UNITED STATES DEPARTMENT OF AGRICULTURE
FOOD SAFETY AND INSPECTION SERVICE
WASHINGTON, DC

FSIS NOTICE	30-02	8/16/02

FEDERAL LONG TERM CARE INSURANCE PROGRAM (FLTCIP) OPEN SEASON – JULY 1, 2002 THROUGH DECEMBER 31, 2002

I. PURPOSE

This notice announces the first open season for the new Federal Long Term Care Insurance Program (FLTCIP), and provides general information about the program.

II. BACKGROUND

Long term care insurance helps pay for long term care services, such as home care or care in a nursing home or assisted living facility. Long term care is something you may need if you can no longer independently perform everyday tasks, such as getting dressed, eating or bathing. It also includes the kind of care you would need if you had a severe cognitive impairment, like Alzheimer's disease. The need for long term care usually comes from age or chronic illness, injury or disability.

III. OPEN SEASON

Open season extends from July 1, 2002 through December 31, 2002. During this period, eligible employees and their spouses can apply for coverage under the FLTCIP using an abbreviated underwriting (short form) process, which includes responding to several questions that determine enrollment eligibility. Other eligible family members must use the full underwriting process, similar to purchasing an insurance policy in the private market.

IV. COVERAGE OPTIONS

The FLTCIP offers a wide variety of options for coverage. Premiums are based on the level of coverage and age. During open season, individuals who apply will be considered the age that they are as of July 1, 2002, regardless of when they elect coverage during that period.

DISTRIBUTION:	NOTICE EXPIRES:	OPI:
All Employees	February 1, 2003	HRD – Employment and Benefits Policy Branch

V. EMPLOYEE ELIGIBILITY

Employees who are eligible to enroll in the Federal Employees Health Benefits (FEHB) Program are also eligible to apply for the FLTCIP. An employee does not have to be enrolled in the health benefits program to enroll in the FLTCIP.

VI. FAMILY MEMBER ELIGIBILITY

An eligible employee's current spouse, parents, parents-in-law, stepparents, and adult children (age 18 and over) may apply for coverage, even if the employee does not. Parents-in-law include the parents of a deceased spouse, as long as the employee has not remarried. A stepparent is the person currently married to the employee's parent, or if the parent is deceased, the person who was married to the employee's parent at the time of death. **NOTE:** Parents, parents-in-law, and stepparents of retirees are not eligible to apply.

VII. ADMINISTRATION

A. The Office of Personnel Management (OPM) has contracted with LTC Partners (a company formed by John Hancock Insurance Company and MetLife Insurance Company) to administer the FLTCIP for the entire Federal community, including employees, members of the uniformed services, retirees, and their eligible family members. LTC Partners sends out open season kits and applications, processes the applications, handles billing, and maintains enrollee records.

B. The Human Resources Division is not involved in administering the FLTCIP, but will help to publicize and distribute information and educational materials received from OPM and LTC Partners.

VIII. OPEN SEASON KITS

A. Request an Open Season Kit from LTC Partners by:

1. Calling 1-800-582-3337. Call 1-800-843-3557 for TDD for the hearing impaired.

2. Visiting www.ltcfeds.com.

B. Individuals who have already received information from LTC Partners must specifically request an Open Season Kit. Employees and other eligible parties can put their name on the mailing list to receive a hard copy of the Open Season Kit and application. Most short form application users will be able to submit applications through the web site. Applications can also be filled out online, printed, and mailed; or a blank application can be printed from the web site, completed manually, and mailed.

IX. ADDITIONAL INFORMATION

It is important to have more information than this notice provides about the FLTCIP before making a final decision about long term care insurance. Browse the web site (www.ltcfeds.com) or contact LTC Partners for additional information. LTC Partners has certified long term care specialists available from 8:00 a.m. to midnight (Eastern Time), to help people make informed decisions on FLTCIP coverage. Attachment 1 contains questions and answers from OPM's web site which provide more information about the FLTCIP.

X. PAYMENT OPTIONS

A. Employees may pay premiums through direct billing, debit from a personal account at a financial institution, or through payroll deduction. The web site and the Open Season Kit contain complete instructions for the different payment options.

B. Employees who choose to pay premiums through payroll deduction must indicate one of the following payroll numbers:

Payroll Number	For
374848	Field employees serviced by the Human Resources Field Office in Minneapolis, MN
374830	Headquarters employees serviced by the Classification and Staffing Services Branch in Washington, DC

XI. AFTER OPEN SEASON

Eligible applicants can apply for FLTCIP coverage after the open season with a full underwriting application. Premiums will be based on the applicant's age when LTC Partners receives the application. **NOTE:** OPM is not planning an annual open season for the FLTCIP program and has not indicated when the next open season will occur.

DJ Mutacchio
for
Acting Deputy Administrator
Office of Management

Attachment
1 FLTCIP Questions and Answers

FEDERAL LONG TERM CARE INSURANCE PROGRAM QUESTIONS AND ANSWERS

THE CONTRACT

Q1: How is the OPM providing benefits for the Long Term Care Insurance Program?

A1: OPM has contracted with two of the premier long term care insurance companies (John Hancock and MetLife), who have partnered to form Long Term Care Partners, LLC (LTC Partners), an organization that is devoted exclusively to the FLTCIP.

Q2: How long is OPM's contract with LTC Partners? What happens when the contract term ends?

A2: This initial contract is for a term of 7 years. By law, OPM cannot automatically renew the contract with LTC Partners. OPM will continually evaluate LTC Partners' performance against annual performance goals. Before the 7 years end, OPM will perform an extensive review of LTC Partners' performance against the best performing providers of long term care insurance services. OPM will then determine whether it is in the best interest of the enrollees to renew the current contract. If so, OPM will renew the contract for another 7 years. If not, OPM will issue a Request for Proposals and choose a new contractor. This process should be seamless to the enrollees. A new contractor will automatically assume the responsibilities for the current enrollees and LTC Partners would stay on until the transition to the new contractor is complete.

