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How can Actuarial Science Help Providers Create a Sustainable Life Plan at Home (CCaH) Program?



PART I

Considerations for Developing Life Plan at Home (CCaH) Organizations

by

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6 Questions for your Actuary & 1 recommendation



1. Designing your CCaH plan

- i. Benefits?
- ii. Fee structure?
- iii. Assumptions?

2. Sustainability decisions

- i. What are your “break-even” objectives?
- ii. How do you plan to handle stabilization subsidies?
- iii. Can you manage 2 critical risk factors?

3. Suggestion for CCaH space

You & your Market Expert Design

Actuary determines fees

Benefit Costs and Fees Paid by Members

Plan Description	0% Co-pay	25% Co-pay	50% Co-pay	Home Care only
✓ means included benefit ✓				
Benefits unit costs (2018\$s)				
Nursing home per day ✓	339	339	339	na
Assisted living per day ✓	195	195	195	na
Live-In per day	240	240	240	240
Memory care per day	250	250	250	250
Adult day ✓	77	77	77	77
Homemaker/Companion per hour ✓	15.00	15.00	15.00	15.00
CNA/HHA per hour ✓	23.52	23.52	23.52	23.52
Emergency response per month ✓	70	70	70	70
Handyman per hour	60	60	60	60
Transportation per hour ✓	38	38	38	38
Bi-annual Home Inspection ✓	429	429	429	429
Meal assistance per day ✓	included	included	included	included
Maximum daily benefit	339	339	339	170
Maximum lifetime benefit	1,000,000	1,000,000	1,000,000	500,000
Elimination period	none	none	none	none
Waive monthly fees when in benefit?	no	no	no	no
Benefits costs member co-pay				
Nursing home per day ✓	0%	25%	50%	na
Assisted living per day ✓	0%	25%	50%	na
Live-In per day				
Memory care per day				
Adult day ✓	0%	25%	50%	100%
Homemaker/Companion per hour ✓	0%	25%	50%	>12hrs/mo
CNA/HHA per hour ✓	0%	25%	50%	>12hrs/mo
Emergency response per month ✓	0%	0%	0%	0%
Handyman per hour				
Transportation per hour ✓	0%	25%	50%	100%
Bi-annual Home Inspection ✓	0%	0%	0%	0%
Meal assistance per day ✓	0%	0%	0%	100%

Derived Fees can be Infinity Variable

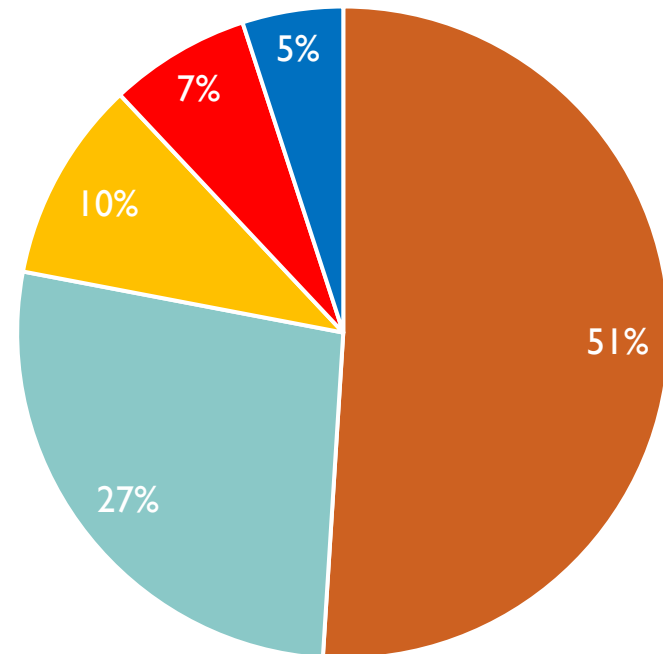
\$0 membership fee accounts for 33% of new sales*



1. Monthly fees
2. Membership fees
3. Daily cap
4. Lifetime cap
5. Exclusion period
6. Fee waiver

*Source: 2017 CCaH
Benchmarking Survey

Over 25% with \$0 membership fee;
nearly 20% homecare only*



- Lifecare with lifetime cap > \$500k
- Lifecare with lifetime cap ≤ \$500k
- Homecare only with lifetime cap > \$250k
- Homecare only with lifetime cap ≤ \$250k
- Other

Sources for Credible Assumptions

Consider resources to validate assumptions

1. Administrative; CCaH budget
2. Marketing costs; CCaH budget
3. Care coordination; W2 or 1099 staff
4. Benefit unit costs; published surveys
- 5. *Membership growth***; you and marketing consultant
6. Utilization; actuary
7. Fees; compare with LTCi pricing tools

What does Break-even Mean to You?

