

SUBJECT: Long-term care programs for state employee retirement plans

COMMITTEE: Pensions and Investments — committee substitute recommended

VOTE: 5 ayes — Greenberg, Tillery, Clark, George, Williams
0 nays
4 absent — Bonnen, Rangel, Salinas, Telford

WITNESSES: For —Mel Mendenhall, Long Term Care Group, Inc.
Against —None
On —Sheila Beckett, Employee Retirement Service

BACKGROUND: Long-term care often is defined as specialized care for the elderly. It may include nursing home care, home health care, adult day care, hospice care, and other home-based medical treatment plans. Few insurance programs have offered such programs until recently. The Employees Retirement System and the Teachers Retirement System do not offer long-term care insurance programs.

Long-term insurance typically begins paying benefits to participants when two broad “eligibility triggers” are met: the person is unable to perform several of the activities considered essential to normal life or the person suffers from a significant cognitive impairment.

Elderly people who try to pay for long-term care themselves often are left impoverished. The average cost for one year of nursing home care in Texas is between \$30,000 to \$50,000 per year. Many elderly people turn to Medicaid, the state-federal medical insurance program for the low-income and the disabled, to finance this care. In order to qualify for federal help by reducing personal income and net worth, elderly people may transfer assets to children, liquidate property, or transfer assets to certain trusts.

An interim report from the Committee on Pensions and Investments recommended that the following type of people should consider long term care:

- ! Persons who have significant assets to protect other than a homestead.
- ! Persons who may have a risk of incurring long-term care expenses and stand to lose an unacceptable amount of personal assets due to a nursing home stay.
- ! Persons who want control over the type, location, and quality of services rendered and want to choose private facilities over Medicaid facilities.

Texas A&M University was the first public employer in Texas to offer long-term insurance to employees. The A&M plan covers home health care, adult day care, respite care, nursing home care, assisted living, adult foster care, care giver training, hospice care, and emergency alert. The premiums are frozen in the age band applicable at the time the member joins. Premiums are based on the daily cost of care. Texas A&M offers \$80, \$100, and \$120 dollar per day premium programs.

DIGEST:

CSHB 3089 would allow the Employees Retirement System (ERS) and the Teacher Retirement System (TRS) to provide an optional group long-term care insurance program or join with a higher education system to offer such a program. A group long-term care insurance program could cover active or retired employees and their spouses, parents, and grandparents and their spouses' parents.

Any administering firm contracted to manage the group long-term care insurance program would bill each program participant directly for premiums and any other program cost, and the participant would be responsible for payment. The premiums and any other program cost could not be deducted from an employee's monthly compensation or a retired employee's annuity. The state could not contribute any part of the premiums, nor could the long-term care program be part of group coverage offered by the systems.

The bill would allow qualifying public institutions of higher education covered under the Texas State College and University Employees Insurance Benefits Act to join with ERS and TRS to provide group long-term care insurance. The terms of the agreement would have to be beneficial to all

parties involved. An institution could not participate in an agreement unless any cost or administrative burden associated with the development or implementation of or communication about the program was incidental.

CSHB 3089 would take immediate effect if finally approved by a two-thirds record vote of the membership in each house.

**SUPPORTERS
SAY:**

CSHB 3089 would offer an optional plan that would allow employees covered by ERS and TRS to buy into the Texas A&M system's long-term care insurance plan or allow ERS and TRS the option of setting up their own programs. This would be a major benefit to state and public school employees and their families because it would help them finance the costs of long-term care when they become elderly or infirm. It also would help them to protect their savings and assets and give them more care choices than Medicaid would provide.

This new benefit would not cost the state any money because the bill specifically would provide that no state money could be appropriated for this program. Employees would not have to participate, but would have the option of purchasing long-term care insurance if their retirement systems chose to make it available. The actuarial soundness of ERS and TRS would not be affected because the long-term care program would not be funded entirely by the employees themselves and would not be part of existing group insurance coverage.

CSHB 3089 grew out of a feasibility study on creating a long-term care plan for the two largest state employee retirement programs that was conducted by the House Committee on Pensions and Investments. It is consistent with the findings made in the committee's recent interim report.

Allowing ERS and TRS the option of joining with the Texas A&M system as part of its long-term care program would lower costs to the Texas A&M system by adding a large number of people to the pool of premium paying members. It would not affect the actuarial viability of the plan. Texas A&M's plan has an established track record on providing coverage for the major types of long-term care. By adding new members, this would provide even more funds to the system for increased investments and greater returns. Administrative costs to the state of establishing the program would be lower because the plan does not involve setting up a completely new program. In

fact, by putting a long-term care program in place, the state would save public funds

earmarked toward programs such as Medicaid for the care of the Texas elderly population.

OPPONENTS
SAY:

If teachers and state employees are to be given the option of paying for group long-term care insurance, then the state should help pay for at least part of the premiums.

NOTES:

The original bill would have required, rather than allowed, ERS and TRS to establish group long-term care insurance programs by January 1, 2000, and to select an administering firm for their programs. The substitute added that a program could not be implemented unless administrative and development costs were incidental. The original bill would have required ERS and TRS to consult with the Texas A&M University System on development and implementation of the programs. The substitute would allow ERS and TRS to establish a joint program with a higher education institution.

A related bill, SB 97 by Harris, which would establish an integrative board comprising representatives of the major state retirement systems to coordinate the creation of a statewide long-term care plan, passed the Senate on April 22 and was referred to the House Pensions and Investments Committee.