



## ***Benefits Administration Letter***

**Number:** 09-901

**Date:** September 25, 2009

**Subject: Federal Long Term Care Insurance Program Changes**

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This letter provides important information on changes that are taking place in the Federal Long Term Care Insurance Program (FLTCIP), effective October 1, 2009. These include a Special Decision Period available only to current FLTCIP enrollees due to the availability of new plan features and the implementation of a premium rate increase for some enrollees.

We ask that you read the information in this letter so that you can better assist your employees who may have questions about changes to the FLTCIP. As we discuss below, in the near future we will also need your help in distributing new materials about the FLTCIP.

As you can see, this letter is lengthy with a great deal of important information. We've included the very basics at a glance on the next page for your convenience, with links to the detailed information provided in the body of the letter.

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## **New contract term**

By law, the FLTCIP operates on a seven-year contract cycle. Last year, the Office of Personnel Management issued a Request for Proposals for the FLTCIP's second contract term (2009-2016). After a competitive procurement process, OPM awarded the contract to John Hancock Life and Health Insurance Company to provide insurance coverage to all current and new FLTCIP enrollees. The transition to John Hancock as the sole insurer of the second contract term will occur on October 1, 2009. Until that date, insurance will continue to be provided by the John Hancock and MetLife consortium that provided insurance for the Program during the first contract term.

Current enrollees' coverage continues without interruption.

Long Term Care Partners continues as the program administrator. Their toll-free phone number, 1-800-582-3337 (TTY 1-800-843-3357), and website, [www.ltcfeds.com](http://www.ltcfeds.com), remain the same.

## **New benefit plan**

New benefit options and the accompanying updated premium structure will become available for new applicants starting October 1, 2009. The new benefit plan, called "FLTCIP 2.0," features several benefit enhancements and the elimination of some less-popular features, as shown in the [FLTCIP Plan Comparison](#). Anyone whose application for coverage is received by Long Term Care Partners on and after October 1, 2009 will be applying for coverage under FLTCIP 2.0.

The benefit plan offered during the first contract term, which we are now calling "FLTCIP 1.0," will no longer be offered after September 30, 2009. Enrollees with FLTCIP 1.0 may keep their coverage or move to the new benefit plan, if they wish (see the "[Choices](#)" section for more information on this topic). Long Term Care Partners will accept applications for FLTCIP 1.0 coverage through September 30, 2009. FLTCIP 1.0 applications received after September 30, 2009, will be returned to the applicant, who will be able to re-apply using the FLTCIP 2.0 application.

## **Applications being accepted**

New applications for coverage under FLTCIP 1.0 will be accepted until September 30 under normal rules. This includes new hires and newly eligible employees, who still have the opportunity to apply for coverage with abbreviated underwriting within 60 days of becoming eligible. Other eligible individuals will still be able to apply for coverage with full underwriting at any time. As mentioned above, applications for FLTCIP 1.0 must be received by Long Term Care Partners by September 30, 2009.

The online application process and downloadable applications will not be available from the [www.ltcfeds.com](http://www.ltcfeds.com) website until the transition to FLTCIP 2.0 takes place. If employees are interested in applying for coverage before October 1, they should call Long Term Care Partners for guidance. Long Term Care Partners will discuss the benefit and premium changes that will take place, the timing of those changes, and the appropriate application to use.

## **General notification letter**

In August, Long Term Care Partners sent a letter to each current enrollee with general information about the changes to the Program. We have attached a sample copy of the version most enrollees received in *Attachment 1*. This letter enclosed formal documentation noting the change to John Hancock as the insurer for the second contract term (*Attachment 2*) and provided information for the enrollee on what to expect in the next several months as the program transitions to the new contract. Enrollees in claims status and enrollees in the Alternative Insurance Plan received a slightly different letter.

