



# The Road to Long-Term Care

Legislative Updates as of August 2023

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*\*AssuredPartners is an employee benefits consulting firm. Consequently, the information provided in this presentation is not intended to offer an opinion or advice on legal, tax, or accounting matters\**

# Agenda

**Updates From California**

**Understanding Long-Term Care**

**Reasons to Plan Now**

**Coverage Options and Next Steps**

**Questions**







# What is Long Term Care?

**Assisting Individuals with essential daily activities that they cannot perform independently**

## Activities of daily living



Bathing



Dressing



Eating



Toileting



Continence



Transferring

# Important Stats.

## National Statistics

The first Baby Boomers began hitting retirement age in 2011, and the youngest will turn 65 in 2029.

7 out of 10 people will need long-term care after turning 65.

Fewer than 1 in 3 Americans own an LTC policy, and only 7% of adults aged 50 and over own one.

## Average Costs to Californians:

- Median in-home care: \$73k annually
- Nursing home care (*private room*): \$150k annually
- Assisted-living facility: \$65k annually

## Medicare & Medicaid

**Medicare does not cover most long-term care needs and Medicaid requires people to spend down their life savings to \$2,000 to qualify for its long-term care coverage.**

*States are looking at the financial impact long-term care costs will have on their Medicaid programs and need to find a solution.*

# What is Long Term Care?

## What is Long-Term Care (LTC):

LTC involves assisting individuals with essential daily activities they cannot perform independently, such as bathing, dressing, and eating. Demand for flexible LTC solutions is increasing, and it's crucial to provide viable options to employees regardless of state legislation.

→  
**Why it's a hot topic today**

## What does it mean for you?

State governments are recognizing the increasing need for care and the associated costs affecting many individuals. As a result, more states are considering enacting legislation to address this issue. Employers offering Long-Term Care solutions can promote greater financial stability, loyalty, and productivity among their employees.

## The cost of care for employers:

Caregiving significantly affects the workforce, as many caregivers are employed individuals. To address this impact, employers can provide financial resources to help employees fund their future care and offer employee assistance programs to support them in managing the challenges they face as caregivers.

# Legislative Update

## States are considering publicly funded LTC programs

### FIVE HAVE TAKEN ACTION TO INTRODUCE LEGISLATION:

#### ● Washington

- WA Cares program funded by a .58% payroll tax
- Actuarial study submitted October 2022
- Payroll tax scheduled to begin July 1, 2023

#### ● California

- Task force provided recommendation and feasibility report in December 2022
- Actuarial study to be completed and submitted by January 2024

#### ● Pennsylvania

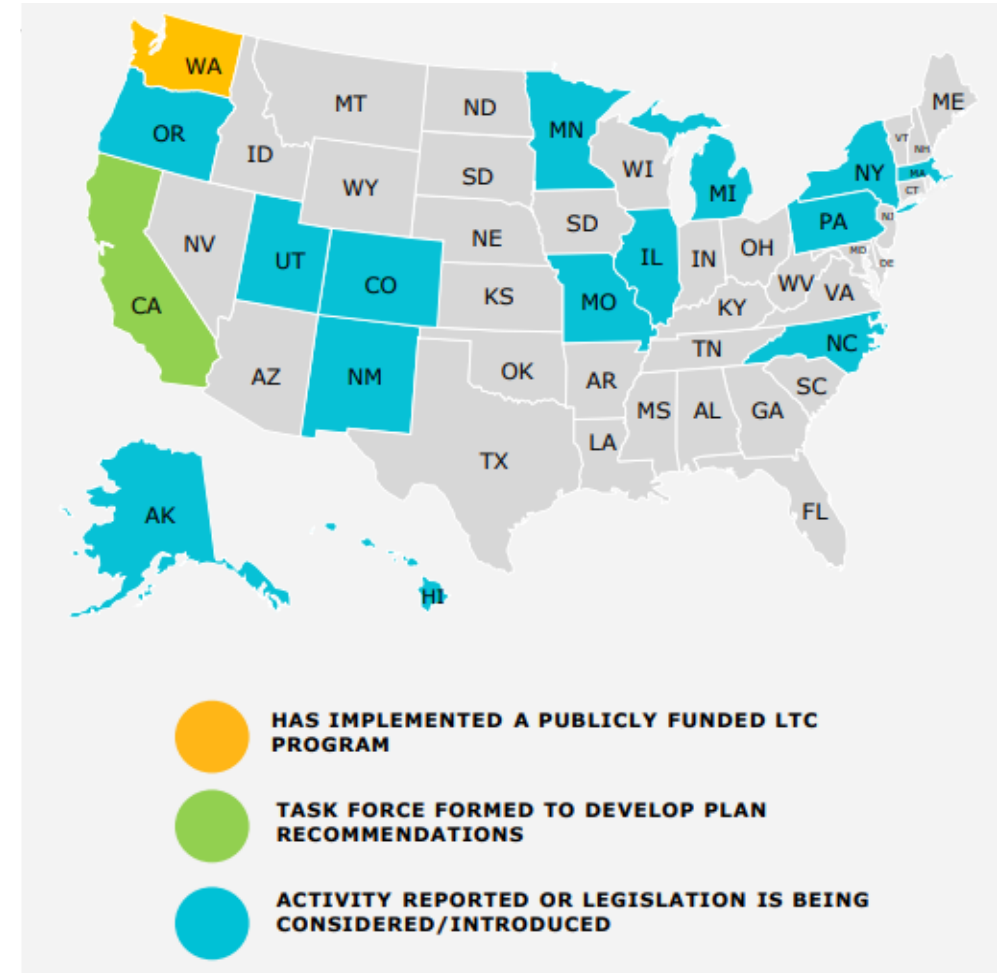
- Legislation proposed in August 2022
- Will need to be reintroduced with changes in 2023 to move forward

