

Opening Statement of Senator Herb Kohl
Joint Special Committee on Aging Hearing
Sticker Shock: What's the True Cost of Federal Long-Term Care Insurance?
October 14, 2009

Good afternoon, and thank you all for being here. We are glad to be joining forces today with Senator Akaka's Subcommittee to talk about the federal long-term care insurance program. It's important that we begin this hearing with an understanding of the crucial role long-term care insurance can play for so many Americans, both now and as our country ages at an unprecedented rate. Planning for the long-term care needs of ourselves, our spouses, and our parents is a source of growing anxiety in America.

Many people don't realize that our current public and private health insurance programs do not cover long-term care. Elderly individuals who cannot take care of themselves must exhaust nearly all their savings, then—and only then—will Medicaid pay for their care. For the relatively few who have it, long-term care insurance allows them to avoid this scenario, and it goes a long way toward alleviating the immense strain on state and federal Medicaid budgets. So we want this product to work—in fact, we need it to work.

This brings us to the topic of today's hearing, which is the federal long-term care insurance program—the largest program of its kind. In 2003, OPM was trying to help federal employees prepare for their own long-term care needs when they rolled out their long-term care insurance program. Their intentions in providing this benefit were good, but seven years later, red flags have been raised concerning OPM's role as a regulator of this insurance program, and as a source of consumer education for its policyholders. One recent announcement from OPM has over 140,000 policyholders feeling extreme sticker shock. Come January, well over half of the program's policyholders will face a 25 percent increase in their monthly premium payments.

Today we hope to hear that OPM has a plan for avoiding such high increases in the future. Hindsight being twenty-twenty, the best thing OPM can do is learn from its mistakes by ramping up consumer education and ensuring that all marketing materials accurately represent the coverage and true costs of these policies.

The fact is that the problems we are seeing with the federal long-term care insurance program are occurring with long-term care insurance products nationwide. If state and federal governments are going to promote these products, it's their duty to be sure that consumer interests are protected, that premium increases are kept at a minimum, that insurance agents use proper marketing materials, and that complaints and appeals are addressed in a timely manner. Senator Wyden and I have introduced legislation to bring these and other improvements to all long-term care insurance policies, and we are hopeful it will be enacted this year.

Thank you all once again for your participation today. I am pleased to turn now to my colleague and co-chair of this hearing, Senator Akaka, for his opening statement.