

**STATEMENT OF  
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**Before  
SPECIAL COMMITTEE ON AGING  
UNITED STATES SENATE**

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Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before you today to discuss the Federal Long Term Care Insurance Program (the Federal program).

OPM views the Federal Program as a critical component of the Federal Government's efforts to attract and retain a high-caliber workforce. It is the largest group long term care insurance program in the nation, with 211,461 enrollees (as of February 28, 2006). This is a true success story, thanks to the strong Congressional leadership which made the Federal Program possible.

**Background**

OPM staff worked extensively with Congressional staff and industry representatives to ensure the authorizing legislation for the Federal Long Term Care Program would be viable from both administrative and industry perspectives. Shortly after enactment of the Long-Term Care Security Act

on September 20, 2000, OPM staff began meeting with national experts in the fields of long term care and long term care insurance to help us design a program that would be at the forefront of the marketplace.

On June 20, 2001, OPM issued a request for proposals from qualified carriers to insure and administer the Federal program. After a competitive bidding process and an extensive evaluation of competing proposals by separate technical and financial panels, OPM awarded a contract to Long Term Care Partners, the joint venture formed by John Hancock and MetLife, on December 18, 2001. John Hancock and MetLife are the nation's two largest carriers of group long term care insurance and consistently earn top ratings for financial strength from the major ratings agencies. Both have been in the long term care insurance market for well over 15 years and have a history of rate stability.

Federal and Postal employees and annuitants (including survivor annuitants), active and retired members of the uniformed services, certain District of Columbia employees, and their qualified relatives are eligible to apply for long term care insurance under the Federal program.

The Federal program is underwritten, and thus certain medical conditions, or combinations of conditions, prevent some people from being approved for coverage. We held an early enrollment period from March 25,

2002 to May 15, 2002, for those who were familiar with the product and desired coverage as soon as possible, and the first open season from July 1, 2002 to December 31, 2002. The open season was accompanied by an extensive educational initiative to acquaint the eligible population with the product and the need for it. During the early enrollment period and the open season, employees and their spouses could apply for coverage using the abbreviated underwriting application, containing only a handful of health-related questions. The rest of the eligible population had to use the full underwriting application, which contains many health-related questions.

Since open season ended in 2002, abbreviated underwriting is available for a 60 day period only to new or newly eligible employees and their spouses and newly married spouses of employees. Everyone else must use the full underwriting application, but the program remains open to the entire eligible population.

### **Federal Long Term Care Insurance Participation**

As you can imagine, one of the greatest challenges we faced early in the program's history and continue to face is how best to educate and communicate with the eligible population about what long term care is, and the need for long term care insurance. This is not unique to our program. Long term care insurance is typically a difficult sell, whether in the

government or private sector. Some people are hesitant to purchase long term care insurance because of its expense as well as the possibility that they'll never need to use the insurance and will have paid money for "nothing". Long term care itself is even more expensive, of course. I personally would rather pay for long term care insurance and never need it than find that I need it but don't have it. I feel the same way about the collision insurance on my car and the fire insurance on my house. Peace of mind is worth a lot.

Over the last 5 years, we've learned a lot about how to encourage people to apply for long term care insurance. One of the most important aspects of the purchase decision is multiple exposures to the message are needed. It is very hard for people to project themselves into the future, perhaps 20, 30 or even 40 years hence, and imagine they may need help with activities often taken for granted, such as eating and dressing. Most people will tune out at the first suggestion they may need this help someday. They may even tune out the second time. But after continued education at benefits fairs, distribution of materials, seminars, positive press, education on State tax incentives for purchasing insurance, discussions on retirement planning, discussions with colleagues, etc., they start to listen and think about how they might pay for such care, if they do,

indeed, need it someday. That thought process naturally leads to requesting information about how to apply for insurance under the Federal program.

Another important lesson is that nothing can match personal experience. Someone who has seen a loved one spend a lifetime of savings on long term care services; someone who has nursed a loved one through chronic illness and experienced the emotional and physical stress that care-giving entails –will be much more receptive to thinking about long term care insurance than someone who has not had this type of experience. Endorsement by the Federal Government is key.

Through focus group surveys we've done for the Federal program, we know that OPM sponsorship and oversight of the Federal program on an on-going basis and that it was established by an Act of Congress and ratified by the President instantly lend credibility to the program. The Federal program competes with many other long term care insurance policies in the marketplace. Sometimes it's hard to compare benefits or know that you're comparing them accurately. The Federal endorsement itself is sometimes enough to give applicants the peace of mind they've made the right choice.

Payroll deduction also lends credibility and helps close the purchasing decision. Almost 70% of Federal/Postal employees chose payroll deduction at time of application, and about 65% of enrolled annuitants have annuity deduction for their premiums. It is a distinct advantage.

We know we need to do a better job educating people about the need for this insurance especially in venues where we have difficulty reaching the eligible population. This includes military bases with limited access to active members of the uniformed services and the Postal Service where employees are very dispersed and have to attend educational sessions on their own time, not “on the clock”. Some agencies are better than others at distributing information about the program and making educational opportunities available, such as pre-retirement seminars. Contact at the home can be more effective than at the workplace where employees are inundated with reading material. Yet, we cannot take advantage of home settings as private insurance agents do, because we do not have access to non-OPM employees’ home addresses nor do we have a network of paid agents. We cannot easily reach qualified relatives, since we really don’t have a way to contact them.

Given all of those challenges, we believe the Federal program has done a commendable job reaching the eligible population, as evidenced by the thousands of applications that Long Term Care Partners receives each year, even without holding an open season.

In closing, we assure you this program will continue be a success and a leader in the long term care insurance marketplace. We are deeply grateful for the support of Congress and believe your active advocacy can be very helpful. Thank you for your time today and for your continuing interest in the Federal Long Term Care Insurance Program and in long term care insurance in general. I will be pleased to answer any questions.