



STATE OF WISCONSIN
Department of Employee Trust Funds
Robert J. Conlin
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax 608-267-4549
etf.wi.gov

CORRESPONDENCE MEMORANDUM

DATE: February 24, 2015

TO: Group Insurance Board

FROM: Roni Harper, Manager, Optional Insurance Plans
Mary Statz, Director, Health Benefits and Insurance Plans Bureau

SUBJECT: Long-Term Care Insurance Standards—Technical corrections

This memo is for informational purposes only. No Board action is required.

Background: At the November 18, 2014 Group Insurance Board (Board) meeting, staff received Board approval to proceed with necessary technical changes related to the Standards for Proposing and Providing Long-Term Care Insurance (Standards). As staff finalized processes, several minor language changes in the Standards were made. This memo addresses those items. The Standards document is attached showing these changes.

Notable Technical Corrections:

1. Page 5, section 4, Procedure for Submitting a Proposal:
 - a) Added: “the e-mail address for the staff member listed on the attached ‘Contacts’ page.

Added: “Or, if by courier: 801 W. Badger Rd, Madison WI 53713.”
 - b) Deleted the statement, “A fee for administration will be charged.” No application fee will be charged. Annual fees are outlined in item 5.A.1.
 - c) Page 6: Added item 4. A.4., “Include a signed statement from an officer of the insurer, authorizing the General Agent to offer this plan on behalf of the insurer, and stating awareness of administrative requirements for ongoing management.” This is intended to confirm roles and responsibilities of participating insurance entities.

Reviewed and approved by Lisa Ellinger, Administrator,
Division of Insurance Services

Electronically Signed:
03/06/15

Board	Mtg Date	Item #
GIB	3.25.15	5B

2. Page 7, Section 6, Administration of Approved Plans:
A.3. Changed, “Enrollment may begin not more than eight weeks...” to “Enrollment may begin not *less* than eight weeks....” [emphasis added].
3. Page 8, Section 7, Attachments has been deleted. The Attachment section included a checklist, ETF contact list, and samples of forms, contracts, authorizations, agreements and reports.

Staff will be at the Board meeting to answer any questions.

Attachment A: Standards for Proposing and Providing Long-Term Care Insurance

Standards for Proposing and Providing Long-term Care Insurance



Department of Employee Trust Funds
Group Insurance Board
801 West Badger Road
Madison, Wisconsin 53702

November 18, 2014

Standards for Proposing and Providing Long-Term Care Insurance

Table of Contents	Page
1. Objectives.....	2
2. Statutory Authority	2
3. Standards for Plan Provisions	2
A. General Standards	2
B. Persons eligible to subscribe	3
C. Coverage and costs for marketed plan.....	3
1. Basic Standards-OCI and enhanced standards	3
2. Inflation Protection.....	4
3. Additional Standards	5
4. Procedure for Submitting a Proposal.....	5
5. Review Process by the Department of Employee Trust Funds	6
6. Administration of approved plans	7
A. Duties of Managing General Agent.....	7
B. Duties of Employers and Payroll Center Staff.....	8
C. Duties of ETF.....	8

1. Objectives

As outlined in Wis. Stat. 40.55, the Group Insurance Board (Board) is required to offer long-term care (LTC) insurance to eligible employees and annuitants, and to their spouses, domestic partners and parents. The LTC insurance may be made available based on underwriting to establish each subscriber's initial eligibility and premium levels. The State does not contribute to premiums. For a plan to be considered by the Board it must have been filed with the Office of the Commissioner of Insurance (OCI). These Standards outline the following:

- further qualifications of policies for which a managing general agent (Agent) seeks approval from the Board;
- procedures for submitting proposals;
- marketing approved insurance; and
- contract features outlining ongoing administrative requirements for plans that receive Board authorization.

