



# Pension & Health Benefits Committee

California Public Employees' Retirement System

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## Agenda Item 11

August 14, 2012

**ITEM NAME:** Long-Term Care Program Update

**PROGRAM:** CalPERS Long-Term Care Program

**ITEM TYPE:** Information

### **EXECUTIVE SUMMARY**

This agenda item provides a semi-annual update to the Pension and Health Benefits Committee (PHBC) on the Long-Term Care (LTC) Program, with a focus on the program's claims experience, member terminations data, member claim recovery statistics and a summary of the 2012 rate increase.

### **BACKGROUND**

The LTC Program has served its policyholders for over 16 years, since 1995 when the first policies were issued. The LTC Program has 150,333 policies in effect with an invested asset value of \$3.6 billion as of June 30, 2012.

Currently, policies include lifetime comprehensive, 6-year and 3-year policies with and without inflation protection, and 2-year and 1-year Partnership policies with inflation. In July 2011, stemming from the December 2009, Board of Administration (Board) approved LTC Program stabilization strategy, the LTC Program implemented the first of the ongoing 5 percent premium increases for members with Lifetime Coverage and Built-in Inflation Protection.

Between May 2011 and April 2012, the Board took a series of actions to stabilize the LTC Program and mitigate LTC Fund volatility as the program transitioned to a more conservative investment approach.

Through a combination of rate increases, investment asset allocation modifications and improved program management, the administrative and fiscal aspects of the program have become more stable.

### **ANALYSIS**

In September 2010, California Public Employees' Retirement System (CalPERS) staff implemented a Quarterly Business Review (QBR) of Univita services. The QBR is designed to combine financial reporting from United Health Actuarial Services and administrative and clinical reporting from Univita's Underwriting, Customer Service and Care Management Teams. In addition, staff is working to implement operational improvements that include various member communications such as: redesigning the automated customer service survey; creating a member

newsletter focused on educating members on the importance of having an authorized representative on file; and, other LTC educational articles.

Attachment 1 provides a baseline of CalPERS LTC Program statistics in the following areas:

- Program demographics provide a snapshot of the current membership profile.
- Initial benefit eligibility determinations, claims volume, and costs provide an overview of members determined eligible for benefit and claims experience. These statistics provide CalPERS staff the opportunity to enhance operational procedures and improve benefit determinations. For example, CalPERS clinical staff conducts more in-depth reviews of Univita's Practice Standards for completeness and appropriateness of benefit determination.
- LTC policy termination statistics informs staff on terminations related to non-payment of premium, exhaustion of benefits, death and those who drop their coverage. The LTC Program is currently exploring more robust retention opportunities to mitigate terminations. These efforts include:
  - termination confirmation letters reiterating the importance of LTC coverage with additional alternatives to retain coverage;
  - engaging Univita to re-evaluate current processes to incorporate increased retention efforts; and,
  - obtaining additional metrics around terminations that include policy series, plan type, and policyholder demographics to better identify any trends, patterns, and population data to take a more in-depth approach towards helping policyholder retain valuable coverage.
- Clinical profile of members in claim, patient recovery profiles, and distribution of members in claim by care setting illustrates that the majority of care occurs in the home and less than 17 percent occurs in skilled nursing facilities. The top five diagnoses for LTC differ from those found in the CalPERS health plan population. These include dementia, cancer, stroke, fractures and Parkinson's disease. Members who suffer severe cognitive impairment or require assistance with two or more activities of daily living are eligible for benefits; however, some members may recover sufficiently to come out of benefit. Claimants with fractures and injuries have the highest recovery rate, and at least 65 percent of those who recover are supported at home either by an independent provider or home health agency.
- The CalPERS LTC outcome study being undertaken by Univita will provide a greater understanding of the clinical needs of our LTC members.

This semi-annual report will serve as the foundation for future program updates which will include comparisons of program demographics and trends. Understanding the metrics surrounding these areas will aide in future plan designs and underwriting future business.

CalPERS staff will continue to work with Univita executive and program staff in the coordination of services for CalPERS LTC members and to address member issues and concerns. CalPERS staff will keep the PHBC apprised of the progress and semiannually report outcomes.

**ATTACHMENT**

Univita Long-Term Care Program Update

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