#### ● Massachusetts

- Legislation introduced in January 2023 to establish a state LTC commission

#### ● New York

- Legislation was introduced in May 2022 but did not move forward
- Expected to be modified and reintroduced in 2023 legislative session



\*Source: Chubb 2023

# Let's talk about what happened in Washington

## [The Catalyst – Washington Cares Fund](#)

The state of Washington enacted a law, effective January 1, 2022, requiring employers to begin collecting a **0.58% payroll tax, uncapped**, from all employees that live and work in the state. Those funds would provide a lifetime benefit for long-term services and support to qualifying Washington residents, should they need it. Lifetime benefit: \$36,500.

- **Tax Exemption:** Washington state provided a one-time, limited-time offer to allow employees who were enrolled in their own comparable, private long-term care insurance to opt-out of tax.

*Private LTC insurance members are covered and will not need the State to provide subsidy for long-term care services and supports in the future.*

- **Payroll Tax Deduction:** Washington state's deduction went into effect on July 1<sup>st</sup>, 2023





# Legislative Update – California – Aug 2023

## California Update: California Department of Insurance is developing a statewide insurance program for long-term care services and supports.

A Long-Term Care Insurance Task Force (Task Force) was established within the California Department of Insurance in 2019 with the passage of AB 567. Its mission is to explore the feasibility of developing and implementing a statewide insurance program for long-term care services and support.

### Latest indications in California

- Final recommendations by Task Force – 1/1/2024
- No safe harbor election period
- Payroll tax to be priced based on program design (5 different plan designs)
- CA tax may be split between employer & employee (WA was employee only)
- No Cap on taxes (similar to WA)
- State may assess the financial impact to changing the deadline date for purchase of opt-out eligible private insurance policies from the Program Effective Date to the beginning of the year preceding the Program Effective Date.

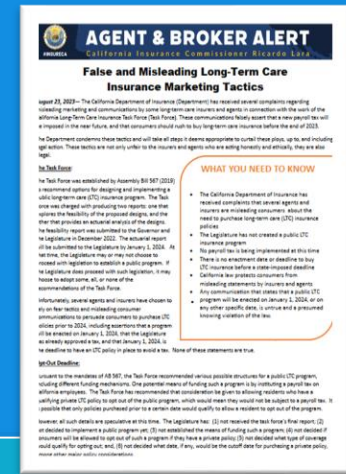


# Updates From CA

## What You Need To Know:

The California Department of Insurance has received complaints that several agents and insurers are misleading consumers about the need to purchase long-term care (LTC) insurance policies. The information below is intended to protect consumers.