In offering LTC insurance that meets standards outlined by the Board, the State seeks to contribute to the objectives established for the public employee trust fund: to aid public employees to protect themselves and their beneficiaries against the financial hardships of old age, disability, illness and accident--thereby promoting economy and efficiency in public service by facilitating the attraction and retention of competent employees and enhancing employee ability to perform their duties, while minimizing the stress of contributing to care of a parent or spouse in need of long-term care.

2. Statutory Authority

Statutory Authority is described in Wis. Stat. Ch. 40.03(6)(a)1., and in Wis. Stat. Ch. 40.55 - Long Term Care Coverage, which states in part:

“... the state shall offer, through the group insurance board, to eligible employees... and to state annuitants long-term care insurance policies which have been filed with the office of the commissioner of insurance and which have been approved for offering under contracts established by the group insurance board.”

Rule-making authority is described in Wis. Admin. ETF 10.20, which authorizes approval of plan premiums to be paid through payroll or annuity deduction.

3. Standards for Plan Provisions

A. General standards

An LTC insurance plan (Plan) approved by the Board must:

1. Demonstrate approval by OCI.
2. Fulfill an important coverage need for eligible subscribers by offering benefits, value, and service not otherwise available under Plans approved

by the Board.

3. Demonstrate a history of performance and acceptance by eligible participants and/or a record of positive assessment by other large group entities that make the same or similar Plan available to their employees.
4. Demonstrate ability to manage premiums through automated systems for payroll deduction that interface with State payroll systems for employees and annuitants.

B. Persons eligible to subscribe

1. A Plan approved under these Standards may be marketed to State employees as defined by Wis. Stat. 40.02(25)(bm):
 - a) Any employee of the state who received a salary or wages in the previous calendar year
 - b) State annuitants under Wis. Stat. 40.02(54m)
 - c) Any participant who was formerly employed by the State who received a lump sum if paid as an annuity
 - d) Any employee who is a resident of Wisconsin and has filed an application for an immediate annuity, regardless of whether final administration has been taken
2. A Plan may also be marketed to the spouse or domestic partner of an employee or annuitant and to the parents of the employee, spouse or domestic partner. Premiums for policies covering any of these family members may be paid for via payroll or annuity deduction.
3. All of the above comprise a group of **Eligible Chapter 40 Subscribers**. Each applicant may be subject to underwriting, under standards in Wis. Admin Code Ins. 3.46(10).

C. Coverage and costs for marketed plan:

Prior to approval by the Board, a Plan must demonstrate that it has met the uniform product standards and *received approval* from OCI. In addition, to ensure quality and value for eligible subscribers under Wis. Stat. 40.55, the policy, as marketed and sold to Eligible Chapter 40 subscribers, must meet specific standards of benefits and costs as outlined below, at a minimum.

1. Basic Standards – OCI and enhanced standards:

Be approved as a Partnership Plan under Wis. Admin Ins. 3.465. Meet or exceed Plan requirements of OCI or the Interstate Insurance Product Regulation Commission (IIPRC), as outlined in Form Filing Checklist – Long-Term Care Insurance or IIPRC-LTC-I-3-CORE, which include but are not limited to:

- a) Cover a full range of care settings and methodologies, from homemaker services to skilled nursing home care
- b) Provide a minimum daily benefit for care equal to that prescribed in Ins 3.46(4)(b), or \$120/day, whichever is higher
- c) Provide a lifetime maximum benefit of no less than \$120,000
- d) Cover long-term care without the need for previous hospitalization or prior use of other levels of care
- e) Provide care after an elimination *period not to exceed 120 days*, whether or not days are consecutive
- f) Offer non-forfeiture benefit if a policy lapses due to lack of payment
- g) Provide coverage when the subscriber shows deficits in performing 2 (two) or more Activities of Daily Living (ADLs) as defined in Ins 3.46(17), or dementia that affects safety

2. Inflation Protection:

Policies as marketed to Eligible Chapter 40 Subscribers must include inflation protection as outlined below:

