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AB 567 Oliver Wyman Feasibility Report

Frequently Asked Questions

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1. **Question: What is the purpose of the Feasibility Report?**
   a. **Answer:** Per AB 567 (Calderon, Chapter 746, Statutes of 2019), the Feasibility Report explores how a statewide long-term care insurance program could be designed and implemented in California. The report includes recommendations from the Task Force, however, the report itself <u>does not establish any program</u>. Legislation would be required to establish a program and, in doing so, the Legislature may choose to follow many, some, or none of the recommendations of the Task Force. The Legislature would receive input from stakeholders and the public as part of its public deliberation process, and any legislation would also need to be signed by the Governor to be enacted.

2. **Question: What is the Task Force recommending in this report?**
   a. **Answer:** In keeping with the statute, the Task Force is recommending five different options for establishing a statewide long-term care insurance program in California which span a wide range of benefits/coverage levels. These options will undergo financial analysis by Oliver Wyman to determine cost and solvency, and their findings will be included in an Actuarial Report which will be submitted to the Legislature by January 1, 2024.

3. **Question: How was the report developed?**
   a. **Answer:** The California Department of Insurance contracted with Oliver Wyman Actuarial Consulting, Inc. to facilitate Task Force discussions and help write both the initial Feasibility Report and the upcoming Actuarial Report. Thus far, the Task Force has held eighteen public meetings to develop and refine their recommendations, with robust participation and input from members of the public, and will meet several times in 2023 to discuss the actuarial analysis of the program designs.

4. **Question: How soon could the Program be implemented?**
   a. **Answer:** The Task Force will make its final recommendations to the Legislature in the Actuarial Report, which will be submitted by January 1, 2024. At that point, legislation would be required to establish and implement a statewide program. January 1, 2024, is not the program effective date. It is the deadline for the Task Force to submit the Actuarial Report to the Legislature. Neither the Feasibility Report nor the Actuarial Report have the authority to establish any program.

5. **Question: How is the Program opt-out designed?**
   a. **Answer:** The Task Force is recommending that individuals who own eligible private insurance as of a certain date on or before the program effective date

(TBD) be permitted to opt out of the program. Any new policies sold after this deadline would be ineligible for program opt out, but could qualify for reduced program contributions. To be eligible to opt out, or receive reduced program contributions, the policy would have to meet certain standards (yet to be determined) and would be subject to periodic recertification.

6. **Question: What is the deadline to opt out of the Program?**
    a. **Answer:** At this time, there is no deadline. The Task Force is recommending that the deadline be on or before the effective date of any program the Legislature may choose to propose. It is up to the Legislature to determine the details of any program they may recommend, including the effective date of the Program and the deadline (if any) to opt out. The Legislature may choose to follow many, some, or none of the recommendations of the Task Force. The Legislature has not yet made any decisions about a public program and there is currently no "opt-out" date. Any communications that suggest otherwise are factually untrue.

7. **Question: How would the program be funded?**
    a. **Answer:** A progressive payroll tax, perhaps split between employees and employers, with an income-based tax for self-employed individuals is the prevalent design recommendation at this point. Refer to Question 13 regarding the consideration of alternative financing mechanisms for individuals outside the payroll system.

8. **Question: Who will run this program?**
    a. **Answer:** Legislation would have to specify if existing infrastructure in California could be expanded upon to administer the program or if a new board, department, or agency would need to be created.

9. **Question: What services are covered under the program? Is the benefit enough to cover the cost of a nursing home?**
    a. **Answer:** Most of the recommended program designs in the report would provide comprehensive LTSS benefits, including coverage for a wide range of services including home and community-based care, residential care facilities, assisted living, and skilled nursing facilities. Under most designs, the maximum monthly benefit would cover most of the cost of an assisted living facility and about half the cost of a skilled nursing facility.

10. **Question: Will the program pay for care from family members?**
    a. **Answer:** There are recommended program designs in the report that would provide reimbursement to informal or family caregivers subject to completion of certified caregiver training. Minimum training requirements that do not discourage benefit utilization would need to be defined in a culturally competent manner. Three out of five designs also include a cash benefit alternative (50% of reimbursement levels), which could also be used to pay family members who are providing care (without requiring certified caregiver training). Each of the five designs also include supportive services such as caregiver relief, adult day care, transportation, durable medical equipment, home assessment, and minor home modifications.

11. **Question: Who is eligible for the program? Are undocumented residents eligible?**

a. **Answer:** For most of the program designs, anyone that is fully vested in the program and over age 18 is eligible to receive benefits. As part of the Actuarial Report, Oliver Wyman will explore the impact of changing the program designs to require different eligibility ages (they will explore a range including no minimum age, 18+, 30+, etc.). Undocumented residents are eligible for benefits under every program design option.

12. **Question: If someone pays the tax for several years and then retires in another state, would they forfeit their benefits? What about people who work in California, but live in another state?**
    a. **Answer:** Each of the program design options included in the report includes at least partial domestic or international portability, meaning some, if not all, of the individual's benefits would be accessible if the retiree moved to another state and was fully vested in the program. Similarly, if a person works in California, but lives in another state, they would be eligible for the program (if they are fully vested).

13. **Question: What about current retirees and people outside of the payroll tax system – will they be able to participate in the Program?**
    a. **Answer:** The recommended program designs do not include current retirees. But several scenarios are being considered to cover the current retiree population that is unable to vest into the program, including California General Fund revenue. See section 4.7.3.7.2. of the report for a full list of options.

14. **Question: Will there be a contribution cap?**
    a. **Answer:** Contribution limits are being considered to ensure that benefit amounts are reasonable in relation to an individual's program contributions. The Actuarial Report will assess the financial impact of a range of caps (e.g., various multiples of the Social Security contribution limit), including the impact of not having a contribution cap.