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# The California Partnership for Long-Term Care Revives

By Louis Brownstone

There has been significant progress in reviving the California Partnership for Long-Term Care. The Partnership is still in an intensive care mode, its sales are non-existent, and it's barely on life support. But the needed legislative changes have occurred which will bring the plan out of intensive care and into a period of widespread usage.

The California Partnership for Long-Term Care (Partnership), begun in 1994, was one of the original four Partnership states. Its purpose was to provide long-term care protection for Californians with moderate income and assets. Sales were robust initially but became almost non-existent because the cost of this insurance and the cost of care have risen drastically, while Partnership regulations have historically failed to make the adjustments needed to keep the product affordable.

That began to change with SB 1384, which became law in September 2016, and was the first material step in making Partnership plans more affordable. It allowed for inflation options besides 5 percent compound. This alone can reduce the annual premium by 50 percent in some cases. SB 1384 also created a task force of some twenty individuals inside and outside of State government to consider reforms that could encourage carriers to file new and far more saleable plans.

After almost two years of meetings, the task force recognized that future nursing home claims will probably be less than 10 percent of all long-term care claims. Therefore, it believed that basing future requirements on nursing home costs would be an outdated guideline, and that it would be far more pertinent to base future protection on far less expensive residential care facility and home care costs where the vast majority of care will be received. It also noted that new robot and sensor technology will change the caregiving dynamic, especially in the home.

Next, the question became what structure would be both affordable to the middle class and provide meaningful protection. There was serious debate on the answer to this question, but in the end, the task force agreed to recommend the following:

1. A minimum benefit of $100/day, or $3,000/month, in all settings;
2. A minimum lifetime benefit of $73,000;
3. Elimination period maximum of 90 calendar days.

It was decided that these would be the only requirements in a policy, giving the insurance carriers maximum flexibility in their product design. Carriers would be encouraged to file structures similar to those in their non-Partnership policies in order to ease their filing processes and obtain speedy approval. In addition, for a brief period only, the carriers would be guaranteed expedited approval of filings in three to four months.

Here are some examples of plans which would fit the guidelines. Carriers could file either a lifetime benefit of $75,000 over two plus years with a daily benefit of $100, a lifetime benefit of $73,000 over two years at $100/day, or a lifetime benefit of $100,000 over two years plus at $140/day.

Industry studies have concluded that the market for long-term care insurance would be substantially larger if premiums would be at or under $100/month. This was the premium goal

of the task force. Indeed, a two-year plan at $100/day with a lifetime benefit of $73,000 with 3 percent compound inflation and a 90-day elimination period could cost under $100/month for males and for each individual of a married couple in their mid-fifties. Premiums would be higher for unmarried females, but still under $150/month.

Of course, a $100/day benefit with a $73,000 lifetime benefit would only constitute partial coverage in many scenarios. But these benefits could be a big help to claimants and could be coupled with Social Security income and other income to fully cover costs in many cases. The assumption here is that the market for Partnership policies is not appropriate for the lower 50 percent to 60 percent of the population in income and assets, who would have to rely solely of their own resources and on Medi-Cal. But the top 40 percent to 50 percent of the population could likely afford these premiums and might have other income and assets they could utilize to cover the balance of the costs of care. Long-term care insurance in California is currently primarily being sold to the top 10 percent of the population in income and assets, and it would be a major step forward to increase the marketability of the product to the top 40 percent to 50 percent.

For citizens with moderate income and assets, such plans could be terrific, in effect offering lifetime protection. For example, if a person had $73,000 in non-exempt assets, he or she could purchase a Partnership plan with a benefit limit of $73,000. Once that person became sick, he or she could use up the benefits in the policy, apply for Medi-Cal, protect their $73,000 in assets, and be covered by Medi-Cal for the rest of his or her life. With Medi-Cal waivers, he or she may be able to stay at home for at least most of the period of care. That's what we all want in a long-term care insurance policy… lifetime protection, preservation of assets, and coverage for home care. Perfect!

The task force then considered whether to wait for revised regulations from the Department of Health Care Services or attempt to pass an urgency statute through the Legislature. The approval process of DHCS revised regulations was deemed to be too slow, and the legislative approach was endorsed. The bill would include emergency regulations, declaring that the passage of this bill was "deemed to be an emergency and necessary for the immediate preservation of the public peace, health, or safety." Filings were consequently intended to be approved within 120 days.

These conclusions were codified and introduced to the Legislature as SB 1248. This bill was endorsed by both political parties, easily passed both the Senate and the Assembly on Aug.28 and was signed by Governor Brown on Sept. 19.

SB 1248 is a game changer for Californians, but its passage only begins the process of once again providing millions of Californians potentially lifetime, affordable long-term care insurance. The immediate goals will be difficult to achieve and involve insurance carriers, insurance agents, and the public. These goals are the following:

1. Convince the insurance carriers that new Partnership policies can be filed expeditiously and with minimum expense;

2. Convince the insurance carriers that Partnership policies can be saleable in volume and can be sufficiently flexible to ensure future profitability;

3. Convince the insurance carriers that modest rate increases will be approved if justified—current regulations allow up to a 40 percent increase over three years;

4. Convince the insurance agents that new Partnership policies can create a major new market of Californians with moderate income and assets that doesn't exist today;

5. Institute major educational campaigns aimed at getting agents excited enough to expend resources to enter this new market;

6. Create new marketing campaigns for these new Partnership policies;

7. Educate the public with a major campaign showing that they can protect themselves and their families from the financial and emotional stresses of unplanned for long-term care scenarios.

A private/public partnership continues to be the most viable solution to our growing long-term care crisis. Washington, D.C., won't provide a solution at this time. California is in the best position to lead the nation, and the revived California Partnership for Long-Term Care is the best vehicle to utilize.

Long-term care expenses are likely to sky-rocket in about ten years when the baby-boomers begin to reach their eighties. Billions of dollars of Medi-Cal expense can be saved if this new Partnership program works. It can also be duplicated in other states. Anyone want to join in this effort? ■

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