The Legislature has not created a public LTC insurance program	No payroll tax is being implemented at this time	There is no enactment date or deadline to buy LTC insurance before a state-imposed deadline	California law protects consumers from misleading statements by insurers and agents	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.
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## LTC FAQs

### Why is planning for Long-Term Care using insurance worth it?

- Take pressure off your employees' families.
- Empowers employees with care options.
- Gives employees peace of mind.

### What factors influence the amount of LTC insurance employees may need?

- Average age of your employees.
- Regional costs associated with such care.
- The type and extent of care.

### Where can one purchase LTC options?

- Referring to insurance professionals ensures your company can have a custom-tailored plan.
- Insurance brokerages, like AssuredPartners, have the knowledge and experience to shop around policies for the greatest rates.

### Do traditional healthcare plans cover LTC?

- These plans cover hospital and medical care, but do not typically pay for extended health care services.
- LTC pays for additional services necessary for recovery.



RICARDO LARA  
CALIFORNIA INSURANCE COMMISSIONER

AB 567 Oliver Wyman Feasibility Report  
Frequently Asked Questions  
Revised 8-15-23



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## LTC FAQs

### Is There a Contribution Cap?

- Contribution caps are under consideration to align benefit amounts with individual contributions.
- An actuarial report will evaluate the financial effects of various cap options, including the possibility of no cap.

### How is the Program Opt-Out Structured?

- The Task Force suggests allowing those with qualifying private insurance, owned before a specific date, to opt out of the program.
- Policies sold after this date won't be opt-out eligible but may qualify for reduced contributions.
- To opt out or get reduced contributions, policies must meet certain criteria (TBD) and undergo regular recertification.

### What's the Deadline for Opting Out?

- No current deadline exists for California.
- The Task Force advises setting the opt-out deadline on or before the program's effective date, to be determined by the CA Legislature.
- They may adopt all, some, or none of the Task Force's recommendations.
- No official decision or opt-out date has been set; any claims otherwise are incorrect.



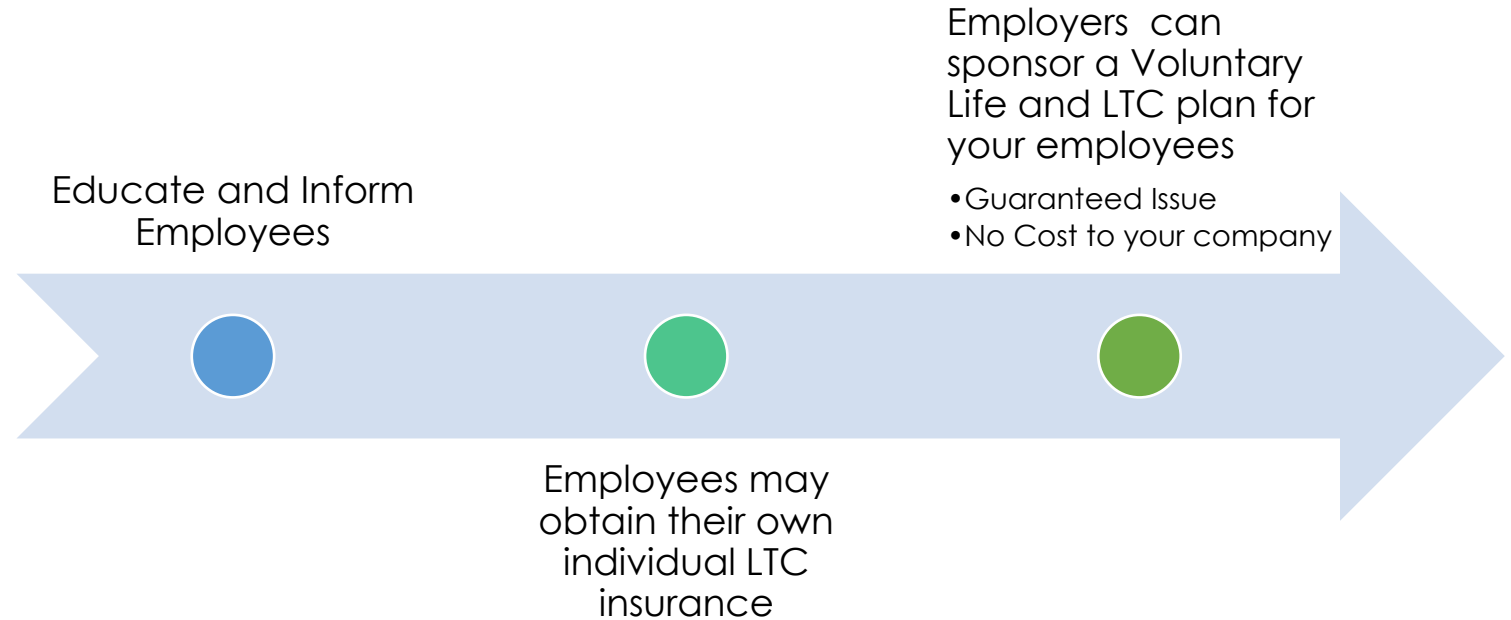
# Reasons to Begin Planning Now:

