



Agenda Item 8

September 16, 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 January 1 – June 30, 2014, with comparisons to the same period in 2013; 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.

Highlights of this semi-annual period include: 1) The Program completed the 2014 five percent premium increase; 2) The Open Application project continued with 1,035 applications received through August 22, 2014; and, 3) SOAPP commitments and innovations continue to make progress.

STRATEGIC PLAN

This agenda item supports the Strategic Plan Goal A – Improve long-term pension and health benefit sustainability.

BACKGROUND

The CalPERS LTC Program has provided long-term care services to its participants for 19 years. As of June 30, 2014, the Program had 139,950 participants in effect with an invested asset value of \$4.2 billion dollars.

Activities for the first half of 2014 include a five percent premium increase for participants with Lifetime and built-in Inflation Protection coverage; ongoing LTC4 new product marketing outreach, application period, stakeholder engagements; LTC program website enhancements; and, continued program progress under SOAPP.

ANALYSIS

On June 9, 2014, Stone Point Capital, a leading private equity firm, acquired LTCCG, Inc. the long term care administrator component of Univita Health, Inc. that administers the CalPERS LTC Program. As a result of this acquisition, the Univita name was changed to LTCCG, Inc.

Stone Point Capital is dedicated to helping LTCCG add more value to its customers as a core focus for the company. CalPERS LTC and Public Affairs staff are working with

LTCG staff on the rebranding of its products and services with continued emphasis on the new LTC4 product, LTC Program operations and SOAPP initiatives which are described below.

OPEN APPLICATION (LTC4)

Program enhancements for the first half of 2014 included significant outreach efforts to California employers.

Over 13,000 new application kits were mailed in response to requests received prior to the December 2013 launch of open application. The ability for applicants to apply for LTC4 coverage online was deployed this summer. Fully operational website enhancements include a premium estimating tool that allows those interested in coverage to instantly “get a quote”, a regional cost of care calculator to educate prospective applicants and current participants on the monthly cost of in-home and facility care for long term care services, and electronic signature capabilities. The on-line application provides applicants with the ability to ensure a complete application is submitted to LTCG, and reduces the number of applications sent back for more information.

The Open Application Update (Attachment 1) provides statistical information through August 22, 2014. Highlights include:

- Of the 1,035 applications received, 479 plans were issued, 334 were declined, 168 are pending underwriting, 36 were incomplete and 18 were withdrawn.
- Custom Select plans were among the most purchased followed by the Essential 3-Year plan choice.

Of the Optional Benefits, the Restoration of Benefits was among the most selected followed by the Paid-Up Survivor Benefit. Of Optional Benefits for Inflation Protection, the three percent compound option was the most selected among Custom Select plans, followed by the Benefit Increase Option (BIO).

Marketing efforts for Open Application encompassed a statewide print campaign, which includes, newspapers and stakeholder publications targeting California public employees, retirees, and family members; a radio campaign across the Sacramento metropolitan region; an online campaign (Google, Facebook, mobile applications); outreach efforts to targeted California state agencies and employers, plus additional outreach to over 240 employers who have contacted the LTC program for information; the CalPERS LTC website, which includes testimonial videos; and, announcements via the LTC program Newsletter.

In fall 2014, the full Employer Kit, will be distributed to employers who have requested it. These professionally packaged kits provide employers with a variety of professionally-produced brochures and materials to distribute to employees to help educate them about CalPERS LTC. Also in the fall, employers will be able to

download individual materials from the Employer Kit via the LTC website hosted by the program's administrator, or, may call to order materials.

STABILIZATION AND OPEN APPLICATION PERIOD PROJECT

The SOAPP effort contains the strategies and plans identified to effectively carry out the activities and measures necessary to ensure successful restructuring and stabilization of the LTC program. The strategy includes implementation of Board approved premium increases, adjustment of the LTC Fund's investment allocation mix, a more conservative LTC Fund discount rate comparable to the LTC insurance industry, and enhancement of the program management. SOAPP metrics are illustrated in Attachment 2 with highlights listed below:

- The 5 percent premium increase successfully deployed in the second quarter of 2014 with implementation of the 2015 Early Plan Change scheduled for November 2014. The Early Plan Change allows participants who will be subject to the 85 percent rate increase but have not been subject to the 5 percent increases to elect to change their plan in the fall and avoid the rate increase.
- The Program experienced a 12.76 percent conversion from Lifetime coverage with built-in Inflation Protection to a defined 10, 6 and 3-Year defined coverage plan with BIO.
- Program Innovations completed include: LTC Program website enhancements and Preferred Provider Network.

PROGRAM UPDATE AND STATISTICS

The January – June 2014 semi-annual update provides the program statistics for the first half of calendar year 2014, with comparisons to the same period of 2013 (Attachment 3).

Highlights from the Program Update and Statistics include:

- The Program has 139,950 participants, a decrease of 2,100 from same period last year; \$4.2 billion invested asset value; 6,336 participants in claim; and, \$1.4 billion paid in participant benefits since program inception – 1995.
- A reduction in LTC call center service calls from 82,835 in the first half of 2013 to 72,151 for the same period in 2014. The peak call month was April 2014 driven largely by the 2014 5 percent premium rate increase.
- Pure Dementia is the leading disabling condition for paid claims at 32 percent which represents a 9.4 percent increase from December 2013. Strokes represent 12 percent of total claims paid.

- Assisted Living Facilities claims payments account for the highest paid dollar amount, \$59.4 million in the first half of 2014 followed by Home Health Care claims totaling \$36.5 million.
- Policy terminations decreased from 3,510 during this same period last year to 2,433. Participant death accounted for 1,590 of total terminations, or 65 percent compared to 42 percent for the same period last year.

BUDGET AND FISCAL IMPACTS

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

In October, the Long-Term Care Actuarial Valuation as of June 2014, will be presented to the Finance and Administration Committee. In November, staff will present to the PHBC financial scenarios and their potential impact on rates.

BENEFITS/RISKS

The program continues to improve financially and administratively. The newest product reflects current market benefit design, product pricing and underwriting. To date, marketing efforts have produced good results, but significant increase in the number of applications and approvals is needed to meet goals. Specifically, unlike other LTC products, CalPERS is not operating through agents. This may adversely impact our ability to rise to the attention of many eligible prospective participants and ensure that our brand is appropriately represented. Staff is evaluating this risk and will continue to monitor it and report back to the Committee. The recent acquisition of LTC Group, Inc. by Stone Point Capital holds significant promise for the long-term improvement in core infrastructure, customer service and program improvements. We are working closely with the new management team to ensure that improvements are realized.

ATTACHMENTS

Attachment 1 – Open Application Statistics

Attachment 2 – SOAPP Update

Attachment 3 – Semi-Annual Program Update and Statistics

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