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Hope for the California Partnership for Long-Term Care?

By Louis H. Brownstone

The California Partnership for Long-Term Care (Partnership), a great concept, has fallen upon hard times. Sales are almost non-existent because the insurance carriers have priced 5 percent compound inflation, heretofore a California Partnership requirement, to dizzying heights. Five out of the original seven carriers have withdrawn their membership, and only CalPers and Genworth remain.

But finally, some stakeholders have gotten together to revive the Partnership. Senator Liu of Glendale enthusiastically sponsored SB 1384, which was passed and signed by Governor Brown in September 2016. SB 1384 had three important elements:

1. It allowed for inflation options in Partnership policies besides 5 percent compound;
2. It created a new type of Partnership policy at a lower cost which covers care in all settings except a nursing facility;
3. It required the formation of a task force of interested stakeholders to advise and assist in implementing reforms to the Partnership.

The Partnership proposed several inflation options as alternatives to 5 percent compound inflation, all built around a minimum of 3 percent compound inflation:

a. A plan with a choice of 3 percent, 4 percent, or 5 percent compound inflation;

b. A plan with age-based inflation rates, starting a 5 percent compound and reducing to 3 percent compound inflation at age 70;

c. A hybrid product which would include 3 percent compound inflation.

d. A new home and community plus plan without nursing facility coverage which would include 3 percent compound inflation.

At this point, these are merely proposed plans. The Partnership has promised that it will be flexible in approving different structures of plans. One such flexible idea is to approve as low as 2 percent compound inflation for home health care only policies. There will be less emphasis on all carriers conforming to a specific structure in their plans, so that some of the unique concepts in their non-Partnership policies can be brought over to Partnership policies.

These structures could include a total pool of money benefit, rather than a monthly benefit. It could also include a dollar elimination period, rather than a daily or monthly benefit with an elimination period calculated in days. Another idea is to have a pool of money which could cover many non-essential benefits in one bucket. Carriers would be encouraged to file structures currently in their non-Partnership plans in order to ease their filing process and obtain speedy approval.

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On the new home and community plan, the minimum daily benefit would be 50 percent of the cost of a nursing facility, now \$150/day. This would reduce the cost of a Partnership policy by about 30 percent from its minimum daily benefit of \$210. One possible structure would reduce the home care benefit to as low as about \$100/day while keeping other community care at the higher daily benefit level. Actuaries may find that the cost of the coverage may not be much different from the cost of a comprehensive policy, but the premiums at \$150/day could be more affordable for the middle class. Remember that the purpose of the Partnership is to provide lifetime coverage through a private/public partnership that would be affordable for the middle class. People are increasingly avoiding nursing facilities, and this policy covers them where they want to be covered.

In addition, a Senate spot bill has been introduced which would give new Partnership plans "urgency status." This would create a swift path for plan approvals, which have still been very slow in California. There are at least fifteen insurance policies with long term care benefits available in virtually all states which have not been approved in California. "Urgency status" would

eliminate this logjam for Partnership filings, so that approvals would hopefully happen in several months rather than several years or not at all.

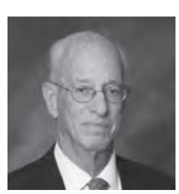
The Department of Health Care Services is now putting its finishing touches on revised regulations. These will soon be open for public review before they are finalized. However, insurance carriers will be invited now to file Partnership plans in order to speed up the approval process.

The Task Force had their first meeting on April 3, 2017 and have had two additional meetings as of September 27. About twenty enthusiastic people attended each meeting, either in person or remotely, and there was good analysis by Brenda Bufford of the Partnership and others who participated. New proposals have been offered with 3 percent compound inflation with premiums as low as $100/month per person. This would make premiums affordable for people with moderate income and assets.

Even better, these plans would in effect offer lifetime protection for this target audience, unlike previous buyers with substantial assets and income. For example, if a person had $100,000 in assets, he or she could purchase a partnership plan with a benefit limit of $100,000. Once that person became sick, he or she could use up the benefits in the policy, apply for Medi-Cal, protect the $100,000 in assets, and be covered 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. What a bonanza! Lifetime protection, preservation of assets, and possible home care. That's what we all want in a long term care insurance policy!

Will carriers file? Their reception to the Partnership has been pretty cold with the exception of Genworth, the one carrier that's still in the Partnership. The five carriers that have withdrawn from the Partnership have done so because either sales were extremely low, costs were extremely high, or because they exited the industry. There's a great deal of bad experience that has to be overcome in order for the carriers to come back to the table.

I believe they should file. Urgency status would greatly reduce their filing cost. Policies would be saleable even with 3 percent compound inflation. Lower premiums and some education money will help galvanize agents and the public. 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. California is in the best position to lead the nation. ■



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