



Agenda Item 9

March 18, 2014

ITEM NAME: Long-Term Care Program Semi-Annual 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. The update will provide program statistics for the period July 1 - December 31, 2013, with enough data to compare calendar year 2013 with 2012; the completion status of Contract Service Enhancements under the Stabilization and Open Application Period Project (SOAPP); and the latest statistics available for Open Application (LTC4), which began a "soft" launch on December 23, 2013.

To summarize the highlights of this semi-annual period: 1) The Program completed the 2013 Benefit Increase Offer (BIO) and the first phase of mainstreaming Retained Inflation; 2) Other contractual program enhancements continue to make timely progress; and, 3) The Open Application project officially launched for new participants on December 23, 2013.

STRATEGIC PLAN

This agenda item supports the Strategic Plan Goal A – Improve long-term pension and health benefit sustainability, as well as Business Objectives 3.4 and 3.5 in the 2012-2014 California Public Employees' Retirement System (CalPERS) Business Plan to stabilize and sustain the LTC Program.

BACKGROUND

The CalPERS LTC Program has provided long-term care services to its policyholders for 19 years. As of December 31, 2013, the Program had 142,050 plans in effect with an invested asset value of \$3.84 billion dollars.

At the August 2013, PHBC Meeting, the LTC Program staff presented an update on the 2013 five percent rate increase - including statistics related to participant conversions away from Lifetime and built-in Inflation Protection coverage, the types of plans they converted to, and participant termination activity. For 2014, another five percent increase is slated in July, for those participants who have kept their Lifetime and built-in Inflation Protection coverage.

The Program opened to new applicants in a "soft launch" on December 23, 2013, with a new series of coverage plans (LTC4). Attachment 1 provides the latest statistical updates on LTC4.

ANALYSIS

OPEN APPLICATION

The Program opened to new applicants on December 23, 2013, with the LTC4 product offerings. This was characterized by a “soft launch” on the website, which includes a new premium estimating tool allowing those interested in coverage to “get a quote.” Other links offer the ability to request an application or an employer kit, and provide an overview of LTC along with industry data on the cost of care.

Marketing efforts for Open Application will include: outreach efforts to the top 25 largest California employers; the CalPERS website, which will contain links and Frequently Asked Questions; the CalPERS LTC Website, which includes testimonial videos; stakeholder communication via public employee associations and newsletters; and, a creative print campaign targeting public employees and retirees. Details for the Open Application are found in Attachment 1.

STABILIZATION AND OPEN APPLICATION PERIOD PROJECT

The SOAPP effort plans and implements the changes identified in the LTC Program restructuring strategy. The strategy consists of a combination of program improvements and enhancements, LTC4 benefit design and pricing, opening the program to new applicants by December 2013, and planned premium increases for 2013, 2014, and 2015 as voted on and instructed by the Board of Administration. SOAPP consists of various initiatives as summarized in Attachment 2 and highlighted below:

1. The 2013 BIO was completed in September 2013. Of the 45,431 eligible participants, 10,106 (22%) elected to increase their coverage and accept the related premium increase.
2. The 2014 five percent premium increase education letters and notifications are underway for participants holding Lifetime with Inflation Protection coverage. Participants will receive an education letter during first quarter 2014, and a formal offer letter describing their options during April 2014.
3. The Mainstream Retained Inflation Project launched in October 2013, which allows participants to keep their inflated Daily Benefit Amount (DBA) when converting away from Lifetime to a 10, 6, or 3-year plan. Phase I was completed October 2013; Phase II will be completed in June 2014.
4. DBA Buy-Back: This “buy-back” option is for participants who dropped their built-in inflation protection or decreased their DBA after the 2010 premium increase. Phase I was completed in October 2013 and the final phase is scheduled for June 2014.

5. Program commitments still under development include Data Reporting Enhancements, One-Time Credit Card Payments, and the Transition Care Pilot Program.

LEGISLATION

Two bills passed the California Legislature that were pending during the last semi-annual program update:

- a. Assembly Bill (AB) 373 – Adult Children of Eligible Members. Allows children (18 and over) of eligible participants to apply for CalPERS LTC.
- b. AB 1217 – Home Care Services Consumer Protection Act. Provides for the licensure and regulation of home care organizations and the certification of home care aides. Goes into effect statewide January 1, 2015.

PROGRAM UPDATE AND STATISTICS

The July-December 2013 semi-annual update provides the program statistics for the second half of 2013, as well as, calendar year 2013 year-end statistics with comparisons to calendar year 2012 (Attachment 3).

Highlights from the Program Update and Statistics include:

- A rise in the invested asset value to \$3.8 billion, a loss of 2,886 active program participants and a reduction of 288 participants in active claim from the prior six-month period.
- A drop in customer service calls from 82,835 at the end of June to 66,629 at the end of December 2013. Peak call months were May and September, 2013 reflecting call activities around the 5 percent rate increase/benefit conversion options and the BIO purchase.
- An increase of 11.5 percent in total claims payments between calendar year 2013 when compared to 2012. Notable increases in clinical claims are noted for pure dementia (8.7%), arthritis/rheumatic disease (11.7%), Cardiomyopathy and Congestive Heart Failure (9.9%) and disorders of the spine (9.9%). In aggregate these claims accounted for 44 percent of total paid claims. Clinical claims for stroke increased by 6.4 percent in the same time period but accounted for an additional 12 percent of the total paid claims.
- Assisted Living Facilities still account for the highest paid dollar amount, \$110.9 million in 2013 compared to \$91 million in 2012 followed by a \$13 million increase in claims paid for Home Health care in 2013 when compared to 2012.

- Policy terminations increased by 6,335 in 2013 compared to 4,211 in 2012. Of the 2013 terminations, 50 percent were due to participant death. Of the 34 percent of members who voluntarily terminated, the majority of terminations occurred in the first half of 2012. Terminations due to exhausted benefits increased from 1.9 percent in 2012 to 2.3 percent in 2013. A large number of participants who exhausted benefits had 3-year plans or Nursing Home/Facility only plans.

BUDGET AND FISCAL IMPACTS

The activities outlined in this agenda item are consistent with expected expenditures.

ATTACHMENTS

Attachment 1 – Open Application Statistics

Attachment 2 – SOAPP Update

Attachment 3 – Semi-Annual Program Update and Statistics

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