

STATEMENT OF
JANICE R. LACHANCE, DIRECTOR
OFFICE OF PERSONNEL MANAGEMENT

before the

***SUBCOMMITTEE ON INTERNATIONAL SECURITY, PROLIFERATION
AND FEDERAL SERVICES
COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE***

on

GROUP LONG-TERM CARE INSURANCE
FOR FEDERAL EMPLOYEES AND MEMBERS OF THE UNIFORMED SERVICES

MAY 16, 2000

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE:

THANK YOU FOR CONVENING TODAY'S HEARING TO DISCUSS THE COLLABORATIVE EFFORTS OF THE ADMINISTRATION, THE CONGRESS, AND A BROAD RANGE OF STAKEHOLDERS TO DEVELOP A LONG-TERM CARE INSURANCE BILL.

FOR TOO MANY, OLD AGE HAS BECOME A TIME WHEN "GETTING AHEAD" AMOUNTS TO BARELY STAYING EVEN BECAUSE THEY LACK COVERAGE FOR LONG-TERM CARE. WE ARE ALL HERE TO CHANGE THAT FOR MILLIONS OF AMERICANS, BY BUILDING A STATUTORY FRAMEWORK FOR LONG-TERM CARE INSURANCE.

THE FACT THAT WE ARE HERE TODAY PROVES THAT PEOPLE ARE COMING TO TERMS WITH THE VERY REAL FACT THAT THE POPULATION OF THE UNITED STATES IS GETTING OLDER, A POPULATION THAT WILL NEED LONG-TERM CARE OPTIONS.

FAMILIES TODAY PROVIDE 80 PERCENT OF THE LONG-TERM CARE NEEDED BY OLDER PERSONS. LET ME PUT THAT IN PERSPECTIVE FOR YOU. YOU AND YOUR FAMILY CAN REASONABLY EXPECT TO SPEND MORE TIME CARING FOR AN OLDER RELATIVE THAN CARING FOR YOUR OWN CHILDREN. LET ME SAY THAT AGAIN: YOU CAN EXPECT TO SPEND MORE TIME CARING FOR YOUR PARENTS THAN FOR YOUR CHILDREN.

THIS IS AN ISSUE THAT IS VERY NEAR TO MY OWN HEART. I THINK ABOUT MY PARENTS AND HOW FORTUNATE I AM THAT THEY ARE LIVING LONG, FULL LIVES. BUT, HOW ARE THEY ARE GOING TO DEAL WITH THE SPIRALING INCREASES IN LONG-TERM CARE COSTS, IF AND WHEN THEY NEED IT?

AND HOW ARE ALL OF US GOING TO DEAL WITH THE HEART-WRENCHING CHOICES WE ARE SOMETIMES FORCED TO MAKE TO PROVIDE THE CARE AND COMFORT OUR LOVED ONES WILL NEED IN THEIR LATER YEARS?

HOW CAN WE KEEP THEM FROM BEING CRUSHED BY DEBT BECAUSE OF LONG-TERM CARE NEEDS? HOW CAN WE MAKE SURE THEY GET THE RIGHT CARE FOR THEIR NEEDS, AND THAT IT IS QUALITY CARE? AND HOW CAN WE MAKE SURE THEY GET ALL THE LONG-TERM CARE THEY NEED?

THE ANSWER, AS WE ALL KNOW, IS LONG-TERM CARE INSURANCE.

AS THE DIRECTOR OF THE OFFICE OF PERSONNEL MANAGEMENT, I CAN TELL YOU THAT FAR TOO MANY MEMBERS OF THE FEDERAL WORKFORCE ARE ALREADY STRUGGLING WITH THE CHALLENGES OF CARING FOR ELDERLY FAMILY MEMBERS.

SO, FOR SOME TIME NOW, OPM HAS BEEN WORKING WITH YOU -- AND OTHER STAKEHOLDERS -- TO MAKE LONG-TERM CARE INSURANCE AVAILABLE FOR CURRENT AND RETIRED FEDERAL EMPLOYEES, UNIFORMED SERVICES, AND THEIR ELIGIBLE FAMILY MEMBERS -- IN SHORT, FOR THE PEOPLE WE LOVE.

UNDER HR 4040, OPM WOULD HAVE THE AUTHORITY TO DESIGN A LONG-TERM CARE INSURANCE PACKAGE THAT OFFERS AN ARRAY OF LONG-TERM CARE SERVICES TO MEET THE NEEDS OF THE BROADEST POPULATION POSSIBLE.

THIS PROPOSAL WOULD ALSO PROVIDE THE FLEXIBILITY TO CONTRACT FOR BENEFITS WITH ONE OR MORE PRIVATE CARRIERS.

