beneficiaries fund a portion of LTSS services
  - benefit of $75- $100,000 with modest daily or monthly cap
- include a care coordination benefit to help consumers identify and manage services
  - focus on services and technologies that provide high quality care at home as long as possible
Advantages:

- Medicare is universally known, widely accepted, and popular among 65+
- Take up of Medicare supplement products is substantial (unlike LTCi)
- Turning age 65 triggers thinking about their future care
- Research has indicated that consumers already believe Medicare covers LTSS
#4. Public Front end or public comprehensive insurance program

**Background:**

- CLASS Act was originally part of the Affordable Care Act (ACA), but
- Plan was deemed not actuarially sound and eliminated from ACA
- With failure in private product market, interest in public approach remains
- A key learning from the CLASS experience -- strictly voluntary program not financially viable
Alternative Concepts

1. **California specific public insurance:**
   - a front-end program to supplement consumer resources through the first 1-2 years of LTC
     - home and community-based services
     - care coordination benefit

2. **A comprehensive plan that incorporates front-end, intermediate and catastrophic coverage (benefits similar to Approach #1)**
   - Either plan financed through a combination of payroll deduction and income supports for those who can’t afford payroll premiums
   - Sponsored & managed by public California resources with private carriers roles as with Medicare and Medicare Advantage likely
#5. Statewide savings program/favorable treatment for LTSS financing

- For workers **without** defined contribution plan:
  - Savings up to specified amount e.g., $100K
  - After that level is reached, a portion of savings could be withdrawn on a tax favored basis to pay for LTSS protection vehicles, e.g., LTC insurance

- For workers **with** a defined contribution plan:
  - California proactively lobbies for changes to federal tax and ERISA regulations to –
    - eliminate early withdrawal penalties
    - enable tax free withdrawals to LTSS, including long-term care insurance
#6. A California plan to fund catastrophic long-term care claims

- State or regional funding to share costs of high cost, catastrophic, long duration claims would include:
  - a high deductible product approach coupled with a state or regional re-insurance facility, and
  - proactive care management approaches for catastrophic claims
What else is needed? A Central Resource for LTSS Education and Awareness

Why?

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- Over half of all Californians will need long-term care after age 65
- Consumers typically do not understand
  - Potential need for LTSS
  - LTSS options
  - Retirement financial issues
- Mistaken belief that Medicare or private health insurance will pay for LTSS
- Fewer than 20% of baby boomers have taken action to prepare for LTSS, compared to more than 80% who have prepared for their death
- 8 in 10 baby boomers don’t know how much a home health aide or a nursing home costs
California LTSS Help Center

- Objective, timely and credible information
- Website with interactive decision-support tools
- Telephone support to help consumers learn about, plan for and prepare for potential LTSS needs
- Information and tools related to full range of insurance and financial options and service provider choices including:
  - Health and wellness programs and employer supports and assistance
  - Government programs including Medicare and Medical Assistance
  - Savings and investment options
  - Long-term care insurance -- life, health and other insurance options
  - Reverse mortgage and other home equity products
  - Caregiving services and supports including HCBS, assisted living, and skilled nursing facilities