

Long Term Care Insurance for the Federal Family

10th Federal Benefits Conference
2001: A Benefits Odyssey
June 6, 2001

These Slides vs. Your Handout*

- We added a few slides (or sentence(s) on a slide) after the handouts were made
- We put an asterisk (*) after the title on new slides and after the sentence on new sentences

What is Long Term Care?

- LTC is care for people who need help taking care of themselves
- It is different from health care coverage

Who Uses Long Term Care?

- Not just the aged!
- 57% are age 65 and older
- 40% are 18 - 64

What Types of Care Do They Use?

- 82% is home care, adult day care, assisted living, etc.
- Only 18% is nursing home care
- Most long term care is NOT skilled care

Source: Agency for Health Care Research and Quality, September 2000

Why Are We Offering This?

- Not covered by existing programs
- Long Term Care Security Act (P.L. 106-265)
- OPM contracting role similar to FEHB and FEGLI

Type of Policy

- Comprehensive insurance
- Coverage for nursing home care, assisted living facility care, formal and informal care, hospice care, respite care, bed reservations, etc.....

Groups Eligible to Apply for Coverage

In the law:

- All Federal employees and members of the Uniformed Services (including USPS and TVA, not DC Gov't)

Groups Eligible to Apply for Coverage

In the law:

- Federal retirees (immediate annuity), Uniformed Services retirees, and reservists (when eligible for annuity)
- includes survivor annuitants (immediate annuity) and compensationers

Groups Eligible to Apply for Coverage

In the law:

- All employees' and retirees' spouses and adult children
- All **employees'** parents, parents-in-law, and stepparents

Groups Eligible to Apply for Coverage

- Proposal for regulations:
 - **Retirees'** parents, parents-in-law, and stepparents
 - Spouses of adult children
 - Unmarried former spouses
 - Adult foster children
 - Unmarried brothers & sisters*

You Choose:

- Weekly Benefit:
 - Between \$400 and \$2,000 (in \$50 increments)
- Length of Policy:
 - 3 years, or
 - 5 years, or
 - Lifetime (most expensive)

Pool of Money

- For 3 or 5 year policies, your selections create a "Pool of Money"
- Weekly Benefit x 52 weeks/year x Length (Years) of Policy



Example:

$$\$700 \times 52 \times 3 = \$109,200$$

Pool of Money

- Benefits paid reduce the pool of money
- Pool gone = end of insurance
- Lifetime coverage has endless pool (and costs the most)



Waiting Period

- Number of days of covered care you (or other ins) pay for, before LTCI begins to pay
 - Standard policy = 90 days
 - Option for shorter such as 30 days
- Not calendar days; days of care
- Shorter = more expensive

Inflation Protection

Select one of two options:

1. **Compound** (preferred)
Weekly benefit and pool of money automatically increase every year.

Premiums remain level.



Inflation Protection

OR you can select:

Future Purchase Option

Every 2* years the weekly benefit and pool of money automatically increase based on an outside index (e.g., CPI -W).

Premiums increase too.



Benefit Levels

Up to 100% or up to 50% of the maximum weekly benefit

Based on:

- the type of care and
- use of care coordination



Benefit Levels

- **Up to 100%** of maximum Weekly Benefit for:
 - Nursing Home expenses
 - Assisted Living expenses
 - Hospice care expenses
 - Respite care expenses (4 weeks/year limit)

Benefit Levels

- **Up to 100%** of maximum Weekly Benefit for:
 - Home care
 - Home health care
 - Adult day care

IF you USE the care coordination program 

Benefit Levels

- **Up to 50%** of the maximum Weekly Benefit for:
 - Home care
 - Home health care
 - Adult day care

IF you DON'T use the care coordination program 

Care Coordination Program

A strong program can:

- Obtain provider discounts
- Know about quality and range of available services
- Be available to parents of insured employees* who need help


Trained Care Coordinator

Can come to your home to:

- Develop plan of care to meet your needs & preferences
- Assess need for home mods or DME
- Authorize up to 100% of your weekly benefit for reasonable expenses, incl. informal care and care by family members

Premiums

- Based on your age when you buy the coverage
 - Younger = lower premiums
- Based on your choices of:
 - Weekly Benefit,
 - Length of Policy,
 - Waiting Period, and
 - Inflation Protection



Premiums

- You pay 100%
 - No Government contribution
- Anticipate savings of 15-20% vs. standard private policy
- Better value
- Premium stability

When Benefits Start

A few* things need to occur:

1. You are unable to perform 2 of 6 Activities of Daily Living (ADLs) or have severe cognitive impairment
2. Condition certified to expect to last at least 90 days (only for ADLs) *

