

# BRINGING LONG TERM CARE TO THE FEDERAL FAMILY

**Frank D. Titus**  
**Assistant Director For**  
**Insurance Programs**

# BACKGROUND

- **President's LTC initiatives announced on January 4, 1999:**
  - Tax credit for LTC
  - Medicaid initiatives to encourage expansion of home and community based LTC options
  - National LTC information campaign
  - Private LTC insurance for Federal employees

# ADMINISTRATION GOALS

- **OPM role similar to health and life insurance**
- **Flexible authority**
- **Broad population**
- **HIPAA tax-qualified standards as floor**

# LONG TERM CARE SECURITY ACT

- **OPM Role Similar to Health and Life Insurance**
  - **Contracting authority**
  - **Contract(s) awarded based on qualifications, price, and reasonable competition**

# LONG TERM CARE SECURITY ACT

- **Flexible Authority**
  - **Gives OPM regulatory authority & oversight**
  - **Allows for one or more carriers**

# **LONG TERM CARE SECURITY ACT**

- **Broad Population**
  - **Employees and Annuitants of the:**
    - **Federal Government**
    - **Uniformed Services**
    - **Postal Service**
- **Qualified relatives**

# LONG TERM CARE SECURITY ACT

- **HIPAA Tax-Qualified Standards**
  - **Benefits are not taxable**
  - **Choice of Service**
  - **Consumer protections**
    - **Portability of insurance coverage**
    - **Nonforfeiture provisions**
    - **Guaranteed renewability**

# LONG TERM CARE SECURITY ACT

- **HIPAA Tax-Qualified Standards (cont.)**
  - Benefit Triggers - ADL's & cognitive impairment
- **ADL's (Activities of Daily Living) include:**
  - Eating, toileting, transferring, bathing, dressing, continence

# LONG TERM CARE SECURITY ACT

- **Other Provisions**

- **Minimal underwriting standards for employees at first opportunity to enroll**
- **Spousal equity**
- **Premium withholding**

# PRODUCT DESIGN

- **OPM will consult with:**
  - **Employee representatives**
  - **Retiree representative**
  - **Congressional staff**
  - **Industry experts**
  - **Other interested parties and stakeholders**

# PRODUCT DESIGN

- **Design objectives:**
  - **Premiums significantly below the private market**
  - **Flexible, adaptable product**
  - **Simple, understandable product**

# PRODUCT DESIGN

- **Prototype benefits**
  - **Pool of money approach with variable pools available**
  - **Variable pay-out rates tied to level of care**
  - **Many eligible levels or care**
  - **Level premium**

# PRODUCT DESIGN

## POOL OF MONEY

Daily care rate

X 365 days

X Term of Coverage

# PRODUCT DESIGN

## Pool of Money Examples

MAXIMUM DAILY BENEFIT = \$100

Nursing Home Care - 100%

$\$100 / \text{day} \times 365 \text{ days} \times 4 \text{ years} = \$146,000$

# PRODUCT DESIGN

- **Hypothetical Benefits Structure**
  - **Nursing Home Care - 100%**
  - **Assisted Living Care - 75%**
  - **Adult Day Care - 50%**
  - **Home Health Care - 50%**
  - **Respite Care - 50%**
  - **Robotic Care - ???**

# PRODUCT DESIGN

- **Options**
  - **Daily rates**
  - **Term of coverage**
  - **Inflation protection**
  - **Elimination period**
  - **Kind of nonforfeiture**
- **A Collaborative process**

# PREMIUM CONVERSION

# WHAT IS PREMIUM CONVERSION?

- **Section 125, Internal Revenue Code**
- **Pre-tax deductions of health insurance premiums**
  - **Reduction of employee's taxable income through pre-tax deduction of health insurance premiums**
  - **Saves on Federal income tax, Social Security, and Medicare tax (and most state and some local taxes)**

# TIMELINE

- **February 7, 2000**
  - Included in President Clinton's budget
  - OPM begins planning
  - July 2000, Interim regulations published
- **October 1, 2000**
  - All agency implementation date

# GOALS

- **Implementation has two objectives:**
  - **Equal treatment for Federal employees**
  - **Improving the Government's ability to recruit and retain staff**

# WHO IS ELIGIBLE?

- **Federal employees**
  - **Executive Branch and others eligible for FEHB**
  - **Approximately 1.6 million employees will have this advantage!**

# WHO IS NOT ELIGIBLE?

- **Retirees**
- **Survivors**
- **Former Spouses**

# HOW MUCH WILL EMPLOYEES SAVE?

$$\begin{array}{r} \text{Highest combined tax rates} \\ \times \quad \text{Total number of FEHB premiums} \\ \hline = \quad \$ \text{ Saved} \end{array}$$

*-Example: If your combined rate for Federal and local income taxes, Social Security and Medicare tax is 35% and the cost of your annual health insurance premiums total \$1,400, your annual reduction in taxes would be \$490 (1,400 X 3.5 = 490) 23*

# COMMONLY ASKED...

- **Does not affect Government contribution**
- **No initial open season**
  - **Enrollment is automatic unless waived**
- **Permanent benefit with annual option to waive/reenroll**
- **Does not affect grade or step level**
- **Cannot use for non-FEHB health plans**
- **Does not affect retirement high 3 computation**
- **Flexible Spending Accounts (FSA) may be implemented at later date**

# Flexible Spending Accounts

- **Pre-tax, section 125 cafeteria plans**
- **Employee chooses amount to set aside each calendar year, within limits**
- **Medical-vision-dental or dependent care expenses not reimbursed by insurance**

# Flexible Spending Accounts

- **Amounts held in account by employer**
- **Employee makes claims against account based on expenses**
- **Amount remaining at end of year is retained by employer**
- **Third Party Administrator**