## **Premium increase**

The general notification letter also informed enrollees that OPM and John Hancock have determined that a premium rate increase is necessary for current FLTCIP enrollees (those insured under FLTCIP 1.0) with the Automatic Compound Inflation option (ACIO) whose age at purchase was 69 or younger. This premium increase will take effect on January 1, 2010, although enrollees can downgrade their coverage to avoid the increase if they wish (as discussed below). The amount of the increase depends on the person's age when the insurance was purchased:

<b>Age at Purchase</b>	<b>Percentage Increase</b>
65 and younger	25%
66	20%
67	15%
68	10%
69	5%
70 and older	No increase

The increase will not apply to enrollees with ACIO whose age at purchase was 70 or older or to enrollees who have the Future Purchase Option (FPO).

We regret that premium increases are necessary. However, certain assumptions used when the original premiums were set are no longer sufficient, including the long term return on Program investments and other factors such as persistency (the number of people who enroll and continue to remain insured). The premium increase is needed so that sufficient funds will be available to pay benefits to enrollees in the future. OPM and John Hancock believe it would be irresponsible not to increase premiums at this time.

This is the first increase in premiums since the Program began seven years ago, and it is consistent with increases in other public sector long term care insurance programs and the long term care insurance industry as a whole. Most long term care insurance carriers have either implemented or announced premium increases in the last few years. OPM retained the services

of an unaffiliated actuarial consultant to independently price the FLTCIP product, and the consultant confirmed that the announced premium increase is necessary and appropriate.

### **Special Decision Period for current enrollees**

#### **a) Choices**

Current enrollees will receive personalized letters providing information about changes to their premiums, if any, and opportunities to change their benefits.

All enrollees will receive at least two personalized choices:

- (1) Keep their current benefit levels and accept any applicable premium increase. If the enrollee decides to accept this option, no action is required on their part. This is the default option -- enrollees who do not take action to request a different choice will receive this choice.
- (2) Change their current benefit levels to a specified level of benefits in the FLTCIP 2.0 plan design with updated premiums.

Enrollees facing a premium increase will also receive a third option:

- (3) Downgrade their coverage in FLTCIP 1.0 to a specified level of benefits in FLTCIP 1.0 in order to keep their premiums approximately the same as they are currently paying. Please see the FAQs at <http://www.ltcfeds.com/help/faq/second-contract.html> for more information.

No enrollee's coverage will change unless he/she voluntarily chooses to change it.

Enrollees may request other changes to their coverage not specified in their Special Decision Period letter. They will be able to model some changes on the web at [www.ltcfeds.com](http://www.ltcfeds.com). They may need to call Long Term Care Partners at 1-800-582-3337 (TTY 1-800-843-3357) to discuss these changes, including the premiums for coverage and underwriting requirements.

**b) Underwriting requirements**

<b>Action during Special Decision Period</b>	<b>Underwriting required</b>
Choose one of the personalized choices presented in their letter	No
Make a change in coverage that is different from what is presented in letter:	Depends on whether the change results in an overall increase or decrease in benefits:
a) Changes that result in an overall increase in benefits, whether in FLTCIP 1.0 or FLTCIP 2.0	<ul style="list-style-type: none"> <li>- Abbreviated underwriting for current enrollees who are now active workforce members or spouses of active workforce members (see actively at work requirement below)</li> <li>- Full underwriting for all other current enrollees</li> </ul> <p>If a current employee's employment status changes after submitting an abbreviated application but before the increased coverage becomes effective, the employee must reapply with full underwriting.</p>
b) Changes that result in an overall decrease in benefits	No

**c) Actively at work requirement**

In most cases, the effective date of Special Decision Period changes in coverage will be January 1, 2010. For any Special Decision Period change that required abbreviated underwriting to go into effect on that date, the active workforce member must be actively at work at least ½ of one day during the month of December 2009.

**d) Timing of Special Decision Period letters**

The mailings will begin in mid-October and be staggered over several weeks, so enrollees will not all receive their letters at the same time. Mailings to enrollees with the Future Purchase Option will begin October 12. Mailings to enrollees with the Automatic Compound Inflation Option will begin October 26.

