

**This booklet is offered as a service of the  
Federal Long Term Care Insurance Program**

# The Long Term Care Insurance Primer

For the Federal Family

“We all need to get smart about long term care. This booklet is the best way I know to get the information you need.”

*Kay Coles James  
Director, U.S. Office of Personnel Management*

## Questions?

To request an Information Kit and application  
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## The Federal Long Term Care Insurance Program



Sponsored by the U.S. Office of  
Personnel Management and Offered  
by John Hancock and MetLife

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

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Get Smart



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Get Smart



## The Federal Long Term Care Insurance Program



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by John Hancock and MetLife

Dear Member of the Federal Family,

We buy homeowners insurance, though thankfully most of us will probably never experience major damage from a house fire. We buy car insurance, though most will never experience more than a minor fender bender. But what about long term care insurance? I would guess you, like many, do not have this type of insurance, even though statistically there is a much higher probability you will need long term care at some point in your life. The Federal Long Term Care Insurance Program empowers the Federal Family with a tool to make their futures more secure while preserving their care choices. It is time to take a closer look at this unique opportunity for families to plan for the future.

The purpose of this booklet is to give you a basic understanding of long term care and of long term care insurance, so that you can make the most informed decision possible about protecting yourself and your family against the potentially high costs of long term care if you ever need it.

This booklet also outlines the Federal Long Term Care Insurance Program, sponsored by the U.S. Office of Personnel Management (OPM) and offered by John Hancock and MetLife.

You can find out more about long term care on the World Wide Web or at your local library. To learn more about the Federal Long Term Care Insurance Program, call 1-800-LTC-FEDS (1-800-582-3337) (TTY:1-800-843-3557). Or visit either [www.opm.gov/insure/ltc](http://www.opm.gov/insure/ltc) or [www.LTCFEDS.com](http://www.LTCFEDS.com). You should seek out as many sources of accurate information as possible.

Long term care insurance is an issue of personal responsibility, and it's up to you to ensure that you and your family are protected from the potentially high costs associated with long term care by making an informed decision about the Federal Long Term Care Insurance Program.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kay Coles James".

Kay Coles James, Director  
U.S. Office of Personnel Management

## Introduction

An important part of financial planning is making decisions about how you'll pay for the cost of long term care services if you need them. To help you become familiar with your alternatives, including long term care insurance, this primer outlines basic information on long term care as simply and clearly as possible. You'll find a glossary of terms on page 19.

The Long Term Care Security Act (PL 106-265) was signed into law on September 19, 2000. The Act authorized the U.S. Office of Personnel Management (OPM) to start a long term care insurance program. On December 18, 2001, OPM selected John Hancock and MetLife to offer the Federal Long Term Care Insurance Program to members of the Federal Family. This Program can help you make informed decisions about how you pay for care you may need in the future.

Insurance to help cover the costs of long term care became available only about 20 years ago. It was developed in response to a rapidly increasing number of people needing care at the very time that fewer family members could provide it. Its features have evolved to meet the complicated needs of modern families. The best policies give you a number of choices and options that allow you to tailor your coverage to your individual needs.

General information on long term care and long term care insurance can be found on pages 1-10 and in the Glossary. Information specific to the Federal Program can be found on pages 11-18.

Please use this as a general guidebook only. It is intended to be informational and is not a policy statement made on behalf of the U.S. Office of Personnel Management or any other part of the Federal government. We urge you to seek out as many sources of accurate information as possible.

To obtain more information about the Federal Long Term Care Insurance Program call 1-800-LTC-FEDS (1-800-582-3337) (TTY:1-800-843-3557). Or visit either [www.opm.gov/insure/ltc](http://www.opm.gov/insure/ltc) or [www.LTCFEDS.com](http://www.LTCFEDS.com).

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Question

## What is long term care?

Answer

Long term care is the kind of care you would need to help you perform daily activities of living — tasks such as feeding yourself, taking a bath, getting dressed, moving from a bed to a chair, using the bathroom, and remaining continent. It's needed when chronic illness, injury or age keeps people from performing everyday tasks by themselves.

Many people think of nursing homes when they hear the words long term care. However, most long term care is provided by friends and family members at home.

