



Long Term Care Insurance for the Federal Family

Strategic Compensation Conference
2001

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for Long Term Care



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



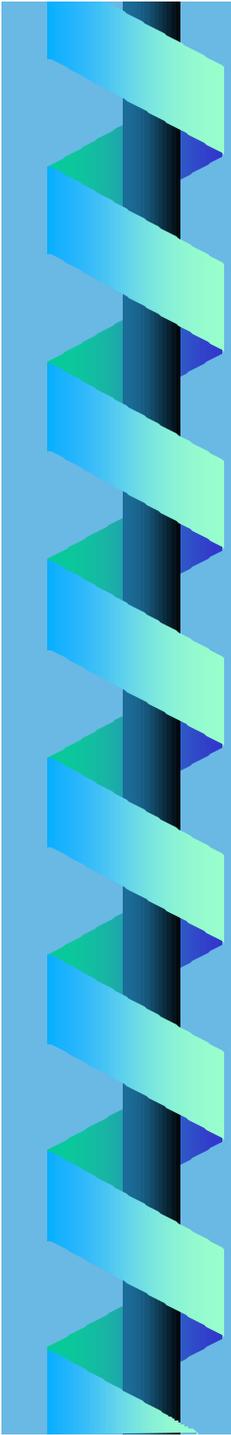
Groups Eligible to Apply for Coverage

- Employees and the Uniformed Services
- Retirees, civilian & uniformed services
- Parents and parents-in-law
- Adult Children and foster children
- Spouses of the above
- Unmarried former spouses
- Unmarried brothers & sisters



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.....



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 LTCL begins to pay
 - Standard policy = 90 days
 - Option for shorter such as 30 days
- Not calendar days; days of care
- Shorter = more expensive

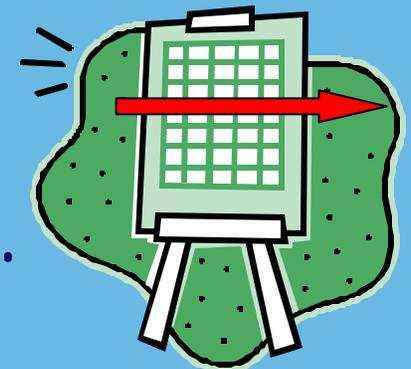
Inflation Protection

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.

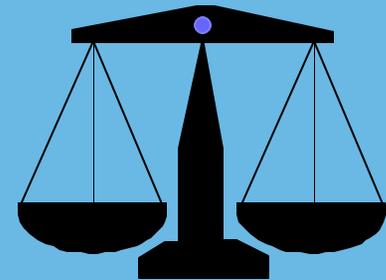


Benefit Levels

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



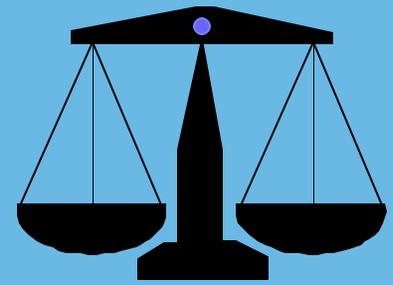
Trained Care Coordinator

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
- Toileting
- Dressing
- Eating
- Transferring
- Continence

Standby assistance

OR

Severe Cognitive
Impairment





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

- 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

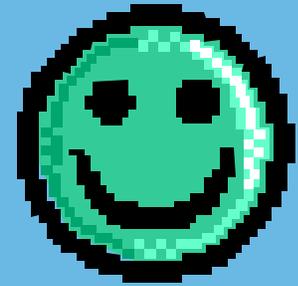
Open Season



- 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)

LTClInfo Email Listserv

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





Our Next Steps

- Aug/Sep - Evaluate proposals
- Oct 2001 - Award contract
- Then - Education,
marketing, etc.

**Coverage begins NLT
October 2002**

Questions?