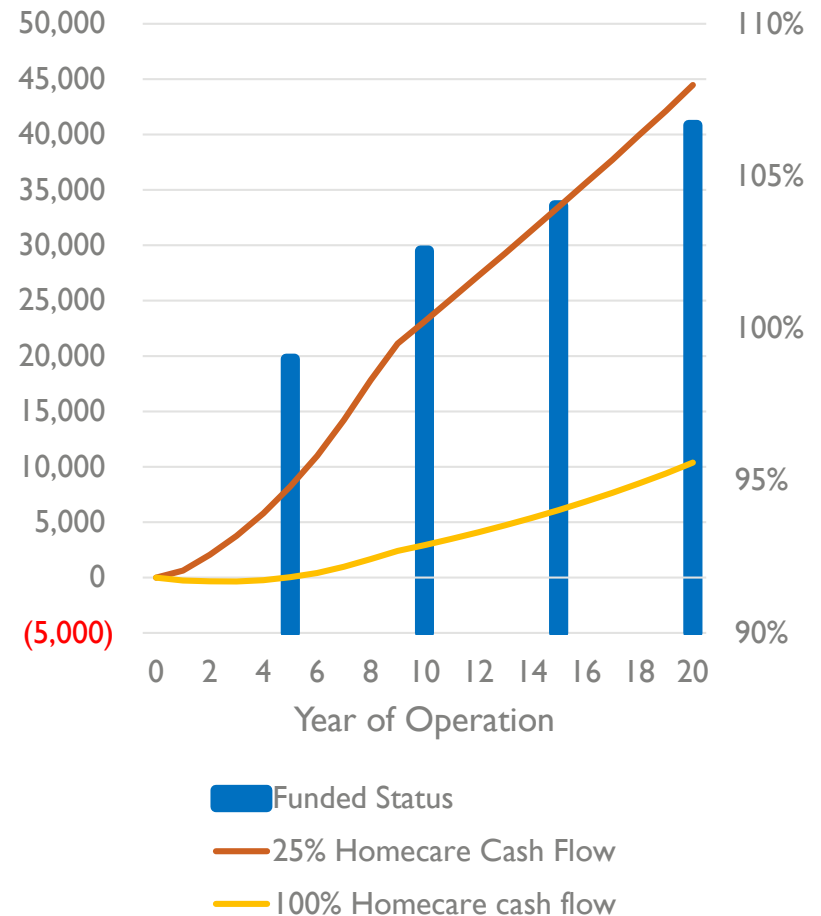
1. Cash flows

- 1 to 5 years
- Depends on contract mix

OR

2. Managing assets & liabilities

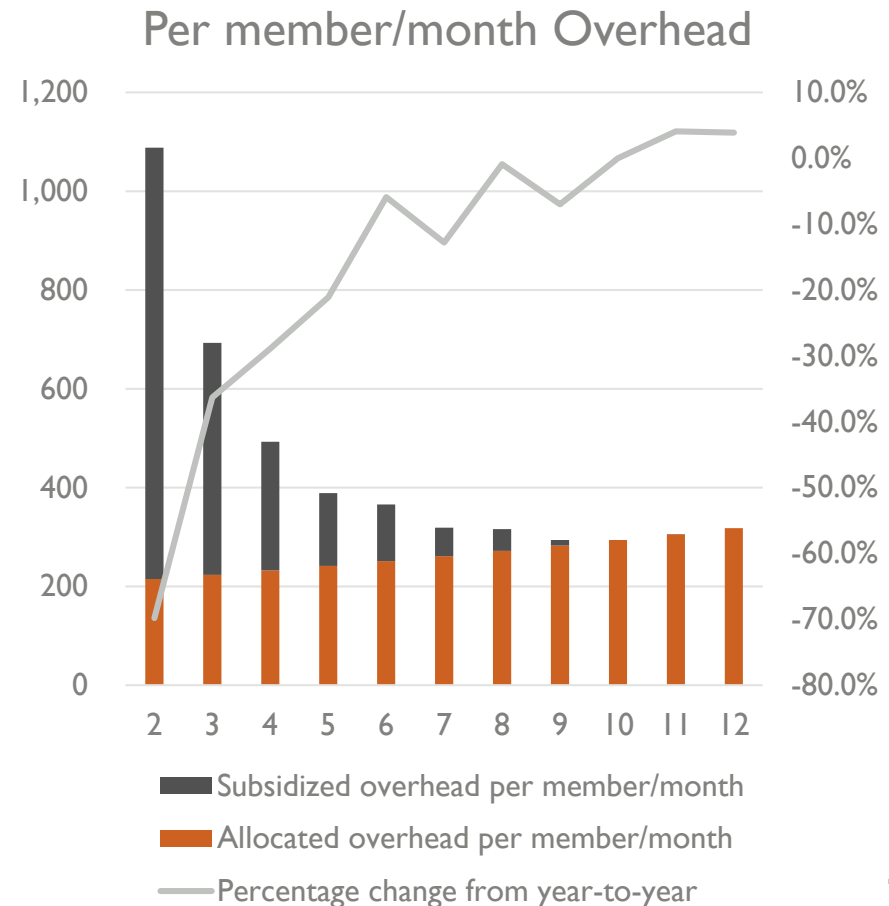
- 10 to 15 years
- Depends on target actuarial surplus and...