It's easier to understand long term care by making clear what it is not. It's not medical care. It's generally not provided by doctors, registered nurses or other skilled medical professionals. It's not intended to cure a disease. And it's not provided in a hospital.

The insurance industry assesses one's need for long term care in terms of the ability to perform the everyday tasks mentioned above. These tasks are called "activities of daily living" (ADLs). Whether or not a person can perform a designated number of them without help is an important part of the criteria used to determine if you qualify for benefits. Another measurement used to assess need for long term care services is cognitive impairment, like that caused by Alzheimer's disease, severe enough to require substantial supervision.

Question

## Who needs long term care?

Answer

Long term care is not just for older adults. In fact, 40% of Americans currently receiving long term care are between the ages of 18 and 64.<sup>1</sup> Growing older, however, increases your chances of needing long term care.

**40% of Americans currently receiving long term care are between the ages of 18 and 64.<sup>1</sup>**

According to the Health Insurance Association of America (HIAA), 60% of Americans who reach age 65 will need long term care at some point in their lives.<sup>2</sup> There are more women than men who need long term care because women live longer on average, and the older you get the higher the odds of needing care.

One out of four Americans age 85 or older actually lives in a nursing home<sup>3</sup>, which is the most expensive type of long term care. And this age group is the fastest growing segment of the U.S. population. During the next thirty years, the number of Americans over

**60% of Americans who reach age 65 will need long term care at some point in their lives.<sup>2</sup>**

85 will more than double, from approximately 4 million to 8.4 million, according to the U.S. Census Bureau. Nearly one-half of them will need help with daily activities.<sup>4</sup>

In short, more Americans are living longer. The number of older Americans who need care will increase especially quickly as the Baby Boom generation ages.

Question

## How much does long term care cost?

Answer

The costs of long term care vary greatly, depending on the type of care, the facility and the region where you receive care. For instance, when averaged nationally, the cost of a five-hour visit by a home health aide is \$90.<sup>5</sup> And the national average cost for one day of residence in a nursing home is \$143. That's over \$52,000 a year.<sup>6</sup>

The average cost for a day of nursing home care ranges from \$84 in Shreveport, Louisiana, to \$269 for a semi-private room in Manhattan.<sup>7</sup>

**The national average annual cost for care in a nursing home is \$52,000 for a semi-private room.<sup>8</sup>**

Multiply the national average daily cost of \$143 by the average stay of 2.6 years<sup>9</sup>, and the resulting total of more than \$135,000 can be a daunting amount.

Home care — which most people prefer — is generally more affordable than nursing home care, but can still be expensive, especially if around-the-clock care is required. The typical cost of home care can be well over \$20,000 per year. And that figure is based upon needing care only 5 hours per day! Average hourly costs range from \$12 per hour in Montgomery, Alabama, to \$27 per hour in Anchorage, Alaska.<sup>8</sup> It may be less expensive than nursing home costs, but as you can see from the hourly costs, it would still have an enormous impact on almost all budgets.

When family members provide informal care at home, costs are harder to estimate. The caregiver may have to leave his or her job. Or perhaps the price is paid in emotional stress. These costs don't show up in economic statistics.

<sup>4</sup> Ibid.

<sup>5</sup> MetLife Market Survey of Nursing Home & Home Care Costs, April 2002.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> Conning & Company, *Long-Term Care Insurance, Baby Boom or Bust?*, 1999, page 15.

<sup>1</sup> Conning & Company, *Long-Term Care Insurance – Baby Boom or Bust?*, 1999, page 13.

<sup>2</sup> Ibid.

<sup>3</sup> efmoody.com

Here are the average daily nursing home costs for a semi-private room in different metropolitan areas:

Akron, OH	\$139	Grand Rapids, MI	\$139	Philadelphia, PA	\$179
Albuquerque, NM	\$126	Hartford, CT	\$214	Phoenix, AZ	\$131
Alexandria, VA	\$156	Highland Park, IL	\$157	Pittsburgh, PA	\$154
Anchorage, AK	\$321	Honolulu, HI	\$173	Portland, OR	\$122
Arlington, VA	\$184	Houston, TX	\$91	Providence, RI	\$170
Atlanta, GA	\$115	Indianapolis, IN	\$144	Raleigh, NC	\$125
Baltimore, MD	\$151	Jackson, MS	\$100	Richmond, VA	\$128
Billings, MT	\$124	Jacksonville, FL	\$122	Rochester, NY	\$200
Birmingham, AL	\$109	Kansas City, MO	\$96	Rutland, VT	\$186
Boise, ID	\$135	Las Vegas, NV	\$129	Saint Louis, MO	\$110
Boston, MA	\$207	Lexington, KY	\$124	Saint Paul, MN	\$137
Bridgewater, NJ	\$209	Little Rock, AR	\$99	Salt Lake City, UT	\$112
Brunswick, ME	\$164	Los Angeles, CA	\$124	San Diego, CA	\$136
Charleston, SC	\$112	Louisville, KY	\$114	San Francisco, CA	\$147
Charlotte, NC	\$135	Madison, WI	\$147	Scranton, PA	\$138
Cherry Hill, NJ	\$188	Manchester, NH	\$173	Seattle, WA	\$169
Chicago, IL	\$124	Martinsburg, WV	\$154	Shreveport, LA	\$84
Cleveland, OH	\$151	Memphis, TN	\$111	Silver Spring, MD	\$158
Colorado Springs, CO	\$122	Miami, FL	\$137	Spokane, WA	\$149
Columbia, SC	\$125	Milwaukee, WI	\$165	Stamford, CT	\$274
Columbus, OH	\$145	Minneapolis, MN	\$130	Syracuse, NY	\$201
Dallas, TX	\$102	Montgomery, AL	\$127	Tucson, AZ	\$130
Dell Rapids, SD	\$112	Nashville, TN	\$114	Tulsa, OK	\$97
Denver, CO	\$130	New Orleans, LA	\$89	Washington, DC	\$193
Des Moines, IA	\$103	Manhattan, NY	\$269	Wichita, KS	\$109
Detroit, MI	\$119	Oklahoma City, OK	\$97	Wilmington, DE	\$142
Fargo, ND	\$156	Omaha, NE	\$134	Worcester, MA	\$220
Fort Wayne, IN	\$123	Orlando, FL	\$125	Worland, WY	\$113
Fort Worth, TX	\$92	Peoria, IL	\$128		

Source: MetLife Market Survey of Nursing Home and Home Care Costs, April 2002.

Question

Who pays?

Answer

Neither health coverage nor disability income insurance will pay for long term care.

Many people mistakenly assume that their medical coverage will pay for long term care. Most health care programs, including the Federal Employees Health Benefits Program (FEHB), TRICARE and TRICARE For Life, cover very few long term care expenses, if any! Disability income insurance doesn't pay for long term care either.

Neither Medicare nor Medicare supplement insurance (Medigap) pays for long term care, except under limited circumstances and for limited periods of time.

Question

What does it mean to be tax-qualified?

Answer

Recognizing how important it is for Americans to protect themselves against the costs of long term care, Congress passed the Health Insurance Portability and Accountability Act (HIPAA) in 1996. This law ensures that for policies that meet certain standards, benefits paid are not considered taxable income and that premiums are eligible for inclusion in tax deductions for medical expenses. These policies are called "tax-qualified." Additionally, almost half of the states offer tax incentives for long term care insurance premiums.

The Department of Veterans Affairs (VA) health system makes certain long term care services available to veterans based on a priority ranking system, with highest priority given to those with severe service-related disabilities.

VA-funded long term care may be worth investigating, especially for veterans with service-related disabilities and/or low incomes and assets. Keep in mind, however, that in addition to the priority ranking system, the availability of long term care services from the VA may be subject to funding limitations and may vary by geographic area.

For the most part, there are only a few options to pay the costs of long term care services:

1) Private payment

You can pay out of your own pocket, as long as you can afford it. Payments by patients and their families account for about a quarter of the annual amount paid for long term care expenses.<sup>10</sup>

2) Medicaid

Medicaid (known as Medi-Cal in California), the Federal/state program that subsidizes health care for low-income Americans, pays a greater portion of the nation's long term care costs — about 40%.<sup>10</sup> To qualify, you must meet your state's poverty guidelines. These amounts vary from state to state.

