



# Pension and Health Benefits Committee Agenda Item 9

March 15, 2016

**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 and Health Benefits Committee (PHBC) on the California Public Employees' Retirement System (CalPERS) Long-Term Care (LTC) Program. The LTC Program overview compares the calendar year 2013, 2014, and 2015. These trends provide comparative information related to program performance and sustainability efforts. Additionally, the latest LTC product, LTC4, has been available for over two years and statistics for applications received, underwriting results, and web activity are provided.

### **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 coverage to its participants for over 20 years. In October 2015, staff reported highlights of the LTC Program's Semi-Annual Update to the PHBC.

### **Analysis**

This semi-annual report updates the Committee on key statistics, the LTC4 product, and the activity of current participants. Annualized program statistics are provided for the years 2013, 2014, and 2015. Please refer to the "Long-Term Care Program Semi-Annual Update" (Attachment 1).

### **Key Statistics**

As of December 31, 2015, the LTC Program has 134,495 participants; \$4.0 billion invested asset value; and, \$1.8 billion paid in participant benefits since program inception in 1995. Premiums paid declined from 2013 to 2014 but have increased in 2015. This increase can be attributed primarily to participants accepting the 2015 portion of the 2015-16 85 percent premium increase. The LTC Program lost 2,937 participants in 2015. Participant death continues to account for the majority of participant and premium decreases; over 66 percent of terminations for the year 2015 were due to participant death.

### **Eighty-Five Percent Premium Increase Update**

Participants that elected to accept the 2015 portion of the 2015-16 85 percent premium increase were subject to a 36 percent increase in 2015 and will be subject to an additional 36 percent

increase in 2016. Prior to the 2016 portion of the 2015-16 premium increase taking effect, an additional conversion offer will be sent to the over 40,000 participants who elected to accept the 2015 portion of the 2015-16 premium increase. For all participants who elect to convert their policies, there is a premium decrease.

#### LTC4

Monthly application, underwriting, policy acceptance, and decline statistics have been maintained since the opening of the LTC4 application process. As of February 5, 2016, 2,385 applications were received; 1,342 were approved, 821 were declined through underwriting review, 169 withdrawn, and 53 are pending underwriting. The LTC Program receives an average of 92 applications per month. Online application submittal exceeded paper application submittal by nearly 20 percent for 2015. CustomSelect plans are the primary choice by applicants followed by the Essential 3-Year pre-packaged plan choice.

#### Participants

The LTCG Preferred Provider Network continues to gain additional contracted providers which may provide discounts on services for LTC participants. Annual claim payments have continued to rise from \$203 million for 2013 to \$256 million for 2015. The largest claim dollars paid by site of care for 2013 to 2015 was to Assisted Living Facilities. The total for Assisted Living Facility claim dollars for 2015 was \$134 million.

#### **Budget and Fiscal Impacts**

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

#### **Benefits and Risks**

The LTC Program continues to improve financially and administratively. The LTC4 product reflects current market approaches to benefit design, product pricing, and underwriting. Website activity increased during Integrated Marketing Campaigns coordinated with the CalPERS Office of Public Affairs but these efforts have not yet produced any significant gains in application activity. Further analysis of marketing activity is ongoing as the LTC Program continues to focus on growth and expansion.

#### **Attachments**

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

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**Kathy Donneson, Chief**

Health Plan Administration Division

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**Doug P. McKeever**

Deputy Executive Officer

Benefit Programs Policy and Planning

