

Get Smart About YOUR FUTURE



Federal Long Term Care Insurance Program
204 Carter Drive
West Chester, PA 19382

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Return the enclosed postcard for an Open Season Information Kit and Application



Be Smart



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Long Term Care Smarts

MORE NEEDING CARE

Estimates show that the number of elderly persons who need long term care assistance could grow by 35% over the next 20 years, and by 82% over the next 40 years.

Testimony Before Senate Committee on Aging, Carol V. O'Shaughnessy, Specialist in Social Legislation, Congressional Research Service, June 28, 2001.

A LA CARTE

Prospective residents and family members should be aware that assisted living facilities are not uni-

form in the way they price their services. According to the Assisted Living Federation of America (ALFA), some assisted living facilities (ALFs) provide certain services as part of the base pricing and at other ALFs, the same services are offered as an additional charge. 43% of ALFs charge extra for assistance with ADLs; 40% charge extra for nursing services; 55% for incontinence care; 43% for physical therapy and 4% for three meals a day.

Snapshot of Assisted Living, LTC News & Comment, ltcnewsandcomment.com, March 2001. Vol. 11, No. 1.

The Federal Long Term Care Insurance Program is administered by Long Term Care Partners, LLC, and offered by: John Hancock Life Insurance Company, Boston, MA 02117 Metropolitan Life Insurance Company, New York, NY 10010



Get Smart About YOUR FUTURE

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Getting smart about your health...your finances...and your future!

Welcome to our fourth issue

Open Season is here! It's time to decide whether the Federal Long Term Care Insurance Program is right for you. This new Program, sponsored by OPM, and backed by two leading insurers, John Hancock and MetLife, offers many options that can respond to your diverse needs and budgets. And, thanks to the Federal Family's buying power, premiums are surprisingly affordable.

When I learned about the many options available through the Federal Long Term Care Insurance Program to help pay for my long term care, I became its first Charter Member.

Now that Open Season is here, I encourage you to request your free Information Kit, including an application and personalized premium quote. Simply complete and mail the enclosed postage-paid postcard, using the peel-off label on this Bulletin.

Take this step that could be vital to both your peace of mind and your future. It's a decision I know you'll feel good about!

Kay Coles James

Director, U.S. Office of Personnel Management



FIVE MYTHS ABOUT LONG TERM CARE INSURANCE

Americans are living longer. To protect your assets later in life—or in the event of a disability at any age—long term care insurance can be a good investment.

Yet, there are many misperceptions about long term care insurance...

MYTH #1: Long term care insurance is only for older people. While 60% of people who will need long term care are age 65 or older, 40% are working-age adults—age 18 to 64.¹

People of any age can develop serious conditions that require assistance with routine daily activities for an extended period of time and such help could be very costly. But long term care insurance can help cover the cost of this care and protect your assets.

MYTH #2: Long term care insurance is too expensive. Long term care insurance premiums are lower the younger you are when you buy. So, it makes sense to purchase a policy when you are younger and when premiums are more affordable.

The biweekly premium if you purchase coverage at age 40 for a plan available from the Federal Long Term Care Insurance Program that covers home and facilities care and keeps pace with inflation is \$30.05.* At age 50, if you purchase the same plan, that plan will cost \$43.06.* (continued on page 2)



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You're invited to find out more...

Now that Open Season is here, there are new ways to learn more about the Federal Long Term Care Insurance Program! Program Educational meetings will offer you detailed information about plan features. There are two convenient ways to access a meeting:

- Register to attend an in-person meeting near you. Call toll-free at: 1-800-LTC-FEDS (1-800-582-3337), (TDD: 1-800-843-3557), or go to our web site www.LTCFEDS.com.
- Watch a meeting from a computer at your convenience by visiting www.LTCFEDS.com.

in this issue...

SPECIAL INSERT...
REQUEST YOUR OPEN SEASON INFORMATION KIT AND APPLICATION.
SEE POSTCARD INSIDE

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How Will Your Benefits Grow?

When most people purchase long term care insurance, they don't expect to need it for a number of years. Costs for long term care services are expected to increase, so you'll want to make sure your plan benefits are protected against inflation and are meaningful at the time that you need to use them. Typically, there are two types of inflation protection options offered.

■ **Automatic Inflation Protection:** With automatic inflation protection your daily benefit amount and maximum lifetime benefit will increase automatically by a certain percentage each year without a corresponding increase in premium. Companies typically offer a 5% simple or 5% compound annual increase. The initial premium will be higher than if you choose the Future Purchase Option, but you won't have to think about future inflation increases since they are automatic.

■ **Future Purchase Option (or Periodic Inflation Protection):** With this option you can purchase inflation protection increases in your benefit periodically (e.g., every one to two years). The offer will be based on either a fixed amount, such as an annual 5% simple or compound rate, or on an established inflation index. The additional premium for the increased benefit amount will be based on your age at the time you accept the upgrade. If you decline the offer, neither your benefits nor your premiums will increase.

If both inflation protection options are offered by a particular insurance company, ask for a chart that compares the two options over a 20- to 25-year period. This will help you to visualize both the increase in benefits and the potential difference in cost over time.

The Federal Long Term Care Insurance Program offers both a 5% Automatic Compound Inflation Option and a Future Purchase Option based on an established inflation index. You can review a chart comparing the inflation protection options of the Federal Program in the Open Season Information Kit. Be sure to request yours today.