**e) Due date for decisions**

The Special Decision Period ends Monday, December 14, 2009. Elections must be submitted by that date.

#### **f) Effective date**

Benefit and/or premium changes will generally take effect January 1, 2010. Changes requiring underwriting may have a later effective date depending on the length of the underwriting process.

#### **g) For current enrollees only**

The Special Decision Period is for current FLTCIP enrollees only. It is **not** a general open season for all employees and annuitants to elect FLTCIP coverage. We expect to hold a FLTCIP Open Season for all individuals eligible to apply in late 2010. However, eligible individuals may apply for coverage under the FLTCIP at any time with full underwriting.

#### **h) Help is available**

We recognize that these Special Decision Period choices can be difficult ones to make. We are making the Special Decision Period documents as simple as can be for a complicated decision, but we want to emphasize that enrollees should not feel that they have to make decisions without assistance. Long Term Care Partners has specially trained Customer Service Consultants standing by to help current enrollees understand their choices. Live help is available from 8 a.m. to 7 p.m. Eastern Time at 1-800-582-3337 (TTY 1-800-843-3357).

#### **i) Federal Register Notice**

We will issue a Federal Register Notice with rules for this Special Decision Period in the near future. These rules pertain only to changes that existing enrollees may make during that time.

#### **New program materials**

Long Term Care Partners is designing new program materials for the October 1, 2009 launch of FLTCIP 2.0. The new material will include a revamped information kit and program overview brochure that includes information for new hires. The [www.ltcfeds.com](http://www.ltcfeds.com) website will also be updated. Long Term Care Partners Account Managers will personally contact agency benefits officers to discuss the new material. Contact information for LTCP Account Managers is at <http://www.ltcfeds.com/ABO/accountmanagercontacts.html>.

**It is extremely important that you stop using all prior program material after September 30, 2009. Please destroy all old FLTCIP marketing/educational material at that time.**

Although materials in the FLTCIP 1.0 application packages and the Benefit Booklet have always stated when rates can be increased, in retrospect we realize we could have emphasized this critical information more prominently. We have applied these lessons learned in preparing the new material.

## **Government sponsorship**

Because the FLTCIP is the largest group long term care insurance program in the country, it attracts a great deal of attention and scrutiny throughout the industry. Especially now when changes are being made to the Program, you may be approached by insurance agents not affiliated with the FLTCIP, asking for permission to present information on long term care and long term care insurance to your employees.

While Federal employees should be informed consumers so that they can make their own best decisions, it is also important that the information they receive is accurate. **Please keep in mind that the FLTCIP is the only government-sponsored long term care insurance program for the Federal Family and Long Term Care Partners is the only entity authorized by OPM to represent it.**

## **Table of Key Dates**

<b>Event</b>	<b>Date</b>
General Notification Letter sent to current FLTCIP enrollees	August 2009
Last day applications for FLTCIP 1.0 will be accepted by Long Term Care Partners	September 30, 2009
John Hancock becomes sole FLTCIP insurer	October 1, 2009
First day for new applications for FLTCIP 2.0	October 1, 2009
Special Decision Period packages sent to current enrollees	Spread over a few weeks. Mailings begin October 12 for enrollees with the Future Purchase Option and October 26 for enrollees with the Automatic Compound Inflation Option. All mailings will be completed in October.
Deadline for making Special Decision Period elections	December 14, 2009
Most Special Decision Period elections effective	January 1, 2010
Premium increase for FLTCIP 1.0 effective	January 1, 2010



## **Frequently Asked Questions**

Please see the FLTCIP website for answers to many frequently asked questions about the new contract at <http://www.ltcfeds.com/help/faq/second-contract.html>.

We thank you for your cooperation as we continue to transition to the FLTCIP's new contract term. If you have any questions, you can email us at [ltc@opm.gov](mailto:ltc@opm.gov). You may also contact your [Long Term Care Partners Account Manager](#) directly for assistance.

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Attachments