- a) **Under Age 65:** Automatic annual compounded inflation protection must be included:
 - 1. Level premiums, with benefits increasing at a rate of at least 3% with guaranteed annual opportunity to adjust the compound inflation rate at minimum .5% intervals up or down (within the range of 3% to 5%) with premium rates for higher amounts based on age at purchase, available until 20 years after purchase or age 76, whichever is earlier; OR
 - 2. At a rate based on changes in the CPI; OR
 - 3. At a rate of 5% for 20 years or until age 76, whichever is earlier
- b) **At least age 65 but less than 76:** Automatic annual compounded inflation protection described above, OR additional options include:
 - 1. At least 3% annual simple inflation protection until subscriber attains age 76 AND
 - 2. Guaranteed bi-annual purchase option of the difference between current value and 5%, for the earlier of 10 years, or until age 76, or subscriber rejects two *non-consecutive* offers
- c) **At least 76:** Must offer same as above, but inflation protection is not required

3. Additional standards:

- a) Tax consequences: the Policy must meet the federal requirements for tax-qualified LTC policies: Ins 3.46(18)(b) and Ins 3.465(3)(b)2.
- b) Standards for premium increase by class: The Plan must follow provisions in Ins 3.46(19), which outlines what constitutes a substantial premium increase allowing a non-forfeiture opportunity for the policyholder. In addition, the plan must show procedures to notify the Department of Employee Trust Funds (ETF), as the agent of the Board, at least 60 days before a class rate increase is scheduled to take effect. ETF should have notice no later than the date notices are mailed or posted to subscribers.
- c) Standards for agent training and compliance with marketing acts and practices as outlined in Ins. 3.46 (23).

4. Procedure for Submitting a Proposal

Any Agent seeking Board approval of an LTC insurance policy must first submit a proposal to this e-mail address: InsuranceSubmit@etf.wi.gov. If paper copies are requested, they should be sent to:

Department of Employee Trust Funds
Attention Optional Plans Program
Manager P.O. Box 7931, Madison, WI
53707-7931

Or, if by courier: 801 W. Badger Rd,
Madison WI 53713.

A fee for administration will be charged.

Time frame: A complete proposal must be submitted no less than 12 weeks prior to the Board meeting at which it will be presented.

Documentation outlined below should be sent via e-mail to ETF's Optional Plan Program Manager initially, with separate attachments. Bound paper copies may be requested by ETF and if so requested must be provided no less than 15 days prior to the Board meeting at which the proposal will be presented.

- A. **Cover letter** from Wisconsin Managing General Agent licensed to market LTC insurance in the state of Wisconsin, outlining:
 1. Marketing title/working title of new Plan, and Plan ID registered with OCI
 2. Plan identification number and working title of Plan to be replaced
 3. Brief narrative description of Plan. Clearly identify how the marketed Plan will conform to Board standards; do not simply submit a brochure used for general, non-Chapter 40 marketing

4. Include a signed statement from an officer of the insurer, authorizing the General Agent to offer this plan on behalf of the insurer, and stating awareness of administrative requirements for ongoing management.

B. References and contacts:

1. List of contact persons for managing the proposal review on behalf of the Insurer and of the Wisconsin Managing General Agent
2. Functional web addresses for Insurer and Agent, with links to related plans if possible.
3. List of three current or recent employers from which the Insurer collects LTC insurance premiums via electronic fund transfer, including name and contact information for the employee benefits office of each entity.
 - At least one employer should be a government agency.
 - For participating government groups, list the number of participants enrolled in previous year, and the number with in-force plan
4. Other large groups: at least one as reference, additional list welcome

C. Attachments (Use checklist, Clearly mark any sections that should be regarded as confidential.).

1. Plan:
 - a) Documentation of approval from OCI
 - b) Clearly identify which policy variables apply to Board proposal, in a separate application sample
 - c) Complete narrative description of the policy as it will be made available to Eligible Chapter 40 Subscribers. The description of benefits must include a detailed listing of exclusions and limitations.
 - d) Premium schedule
 - e) A detailed description of the process for an applicant or subscriber to report a complaint with the Agency and Insurer
2. Actuarial analysis, sufficient to allow the Board's consulting actuary to review policy variables required under these Standards.
3. Demonstration of ability to provide adequate customer service
4. List of selling agents at the time of the proposal
5. A summary of the Plan suitable for publication for member comment must be provided (may be a sample brochure if it accurately depicts the Plan as presented to the Board)

