

Statement of
Senator Susan M. Collins

**“The Federal Long Term-Care Insurance Program: Upcoming Premium
Increases and the Future of the Program.”**

Joint Hearing—OGM Subcommittee and Special Committee on Aging
October 14, 2009

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I want to thank Senators Akaka and Voinovich and Senators Kohl and Corker for holding this important hearing this afternoon. This hearing will give us an opportunity to determine why the Office of Personnel Management got it so wrong when the agency originally calculated the premiums for the Federal Long-Term Care Insurance program.

Long-term care is the major catastrophic health expense faced by older Americans today, and these costs will only increase with the aging of the baby boomers. That is why I joined Senators Grassley and Mikulski nine years ago in introducing the legislation to make affordable long-term care insurance available to federal employees, members of the uniformed services, and civilian and military retirees. The intent of our legislation, which was signed into law, was to have the federal long-term care insurance program serve as the model for private employers whose workforce will be facing the same long-term care needs.

It is alarming that today, despite earlier assurances by OPM, more than 147,000 federal long-term care insurance enrollees will be facing soaring premium increases, in many cases as high as 25 percent, in January.

This is simply unacceptable, particularly given the fact that OPM began to recognize the real possibility of increases as early as 2003. Yet, the agency gave little warning to federal workers and retirees that there would be an increase.

To be aware of this possibility, plan participants would have had to search the fine print in their policy documents. There was no straightforward disclosure. To the contrary, the implication was that by signing up at a relatively early age and by paying a higher rate, one could avoid premium increases. OPM made absolutely no effort to educate participants. This failure is certainly no model; no way to set an example for others to follow.

An alternative offered by OPM to avoid paying these higher premiums is to downgrade coverage – substantially reducing the daily benefits provided under the plan. For example, a participant who enrolled at age 55 and stayed in the program for 40 years was supposed to receive \$1,056 in daily benefits. Now, if that same participant can't afford the higher premiums and is forced to downgrade coverage to pay the same premium amount, the daily benefits would be reduced by \$336. This represents a cut of nearly 33 percent in coverage. It is a decrease that no plan participant who thought they were locking in at a stable, long-term rate should have expected.

Seventy-eight million baby boomers are approaching retirement, and most are concerned about whether they have sufficient savings and retirement income to cover all of their daily needs. Few, however, have planned for the very real possibility that they may develop a chronic illness or cognitive impairment like Alzheimer's that will require long-

term care. In fact today, fewer than ten percent of individuals age 50 and older have long-term care insurance.

Americans need to plan for their future long-term care needs just as they plan for their retirement or purchase life insurance to protect their families. This is particularly true given that, in 2009, the annual cost of a nursing home stay is between \$66,000 and \$75,000. Furthermore, the cost of care in the home can range from \$19 an hour for personal unskilled care to \$46 an hour for skilled care from a visiting nurse. Moreover, these costs will inevitably continue to rise, which makes planning for the future even more important.

Most Americans mistakenly believe that Medicare or their private insurance policies will cover the costs of long-term care. A 2006 survey by AARP showed that only one in five respondents between the ages of 45 and 64 knew that Medicare does not cover an extended stay in a nursing home. Unfortunately, far too many Americans discover that they do not have coverage until they are confronted with the shocking realization that, without long-term care insurance, they will either have to spend down to Medicaid eligibility levels or cover the costs themselves.

How can we expect Americans to invest money and plan for their future needs when programs like the Federal Long-Term Care Insurance Program cannot be trusted from one year to the next?

I look forward to hearing from the witnesses on how OPM can more effectively educate and assist federal employees and retirees with their long-term health care planning so that the federal program can become the model for the nation that we intended it to be.