Senate Bill (SB) 1384
California Partnership for Long Term Care
Task Force Meeting

April 3, 2017
Present Condition

Loss of Policy Sales
Loss of insurers
Present Condition
Policy Sales Decline

Trend In Applications Received, Approved, Denied
By Quarter

Number of Applications

Quarter & year

Received  Approved  Denied
Contributing Factors

- Economic condition caused by the recession.
- Job losses
- Work furloughs/work hour cutbacks
- Less disposable income
- Medi-Cal (Medicaid) crowd out
- Lack of stronger and active federal and state role in finding solutions
- Regulatory lack of flexibility in policy designs
Present Condition
Loss of Insurers

**BEFORE**
- Bankers Life & Casualty
- Continental Casualty Co.
- Genworth (GE Capital Assurance)
- New York Life
- Transamerica Occidental
- MetLife
- Time Life Insurance
- CalPERS

**NOW**
- Genworth
- CalPERS
Contributing Factors

• Original premium pricing assumptions were off
• Re-pricing and Rata increases created public doubt
• Lack of policy design freedom leading to increasingly more expensive premiums
• Excessive time waiting for policy forms and associated materials to be reviewed
Possible Solutions

- Do Nothing
- Create and support a paradigm shift in the way LTC is funded such as: Private front end Public catastrophic
- Private Insurance alone
- Options for funding private insurance
- Federal and State tax incentives
- Tighten Medi-Cal eligibility to create disincentives for artificial impoverishment to the benefit of their heirs and to the detriment of the taxpayer and those truly in need.
Paradigm Shift

• Develop new and innovative policy designs that would cover front-end costs while Medi-Cal (Medicaid) assumes the more catastrophic needs.

• For example policies that would work concurrently with the California Coordinated Care Initiative and/or other Medi-Cal initiatives, numerous waiver programs and experiments in ltc funding and service delivery
Private Insurance

• Support regulatory changes to speed up the presently lengthy review of their policies, and associated materials such as Evidence of Coverage, Marketing Materials, Actuarial review
• DHCS support the Partnership in redoubling its consumer education and public awareness campaigns
• Support innovative yet sustainable policy designs
• Support new pathways to funding long-term care
Options for Funding Private Insurance

- Develop and support diverse LTC funding solutions such as:
  1. Long-term care riders to life insurance policies
  2. Reverse Mortgages to help fund LTCi premiums
  3. Allow for Health Service Accounts-like savings accounts
  4. Allow for 401(k) or IRA funds to help fund the LTCi premium
Federal and State Tax Incentives

• Federal off-the-top tax break for a certain percentage of the total yearly premium. For example 20% or better for taxpayers within specified income levels

• State Tax incentives for the same and similarly structured
Tighten/Reform Medi-Cal Eligibility

• Medi-Cal should use a mixture of IRS and Franchise Tax Board and if need be local County Assessors databases to identify individuals/households with specified income and real estate assets that would be candidates for exercising artificial impoverishment techniques to qualify for Medi-Cal to the benefit of their heirs and to the detriment of the tax payer and those truly in need.
Evaluating Solutions