When Benefits Start

3. You pay for covered services for the number of days in the waiting period you chose

Activities of Daily Living

- Bathing
- Eating
- Toileting
- Transferring
- Dressing
- Continence
- Standby assistance



Severe Cognitive Impairment

- An impairment in:
 - Short or long-term memory; or
 - Orientation as to person, place and time; or
 - Deductive or abstract reasoning

Severe Cognitive Impairment

- Placing you in jeopardy of harming yourself or others
- For example:
 - Advanced Alzheimer's

Waiver of Premium

Once you need help with 2 ADLs (or have severe cognitive impairment) and contact the Care Coordination Program:

- You don't pay premiums during waiting period or in claim status

Tax Treatment

- Tax-qualified under HIPAA
- Fully portable
- Premiums are medical expenses subject to 7.5% rule for deductibility
- Pending legislation for full tax deductibility (H.R. 831, S. 627*)
- Benefits paid are not taxable

Underwriting

- For employees and members of the uniformed services and possibly* their spouses:
 - Guarantee issue *, or
 - Modified guarantee issue, or
 - Short form
- All others = longer underwriting

Sample Underwriting Questions

(Modified Guarantee Issue and Short Form)

- Do you currently need or receive help with any of these activities: bathing, eating, dressing, toileting, continence, or transferring from bed to chair?

Sample Underwriting Questions

(Modified Guarantee Issue and Short Form)

- Within the past 12 months have you been confined to a nursing home or custodial care facility, or are you currently receiving home health care services?

Sample Underwriting Questions

(Short Form)

- Do you currently use mechanical devices such as a wheelchair, walker, crutches, hospital bed, dialysis machine, oxygen, or stair lift?

Sample Underwriting Questions (Short Form)

- Have you been diagnosed with or had symptoms of Alzheimer's disease, dementia, organic brain syndrome, multiple sclerosis, muscular dystrophy, ALS, or Parkinson's disease?

Sample Underwriting Questions (Short Form)

- Have you been diagnosed with or treated by a member of the medical profession for AIDS or AIDS related complex?

Sample Underwriting Questions (Short Form)*

- Have you been diagnosed with an ongoing mental or nervous disorder, whether organic or inorganic? *

Other Possible Options

- Limited payment plans
-(e.g., 10-year; 20-year; paid-up-at-65)
- Spousal discounts
- Downgrades

Other Program Features: OPM on Your Side



- Employer-sponsored
- Important to Govt's overall compensation pkg
- Contemporary and evolving
- Carriers among best in business (customer service, financial strength, premium stability)

Other Program Features: Non-Standard Policies

- Possible alternate policies or services for employees and members of the uniformed services who do not pass underwriting

Other Program Features: Claims Disputes

You can request an independent third party review of the carrier's decision on a claim

Open Season



- Don't worry, be happy:
 - Carrier will do most of the work!
- Employees will request enrollment kit from carrier, not you
- Employees send application back to carrier, not you

Open Season



- You do NOT need to become an LTC expert!
- You will schedule sessions in auditoriums, etc., but carrier will do training and education
- We'll have satellite broadcasts, maybe cable tv shows, etc.

Open Season

- Carrier will send pamphlets, etc., to regular agency distribution channels -- you give them to employees
- Toll-free number for more info and enrollment kit
- Maybe tent cards, CD-ROMs, posters, etc.



Open Season

- Probably phased-in across the country, sometime before or after* October 2002
- True challenge to give full access and still process all the applications



Payroll Deduction

- Carrier will contact payroll to start deducting premiums
- Payroll sends premiums to carrier, not OPM
- We have a payroll taskforce looking into the logistics
 - But we can't do too much until we have carrier(s)




Payroll Deduction

- More details later, e.g.,
 - Nonpay status
 - Insufficient pay
 - Transfer to another agency
 - Enrollment for new employees
 - Subsequent open seasons
 - ETC.

Benefits Administration Letters

- Stay tuned to BAL Series 900 
- Our main vehicle for passing on information is our web site:
www.opm.gov/insure/ltc
ltc@opm.gov (for email)*

LTCInfo Email Listserv*

- Read BAL 01-903 dated May 15 
- Subscribe even if you've already subscribed to the BENEFITS INFO listserv

Our Next Steps

- | | |
|------------|------------------------------|
| This month | - Issue RFP |
| Aug/Sep | - Evaluate proposals |
| Oct 2001 | - Award contract |
| Then | - Education, marketing, etc. |

Coverage begins NLT
October 2002

Questions?

