

## Bellagos LTC Social Insurance System Overview

### Key Definitions of Document Terminology:

- **Facility Care:** Professional care services delivered in a facility, including a day-care or night-care institution, assisted living facility or nursing home.
- **Home Care:** Professional or informal care services delivered in one's home, including home nursing and personal care services.
- **Income Tax:** A system of taxation requiring Bellagos employees to pay the government a portion of their personal income based on how much they contribute to the economy.
- **Activities of Daily Living (ADLs):** The activities of bathing, dressing, eating, getting in and out of bed or chair, moving around and using the bathroom. A typical use of ADLs is as a metric to determine the type and number of activities with which a person needs assistance. This allows the government to quantify what type and level of care each individual needs covered.
- **Instrumental Activities of Daily Living (IADLs):** The activities of housework, meals, shopping and transportation. A typical use of IADLs is as a metric to determine the type and number of activities with which a person needs assistance. This allows the government to quantify what type and level of care each individual needs covered.
- **Participant:** A person who is making tax-based contributions toward the Social LTC Insurance Program fund but does not yet meet the coverage eligibility requirements, including having paid into the system for at least two years and being at least 65 years of age.
- **Insured:** A person who has met the coverage eligibility requirements and is therefore covered by the Social LTC Insurance Program but who is not eligible to receive government LTC benefits.
- **Beneficiary:** A person who is currently receiving government LTC benefits.

### Coverage Eligibility Requirements:

In order to be entitled to coverage by the Social LTC Insurance Program, a Bellagos citizen must meet two requirements: 1) said citizen must have paid mandated income-tax contributions toward funding the Social LTC Insurance Program **for at least two years** during his/her income-earning years and 2) **be at least 65 years of age** or older.

### Program-related Data Tracking:

In order to determine each citizen's eligibility for coverage, the government tracks the number of years each citizen has paid into the system and his/her age. The government also collects and tracks data on many other program-related variables and relevant historical trends, much of which has been provided to your team and can be used, for example, to calculate program expenditures and revenues and make projections about program sustainability. However, there is no one right way to complete such calculations, and countless possibilities exist for how the results could be interpreted. This is why the government has hired

multiple actuarial consultants to conduct independent assessments, as this allows for multiple perspectives to be considered before decisions are made.

## Benefit Eligibility Requirements:

An insured of the Social LTC Insurance Program is entitled to LTC benefits based only on the extent of the insured's need for long-term care, irrespective of income or wealth. In legal terms, the 'need for long-term care' refers to those individuals who, owing to a physical, psychological or mental disease or handicap, require a significant amount of help to carry out at least two activities of daily living (ADLs)—consisting of bathing, dressing, eating, getting in and out of bed or chair, moving around and using the bathroom—and at least one instrumental activity of daily living (IADLs)—consisting of housework, meals, shopping and transportation—throughout the remainder of their lives.

The entitlement of an insured to claim one of four levels of benefits is based on the level of care required, determined by the following eligibility requirements:

- **Care level 1:** Beneficiaries entitled to Care Level I benefits are in need of assistance with at least two ADLs for at least 90 minutes per day and at least one IADL for at least 45 minutes per day.
- **Care level 2:** Beneficiaries entitled to Care Level II benefits are in need of assistance with at least two ADLs for at least 180 minutes per day and at least one IADL for at least 120 minutes per day.
- **Care level 3:** Beneficiaries entitled to Care Level III benefits are in need of assistance with at least two ADLs for at least 300 minutes per day and at least one IADL for at least 240 minutes per day.
- **Care level 4:** Beneficiaries entitled to Care Level IV benefits are in need of assistance with at least two ADLs for at least seven hours a day with at least two hours during the night.

## Explanation of Benefits:

The Social LTC Insurance Program covers *either* facility or home care services in the case that a beneficiary qualifies for either option.

All beneficiaries have the option to receive care in their home, while some beneficiaries qualify for the option to receive care within a facility. Due to the higher costs of facility care in general coupled with rising costs due to professional caregiver shortages, those who qualify for and choose to receive facility care are covered at higher benefit levels than those who choose to receive home care.

Facility care benefits are restricted to covering facility-specific costs. When facility costs are more expensive than the amount covered, beneficiaries are responsible for paying the difference. Alternatively, those who choose to receive home care benefits are covered at lower levels; however, the payout is received in cash but with few restrictions on how it is spent, allowing for greater levels of flexibility and allowing beneficiaries to pay informal caregivers (e.g., family, friends) if they so choose. This flexibility is designed to incentivize more informal caregivers to participate in the care delivery system in the face of a growing national shortage of informal caregivers in addition to professional.

### ***Home Care Benefits:***

All beneficiaries, irrespective of care level, have the option to receive **home care** benefits should they prefer to arrange for the delivery of care within their own home.

For those who qualify for and choose to receive home care, home care benefits cover any professional or informal caregiving services delivered in the home, including home nursing and personal care. Additional counselling for those in need of care and their relatives is also provided, as well as training courses for informal caregivers who would like it, though training is not mandated.

Benefits are paid as cash-for-care (CfC) payments, allowing beneficiaries greater flexibility in how they choose to spend the payout. The only requirement is that either the beneficiary or person legally approved as a decision maker by the beneficiary submit an annual CfC budget listing the formal and/or informal care services to be provided, their costs, and to whom CfC payments will be made.

