



Pension and Health Benefits Committee Agenda Item 4c

March 20, 2018

Item Name: Long-Term Care Program Report

Program: CalPERS Long-Term Care Program

Item Type: Information Consent

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 2015, 2016, and 2017. These trends provide comparative information related to program performance and sustainability efforts. Additionally, the latest LTC product, LTC4, has been available for over four 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 2017, staff reported highlights of the LTC Program's Semi-Annual Report to the PHBC.

Analysis

Please refer to the “2018 Long-Term Care Program Report” (Attachment 1).

Key Statistics

As of December 31, 2017, the LTC Program has 126,525 participants; \$4.6 billion invested asset value; and \$2.4 billion paid in participant benefits since program inception in 1995. The program lost a net of 1,751 participants in the last six months of 2017. The leading reason for terminated policies continued to be due to death (82 percent), followed by non-payment (8 percent), voluntary (6 percent), and exhausted benefits (3 percent).

Claims

Participants in active claim status increased by 2.9 percent to 7,466 claimants in the last six months ending December 31, 2017. The paid benefits amount increased by 1.1 percent to \$300 million in the last six months ending December 31, 2017. Approximately 86 percent of the paid benefits amount were paid for Assisted Living Facility claims (55 percent) and Home Health Care claims (31 percent).

Of the 7,466 participants in claim, as of December 31, 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. The number of contracted providers increased by 1.8 percent to 2,010 providers the last six months ending December 31, 2017. The third-party administrator has continued its efforts to enroll more providers as well as educating participants of the benefits of utilizing a preferred provider.

Current Offering (LTC4)

Monthly application, underwriting, policy acceptance, and decline statistics have been maintained since the opening of the LTC4 application process. As of December 31, 2017, 3,842 applications were received with a 57 percent approval rate. New product applications were comprised of approximately 39 percent current employee, 26 percent former employee, 25 percent spouse, 5 percent child/grandchild, with the remaining sibling, parent/grandparent, in-law, or niece/nephew. There have been no aunt/uncle new product applications.

The LTC Program receives an average of 65 applications per month. Online application submittals continued to slightly exceed paper application submittal with 54 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 continues to market at CalPERS Benefit Education Events and employer and wellness benefit fairs.

Customer Service

Call volume decreased approximately 7 percent, to 9,300 calls a month, in the last six months ending December 31, 2017; of which 1,236 (1.1 percent) of the callers elected to complete the satisfaction survey. Survey ratings were rated on a 1 to 5 scale. Scores with a survey rating of 4 or more resulted in an overall rating with the experience at 87 percent, ability of the representative to understand and resolve the inquiry at 91 percent, and courtesy and professionalism of the representative at 93 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 – 2018 Long-Term Care Program Report

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