



Pension and Health Benefits Committee Agenda Item 5

September 19, 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 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 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.

Analysis

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

Key Statistics

As of June 30, 2017, the LTC Program has 128,276 participants; \$4.4 billion invested asset value; and \$2.2 billion paid in participant benefits since program inception in 1995. The program lost a net of 1,966 participants in the first six months of 2017. Participant deaths continued to be the leading cause of termination; over 80 percent of terminations were due to death.

Claims

Participants in active claim status increased by 1.4 percent to 7,259 claimants as of June 30, 2017. The paid benefits amount increased by 5.9 percent to \$297 million annualized as of June 30, 2017. Approximately 86 percent of the paid benefits amount was paid for Assisted Living Facilities claims (55.0 percent) and Home Health Care claims (31.1 percent). Pure Dementia continues to be the leading disabling condition for paid claims, making up 33 percent of paid benefits with \$47.8 million, followed by Arthritis and Rheumatic Diseases, 10 percent of paid benefits with \$15 million in the first six months of 2017.

Of the 7,259 participants in claim, as of June 30, 2017, approximately 2 percent were utilizing contracted providers in the preferred provider network. Contracted providers may provide discounts from 5 percent to 20 percent and have total annual savings of approximately \$1.2 million.

Optional Daily Benefit Amount Purchase Option

The Optional Daily Benefit Amount (DBA) Purchase Option offered 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 April 2017, the Optional DBA Purchase Option offer letters were mailed to 1,431 participants with approximately one-third (473) of the participants that accepted the purchase option.

Long-Term Care Solicitation

The LTC Administrator Solicitation was released in a two-phase approach. Released on June 28, 2016, Phase I certified bidders' minimum qualifications to participate in Phase II. Released on September 19, 2016, Phase II consisted of the following: confidential discussions held separately with each bidder in October 2016; submission of written proposals in January 2017; evaluation of the submissions from January to February 2017; on-site visits, submission clarifications, and reference checks from January through May 2017; and competitive negotiations from February through March 2017. The Board of Administration awarded the new five-year contract agreement on June 21, 2017, with services beginning January 1, 2018, through December 31, 2022.

Current Offering

Monthly application, underwriting, policy acceptance, and decline statistics have been maintained since the opening of the LTC4 application process. As of June 30, 2017, 3,497 applications were received with a 60.3 percent approval rate. New product applications were comprised of approximately 40 percent current employee, 27 percent former employee, 25 percent spouse, 4 percent child/grandchild, and remaining sibling, parent/grandparent, in-law, niece/nephew, or aunt/uncle.

The LTC Program receives an average of 65 applications per month. Online application submittals continued to slightly exceed paper application submittal with 57 percent online in 2017. Custom Select plans continued to be the primary choice by applicants followed by the Essential 3-Year pre-packaged plan choice. The LTC Program has continued to market at CalPERS Benefit Education Events and employer and wellness benefit fairs.

Customer Service

There was consistent call volume of approximately 10,000 calls a month in the first six months of 2017, of which 707 (1.1 percent) of the callers elected to complete the satisfaction survey. Survey ratings increased 1 to 2 percent in all three questions of the survey rating on a one to five scale with a four or better score that included: overall rating with the experience at 86 percent, ability of the representative to understand and resolve the inquiry at 93 percent, and courtesy and professionalism of the representative at 94 percent.

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 Semi-Annual Report

Attachment 2 – 2017 Long-Term Care Program Semi-Annual Report

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