THIS MEANS THAT IT WOULD GIVE US THE FLEXIBILITY NEEDED TO OBTAIN THE BEST VALUE FOR THE ENTIRE FEDERAL FAMILY. AND CONTRACTS WILL BE AWARDED THE RIGHT WAY -- ON THE BASIS OF CONTRACTOR QUALIFICATIONS, PRICE, AND REASONABLE COMPETITION.

REMEMBER, BY USING THE SIZE OF THE FEDERAL FAMILY -- ABOUT 13 MILLION PEOPLE -- AS LEVERAGE, WE WILL BE ABLE TO PROVIDE THIS INSURANCE AT GROUP RATES EXPECTED TO BE 15 TO 20 PERCENT LOWER THAN INDIVIDUAL RATES, SO IT WILL BE A VERY GOOD DEAL.

IMMEDIATELY UPON ENACTMENT, WE WILL SEEK COMPETITIVE BIDS FOR LONG-TERM CARE INSURANCE -- BIDS THAT MEET STRICT QUALITY AND PRICE CRITERIA. WE WILL CAREFULLY EVALUATE ALL POTENTIAL INSURERS, AND CHOOSE THE CONTRACTOR THAT BEST MEETS THESE CRITERIA. THE PRODUCT WE OFFER WILL MEET ALL QUALIFIED LONG-TERM CARE

INSURANCE REQUIREMENTS AND WILL GIVE CONSUMERS THE PROTECTIONS MANDATED BY THE INTERNAL REVENUE CODE. THESE INCLUDE GUARANTEED RENEWABILITY, PORTABILITY OF BENEFITS, AND NONFORFEITURE PROVISIONS.

PRIOR TO RUNNING AN OPEN SEASON, OPM INTENDS TO WORK WITH THE CONTRACTOR TO DEVELOP AND IMPLEMENT A CAMPAIGN TO EDUCATE POSSIBLE PARTICIPANTS ABOUT THE BENEFITS OF LONG-TERM CARE INSURANCE, AND OUR PROGRAM.

LEGISLATION

H.R. 4040, A COMPROMISE BILL INTRODUCED BY REPRESENTATIVE SCARBOROUGH ENTITLED THE "LONG-TERM CARE SECURITY ACT," WAS PASSED BY THE HOUSE OF REPRESENTATIVES ON MAY 9, 2000.

SENATOR GRASSLEY INTRODUCED A COMPANION BILL, S. 2420, ON BEHALF OF HIMSELF, SENATOR MIKULSKI, SENATOR COLLINS, SENATOR AKAKA, AND SENATOR CLELAND. YOUR COMMITTEE ALSO HAS BEFORE IT FOR CONSIDERATION S. 2218, "THE FEDERAL EMPLOYEES AND UNIFORMED SERVICES GROUP LONG-TERM CARE INSURANCE ACT OF 2000," INTRODUCED BY SENATOR CLELAND ON BEHALF OF HIMSELF, SENATOR MIKULSKI, SENATOR GRASSLEY, SENATOR AKAKA, SENATOR WARNER, SENATOR SARBANES, AND SENATOR ROBB.

S. 2218 AND BOTH H.R. 4040 AND S. 2420 REFLECT THE PRINCIPLES THAT THE ADMINISTRATION CONSIDERS CRITICAL. ANY OF THESE BILLS WILL BRING THE OPPORTUNITY FOR LONG-TERM CARE INSURANCE COVERAGE TO A BROAD FEDERAL CIVILIAN POPULATION, INCLUDING POSTAL EMPLOYEES, AND TO ACTIVE AND RETIRED MEMBERS OF THE UNIFORMED SERVICES. QUALIFIED RELATIVES WILL BE ABLE TO ENROLL AS WELL.

WE BELIEVE THE HOUSE BILL, THE COMPANION SENATE BILL, AND S. 2218 ALL OFFER OPM THE LEGISLATIVE FRAMEWORK NECESSARY TO LAUNCH A SUCCESSFUL LONG-TERM CARE INSURANCE PROGRAM.

WHILE SOME MINOR DIFFERENCES REMAIN, CONCEPTUALLY THE TWO VERSIONS ARE VERY CLOSE. THEY REFLECT THE CONSENSUS THAT HAS BEEN BUILDING DURING THE PAST YEAR ABOUT PROVIDING QUALITY LONG-TERM CARE INSURANCE COVERAGE TO A VERY LARGE SEGMENT OF THE POPULATION.