Employees will need guidance and education on the impacts to them.

Increased taxes for employees in states that implement an LTC Fund could catch them by surprise.

Option to be exempt from LTC Tax **may** exist. In such scenarios, the window could be limited, so timing is critical.

# What employers should consider...



1. The benefit would include a long-term care benefit that should qualify for the California state tax exemption.
2. Secure an employer-sponsored benefit and provide an opportunity for employees to enroll in preparation for California Long Term Care program/tax (uncapped tax). Final recommendations by Task Force expected 1/1/2024.

To note: it is crucial that plan offerings comply with IRS Code 7702B, or any other legislation or codes that might supersede this.

# 2023 Sample Options Available

A sample marketing for Voluntary Life Coverage with Long-Term Care was completed on behalf of your company.

**The next slides highlight the marketing results for the following:**

- Benefit: Voluntary Life with Long-Term Care Benefit
- Carriers providing bids (3): Trustmark, Chubb, Unum



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# Sample Pricing Option – Monthly Rates (Non-Smoker)





Coverage Amount	\$25,000	\$50,000	\$75,000	\$100,000	\$150,000
<b>Option 1: Trustmark Universal Life</b>					
Age 35	\$30.35	\$56.44	\$82.52	\$108.60	\$160.77
Age 45	\$47.50	\$90.58	\$133.66	\$176.75	\$262.91
Age 55	\$76.39	\$148.37	\$220.35	\$292.33	\$436.29
<b>Option 2: Trustmark Universal LifeEvents</b>					
Age 35	\$21.91	\$39.56	\$57.21	\$74.85	\$110.14
Age 45	\$33.33	\$62.25	\$91.16	\$120.08	\$177.91
Age 55	\$52.37	\$100.33	\$148.29	\$196.25	\$292.16
<b>Option 3: Chubb Lifetime Benefit Term</b>					
Age 35	\$19.19	\$38.37	\$57.56	\$76.75	\$115.12
Age 45	\$31.79	\$63.58	\$95.37	\$127.16	\$190.74
Age 55	\$58.08	\$116.16	\$174.24	\$232.32	\$348.49
<b>Option 4: Unum Whole Life</b>					
Age 35	\$31.39	\$62.84	\$94.23	\$125.62	\$188.41
Age 45	\$50.21	\$100.38	\$150.59	\$200.76	\$301.14
Age 55	\$91.04	\$182.08	\$273.08	\$364.12	\$546.16

<b>Washington State-Run LTC Example</b> \$36,500 Lifetime Benefit	
	<b>Washington State-Run Long-Term Care Program</b>
	<b>\$36,500 Benefit</b>
<b>W2 Income</b>	<b>Monthly Tax</b> Based on 0.58% of Wages (Non-Capped)
\$50,000	\$24.17
\$100,000	\$48.33
\$200,000	\$96.67
\$300,000	\$145.00
\$500,000	\$241.67

**Coverage vs. Cost Example:** A 35-year-old physician in WA making \$200k will pay \$96.67 per month in tax for a \$36,500 lifetime benefit from the state OR can own his/her own guaranteed \$75k policy for less \$.



