



LTCi News for California

As a wave of older Americans face the real possibility of needing long term care, the California legislature is considering funding a modest amount of state-provided long-term care (LTC) coverage. There are many questions about what the legislation might include if it is enacted. The nation's most populous state has taken preliminary steps to explore the possibility of offering a long-term care benefit but there is still a long way to go. A feasibility report, commissioned by the legislature, was released in its final draft form on December 14, 2022. An actuarial report with additional specifics on cost and financial viability will be released in late 2023.

This information may help health insurance professionals' in assisting individuals who are exploring their private LTC insurance options.

[View State Feasibility Report FAQs](#)

[View Key Recommendations, August 2022](#)

[View December 14, 2022, Final Draft Feasibility Report](#)

KEY POINTS FOR ADVISORS

- California task force is exploring a payroll tax similar to WA, but no definitive decision has been made.
- The task force has recommended a private insurance opt-out.
- It's prudent to consider private long term care insurance as a way to help manage long term care costs. Buddylns recommends that agents and specialists have this conversation with clients regardless of any proposed state efforts. Offer a group or individual solution that is either traditional or hybrid with LTC rider could provide more options to Americans who may need long term care.
- As we experienced with WA, carrier capacity may be limited if the state announces an opt-out provision.

- Do not use fear tactics or misleading statements when speaking to clients. Per the CA Department of Insurance, “Any communication that states that a public LTC program will be enacted on January 1, 2024, or on any other specific date, is untrue and a presumed knowing violation of the law.”

In this article, we provide insight and make assumptions based on the California Long Term Care Insurance Task Force preliminary recommendations. At BuddyIns, we believe that the state coverage as proposed may help Californians cover some of their long term care costs. However, the amount proposed may leave a tremendous gap in coverage based on the current and projected cost of care.

We’ve outlined some key takeaways from the California Task Force recommendations along with corresponding differences from the Washington law. The recommendations are now undergoing an actuarial review which is scheduled for completion by the end of 2023.

- The proposed CA benefit designs vary from \$36,000 of coverage up to \$144,000 for the most comprehensive option. In comparison, the cost of care for a 3-year long-term care claim event projected out in 30 years is around \$1,000,000. In WA, the amount of coverage was \$36,500 with nominal increases.
- We anticipate the California payroll tax to be priced based on how comprehensive the program design is. In WA, the payroll tax is 0.58% of annual wages including income, bonuses, vacation time, and the value of annual stock grants.
- The CA tax may be a level payroll tax split between employer and employee – unlike WA which places the tax burden on the employee.
- Considerations for individuals with (eligible) private insurance:
 - Opt-out provision if purchased before the Program’s effective date

- Reduced Program contributions if purchased after the Program's effective date.
 - There are no specifics yet on how the state will define what is eligible as private coverage. In WA, the definition of LTC insurance was broadly defined to include both traditional and hybrid products with LTC riders.
- Regardless of how the exemption is structured, CA employees may want to start the process of purchasing private insurance before any final state announcements are made. This could help avoid the rush for long-term care insurance coverage that we saw in WA.
 - **IMPORTANT:** The state may assess the financial impact of changing the deadline for the purchase of opt-out eligible private insurance policies from the Program effective date to the beginning of the year preceding the Program effective date. (Final Draft Feasibility Report, page 15)
 - There are slightly fewer group and individual products and carriers in CA than in WA, mostly because product approvals from the California State Department of Insurance take longer. However, taking steps to purchase coverage now means there is a robust market of options available, before the expected increase in demand if a law gets enacted.
 - There are approximately 16,500,000 employees in CA, more than four times the number in WA.

Summary: BuddyIns expects a limited capacity of individual and group products with qualifying LTC riders in California.

[View the Task Force timeline.](#)

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