WITHIN THE FRAMEWORK ANY OF THESE BILLS WILL PROVIDE, WE EXPECT TO OFFER A QUALITY LONG-TERM CARE INSURANCE PRODUCT AT AFFORDABLE PRICES WITH MINIMUM UNDERWRITING FOR THE ACTIVE FEDERAL AND MILITARY EMPLOYEE POPULATION. WE ARE COMMITTED TO KEEPING UNDERWRITING REQUIREMENTS FOR THE SPOUSES OF THE ACTIVE

POPULATION AS SIMILAR AS IS PRACTICABLE. UNDER THESE CONDITIONS, WE ESTIMATE THAT WE CAN PROVIDE AN ATTRACTIVE LONG-TERM CARE INSURANCE PRODUCT. ADDING POSTAL EMPLOYEES AND MEMBERS OF THE UNIFORMED SERVICES TO THE GROUP ENHANCES OUR ABILITY TO ACHIEVE THE SIGNIFICANT NEGOTIATED SAVINGS I MENTIONED EARLIER.

WE INTEND TO DESIGN A LONG-TERM CARE INSURANCE PRODUCT THAT PROVIDES FLEXIBLE BENEFIT OPTIONS TO MEET THE DIVERSE NEEDS OF OUR POPULATION. COVERAGE WILL BE PROVIDED FOR A RANGE OF SERVICES, INCLUDING PERSONAL CARE, HOME HEALTH CARE, ADULT DAY CARE, AND NURSING HOME CARE. INDIVIDUALS WITH SIGNIFICANT COGNITIVE IMPAIRMENT OR WHO ARE IN NEED OF ASSISTANCE WITH AT LEAST TWO ACTIVITIES OF DAILY LIVING, SUCH AS BATHING, DRESSING, AND EATING, WILL BE ELIGIBLE FOR BENEFITS.

PARTICIPANTS WILL PAY 100 PERCENT OF AN AGE-BASED PREMIUM, WHICH WILL BE PAID DIRECTLY BY THE INDIVIDUAL OR THROUGH THE EMPLOYING AGENCY TO THE CARRIER.

WE ESTIMATE THAT IMPLEMENTATION START-UP COSTS COULD BE AS MUCH AS \$30 MILLION. ABOUT \$1 MILLION WILL BE NEEDED ANNUALLY AFTER THAT FOR CONTRACT ADMINISTRATION.

I DO WISH TO POINT OUT THAT, CONSISTENT WITH THE FINANCING OF THE ADMINISTRATIVE COSTS OF MOST OTHER FEDERAL PROGRAMS, THE ADMINISTRATION'S LONG-TERM CARE INSURANCE PROPOSAL SOUGHT A DIRECT AUTHORIZATION OF APPROPRIATIONS TO FINANCE THE ADMINISTRATIVE EXPENSES OF THIS NEW PROGRAM.

OUR HOPE IS THAT BY MAKING PRIVATE LONG-TERM CARE INSURANCE AVAILABLE TO THE FEDERAL FAMILY AT NEGOTIATED GROUP RATES, WE WILL, ONCE AGAIN, SERVE AS A MODEL TO OTHER EMPLOYERS ACROSS THE NATION.

IT WILL ALSO HEIGHTEN OUR NATION'S AWARENESS OF THE GROWING NEED FOR PEOPLE TO START PLANNING FOR THEIR OWN FUTURE LONG-TERM CARE NEEDS.

LONG-TERM CARE INSURANCE WILL GREATLY ENHANCE THE QUALITY OF LIFE FOR BOTH FEDERAL EMPLOYEES AND MEMBERS OF THE ARMED SERVICES.

IT WILL LET THEM CARE FOR THEIR AGING PARENTS, AND WILL LET THEIR CHILDREN CARE FOR THEM WITH DIGNITY AND FINANCIAL SECURITY. IT IS RIGHT THING TO DO. AND THIS IS THE RIGHT TIME TO DO IT.

I MUST ALSO NOTE THAT THE DEPARTMENT OF JUSTICE HAS RAISED A CONSTITUTIONAL CONCERN ABOUT THE REPORTING REQUIREMENTS CONTAINED IN SECTION 9003(d)(3) OF H.R. 4040 AND ITS COMPANION BILL,

S. 2420. THIS CONCERN CAN BE EASILY ADDRESSED WITH THE LANGUAGE WE HAVE PROVIDED TO THE SUBCOMMITTEE.

I URGE YOU TO GIVE THESE BILLS YOUR EARLIEST CONSIDERATION AND REACH CONSENSUS SO THAT THIS LEGISLATION CAN BE ENACTED AS QUICKLY AS POSSIBLE.

THIS CONCLUDES MY STATEMENT. AGAIN, THANK YOU FOR HOLDING THIS HEARING AND, ON BEHALF OF THE ENTIRE FEDERAL FAMILY, THANK YOU FOR HELPING TO ENACT THIS CRITICAL LEGISLATION. I WILL BE GLAD TO ANSWER YOUR QUESTIONS.