Any home care service provider, whether professional or informal, can be included in the budget. However, federal law restricts spending on care services outside the home, care-related products and technologies, and expenses unrelated to care. Once approved, appropriate management of the budget becomes the legal responsibility of the beneficiary or his/her legally-approved decision maker, and there is currently no government oversight of the budget management process.

In order to determine eligibility for home care benefits, nationally standardized eligibility assessments are conducted by government-regulated, third-party LTC Needs Assessment Boards within the insured's home.

Following is the maximum monthly home care payout for which a beneficiary qualifies at each care level, based on the LTC Needs Assessment Board's assessment determination. Please note that all references to currency throughout your provided materials are listed in "Bellos" (฿), which is the Bellagos currency:

- **Care level 1:** ฿235
- **Care level 2:** ฿440
- **Care level 3:** ฿700
- **Care level 4:** Up to ฿950

### ***Facility Care Benefits:***

In order to be eligible for the option to receive **facility care** benefits, a beneficiary, regardless of care level, must be determined to need permanent, 24-hour supervision in order to avoid escalation or serious damage due to physical, cognitive or self-control problems.

For those who qualify for and choose to receive facility care, facility care benefits cover day/night-care facilities, assisted living facilities and nursing homes, as well as additional counselling for those in need of care and their relatives.

Facility care benefits are either paid directly to in-network facility care providers that are contracted by the government or indirectly to out-of-network facility care providers as reimbursements to beneficiaries who file monthly claims. The design of a network of contracted facility care providers is the government's effort to incentivize beneficiaries to select providers committed to government quality and affordability standards. By choosing an in-network facility, the payment process is managed directly between providers and the government, removing the need for the beneficiary to submit a monthly claim or cover costs out-of-pocket until reimbursed.

In order to determine eligibility for facility benefits, standardized eligibility assessments are conducted by the facility care providers directly, who are legally bound to assess the care needs of insureds accurately and honestly in order to determine the insured's eligibility to receive facility care benefits and at what level.

Following is the maximum monthly facility care payout (in Bellos) for which a beneficiary qualifies at each care level, based on the provider's assessment determination:

- **Care level 1:** ₪1,023
- **Care level 2:** ₪1,279
- **Care level 3:** ₪1,432
- **Care level 4:** Up to ₪1,688

## Explanation of Program Funding:

The Bellagos LTC Insurance Program is funded using a tax-based contribution system reliant on state-levied taxes, allowing for a broad tax base. All funds are then pooled into a centralized, federally-regulated LTC insurance fund that can only be used for the purposes of covering LTC and program administration costs.

This tax-based contribution system is designed to be a type of "intergenerational contract," where the burden of financing the program falls primarily on working taxpayers with the understanding that, once retired or in need of LTC, the burden of funding will be passed on to future generations.

However, it is worth noting that, while facing rising LTC care costs, the government is also facing mounting public pressure from working taxpayers concerned about their contribution levels in the face of economic trends.

### ***Tax-based Contribution Details:***

Following are the two government-mandated tax-based contributions used to fund the program:

- **Standard Income Tax:** For all households, the contribution rate is 0.90% of taxable income, paid from the gross amount of wages or pensions. This cost is divided equally between workers/retirees and their current or former employers and applies equally to all, regardless of age, income or wealth.
- **Additional Childless Employee Income Tax:** As of 2016, childless households are now responsible for paying an additional 0.15% income tax contribution rate in addition to their 0.90% standard income tax contribution rate, for a total contribution rate of 1.05%. This new contribution type is designed to acknowledge child rearing as one of the pillars of public insurance sustainability, since children will be

relied on to pay future contributions. For tax law purposes, households are classified as "childless" in the event that they do not have dependents currently in the household aged 18 or younger. This cost is paid fully by the workers/retirees and applies equally to all, regardless of age, income or wealth.

Since it is unclear to the Risk Management Commission what specific data and information your team may find relevant, they have provided you with the below information in addition to the program details above. Of course, what you ultimately determine as useful to your analysis is entirely up to you.

### **Informal Caregiver Allowance Program:**

In 2016, facing national caregiver shortages, the government also decided to implement a stand-alone Informal Caregiver Allowance program that operates in parallel to the Social LTC Insurance Program. This new program pays \$120.00 of allowances every two weeks directly to informal caregivers listed as the primary provider of home care services for a LTC insurance beneficiary.

### **Additional Statistics on Public Opinion:**

Below are some additional statistics on public opinion regarding the Social LTC Insurance Program, collected during the 2017 government census process via a representative survey of Bellagos citizens:

- 93% of citizens wish to stay autonomous in their home for as long as possible and do not wish to live in a facility.
- 77% of citizens are either currently interested in purchasing care-related products and technologies proven to help seniors stay autonomous in their homes for longer or believe that they will be in the future.
- 62% of citizens are concerned that there are too few government protections to ensure elderly citizens receive high-quality care in both facility and home care settings.
- 67% of citizens age 65 or above with a HH income of less than \$75,000 believe that their LTC insurance contributions are too high.
- 49% of citizens age 65 or above with a HH income of \$75,000 or above believe their LTC insurance contributions are too high.
- 84% of citizens under age 65 with a household income of less than \$75,000 believe that their LTC insurance contributions are too high.
- 32% of citizens under age 65 with a household income of \$75,000 or above believe that their LTC insurance contributions are too high.