OPEN SEASON

Q3: When is the Open Season?

A3: Open season is from July 1 to December 31, 2002, with staggered 60-day enrollments during that time.

Q4: Will all of the benefits be available during the Open Season?

A4: Yes, all of the benefits available in the FLTCIP will be available during the open season. In addition to the benefits available during early enrollment, there will also be weekly benefits, an unlimited benefit period, a facilities-only option, non-standard insurance, and a services-only non-insurance package.

Q5: At what age will my premiums be calculated?

A5: Your "billing" age will be your age on July 1, 2002.

Q6: If I apply during the Open Season, pass the underwriting, and my application is approved, when will my coverage be effective?

A6: Coverage will be effective on October 1, 2002, or the first day of the month after your application is approved (original effective date), whichever is later. Federal and Postal employees and members of the uniformed services must be actively at work on that effective date. If not, the coverage will NOT become effective on the original effective date. It will become effective on the first day of the month after the day you return to being actively at work, provided that you are actively at work on this revised effective date.

If the original effective date or the revised effective date is on a weekend or holiday, you need to be actively at work on the last workday before that date. Notify LTC Partners if you are not actively at work on your original or revised effective date. There may need to be another revised date. Also notify LTC Partners if your health or eligibility status changes in a way that would change your answer to a question on the application that you completed.

Q7: What does it mean to be "actively at work"?

A7: "Actively at Work" means:

- You are reporting for work at your usual place of employment or other location where government business requires you to travel.
- You are able to perform all the usual and customary duties of your employment on your regular work schedule.
- You are not absent from work due to sickness, injury, annual leave, sick leave or any other leave. For employees working an alternative work schedule (AWS), an AWS day off counts as an "Actively at Work" day.

Q8: Can I get an Open Season application now?

A8: Yes. Visit www.ltcfeds.com or call 1-800-LTC-FEDS (1-800-582-3337) or TDD 1-800-843-3557.

UNDERWRITING

Q9: What is "Underwriting"?

A9: "Underwriting" is the process of reviewing medical and health-related information furnished on an insurance application to determine if the applicant presents an acceptable level of risk and is insurable.

Q10: What is "Abbreviated Underwriting"?

A10: Federal employees, members of the uniformed services, and their spouses will be subject to "abbreviated underwriting." The application contains several health-related questions designed to determine who may be immediately eligible for benefits, or eligible for benefits within a short period. Spouses will answer nine questions, and employees and members of the uniformed service will answer seven questions. View the applications at www.ltcfeds.com.

Q11: What is "Full Underwriting"?

A11: Applicants other than Federal employees, members of the uniformed services, and their spouses will be subject to full underwriting and will have to answer numerous health-related questions. The process may also include a review of medical records and a personal interview. This level of underwriting also applies to individual policies in the private market. View the applications at www.ltcfeds.com.

Q12: What are the underwriting requirements for the unlimited benefit period?

A12: Anyone eligible to use the abbreviated underwriting application will have to answer additional questions to apply for the unlimited benefit period during open season.

BENEFITS

Q13: Will the FLTCIP offer a spousal discount or any spousal benefits?

A13: The FLTCIP will not offer a separate spousal discount or benefit, or any other targeted discounts. FLTCIP rates are designed to be as low as possible for the entire eligible population.

Q14: What happens if I apply while I am in an eligible group, but then I leave the eligible group before my insurance is effective? Will my insurance still become effective?

A14: It depends. You must be in the same eligible group on the date you apply for the insurance and on the date the insurance should become effective (October 1 during the open season). If you leave the eligible group during this period, your insurance will not become effective. **Exceptions**:

- If you retire from the Federal service after you apply, but before the coverage effective date, you must reapply using the long form application, as a retiree.

- If you apply as an employee and are involuntarily separated from your Federal job (other than for gross misconduct) after your application is approved, but before your coverage effective date, your coverage will still become effective.

- If you apply as a qualified relative and your eligible relative either dies or is involuntarily separated from Federal service after your application is approved, but before your coverage effective date, your coverage will still become effective.

Q15: When are enrollees eligible for benefits?

A15: Benefits are **payable** after you satisfy any required waiting period **and** you meet the following conditions:

1. A licensed health practitioner certifies that:

   a. You are unable to perform 2 of 6 “activities of daily living” (ADLs) **and** your condition is expected to last at least 90 days,

   OR

   b. You need substantial supervision due to a severe cognitive impairment.

2. LTC Partners agrees with the certification.

3. A licensed health care professional develops a plan of care for you that LTC Partners approves.

Q16: What are “Activities of Daily Living” (ADLs)?

A16: ADLs are common activities that people perform every day, including:

- **Bathing.** Washing your hair, washing yourself by sponge bath, in a tub, or shower (including getting into or out of the tub or shower).

- **Dressing.** Putting on and taking off all clothing items and any necessary braces, fasteners, or artificial limbs.

- **Transferring.** Moving into or out of a bed, chair, or wheelchair.

- **Toileting.** Getting to and from the toilet, getting on and off the toilet, and performing associated personal hygiene.

- **Continence.** Maintaining control of the bowel and bladder function. When unable to maintain control of the bowel or bladder function, performing associated personal hygiene (including caring for catheter or colostomy bag).

- **Eating.** Feeding yourself by getting food into the body from a receptacle (plate, cup, or table), or by a feeding tube, or intravenously.

Q17: What is "Severe Cognitive Impairment"?

A17: Severe Cognitive Impairment is an impairment or loss in:

- Short or long term memory.
- Orientation as to person, place and time.
- Deductive or abstract reasoning.

