

**STATE OF WISCONSIN  
DEPARTMENT OF EMPLOYEE TRUST FUNDS  
801 West Badger Road  
Madison, WI 53702**

**CORRESPONDENCE MEMORANDUM**

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**DATE:** May 3, 2003

**TO:** Group Insurance Board

**FROM:** Steve Grob  
Program Manager, Optional Insurance Plans

**SUBJECT:** Long-Term Care Insurance Program– Status Update

This memo provides the annual update on the status of the Long-Term Care Insurance Program, focusing on enrollment levels and marketing activity. No action is required for this agenda item.

**Background**

In the early 1990s, Wis. Stats. § 40.55 and Wis. Admin. Code Chapter ETF 41 established a program to offer long-term care insurance to state employees and annuitants, their spouses and the parents of state employees.

Currently, there are three insurers that have policies in force through the state Long-Term Care Insurance Program. Of these, only two are offering policies to new subscribers - Life Investors Insurance Company of America and John Hancock Life Insurance Company. American International Group (AIG) has existing policyholders, but as the result of a company policy decision, it is no longer offering policies to new participants.

**Discussion**

The Long-Term Care Insurance Program experienced two noteworthy changes last year relative to the plans currently participating in the program. First, John Hancock updated their policy and consolidated all existing John Hancock products into a single offering, including the one previously marketed in the program as a Fortis/Hancock product. The replacement product was approved by the Board at the June 2002 meeting. Secondly, Banker's United Life Assurance Company was acquired by Life Investors Insurance Company of America. There was no impact on subscribers other than the name change. The product remained identical, as did the company employees and place of business. For more information on this product, see the separate agenda item concerning the request for a Life Investors policy replacement.

Annually each participating insurer is required to provide a report summarizing marketing and enrollment activities. According to the reports, there are nearly 5,000 policies issued by the three carriers. While about 2900 of these are annuitants, the rest are active employees, spouses or parents. Of the approximately 2,000 employees eligible to pay premium by payroll deduction, only about 50 have elected to do so. The plans report that employees appear to prefer to have electronic funds transfer directly from their bank for control of the monthly transfer date. In addition, many employees also choose to pay quarterly, semi-annually and annually. Last year there were 1183 applications for coverage. Of these 271 were denied. The basis for the denials remains generally consistent with last year. The most common reasons for denial are cognitive loss, stroke, diabetes and combined medical history. The number of complaints reported by the plans is low, and there were no formal complaints handled by the Department's Ombudsperson staff.

The following chart highlights some of the information gathered for the year 2002.

Long-Term Care Application and Marketing Activity for the Year 2002			
	John Hancock SeniorCare	Life Investors	Fortis/John Hancock HealthChoice
How many applications were received?	360	691	132
How many policies were denied?	54	182	35
How many policies were issued to state annuitants?	304	268	129
How many policies were issued to state employees?	108	117	38
How many policies were issued to spouses or parents of state employees?	33	45	9
How many complaints did you receive?	0	1	0
How many phone calls were received from state eligibles?	310	337	79
How many reply cards were received from state eligibles?	540	3867	2772
Total Long-Term Care Membership By Plan			
Product	AIG	John Hancock SeniorCare	Fortis/Hancock & Life Investors HealthChoice
Cumulative total membership since inception.	229	928	3842