Many people "spend down" their assets to state required levels to become eligible for Medicaid, using up their retirement nest-egg. In fact, about 66% of single adults and about 33% of couples become impoverished after only 13 weeks in a nursing home.<sup>11</sup>

3) Long term care insurance

A third option is long term care insurance. Introduced to the marketplace only two decades ago as nursing home insurance, it now meets the growing demand for care in the home and the community.

<sup>10</sup> Dept. of Health & Human Services, HCFA, Office of the Actuary, Personal Health Care Expenditures, 2001.

<sup>11</sup> WebMD Medical News by Patrick McCoy, CLU LEGAL, article 1691.50107, 1999.

## Question

## How does long term care insurance work?

## Answer

Long term care insurance is designed to help pay for assistance with the activities of daily living (ADLs). These are the everyday activities of caring for yourself: getting dressed, feeding yourself, taking a bath, moving from a bed to a chair, going to the bathroom, and remaining continent.

Either one of the two following conditions make you eligible to receive benefits for long term care under a tax-qualified long term care insurance plan:

- Inability to perform two out of six ADLs without substantial assistance. The condition must be expected to last for at least 90 days.
- or*
- Cognitive impairment (such as that caused by Alzheimer's disease or senile dementia) severe enough to require substantial supervision.

The following subsections describe long term care insurance benefits in general. Starting on page 11, we discuss the specifics of the Federal Long Term Care Insurance Program.

## Question

## What services are covered?

## Answer

The first long term care insurance plans paid benefits only if you were in a nursing home. But most people prefer to avoid nursing homes unless — or until — there's no alternative. A variety of home- and community-based alternatives have become available to meet the growing demand for long term care. To help pay for care in the settings people want, most plans have expanded the range of covered services.

A comprehensive plan includes benefits for all levels of care, custodial to skilled, including home care (with respite care to relieve family caregivers), assisted living facilities, hospice care, and nursing home care.

A facilities-only plan pays only for care in institutional settings such as assisted living facilities, nursing homes or hospices. It does not pay for care at home.

Some plans provide home care benefits only if the caregiver is a licensed or certified health care practitioner. That category may include nurses, home health aides, therapists, homemakers, or at-home hospice providers. Other plans also provide benefits for informal caregivers such as family members.

Don't purchase a plan without learning what types of facilities and home care providers are covered.

## Question

## What services aren't covered?

## Answer

Long term care insurance plans *usually* do not cover:

- Services for illnesses, injuries or other medical conditions arising out of:
  - Alcoholism or drug abuse
  - War or acts of terrorism
  - Participation in a felony, riot or insurrection
  - Attempted suicide or intentionally self-inflicted injuries
- Treatment the government has provided
- Hospital care, unless in a distinct section licensed as a nursing home or hospice
- Medicare-reimbursable services or supplies, if Medicare is the primary coverage (the plan that pays first)
- Services that are provided at no charge in the absence of insurance
- Mental or nervous disorders or diseases (other than dementia such as Alzheimer's)
- Care received outside of the U.S.

## Question

## What does a daily (or weekly or monthly) benefit amount mean?

## Answer

A daily benefit amount (DBA) is the greatest amount your plan will pay toward the cost of your care for one day. You can choose a daily benefit amount for nursing home care, to tailor your coverage to the costs of care in your area. Plans offer various choices for DBAs, usually stating a minimum (such as \$50) and a maximum (such as \$400), and allowing you to choose one or the other amount, or an increment in between. A \$150 daily benefit amount would pay \$150 toward covered nursing home services per day. If covered services cost \$200 a day, it would still only pay \$150, leaving you to pay the remaining \$50 each day.

If the plan covers home care, the most it will pay is usually stated as a percentage (e.g. 50%, 75%, 100%) of the nursing home daily benefit amount. With a daily benefit amount of \$150 and a 75% home care benefit, the maximum available to pay for covered home care services would be 75% of \$150, or \$112.50 per day.

Plans differ on whether the maximum benefit amount is paid on a daily, weekly or monthly basis. Some plans allow you a choice.

While nursing homes usually bill by the day, you may prefer the greater flexibility of a weekly or monthly benefit. Weekly benefits are generally calculated by multiplying your daily benefit amount (e.g. \$100) by the number of days in the week (7) for a weekly total (e.g. \$700). You can then determine how to best allocate these funds based on the cost of services you receive in one week.