# Sample Options

	Guaranteed Benefit	No Increase in Rates	Monthly Rates	Maximum Benefit Amount (EE)	Age Reduction	Riders/Value Added Benefits
State Program - TBD	Yes	TBD;	Based on W2	TBD (\$36,600 in WA)	No	None
Individual Policy	No	Yes, portable	Based on Individual Underwriting; can be denied coverage based on health	Varies	Varies	Varies
 Option: Trustmark Universal Life	Yes	Yes, portable	Good	\$300k Max/\$100k guaranteed	No	Death Benefit Restoration*
 Option 2: Trustmark Universal LifeEvents	Yes	Yes, portable	Great	\$300k Max/\$100k guaranteed	Yes	Death Benefit Restoration*
 Option 3: Chubb Lifetime Benefit Term	Yes	Yes, portable	Best	\$225k Max/\$100k guaranteed (Through age 70)	Yes	Extension of LTC Benefit*
 Option 4: Unum Whole Life	Yes	Yes, portable	Expensive	\$150k Max/\$25-35k Guaranteed	No	None

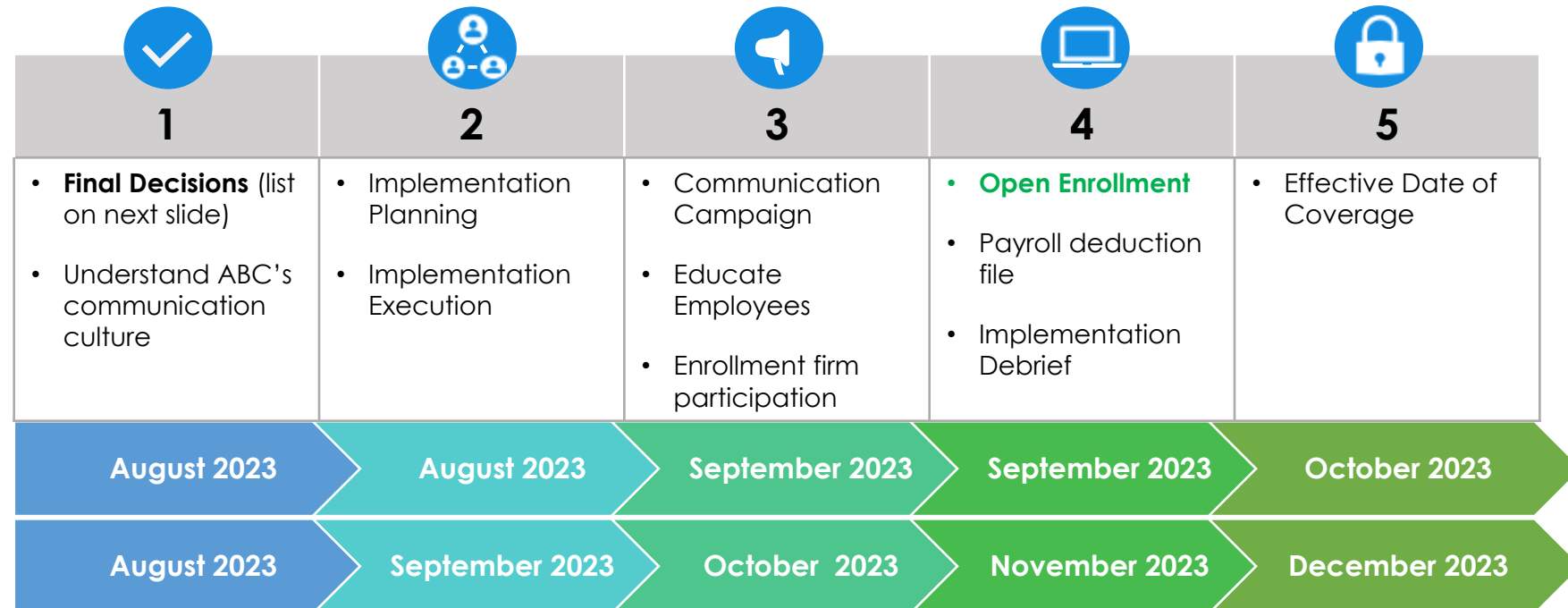
\*See next page for definition of benefit

# Next Steps and Timeline (Sample)

If the employer decides to add a Voluntary Life with Long Term Care benefit to the employer-sponsored benefit program:

**Sample Timeline 1:**  
Offered Off-Cycle  
(separate from annual Open Enrollment)

**Sample Timeline 2:**  
Offered at annual Open Enrollment





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# Questions?

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# The Road to Long-Term Care Continues

Our webinar series returns for a second and third session – refer a friend or colleague!

- *September 19<sup>th</sup> | 10:00-11:00am PT | Presented by: John Hickey*





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**Thank You**

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