5. Review Process by the Department of Employee Trust Funds

- A. ETF staff review the proposal and prepare recommendation to Board. ETF will notify the Agent within 10 days that the submission has been received and accepted as complete.
 - 1. Review by the Board's consulting actuary will range from brief to extensive, based on the features of the plan and clarity of the proposal submitted. The fee for this review will be billed directly to the Managing General Agent by the Board's consulting actuarial firm.
 - 2. The review process may include meetings or conference calls with Insurer and ETF and/or the consulting actuary.
- B. Any modifications to the proposal must be received by ETF in writing (via email attachment) no later than six weeks prior to the scheduled Board meeting.
- C. A spokesperson for the Agent must be present at the Board meeting. The agenda and documents for Board discussion are posted on ETF's website one week before each meeting.
- D. Marketing materials, including any content for Internet postings must be approved by ETF to ensure they reflect plan provisions and procedures in this Standard. Approval of marketing materials by the OCI is not a substitute for approval by ETF.

6. Administration of Approved Plans

- A. Duties of Managing General Agent
 - 1. Upon approval, and before the Agent may market the Plan:
 - a) Sign Administrative Agreement
 - b) Provide marketing plan, including final Plan-specific brochure, application, and subscriber contract
 - 2. Must set up payroll deduction procedures in compliance with each State payroll center
 - 3. Enrollment may begin **not less than eight weeks** after Board approval, with payroll or annuity deduction for premiums effective January 1 of the year following the year the Plan was approved.
 - 4. Utilize *Authorization to Deduct Monthly Premium for LTC Insurance* form (ET-2364) or *Retired Public Safety Officer Insurance Premium Deduction - Authorization* form (ET-4330) for all new enrollees and for changes to premiums.
 - 5. Pay annual fee within 30 days of receipt of invoice.
 - 6. Annual reporting to ETF for compilation and review by Board. Data to include, at a minimum:

- a) Number of inquiries
- b) Number of inquiries that did not meet the suitability standard, as described in Wis. Admin. Ins. 3.46(16)
- c) Number of policies sold
- d) Age ranges at time of purchase
- e) Employers, if active employees purchased policies
- f) Number of employee/retiree/family
- g) Premiums total
- h) Average premium by gender
- i) Age ranges at time of initial claim
- j) Number of claims
- k) Amount of claims paid
- l) Setting of subscribers in claim status (home, assisted living, skilled nursing facility)
- m) Number of policies lapsed
- n) Other data elements as requested

B. Duties of Employers and Payroll Center Staff

1. Each payroll and benefits office will set up a system to pay premiums via automatic payroll deduction. Upon receipt of subscriber completed *Authorization to Deduct Monthly Premium for LTC Insurance* form (ET-2364), will initiate or adjust premium deductions.
2. Distribute annual outreach message to employees through electronic messaging or newsletter, using content provided by Agent, approved by ETF.

C. Duties of ETF

1. Facilitate Agent's outreach to members:
 - a) Provide Agent with a list showing contact information for each State agency and payroll center
 - b) Annually review, approve, and distribute text of brief informational outreach message provided by Agent.
 - c) Annually prepare census list for direct marketing, if requested by the Managing General Agent.
2. Set up a system to pay premiums via automatic annuity deduction. Upon receipt of subscriber completed *Authorization to Deduct Monthly Premium for LTC Insurance* form (ET-2364) or *Retired Public Safety*

Officer Insurance Premium Deduction - Authorization form (ET-4330) for eligible members, implement or change premium deduction.

3. Prepare annual invoice reflecting the direct costs incurred by the Board and its agents (ETF) in administering this LTC insurance for members and employers.