This impairment or loss places you in jeopardy of harming yourself or others, and therefore, in need of substantial supervision by another person. The most common form of cognitive impairment is advanced Alzheimer's disease.

Q18: What is the Waiting Period?

A18: The waiting period is the number of days that you must be eligible for benefits and receiving covered services before your benefits start, similar to a health insurance deductible. You must satisfy the waiting period once in your lifetime. Days applied to satisfy the waiting period do not need to be consecutive, or associated with the same care episode. The days will be added together until the waiting period is satisfied. When you apply for coverage, you select your waiting period length. The standard is 90 days, but you may choose 30 days, at an additional cost.

The FLTCIP does not pay benefits during your waiting period. **NOTE:** Hospice care and caregiver training do not count toward meeting your waiting period.

Q19: What types of benefits does the insurance cover?

A19: The FLTCIP offers a flexible package that pays benefits toward a variety of services, including but not limited to:

- Nursing home care.
- Assisted living facilities.
- Formal and informal home care.
- Adult day care.
- Hospice care.
- Respite care when your primary caregiver needs a rest (limited to 30 days times your daily benefit amount (DBA) per calendar year).

- Bed reservations. Payments to a nursing home or assisted living facility to hold a bed if you are a resident of that facility and temporarily hospitalized or out of the facility on therapeutic leave. **NOTE:** Limited to 30 days times your DBA per calendar year.

Q20: What are the reimbursement limits for covered services?

A20: The FLTCIP provides reimbursement for the following covered services, (as long as they are part of a written plan of care approved by LTC Partners,) up to the percentage of your DBA listed next to the covered service:

Covered Services	DBA Reimbursement
Nursing Home, Hospice Facility, or Assisted Living Facility	Up to 100%
Hospice Care at Home	Up to 100%
Home Care Provided by a Formal Caregiver	Up to 75%
Adult Day Care Center	Up to 75%
Informal Caregiver Services *	Up to 75%
Caregiver Training *	Up to 100%
Respite Services *	Up to 100%
Bed Reservations	Up to 100%

* Specific lifetime or calendar year limitations apply to certain benefits as follows:

- **Informal caregiver services** provided by family members. Benefits limited to 365 days in your lifetime. (**NOTE:** Family members who provide care may not live in your home at the time you become eligible for benefits.)

- **Caregiver training.** Benefits limited to 7 days times your DBA in your lifetime.

- **Respite services.** Benefits limited to 30 days times your DBA per calendar year.

- **Bed reservations.** Benefits limited to 30 days per calendar year.

Q21: Why does the FLTCIP provide only 75% reimbursement for home care?

A21: There have to be trade-offs with a group policy because the reimbursement rate has a direct impact on premiums and homecare tends to be less expensive than nursing home care.

Q22: What benefits can I choose?

A22: During open season, you can customize your insurance in several areas:

- Facilities-Only or Comprehensive Coverage.
- DBA (from $50 to $300, in $25 increments).
- Weekly Benefits (available with the comprehensive coverage only).
- Benefit Period (3 year, 5 year or unlimited).
- Waiting Period (30 days or 90 days).
- Inflation Protection (automatic compound or future purchase).

OR alternatively you can choose from four popular pre-packaged plans. If you do, you will only have to choose an inflation protection method.

Q23: What are the four popular pre-packaged plans?

A23: They are:

Plan	Daily Benefit Amount	Benefit Period	Maximum Lifetime Benefit	Waiting Period
Facilities 100 [1/]	$100	3 years	$109,500	90 days
Comprehensive 100 [2/]	$100	3 years	$109,500	90 days
Comprehensive 150 [2/]	$150	3 years	$273,750	90 days
Comprehensive 150+ [2/]	$150	Unlimited	Unlimited	90 days

NOTE: With the four pre-packaged plans, you would still choose an inflation protection method. You may also choose different combinations for DBA, benefit period, and waiting period in lieu of these plans.

[1/] **A "Facilities-Only" Plan** covers care in assisted living facilities, nursing homes and inpatient hospice care, and provides benefits for respite services in a facility. **It does not cover home care.**

[2/] **A "Comprehensive" Plan** covers everything a facilities-only plan covers ***plus*** formal or informal home care in adult day care centers, hospice care at home and respite services at home.

Q24: What is the Daily Benefit Amount (DBA)?

A24: The maximum amount the plan will pay in any single day. If the cost of the care you receive in a single day is less than your DBA, the difference is carried over for you to use later. You can choose a DBA from $50 to $300, in $25 increments.

Q25: What is the Benefit Period?

A25: The length of time your maximum lifetime benefit will last if you receive care every day at a cost equal to or more than your DBA. If you receive services that cost less than your DBA, or do not receive services every day, your benefits will last longer than your benefit period. You may choose a 3 year, 5 year, or unlimited benefit period.

Q26: What is the Maximum Lifetime Benefit?

A26: The maximum your plan will pay. The benefit period is used as a multiplier, along with your DBA, to calculate your maximum lifetime benefit. Here is how the maximum lifetime benefit, or "pool of money" is calculated:

DBA times Benefit Period (in days) = Maximum Lifetime Benefit

EXAMPLE: If you choose a $100 DBA and a 3 year benefit period, your maximum lifetime benefit would be $109,500 ($100 times 1095 days (which is 3 years at 365 days/year)).

Q27: When is the maximum lifetime benefit, ("pool of money") available to me? Do I have to pay premiums for a minimum length of time first?

A27: If you are eligible to receive benefits and have met your waiting period, the maximum lifetime benefit is available to you regardless of how long you have paid premiums. You do not have to wait for it to "build up" as if you were saving your own money to cover the probable costs of long term care.

Q28: If I claim benefits, but do not use all of my maximum lifetime benefit, can I receive it in cash or can my survivors have the money?

