



Pension and Health Benefits Committee Agenda Item 10

March 14, 2017

Item Name: Long-Term Care Program Semi-Annual Report

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 calendar years 2014, 2015, and 2016. These trends provide comparative information related to program performance and sustainability efforts. Additionally, the latest LTC product, LTC4, has been available for over three 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 22 years. In September 2016, staff reported highlights of the LTC Program's Semi-Annual Report to the PHBC. In February 2017, the Fiscal Year 2015-16 LTC Fund Valuation was approved by the CalPERS Board of Administration.

Analysis

Please refer to the “Long-Term Care Program Semi-Annual Report” (Attachment 1).

Program Update Highlights:

As of December 31, 2016, the LTC Program has 130,242 participants; \$4.2 billion invested asset value; and \$2.1 billion paid in participant benefits since program inception in 1995. The premium revenue increased by 9.1 percent, to \$336 million in 2016. This increase was attributed to, in part, the increase in LTC4 applications and the 2016 Premium Rate Increase. The program lost a net of 4,253 participants in 2016. Participant deaths continued to be the leading cause of termination; over 71 percent of terminations were due to death.

Optional Daily Benefit Amount Purchase Option

The Optional Daily Benefit Amount (DBA) Purchase Option offers eligible LTC participants to repurchase up to 100 percent of the DBA in effect of the time of election. Eligible LTC participants are those who (1) elected to remove their built-in inflation protection to mitigate the 2011 premium rate increase and did not retain the inflated DBA or (2) elected to reduce their DBA to mitigate the 2012, 2013 and/or 2014 premium rate increases and retained their built-in inflation protections.

In February 2017, educational letters were mailed to eligible LTC participants. In May 2017, the Optional DBA Purchase Option offer letters will be mailed to these participants.

Participants

The LTCG Preferred Provider Network added an additional 25 contracted providers, increasing the in-network provider pool to 1,975 providers in 2016. Benefits for LTC participants include 5 percent to 20 percent discounts on long-term care services.

Participants in active claim status increased by 2.5 percent, to 7,159 claimants in 2016. The paid benefits amount increased by 9.8 percent, to \$281 million in 2016. Approximately 85 percent of the paid benefits amount was paid for Assisted Living Facilities claims (54.4 percent) and Home Health Care claims (30.6 percent). Pure Dementia continues to be the leading disabling condition for paid claims, making up 33.7 percent of paid benefits with \$94.7 million in 2016, followed by Arthritis and Rheumatic Diseases, 9.6 percent with \$27 million.

LTC4

Monthly application, underwriting, policy acceptance, and decline statistics have been maintained since the opening of the LTC4 application process. As of February 17, 2017, 3,180 applications were received with a 56.0 percent approval rate. The LTC Program receives an average of 92 applications per month. Online application submittals continued to exceed paper application submittal by 18 percent in 2016. CustomSelect plans continued to be the primary choice by applicants followed by the Essential 3-Year pre-packaged plan choice.

Improvements to the program website's functionality and user experience, including expanded eligibility criteria, access to Evidence of Coverage had been implemented.

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.

Attachments

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

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