(continued from page 1)

MYTH #3: If I ever need long term care, I'll be able to pay for it myself. The average nursing home stay is 2.6 years³ and the national annual cost of a semi-private room is \$52,000.⁴ By the year 2030, it is estimated that the cost will be \$190,600.⁵

In 2000, the average annual cost for an assisted living facility was \$25,300.⁵ By the year 2030, the average annual cost is projected to be \$109,300.⁵ But costs vary, depending on the location and duration of your care, and may also vary based on the level of assistance you need.

And—the national average annual cost of home care is well over \$20,000 (that's \$18/hour⁵, five hours per day, five days a week for a home health aide)—and it's expected to climb to \$68,000 by 2030.⁵ Could you pay for such expenses? And, would you want to use your assets in this way? Many people will find that their assets will be depleted rapidly if they have to pay for long term care services out-of-pocket.

MYTH #4: Long term care insurance only covers nursing home costs. Some policies do pay only for nursing home costs. But others pay for long term care in your home or in an assisted living facility. With the Federal Long Term Care Insurance Program, you can decide where you receive care and from whom. For example, care is covered from family, friends and other non-licensed caregivers who didn't normally live with you at the time you became eligible for benefits. Care provided by family members is covered for up to 365 days in your lifetime.



MYTH #5: Long term care insurance won't pay for pre-existing health problems. This depends on the condition and the policy you buy. Some plans cover almost any pre-existing condition. Once you are enrolled, other plans may require that you wait a certain period of time before you can become eligible for benefits for a pre-existing condition.

Once enrolled in the Federal Program, you will have coverage for any pre-existing conditions as long as you qualify for benefits. And, although virtually all long term care insurance policies provide coverage for enrollees who develop Alzheimer's disease (or less severe forms of dementia), few plans, including the Federal Program, will allow you to purchase coverage after you already have the condition. That's another reason why it's smart to apply while you are in good health.

* Comprehensive Plan with \$150 daily benefit amount, 3-year benefit period, 90-day waiting period and automatic compound inflation option.

NEXT ISSUE:

- Why apply for the Federal Long Term Care Insurance Program?
- Open Season Information

¹ Long Term Care Insurance, Baby Boom or Bust?, Conning & Company, 1999, p.13.
² Facts and Trends: The Assisted Living Sourcebook National Center for Assisted Living, 1998.
³ Long Term Care Insurance, Baby Boom or Bust?, Conning & Company, 1999, p.15.
⁴ MetLife Market Survey of Nursing Home and Home Care Costs, April 2002.
⁵ ACLI Study, "Can Aging Baby Boomers Avoid the Nursing Home?" March 2000.

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Waiting for Benefits



A waiting period (or elimination period) in long term care insurance is similar to the deductible in other insurance products. With long term care insurance the deductible is measured in days, rather than dollar amounts.

Long term care insurance plans often have a variety of waiting periods ranging from 0 to 180 days. The length of the waiting period will impact the premium you pay. While a longer waiting period will lower your premium, it will also result in greater out-of-pocket expense at the time you need care.

Some long term care insurance plans require you to complete the waiting period only once in a lifetime, while other plans require you to complete the waiting period each time you need benefits.

It is important to determine how the waiting period is measured, as this could impact how quickly you satisfy your waiting period and when you can begin to receive benefits.

TWO TYPES OF WAITING PERIODS

There are two types of waiting periods: days of service and calendar days.

■ **Days of Service.** There are long term care insurance policies that measure the waiting period in terms of days of service. Once you are approved for benefits, each day that you receive a covered service will be counted toward the waiting period. Companies will often count a day toward your waiting period if you receive a covered service either you, Medicare, or other health insurance, pays for. However, it is important to remember that Medicare, and other health insurance, will typically only pay for nursing home and home care



services if they are needed as part of treatment for an acute care condition, such as rehabilitation following a hip fracture.

■ **Calendar Days.** Some other policies measure the waiting period in calendar days. This means that once it is determined you qualify for benefits, you must wait a specific number of calendar days before benefits are payable. You do not have to receive covered services for the days to be counted toward the waiting period.

A calendar day waiting period is often completed sooner than a days of service waiting period because you may not receive covered services each day after you are authorized for benefits. This is especially true if you are receiving care at home. Premiums for a calendar day waiting period are higher than for a days of service waiting period.

The Federal Long Term Care Insurance Program provides a days of service waiting period and requires you to meet your waiting period only once in your lifetime. Whether you have a days of service or a calendar days waiting period, you should be prepared to pay for the full cost of your care during your waiting period.

WAITING PERIOD VS. 90-DAY CERTIFICATION

■ **90-Day Certification.** There is one other important point to keep in mind, if you are looking at tax-qualified long term care insurance plans—the difference between the waiting period and the 90-day certification. HIPAA (the tax law that provides favorable tax status to plans meeting certain criteria) requires that in order to be approved for benefits, you must be expected to need assistance with Activities of Daily Living (ADLs) for a period of at least 90 days, or have a cognitive impairment severe enough to require supervision. The Federal Long Term Care Insurance Program meets these requirements from HIPAA.

This 90-day certification is separate from the waiting period and should not affect how the waiting period is calculated. However, it is always best to know exactly how any plan you are considering works.

MARK YOUR CALENDAR!

Open Season for the Federal Long Term Care Insurance Program starts July 1, 2002, and runs through December 31, 2002