A28: No. The maximum lifetime benefit is not yours. It is a pool of financial resources to which you have access. You and your survivors do not have any right to unspent dollars. The funds are available to you if benefits are payable. The possibility of unspent money is taken into account to keep everyone's premiums as low as possible.

Q29: If I never use this insurance, can I get my premiums back?

A29: No. The FLTCIP does not offer a return of premium feature. This is an insurance product, similar to homeowners insurance. If your house never burns up, your premiums are not refunded. Your premiums paid for protection you had while you owned the house.

Q30: If my maximum lifetime benefit runs out, can I just increase my premiums before that point so it will not run out?

A30: No. This idea would be contrary to insurance principles. It would be like allowing people to increase the amount of their homeowners' policy while their house is currently on fire. The insurance company would be buying a guaranteed claim. The time to buy insurance is when you are in good health, not when you are in a claim status.

Q31: What types of inflation protection can I choose?

A31: To help your coverage keep pace with inflation, the FLTCIP lets you choose one of the following inflation protection options:

Automatic Compound Inflation Option
With this option, your DBA will automatically increase by 5% every year with NO corresponding increase in your premium. The benefit increases continue even if you are eligible for benefits. While the initial premium is higher with this option, you will not have to consider the cost of buying additional coverage or worry about whether your coverage (especially after you retire) will keep pace with inflation. Your benefits increase each year, while your premium remains level.

Future Purchase Option
This option allows you to buy additional coverage every two years at an extra cost. The increase offered in your DBA is based on increases in the Medical Consumer Price Index. With this option, you can assess the costs of care in the future and make a decision to upgrade when you can afford it. Each time you buy additional coverage, your premium will increase. The premium for the additional coverage will be based on your age and premium rate at the time the increase takes effect. Every two years, you will receive Future Purchase Option notification, if you are not eligible for benefits and have not declined three Future Purchase notifications in the past. A unique feature of the FLTCIP is the ability to switch to the Automatic Compound Inflation Option without proof of good health when you receive your Future Purchase notification as long as you are not eligible for benefits and have not declined three Future Purchase notifications in the past.

Q32: What is "Care Coordination"?

A32: LTC Partners' care coordinators (all registered nurses) are available under the FLTCIP to:

- Provide general information about long term care services.
- Assess and approve your need for long-term care services.
- Develop a plan for your receipt of long term care services.
- Monitor and reassess those services.

The care coordinators can tell you about providers in your area who offer discounts for the services you need and provide other assistance, such as locating community resources for which you may be eligible. Care coordination services are also available to your qualified relatives even if they are not enrolled in the FLTCIP, as long as you are enrolled. **NOTE:** Certain services for qualified relatives may be provided at an additional charge.

Q33: What if I disagree with the insurance company's decision on my claim for benefits?

A33: You may ask for an independent third party review of the company's decision. When you enroll in the FLTCIP, you will receive more information on how to dispute a claim.

Q34: If I am a Federal employee enrolled in the FLTCIP and become disabled, can I retire on disability and also qualify for benefits under the FLTCIP?

The FLTCIP and the Federal disability retirement program are totally separate. Once you purchase a LTC policy, it is yours for life as long as you pay premiums. Any future eligibility for disability retirement or compensation benefits will not affect the terms of your policy, including qualifying you for benefits. You must establish your eligibility for LTC benefits separately.

Q35: Does the FLTCIP coordinate benefits with other programs?

A35: Yes. The FLTCIP includes a coordination of benefits (COB) provision. This COB provision follows the guidelines set by the National Association of Insurance Commissioners.

The COB provision allows LTC Partners to look at other plans that might pay benefits for long term care services that you receive, including government programs (other than Medicaid), group medical benefits, and other employer-sponsored long term care insurance. They do not look at Medicaid, individual insurance policies or association group insurance policies. The COB provision does not apply to international benefits. If the FLTCIP is primary (pays first), LTC Partners will pay benefits to the maximum extent permitted by your coverage without coordinating with other plans.

If another plan or program is primary, it will pay first. LTC Partners will require you to submit the explanation of benefits you received from that other plan or program showing that you submitted a claim and how that claim was decided. LTC Partners may also request a copy of the other plan or program booklet or terms of coverage. LTC Partners will pay no more than the difference between the amount payable by your other coverage(s) and your actual expenses.

Q36: What benefits are available to me for services outside the United States?

A36: The FLTCIP provides benefits for covered services you receive outside the United States, its territories and possessions. When you receive covered services internationally, the FLTCIP pays benefits for up to 80 percent of the maximum amounts that would otherwise be payable.

If you have a 3 or 5 year benefit period, you can use 80 percent of your maximum lifetime benefit outside the United States. The remaining 20 percent would be available if you return to the United States.

If you have an unlimited benefit period, your benefit period will be limited to 10 years outside the United States. Your maximum lifetime benefit will be equal to 3,650 days (10 years) times 80 percent of your DBA. If you return to the United States, your maximum lifetime benefit would remain unlimited.

Q37: Can you give me some examples of how benefits are paid outside the U.S.?

A37: **Example 1:** You selected the comprehensive option with a DBA of $150 and you have a 5-year benefit period. For purposes of determining international benefits, your DBA would be $120 ($150 times 80 percent), instead of $150. LTC Partners would pay up to $120 per day for services provided to you in a nursing home. LTC Partners would pay up to $90 ($120 times 75 percent) per day for services provided to you by a formal or informal caregiver at home. Out of your maximum lifetime benefit of $273,750, you could use up to 80 percent ($219,000) outside the United States. If you return to the United States, the remaining 20 percent ($54,750) of your maximum lifetime benefit would be available.

