

LTSS Trust Commission QI Workgroup Options

Staff Write-Up of 9/2/2020 Discussion

Commission staff have distilled the options that crystallized in the Qualified Individual Working Group discussion from 9/2. Pros and cons of each option have been postulated. This framework may serve as a starting point for the discussion on 9/8. As a reminder: **The main goal of the 9/8 meeting will be to land on a set of options, with pros and cons, to report back to the Commission for discussion at the 9/30 meeting.** A secondary goal would be to recommend one or more of these options.

1. “3 out of the last 6 years” is clarified (in rules or statute) as a test applied at time of application, i.e. when someone needs assistance with activities of daily living (ADLs).
 - a. Pros
 - i. Keeps payroll tax rate low, in alignment with the actuarial modeling assumptions
 - ii. In line with legislative intent (to the best of our knowledge)
 - iii. Offers meaningful coverage to people with ADL needs during their working years that have not qualified under the ten year premium requirement
 - b. Cons
 - i. Doesn’t offer meaningful coverage to most people nearing retirement in 2025 – only to those who end up needing LTSS very early in retirement
2. “3 out of the last 6 years” is clarified (in rules or statute) to mean 3 years out of any 6 consecutive years, meaning when an individual has become qualified in this fashion, regardless of when their ADL needs occur, they are qualified for life
 - a. Pros
 - i. Offers coverage to most people nearing retirement in 2025
 - b. Cons
 - i. Increases projected program cost by an estimated 0.02 percentage points of payroll
 - ii. Raises equity concerns by giving same benefit to those (particularly those nearing retirement in 2025) who contribute for only three years as to those who contribute 40 years
 - iii. Gives incentive to self-employed to strategically navigate opt-in/opt-out provisions so as to pay in only 3 years, raising both equity concerns (as above) but compounded solvency concerns (because while most workers can’t control how many years they pay in, self-employed can)
3. For the transition cohort (e.g. only for those born in 1960 or earlier), “3 out of the last 6 years” is clarified (would require statutory change) to mean 3 years out of any 6 consecutive years; for everyone else, now and in the future, “3 out of the last 6 years” is a test applied at time of application, i.e. when someone needs assistance with ADLs.
 - a. Pros
 - i. Offers meaningful coverage to most people nearing retirement in 2025
 - ii. Offers meaningful coverage to people with ADL needs during their working years that have not qualified under the ten year premium requirement

- iii. Does not create equity or solvency concern related to the self-employed (because they cannot choose to meet a 3-year instead of a 10-year vesting requirement)
 - b. Cons
 - i. Marginally increases projected program cost
 - ii. Raises equity concerns by giving same benefit to those (particularly those nearing retirement in 2025) who contribute for only three years as to those who contribute 40 years
 - iii. More complicated to administer

- 4. Like Option #2, except provides only half the benefit (\$18,250 instead of \$36,500) (would require statutory change)
 - a. Pros
 - i. Offers meaningful coverage to most people nearing retirement in 2025
 - ii. Creates a pathway to coverage for people who can only work for a few years over the course of their lives
 - iii. Does so without creating significant equity concerns
 - iv. Does so without creating significant solvency concerns
 - b. Cons
 - i. Increases projected program cost modestly (we don't have an estimate for this)
 - ii. More complicated to communicate to public
 - iii. More complicated to administer, with increased implementation cost
 - iv. Very small benefit may not be useful

- 5. Like Option #3, except provides only half the benefit (\$18,250 instead of \$36,500) (would require statutory change)
 - a. Pros
 - i. Offers meaningful coverage to most people nearing retirement in 2025
 - ii. Does so without creating significant equity concerns
 - iii. Does so without creating solvency concerns
 - b. Cons
 - i. More complicated to communicate to public
 - ii. More complicated to administer, with increased implementation cost
 - iii. Very small benefit may not be useful

In addition to the above options about how to handle the “3 out of the last 6 years” issue, another unresolved question to discuss at the 9/8 meeting is whether someone who has become a qualified individual remains a qualified individual for life, even if they convalesce. One interpretation would be that if someone for example has an accident at 25 and needs LTSS for 3 months to recover, and they meet the “3 out of the last 6 years” test and hence are qualified individuals at that time, and they recover and then at age 80 need LTSS again, that they would still be a qualified individual under the initial q.i. test that was done at age 25 because once someone is a qualified individual, they are a qualified individual for life. A different interpretation would be that such a person, because their second episode is for a different condition and not part of one care episode, would need to reapply for eligibility and that at that time ESD would need to re-determine if they are a qualified individual.