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House of Representatives

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Opening Statement

Ranking Member Gerald E. Connolly (VA-11)

Subcommittee on Government Operations

Hearing on “Federal Long-Term Care Insurance Program: Examining Premium Increases”

November 30, 2016

Mr. Chairman, I want to thank you and Chairman Chaffetz for holding this hearing at my request to examine the substantial premium rate increases in the Federal Long Term Care Insurance Program (FLTCIP).

FLTCIP was created in 2002 to provide affordable long term care insurance to federal workers and their families. The program has been administered by John Hancock Life and Health Insurance Company (Hancock) and overseen by the Office of Personnel Management (OPM). Although the federal government provides benefits to federal employees, it is paid for by federal employees with no government contribution.

This past July, OPM announced rate increases in the program that affected nearly all of the 274,000 FLTCIP enrollees. Like many of my constituents, I was shocked to learn that the increases averaged 83%, equivalent to an additional \$111 per month beyond the current premium that enrollees were paying and that nearly 40% of enrollees were subject to a 126% increase!

OPM has an obligation to the federal employees enrolled in this program to provide a service that is affordable. OPM's management and John Hancock's administration of this contract has left many FLTCIP enrollees scrambling to find ways to pay for the increasing costs of long term care insurance coverage, and that raises some serious concerns.

Many of my constituents are worried about how they will afford to pay the increased premiums. Many are retirees who are on a fixed income, and a huge increase which they did not expect and did not plan for is placing them in an untenable position.

Although Hancock provided enrollees with a few personalized rate options, the choices are less than satisfying. If enrollees choose to keep their existing long term care coverage, they have to somehow find the additional money to pay for it. If they cannot afford to pay the increased premium, then they have to reduce their coverage to lower the cost, or give it up entirely.

These are not acceptable options.

It is important to note that this was not the first rate increase since FLTCIP's inception. In 2009, after Hancock was awarded FLTCIP's second contract, 66% of enrollees were notified that their premiums would increase by up to 25%.

Prompted by the alarming increases in FLTCIP premiums, in October of 2009 the Senate Permanent Select Committee on Aging held a hearing to examine FLTCIP and long term care insurance in general. Witnesses from OPM and Hancock agreed that the misleading language used in the marketing materials led enrollees to believe they would not suffer any, much less egregious, increases in premiums.

The series of dramatic rate increases over the last two contract terms are propelling FLTCIP premium prices out of reach for the average, middle class federal employee.

When FLTCIP was established by the Long-Term Care Security Act, it was intended to be an affordable way for individuals to protect against the risk of losing their retirement savings because of long term illness. It was meant to provide a safety net for federal employees in their old age. During an April 1999 Oversight Subcommittee hearing, Representative Joe Scarborough, the lead sponsor of the bill, stated that he hoped to make long term care "affordable and available to all Federal employees."

Today, we have a product that has become unaffordable for many federal workers. It has clearly deviated from the intent of the Act. However, federal workers are not alone here. Industry experts are saying that all middle class Americans are struggling with the same problem – rate increases and benefit reductions are happening in the private sector too. And nearly all private sector companies have abandoned unlimited long term care coverage, leaving no long term care insurance option for those who want to guard against the risk of catastrophic long term care costs.

I am concerned about the future of this important kind of insurance. Long term care insurance was designed to close gaps in coverage. Long term care costs are not covered by Medicare or health insurance, and Medicaid only covers such costs for low income individuals. With over 70% of people aged 65 and over needing some long term care during their lives and costs of semi-private nursing homes averaging well above \$100,000 annually, the necessity of long term care insurance is clear.

John Hancock, one of the few remaining and largest long term care providers in the United States, serving 1.2 million enrollees, has recently announced that it will be pulling out of the private sector long term care market. As options for long term care dwindle, many individuals will rely on their families to provide care. However, family caregivers are becoming scarcer as baby boomers will outnumber caregivers 4-to-1 in 2030.

This hearing not only provides an opportunity to look at ways to ensure that FLTCIP lives up to its original promise, but also to understand the reason for the rate increases so that we can find solutions to address this failing market.

This problem affects hundreds of thousands of federal workers and retirees, and millions of middle class Americans. The market has not solved this problem on its own, and today's hearing cannot be the last on this topic. Historically, Republicans and Democrats have agreed that when the market is unable to solve a problem, the government has an appropriate role to play in finding solutions that work for American families.

I feel strongly that this market failure and the exposure of many Americans to catastrophic costs deserves our attention. We must safeguard the affordability and stability of long term care premium rates for middle class federal workers and all Americans.

I thank the witnesses for being here today and look forward to their testimony.

Thank you, Mr. Chairman.

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