Example 2: You selected the comprehensive option with a DBA of $150 and you have an unlimited benefit period. You chose to have that amount reimbursed as a weekly benefit amount equal to $1,050 ($150 times 7). For purposes of determining international benefits, your DBA would be $120 ($150 times 80 percent) and your weekly benefit amount would be $840 ($120 times 7). LTC Partners would pay up to $840 per week for services provided to you in a nursing home. LTC Partners would pay up to $630 per week ($840 times 75 percent) for services provided to you by a formal or informal caregiver at home. Your maximum lifetime benefit outside the United States would be limited to $438,000 (3,650 times $120). If you return to the United States, your maximum lifetime benefit would remain unlimited.

ELIGIBILITY

<u>GENERAL</u>

Q38: Who will be eligible to apply for the insurance?

A38: The “Federal Family” could approach or exceed an estimated 20 million people. As specified in the law, individuals eligible to apply for this insurance coverage are:

- **Employees** - Federal employees and members of the uniformed services. If you are in a position eligible for the FEHB coverage, you are eligible for the FLTCIP (whether enrolled in FEHB or not).

- **Annuitants** - Federal annuitants, surviving spouses of deceased Federal employees, annuitants receiving a Federal survivor annuity, individuals receiving compensation from the Department of Labor who are separated from the Federal service, members or former members of the uniformed services entitled to retired or retainer pay, and retired military reservists at the time they qualify for an annuity (also known as grey reservists). Retired D.C. Government employees are not included.

- **Current spouses** of employees and annuitants (including surviving spouses of members and retired members of the uniformed services who receive a survivor annuity from the uniformed services).

- **Adult children** (at least 18 years old, including adopted children and stepchildren) of living employees and annuitants.

- **Parents, parents-in-law,** and **stepparents** of living employees (**not** annuitants).

Q39: Is there an upper age limit on who can apply for this insurance?

A39: No. Anyone age 18 and older can apply for this insurance as long as they are in one of the eligible groups. Regardless of age, they must pass the underwriting.

Q40: Do I have to be enrolled in the Federal Employees Group Life Insurance (FEGLI) Program, FEHB Program, Medicaid, or have other health or life insurance coverage to be eligible for the FLTCIP?

A40: No. The FLTCIP is totally separate and independent. You do not need to be enrolled in the FEGLI Program, the FEHB Program, TRICARE (for the uniformed services) or any other program to apply for this program. **NOTE:** Someone currently receiving Medicaid assistance should probably not purchase long term care insurance.

EMPLOYEES

Q41: Who is a "Federal employee"?

A41: The long term care insurance law defines Federal employees the same way that the FEHB Program does.

Q42: Should I wait until after I apply for coverage to retire?

A42: There are many things to consider when deciding to retire. In terms of long term care insurance, employees are asked fewer questions about their health than retirees. It may be advantageous for you to wait to retire until **after** you apply as an employee, your application is approved, <u>and your coverage becomes effective</u>.

If you apply as an employee with abbreviated underwriting, you must also be an employee on the date your insurance coverage should become effective. If you retire before the date your insurance coverage is effective, you will have to reapply as an annuitant and answer more questions about your health.

<u>QUALIFIED RELATIVES</u>

Q43: Who is a "qualified relative"?

A43: There are three categories of qualified relatives under the law:

- Current spouses of living employees and annuitants. Surviving spouses of deceased members and retired members of the uniformed services who are receiving a survivor annuity are also eligible as "spouses".
- Adult children (at least 18 years old, including natural children, adopted children and stepchildren) of living employees and annuitants.
- Parents, parents-in-law, and stepparents of living employees (**not** annuitants).

Q44: Can my 10-year-old son, who is disabled, sign up for the FLTCIP?

A44: No. Only adult children (age 18 and over) are eligible to apply for coverage and must pass full underwriting.

Q45: Can I sign up my eligible family members?

A45: No. You cannot sign them up yourself. There is no "self and family" coverage.

Q46: Do I have to apply in order for my spouse to be eligible?

A46: No. Each eligible person in the "Federal Family" has an independent right to apply for the insurance. The related employee/annuitant does not need to apply.

Q47: I am a former spouse of a person who is eligible to apply for this insurance. Am I eligible, too? Would I be eligible if I were receiving a survivor annuity?

A47: No. Former spouses who are not eligible on their own (as an employee or retiree) are not eligible to apply for this insurance, even if they are receiving a survivor annuity.

Q48: I understand that stepparents of living Federal employees are eligible to apply for this insurance. How do you define stepparent?

A48: A stepparent is the person currently married to an employee's natural parent. If he natural parent is dead, your stepparent is the person married to the natural parent at the time of death.

Q49: My mom was married to my stepfather for 25 years. My stepfather raised me and is the only father I've ever known. However, he divorced mom last year. Is he eligible to apply for this insurance?

A49: No, he is not.

Q50: My stepmother was married to my natural father for years. Dad died last year. Is my stepmother eligible to apply for this insurance?

A50: Yes, she is. She is your current stepparent, regardless of whether your natural parent is still alive.

Q51: Is OPM considering adding any additional qualified relative groups other than those mentioned in the law (Example: Grandparents, brothers and sisters, foster children)?

A51: No. In order to focus their efforts on a successful rollout, OPM decided to offer coverage to only those groups specifically provided for in the law itself. The law makes a limited set of qualified relatives eligible to apply for the long term care insurance (spouses and adult children of both employee and retiree groups, and parents/parents-in-law/stepparents of the employee groups). While the law provides OPM with a limited amount of discretionary authority to designate other groups as qualified relatives, OPM decided not to add any additional groups beyond those specified by Congress. As OPM moves to full implementation of the FLTCIP, they will identify areas that could be improved for the future. They will carefully review all areas brought to their attention.

CONTINUING THE INSURANCE AFTER LEAVING AN ELIGIBLE GROUP

Q52: If I've already enrolled and my insurance coverage is effective, what happens to it if I leave my eligible group (Example: I resign from the Federal Government, or I divorce my Federal spouse)?

