



Highlights of [GAO-06-401](#), a report to congressional committees

LONG-TERM CARE INSURANCE

Federal Program Compared Favorably with Other Products, and Analysis of Claims Trend Could Inform Future Decisions

Why GAO Did This Study

The Long-Term Care Security Act required the federal government to offer long-term care insurance to its employees, their families, and others. The act also required GAO to conduct a study of the competitiveness of the Federal Long Term Care Insurance Program, which began in 2002, compared with individual and group products generally available in the private market. GAO compared the federal program's benefits, premiums, enrollment rates, and enrollee characteristics with other products over a 3-year period. GAO also compared the federal program's early claims experience with initial expectations.

What GAO Recommends

GAO recommends that the Director of the Office of Personnel Management (OPM) (1) analyze the reasons for lower-than-expected early claims experience and, as appropriate, use the results to modify assumptions about the expected claims experience and (2) analyze the projections for the amount of premiums to be collected to pay for claims. OPM should report both analyses to Congress prior to the next contract negotiations for the administration of the federal program.

In commenting on a draft of this report, OPM generally agreed with the report's findings and said it would provide updated information on claims experience and premium setting to Congress.

www.gao.gov/cgi-bin/getrpt?GAO-06-401.

To view the full product, including the scope and methodology, click on the link above. For more information, contact John Dicken at (202) 512-7119 or dickenj@gao.gov.

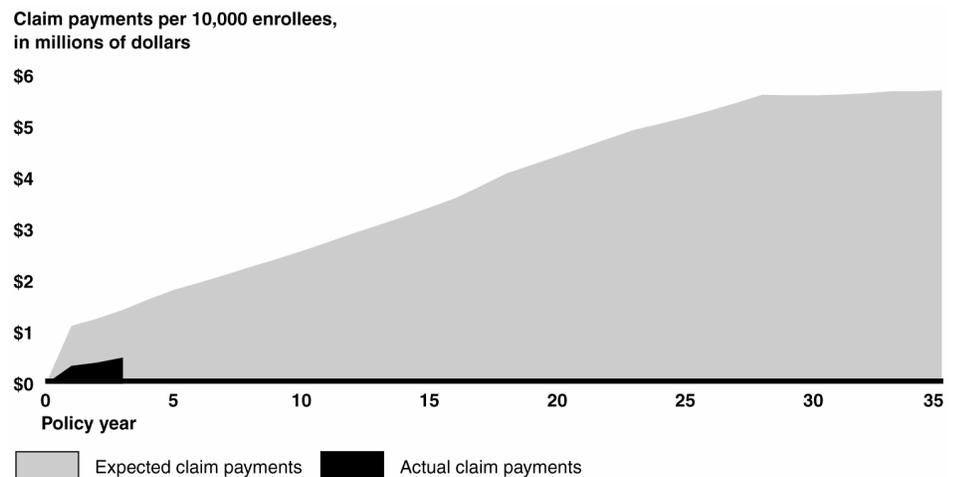
What GAO Found

During its first 3 years, the Federal Long Term Care Insurance Program offered benefits similar to those of other long-term care insurance products GAO reviewed. Most enrollees in the federal program and in individual and group products chose similar benefit amounts, elimination or waiting periods, and benefit periods. The federal program usually offered lower premiums than individual products for comparable benefits. Overall, annual premiums for the federal program averaged across three benefit plan designs were 46 percent lower for single people and 19 percent lower for married couples who were both the same age in comparison with similar individual products sold on March 31, 2005.

The participation rate in the Federal Long Term Care Insurance Program for active federal civilian employees—5 percent—was comparable to the industry average in the group market, although enrollment in the federal program was lower than initially expected. The average age of all enrollees in the federal program was younger than the average age of enrollees in individual products and older than the average age of enrollees in group products.

The Federal Long Term Care Insurance Program paid 39 percent of what it initially projected to pay for claims per enrollee. The number of claims paid per enrollee was also lower than initial projections. While the early claims experience was below expectations, it is still too early to determine whether this trend will continue or whether adjustments to the projected claims experience or premiums are indicated, because most claims are not expected to be submitted for many years.

Federal Long Term Care Insurance Program Actual Claim Payments in the First 3 Years Compared with Expected Claim Payments over 35 Years



Source: GAO analysis of data provided by Long Term Care Partners.