



## **Benefit Services**

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### MEMORANDUM

**TO:** Dr. Barbara Couture, President

**FROM:** René S. Yoder, Benefits Manager

**ON BEHALF OF:** Benefits Advisory Committee

**RE:** Recommendation for Implementation of Long Term Care Insurance Through Genworth

**DATE:** August 2, 2012

The Benefit Advisory Committee (BAC) was established to assist New Mexico State University, under the guidance of Human Resource Services, with review of current benefit programs offered to NMSU employees and recommend changes that would benefit the employee and employer through increased value and/or decreased cost.

In the last year, the BAC has review proposals from vendors for voluntary benefit plans, which resulted in the implementation of the critical illness plan through AFLAC effective April 1, 2012, and the online discount program through SmartSavings effective March 1, 2012. The committee has recently reviewed proposals for the implementation of long term care insurance as a voluntary benefit.

A long term care program offers employees and their families the opportunity to fund extended health care delivered at home, in assisted living facilities, adult day care centers, hospice or skilled nursing homes. Based on the 2010 NMSU benefits survey conducted with the assistance of Mercer, over 50% of the respondents indicated they would participate in a long term care program, if it was offered.

At the time proposals were submitted, two vendors were available to provide quotes for long term care insurance. Since then, one vendor has announced its intention of leaving the market and is not accepting contracts. Based on the available proposal, and market analysis provided by Mercer benefit consultants, the BAC recommends contracting with Genworth to provide long term care insurance for NMSU employees and their families.

The long term care insurance plan is an employee paid benefit, with no financial obligation to NMSU. The BAC recommends offering this product to both active employees and retirees through a direct bill process, in lieu of payroll deduction. Because this policy is owned by the participant and can cover employees and extended family, a direct bill setup is common in the

industry. This type of program is continued at existing rates, based on age, after employment ends, provided the participant continues to pay the monthly premium. The program being recommended by the BAC also includes a “return of premium” clause that permits participants who pass away prior to depleting the benefit to receive the premiums, minus any paid benefits, paid to a beneficiary (with an age reduction schedule).

Benefit Services supports the recommendation of the BAC and suggests an implementation date of May 1, 2013. Based on current volume, the vendor would not be able to implement prior to May 1, 2013, unless the contract is awarded by August 1, 2012. Enrollment for this benefit would be available to active employees and existing NMSU retirees in February/March 2013. This timeline offers ample opportunity to communicate and encourage participation. Plan representatives will also be available for open forums to explain the benefits and answer questions about the program.

The Benefits Advisory Committee will continue to review NMSU benefit programs over the next year, facilitated by Human Resource Services, to recommend potential plan changes to be implemented that can increase the value of being an NMSU employee. The committee will consider financial constraints as well as employee concerns regarding benefit programs and recommend changes that are of benefit to NMSU and its employees.

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