A52: Your insurance coverage is fully portable. As long as you continue paying premiums, your insurance coverage will continue. If you were paying premiums by payroll deduction and you leave the Government, you will have to make arrangements with LTC Partners to pay premiums directly or by automatic debit from your checking account. You keep the insurance at the same premiums.

Q53: I understand that my qualified relatives are eligible to apply for this insurance while I am a Federal employee or annuitant, or member or retired member of the uniformed services. But what happens to their eligibility if I am no longer in an eligible group?

A53: They are qualified relatives as long as you are in one of the groups eligible to apply for this insurance. If they enroll while you are eligible, they will keep the coverage, even if you leave an eligible group. However, once you leave an eligible group, they can no longer apply for the insurance.

Q54: If I apply for this insurance as a member of one of the eligible groups, and I get the insurance coverage, I understand my coverage will continue after I leave the eligible group. But if I have the coverage and leave an eligible group, do my qualified relatives retain their eligibility to apply?

No. See A53. If you are no longer in any of the eligible groups, your qualified relatives are no longer eligible to apply for this insurance. If they had the insurance before you left the eligible group, they keep it as long as they continue paying premiums.

ENROLLMENT

Q55: Can I enroll now?

A55: Yes. Open season started July 1 and runs through December 31. There will be staggered 60-day enrollment periods during that time.

Q56: After 2002, when is the next open season?

A56: OPM has not scheduled future open seasons. They will make that decision later.

Q57: Can I still apply for the program after open season?

A57: Yes. Anyone in an eligible group can apply for the FLTCIP after open season by submitting a long form application. Federal employees, members of the uniformed services and their spouses cannot use the abbreviated application outside of open season.

Q58: Can employees (newly hired or newly eligible for coverage) apply, if open season has ended?

A58: Yes. New or newly eligible Federal employees, members of the uniformed services and their spouses will be able to apply for the program using the abbreviated application within 60 days of becoming eligible. They can still apply after that, but will have to use the long application form.

Q59: I am a Federal employee. If I get married after open season, can my new spouse apply using the abbreviated application form?

A59: Yes, your spouse can apply using the abbreviated application within 60 days of your marriage. After that, they will have to use the long application form.

Q60: Can employees with disabilities enroll?

A60: Employees with disabilities can apply, but OPM anticipates that only some will have their applications approved. It will depend on whether the person can meet the underwriting requirements.

The Federal government has distinguished itself as a leader in recruiting individuals with disabilities. As a result, the Federal service has significantly more employees with disabilities than many private sector employers. Without some form of underwriting (questions about health status), OPM could not offer attractive and affordable long term care insurance.

OPM is designing options to offer some variation of the insurance or a non-insurance product to employees who do not pass the underwriting.

Q61: How can you say this is an important employee benefit when not all employees can enroll in the standard insurance coverage? Why can't the Government set an example by using its purchasing power to make this insurance available to all who want it regardless of state of health, like the health insurance program?

A61: During open season, all employees who apply will be offered some form of benefit. However, due to health reasons, a small minority will be offered something like non-standard coverage or a package of services (Example: Care coordination or discounts on services). These individuals would probably not be able to receive any long term care benefits from the private sector.

Because over 90 percent of eligible employees have health insurance, the added costs of those in poor health can be spread over many others. Less than five percent of employees typically purchase long term care insurance. It would not take many in poor health to drive up the costs (premiums) for the others. If the FLTCIP guaranteed standard insurance to all employees who applied, the insurance carriers would have added the expected costs of those in poor health to the premium.

With no Government contribution, many healthier employees who could pass underwriting would find less expensive premiums and purchase coverage elsewhere. The FLTCIP would then be left with only those who could not purchase private insurance, requiring even higher premiums to cover the risks of those remaining. That kind of cycle would almost guarantee that the FLTCIP would fail.

Q62: Will there be an exclusion for pre-existing conditions?

A62: If your application is approved, it does not matter if you have a pre-existing condition. You will be offered the standard insurance product. If your application is not approved, you will be offered the Alternative Insurance Plan or a Service Package.

Q63: What else can you tell me about the Alternative Insurance Plan and the Service Package?

A63: The Alternative Insurance Plan is an innovative plan developed by OPM and LTC Partners. Some employees, members of the uniformed services and their spouses who are not approved to enroll in the insurance they originally applied for will be offered the Alternative Insurance Plan. This plan is not available to other groups who use the full underwriting application, such as annuitants. It offers nursing home only coverage with a 180 day waiting period and 2 year benefit period. The Alternative Insurance Plan also has higher premiums.

If you apply for and are denied the standard insurance and are not offered the Alternative Insurance Plan, you will be offered a Service Package. This is true for those using the abbreviated underwriting application AND those using the full underwriting application. The Service Package is not insurance. It is a package of services, including access to a care coordinator, general information and referral services, and access to a discounted network of long term care providers and services.

Everyone who is denied standard coverage will receive information from LTC Partners to review at no obligation. The information will describe the Alternative Insurance Plan and/or the Service Package. Individuals who are offered both can decide which, if any, they wish to purchase.

Q64: I am a Federal employee caring for my mother who has Alzheimer's. How can this program help me? Her?

A64: If you enroll, the program can help you coordinate care for your mother, receive discounts on certain long term care services or supplies, and provide advice and support for you as caregiver. However, this is an insurance program and anyone who enrolls must be insurable based on the underwriting criteria for the program. Parents of employees will undergo more underwriting than employees. Employees' qualified relatives who already need long term care services, such as your mother, will probably not qualify for this insurance. However, the care coordination program will be of substantial assistance to caregivers who enroll in the program.