Are Stabilization Subsidies a Concern?

If so, what's your policy?

1. Overhead allocated to avg. census 12 to 300
2. Unallocated overhead, may accumulate to >\$1M
3. If not allocated, who funds that subsidy?
 - a. Future members
 - b. Parent org. seed money



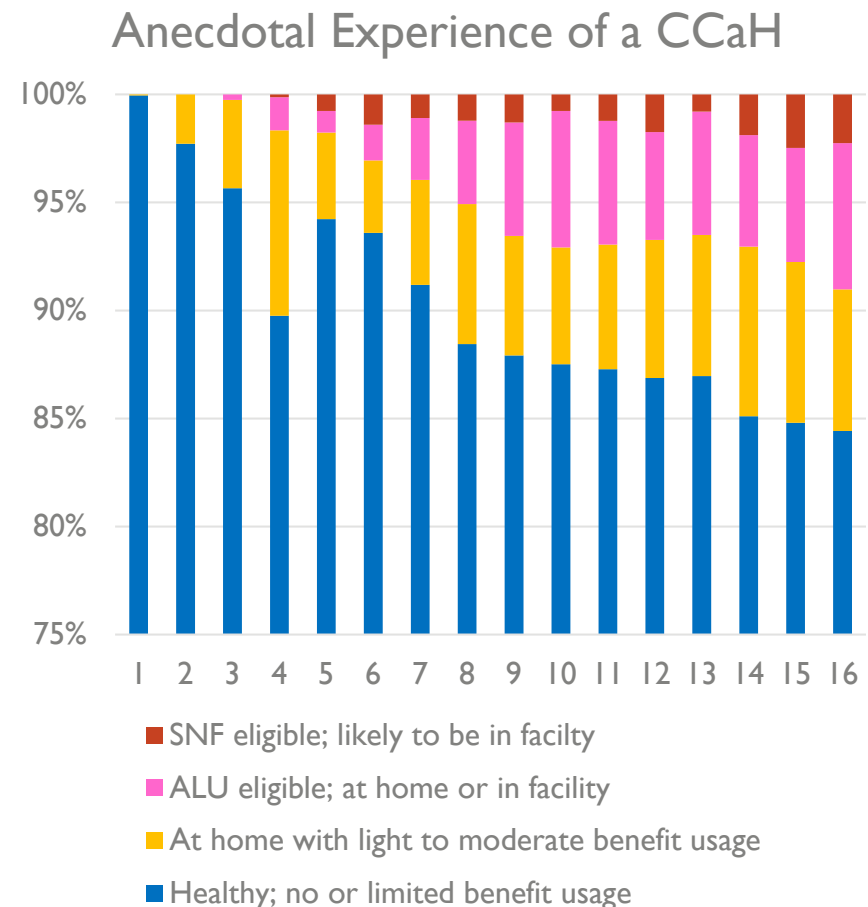


Identify 2 Material Risk Factors

1. Changes in contract selection mix
 - a. Shift toward lower membership fee options
 - b. Quantify risk—using 100% select same contract
 - c. Set aside contingency funds to cover shortfall?
2. Changes in utilization frequency & severity
 - a. Unfavorable shift in functional status
 - b. Unfavorable homecare hours/member/month
 - c. Setup systems to monitor functional status changes
 - d. Adopt preventive and reactive tactics such as...

Call for Collaboration

1. Belief that CCaH reduce institutional usage
2. But is functional status changed and health care costs reduced?
3. Suggest a 5-to-10 year longitudinal cost and usage study of CCRC and CCaH members



The Take-Away for New CCaHs

A prudent provider will combine actuarial science with **extensive market research** to design and implement a new, sustainable Life Plan at Home (CCaH) program



Searching for the elusive “marketing actuary”