



Agenda Item 8

October 20, 2015

ITEM NAME: Long-Term Care Program Semi-Annual Update

PROGRAM: CalPERS Long-Term Care Program

ITEM TYPE: Information

EXECUTIVE SUMMARY

This agenda item provides an update to the Pension & Health Benefits Committee (PHBC) on the California Public Employees' Retirement System (CalPERS) Long-Term Care (LTC) Program. The LTC Program overview compares the years 2012, 2013, 2014, and the January 1 to June 30 period for 2015. These trends are used to provide comparative information related to program performance and sustainability efforts. The decline in annual premium between 2012 and 2015 is primarily due to participant death and participants entering claims status. In 2015, the LTC Program launched an integrated marketing campaign to promote and grow application activity. The LTC4 product has been available for over one year and statistics for applications received, underwritten, approved, and declined are provided. Additionally, the Transition Care Pilot, which seeks to reduce hospital readmission rates, was expanded from 400 to 1,100 eligible participants.

STRATEGIC PLAN

This agenda item supports 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 20 years.

In March, 2015, staff reported highlights of the LTC Program's Semi-Annual Update to the PHBC. These highlights updated the Committee on the LTC Program participant activity, long-term care policy conversion rates, plans for the 2015-16 premium increase, LTC Program innovations, and LTC4 open application activity.

ANALYSIS

This semi-annual report updates the Committee on key statistics, LTC4 open application and the Integrated Marketing Campaign, and innovations. Annualized program statistics are provided for 2012-2014 and January to June 2015 program statistics are provided for comparison. Please refer to the "Long-Term Care Program Semi-Annual Update" (Attachment 1).

Key Statistics

As of June 30, 2015, the LTC Program has 136,256 participants; \$4.1 billion invested asset value; and, \$1.7 billion paid in participant benefits since program inception in 1995. Premiums paid declined from 2012 to 2013, they remained the same in 2014. The 2015 premiums paid represent the first six months of 2015, however, premiums can be paid monthly, quarterly, semi-annually, and annually. Benefits paid have increased as morbidity of the long-term care participants has increased.

From 2012-2014, over 8,400 participants passed away and another 1,600 passed in the first six months of 2015. Average premiums paid over the same period have remained relatively stable, decreasing by less than 5 percent.

Coverage Modification History and Plan Change Opportunities

Between April and July, 2015, participants subject to the 85 percent rate increase were offered the opportunity to change to defined benefit period policies with the Benefit Increase Option to avoid this rate increase. Participants that elected to accept the increase were subject to a 36 percent increase in 2015 and an additional 36 percent increase in 2016. Conversion offers were sent to over 60,000 participants, of which 71.9 percent elected to accept the rate increase, while 28.1 percent elected to modify their coverage. For all participants electing to convert their policies, there was a premium decrease.

LTC4 Open Application

Monthly application, underwriting, policy acceptance, and decline statistics for the LTC4 product have been maintained since reopening of the LTC4 application process. By the end of July 2015, 2,122 applications were received; 1,197 were approved, 709 were declined, 151 withdrawn, and 65 are pending underwriting. Application submissions are steadily growing at 100 per month. As of September, 2015, approvals constitute 64 percent of underwriting decisions. Custom Select plans continue to be the primary choice by applicants followed by the Essential 3-Year pre-packaged plan choice.

LTC4 Integrated Marketing Campaign

In September, 2015, the CalPERS Public Affairs Office launched an Integrated Marketing Campaign in Northern California to increase program awareness and to assist with growth. Media buys included website banner ads, radio, billboard, and newspaper ads. Concurrent activities conducted by staff included direct outreach through the CalPERS Benefit Education Events and employer benefit and open enrollment fairs. Advertisement and web banners include a vanity URL, WhyLongTermCare.org, which allows CalPERS to identify the advertising source that led the viewer to the website. Nearly half of the website visits came from Adtegrity which places web banners on a multitude of different internet sites.

Staff monitor the performance of the 2015 Integrated Marketing Campaign through website activity to determine campaign effectiveness; staff are also gauging the performance of the new marketing campaign from the various media sources.

CalPERS Website

Staff evaluates a number of website metrics including the information channels used to reach the website, the length of visit on the website, and the number accessing high value pages such as the Get a Quote and Apply pages. Individual elements of the marketing campaign will be reviewed against control periods, when the elements were not in effect, to determine the most effective methods and develop future strategies focused on value to both the future of the Program and the Program's participants.

Also, historical reviews of website traffic have shown articles from the PERSpectives to be one of the most effective methods for driving high website traffic. Preliminary reviews of the current marketing campaign have shown that online banner ads tend to drive visitor concentrations near the same levels as the past PERSpectives articles.

Program Innovations

Earlier this year, staff introduced the Transition Care Program Pilot with the goal to reduce hospital readmissions for CalPERS members 65 and older. The goal of the pilot is to address the gaps in care when a Medicare member is discharged from the hospital, reduce the number of Medicare patients readmitted within 60 days of discharge, and avoid readmissions. The Transition Care Program Pilot is voluntary. It is designed for 1,100 participants who reside in the greater Sacramento area, are sixty-five and older, long term care members with preferred provider organization insurance, and were hospitalized in the prior year. When a pilot participant is hospitalized and the participant or family chooses to participate in the pilot, specialized nursing staff work closely with the hospital staff, families and doctors to safely transition participants to their home. The nursing staff review medications, recommend home safety modifications and offer to attend the first follow-up physician visit. They also assist the family or participant in applying for benefits when substantial assistance of two or more Activities of Daily Living's is required.

Current Participants

Over 90 percent of initial claims eligibility decisions are approved each year. Since inception of the program, 11 percent of benefit eligible participants recover before, and 9 percent of benefit eligible participants recover after benefit payments are made. Over half of claims are closed in the event of death (54 percent) and 3 percent were closed due to exhaustion of benefits. Annual claim payments have continued to rise from 2012 to June 30, 2015, at a fairly constant increasing rate of 350 claimants and \$7 million per year on average. The top five disabling conditions have remained constant with the diagnosis Pure Dementia accounting for 35 percent of participants in claim and a major driver for use of Assisted Living Facilities, and thus claims costs, for site of care.

Participant policy terminations are primarily the result of participant death. Between 2012 and 2014, over 8,400 participants passed away, and another 1,600 passed

between January and June, 2015. Policy lapses spiked in 2013, but returned to pre-2013 levels.

BUDGET AND FISCAL IMPACTS

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

BENEFITS/RISKS

The program continues to improve financially and administratively. The LTC4 product reflects current market approaches to benefit design, product pricing and underwriting. The Integrated Marketing Campaign and direct outreach efforts by staff have generated increased interest in LTC4. It is too early to determine if these focused marketing efforts will increase submitted applications and issued policies.

ATTACHMENTS

Attachment 1 – Long-Term Care Program Semi-Annual Update

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