Q65: I've been waiting for the FLTCIP ever since my father was diagnosed with dementia last year. I heard that the FLTCIP will provide retroactive benefits to anyone whose need for long term care began on or after September 19, 2000, when the President signed the law. Is that true?

A65: No. There are no provisions for retroactive benefits. Anyone who already needs long term care services will not qualify for this insurance.

COST

Q66: What choices will I have for paying my premiums?

A66: You will be able to choose from payroll/annuity deduction, automatic debit from your checking or savings account, or direct billing from LTC Partners.

Q67: Does OPM guarantee that the premiums will never increase?

A67: No. However, the premiums OPM accepted from LTC Partners are realistically priced and follow the National Association of Insurance Commissioners rate stability guidelines. The premiums are expected to be level for life (unless you choose the future purchase option for inflation protection, which by definition has an increase in premium whenever your benefits increase). If LTC Partners requests an increase in premiums, OPM will do everything they can to come up with alternative ways to deal with the situation before agreeing to a rate increase. They do not expect a rate increase now or anytime in the future. MetLife and John Hancock have never increased their group rates for long term care insurance.

Q68: How much will the Federal Long Term Care insurance cost?

A68: OPM posted the premiums at www.opm.gov/insure/ltc/calculator. You can use the premium rate calculator to determine the premiums for your age and options. The calculator will also give you the ability to compare premiums with various options to help you to select the options that are best for you.

Q69: What are the premiums based on?

A69:

- Your premiums will be based on your age when you buy the coverage. The younger you are when you buy, the lower the premiums (all else being equal).
- Your premiums will also vary based on the choices you make about your DBA, benefit period, waiting period, and the type of inflation protection you select.
- When you choose the automatic compound inflation option, the premium is designed to be level for life. When you choose the future purchase option for inflation protection, your premiums will increase as your benefits increase.
- Premiums are the same for all purchasers of the same coverage at the same age --employees, annuitants, and all the other eligible groups.
- The coverage is guaranteed renewable. The insurance carrier cannot cancel your coverage unless you stop paying premiums or you commit fraud when completing your application.

Q70: Will the FLTCIP offer a spousal discount or any spousal benefits?

A70: The FLTCIP does not offer a separate spousal discount or benefit or any other targeted discounts. FLTCIP rates are designed to be as low as possible for the entire eligible population. If the program offered a spousal discount or any other discount targeted to a specific segment of the group, rates for the rest of the group would have to be higher to compensate for the discounts.

Q71: The Federal premiums were supposed to be 15-20 percent less expensive than comparable private plans. Why aren't they?

A71: OPM's research shows that the FLTCIP is roughly 15-20 percent cheaper. There are often significant differences between different plans that can affect their cost, and it is very difficult to do a valid comparison.

Q72: When are premiums waived?

A72: You will not have to pay premiums if you are eligible for benefits and have satisfied your waiting period. Premiums are also waived if you are eligible for benefits and receiving hospice care, even though no waiting period applies to hospice care. If, at a later date, you are no longer eligible for benefits (you recover) and wish to maintain your coverage, you will have to resume paying premiums.

Q73: Can employees/annuitants pay for the insurance premiums from their Federal salary/annuity for qualified relatives?

A73: Yes, beginning October 1, 2002. Both the employee/annuitant and the relative who was approved for the insurance coverage must agree to this arrangement.

Q74: In order to pay for the insurance premiums from my Federal salary/annuity for qualified relatives, do I also have to be enrolled?

A74: No.

Q75: My Federal salary or annuity is not big enough to pay for the premiums. How do I pay my premiums?

A75: You will either authorize a debit from your bank account or pay the insurance company directly.

Q76: Will the Federal government contribute a portion of the cost of long term care insurance?

A76: No. By law, there will not be any government contribution. Participants will be responsible for 100 percent of the cost. This is typical of private industry practice for this type of insurance.

Q77: What is the benefit of purchasing this insurance if the Government is not going to contribute toward the cost of premiums?

A77: One of the real advantages of the FLTCIP is that it is an employer-sponsored product that OPM considers an important part of the Government's overall compensation package. This means the policy must stay contemporary with the best policies offered by other employers. So you can count on OPM to keep abreast of changes in how long term care services are provided and to make appropriate changes in your policy.

You can also feel confident that the LTC Partners team of MetLife and John Hancock that OPM selected to provide the long term care insurance product is among the best in the business in terms of customer service and financial strength and stability. The selection and premium-setting process involved experts from a number of agencies as well as the insurance industry. You can be confident that you are getting good value for your premium dollar since the law requires that premiums reflect the cost of benefits provided.

Q78: If I apply for the FLTCIP, can I pay premiums using the same age I was when I bought my other long term care insurance policy (from John Hancock, MetLife, or another company)?

No. People joining the Federal program will pay premiums based on their current age, even if they already have a policy with another company.

The insurance is priced with the expectation that each person will pay a level premium as long as they have the insurance, and that the sum of all of the premiums paid (together with investment income earned by the program) will be sufficient to pay claims and all other program expenses. The amount of premium varies with issue age, and is higher with increasing age because as issue age increases, the amount of time before claims are expected to occur gets shorter. Therefore, even those with existing policies must pay premiums based on their current age.

Q79: If I apply for the FLTCIP, and I recently went through underwriting for a John Hancock, MetLife, or another long term care insurance policy, do I have to pass underwriting again? Can you just look at your records and see what I answered the last time or else ask the other company for its records? Can I just certify that nothing has changed?

All applicants must go through the underwriting process for the FLTCIP, even if they recently applied for another long term care insurance policy.

LTC Partners and OPM, jointly developed the underwriting process that will be used for the FLTCIP. Because this program is unique, the underwriting requirements will undoubtedly differ from those of any other program. To maintain fairness among participants, all that apply must go through the underwriting process designed for the Federal program.

Also, an applicant must go through this process to know what plan options are available to them. **Example**: Employees who request an unlimited (lifetime) benefit must meet requirements that are different from someone who does not. In addition, the process is designed to identify those applicants who do not qualify for the standard insurance, but, depending on the eligible group, may still qualify for something else such as non-standard insurance or a service plan.

TAX BENEFITS

Q80: Are there any Federal tax benefits related to long term care insurance?

A80: Yes, because the FLTCIP is designed to be a "tax-qualified plan" under the Internal Revenue Service (IRS) Code. This means that benefits (claims) will not be taxable, and you can deduct long term care insurance premiums as medical expenses to the extent that your total qualified medical expenses exceed 7.5 percent of your annual adjusted gross income. The amount of the deduction is also subject to other IRS limits by age.

Q81: Could the Federal tax treatment of long term care insurance change?

A81: Yes, it could if the IRS code is amended. The Long Term Care and Retirement Security Act of 2001, H.R. 831 and 5. 627, proposes to "amend the Internal Revenue Code of 1986 to allow individuals a deduction for qualified long term care insurance premiums, use of such insurance under cafeteria plans and flexible spending arrangements, and a credit for individuals with long term care needs."

Q82: Are there state tax benefits for purchasing long term care insurance?

A82: Yes. Several states already provide tax benefits for purchasing long term care insurance. Visit www.opm.gov/insure/ltc/state_incentives/ for details.

Q83: Will the program offer a non-tax qualified plan?

A83: No. The law only requires the FLTCIP to offer a plan designed to be tax-qualified.

Q84: Can employees pay the long term care insurance premiums on a pre-tax basis (premium conversion)?

A84: No. Section 125 of the Internal Revenue Code specifically excludes from the definition of qualified benefits "any product which is advertised, marketed, or offered as long term care insurance."

CONSUMER PROTECTIONS

Q85: What consumer protections will participants have?

A85: The FLTCIP includes numerous consumer protections, including a contingent non-forfeiture provision, the option to purchase inflation protection, complete portability, and guaranteed renewability. The insurance company cannot cancel coverage except for non-payment of premiums or fraud. LTC Partners will conduct an extensive educational campaign to help eligible participants understand these protections and all other aspects of the new program.

Q86: What is a "contingent non-forfeiture" provision?

A86: "Contingent non-forfeiture" means that if the insurer increases premiums beyond a specified percentage, an enrollee can choose to stop paying premiums and elect a policy with a shortened benefit period. We never expect this scenario to happen, but contingent non-forfeiture is built into to the coverage offered and you will not have to make any decisions about it.

Q87: What does "complete portability" mean?

A87: It means that once you enroll in the program, you will remain enrolled as long as you pay the premiums. It doesn't matter if you leave Federal service, divorce your Federal spouse, or otherwise lose your affiliation to the Federal Family.

Q88: Can I reduce my coverage?

A88: You might find that after many years of paying premiums, you can no longer afford a given premium because your circumstances have changed. You can reduce your coverage at any time and your premiums will be reduced accordingly.

Q89: Can I increase coverage?

A89: Yes, during open season you can apply to change any of your benefits. You will have to complete a new application, but you will preserve your age from early enrollment. After open season, you can increase your DBA, if you provide satisfactory evidence of good health.

MISCELLANEOUS

Q90: Is this program the same as the long term care insurance offered by WAEPA, USAA, or various recreation associations targeted to Federal or military personnel?

A90: No, it is entirely separate from any other group long term care insurance program. The FLTCIP, sponsored by the OPM and offered by LTC Partners, is the ONLY program authorized by Congress to be officially offered to Federal employees and retirees, members and retired members of the uniformed services, and qualified family members.

Once OPM's educational campaign begins in earnest, you may receive mailings from private firms offering long term care insurance. There are certainly other legitimate long term care insurance programs out there. However, if you are wondering if marketing or educational materials you receive are part of the FLTCIP, look for the OPM seal. All marketing and educational materials for public use under the FLTCIP use the OPM seal.

Q91: Should I drop my health insurance coverage (FEHB or TRICARE) when I enroll in this new long term care insurance program?

A91: NO! The new long term care insurance program is not health insurance and does not replace health insurance coverage, such as the FEHB Program or TRICARE. The FLTCIP provides insurance to cover long term care needs such as nursing home care, assisted living facility care, formal and informal care in the home, and adult day care, which is generally NOT COVERED by health insurance.

Q92: Is this new insurance the same as long term disability insurance?

A92: No. Long term disability insurance or disability income insurance pays you a percentage of your gross income (Example: 45 or 60 percent) should a sickness or illness prevent you from working for an extended period. Policies may define "working" as working in your current occupation or doing any type of work that you are qualified to perform. Thus, the benefits are tied to your salary, and you "trigger" the benefits by being unable to work. Many such insurance policies stop paying benefits after 5 years or when you reach age 65.

The FLTCIP provides insurance to help pay for assistance you may need due to a chronic illness or injury (such as bathing or getting in and out of bed). There is no correlation to your job or your salary and there is no age cut-off for receiving benefits. You "trigger" benefits by needing help with at least two ADLs with an expectation that you will continue to need the help for at least 90 days, or by having severe cognitive impairment. It is entirely unrelated to whether you are still working. In fact, most people have retired by the time they qualify for long term care benefits.

A long term disability insurance benefit helps replace part of your lost income (salary). The FLTCIP benefits help you pay for long term care you may need because you are unable to take care of yourself. While it is possible that a given illness could trigger both benefits, less than 5 percent of the working population would ever qualify for disability benefits, but more than half of us will need some form of long term care.

Q93: How many insurance partners will participate in the program?

A93: Two. MetLife and John Hancock are working in partnership together as LTC Partners, LLC.

Q94: Can I apply my unused sick leave toward paying for the long term care insurance?

A94: No. There is no provision for that.