This is particularly beneficial if (for example) one day your home care costs \$50, and the next day it costs \$150 due to a visit from an occupational therapist. The weekly benefit amount would cover both costs in full, because their combined total is \$200, which is less than your \$700 weekly benefit. The daily benefit amount would only cover up to \$100 a day, leaving you to pay the \$50 difference on day two.

Likewise, monthly benefits are calculated by multiplying your daily benefit amount by either 30 days or the number of days in a month.

*Figures used are for illustration purposes only.*

**Q**uestion

**What's the benefit period?**

**A**nswer

This is the length of time your insurance coverage will last if you receive care every single day at a cost equal to or more than your DBA. If you receive services that cost less than the DBA, or don't receive services everyday, your benefits will last longer. Plans offer choices of benefit periods, such as 3 years, 5 years, or unlimited.

**Q**uestion

**What's the maximum lifetime benefit?**

**A**nswer

The maximum lifetime benefit is the most that your plan will pay in benefits. You usually calculate the maximum lifetime benefit by multiplying your daily benefit amount by your benefit period. The greater the maximum lifetime benefit, the higher the premium you'll pay. An unlimited benefit does not have a maximum lifetime benefit, however. Educate yourself about the costs of care in your area. Also think about the income or assets that are likely to be available to you when you need care. Then you can make sure you don't purchase more (or less) coverage than you're likely to need.

Take a look at the table on the next page which shows some examples of how this could work.

**Assume You Have Chosen a Policy with a Daily Benefit Amount of \$150 and a 3 year Benefit Period**

Your Actual Cost of Care (per day)	Your Maximum Lifetime Benefit	Your Benefits Would Last	Comments
\$180	\$164,250	3 years	The cost is \$180 per day, but your insurance only pays up to \$150 per day, so you would be responsible for the \$30 (\$180-\$150) a day not covered.
\$150	\$164,250	3 years	The cost is \$150 which is the same as your insurance covers. You would have no out-of-pocket expenses
\$120	\$164,250	3 years & 9 months	The cost is \$120, and your insurance pays up to \$150 per day. The Maximum Lifetime Benefit would reduce by \$120 per day. The remaining \$30 per day can be used at a later time. Therefore, your benefits would last longer.

**Q**uestion

**What's a waiting period?**

**A**nswer

A waiting period is the time between becoming eligible for benefits and when your long term care insurance actually begins paying those benefits. Sometimes known as an elimination period or a deductible, it helps keep premiums affordable.

There are two different ways to calculate waiting periods. The first is a calendar day waiting period. This waiting period begins the day you become eligible to receive benefits, and counts days until you've reached the waiting period duration you selected when you purchased your long term care coverage. The second is a days of service waiting period. This waiting period begins the first day you receive covered services once you have been determined to be benefit eligible, and counts each day a covered service is provided until you've reached the waiting period duration you selected. It may take longer to fulfill the days of service waiting period than the calendar day waiting period.

Plans offer various waiting periods, from as little as zero days to perhaps as many as 180 or more. The longer the waiting period, the lower the premiums, all else being equal.

Also, some plans require the waiting period to be fulfilled only once while others require it be fulfilled with each episode of care.

**Q**uestion

**Do I have to keep paying premiums while I'm receiving benefits?**

**A**nswer

Some plans let you stop paying your premium once you are eligible for benefits and have satisfied the waiting period. This feature is called Waiver of Premium. Some plans waive premiums for nursing home care but not for home care, others waive premiums in both instances. You will normally resume paying your premiums if you recover and benefits stop.

## Question

**What if inflation makes the coverage I chose insufficient to pay for care?**

## Answer

A long period between the time you initially purchase the policy and the time you use your benefits could shrink your coverage until it's no longer enough to cover the costs of care. You can protect the value of your coverage over time with inflation protection. There are three common ways to purchase inflation protection: as a simple or compound automatic inflation option or as a future purchase option.

### Automatic inflation option

An automatic inflation increase means that your daily benefit amount and maximum lifetime benefit increase each year by a set rate (e.g., 5% annually.) While the initial premium is higher with this option, you may not have to think about future inflation increases, as they are automatic, with no increase in premium.

Be sure you know the set rate and if it is simple or compound. A compound increase provides the most protection.

### Future purchase option

A future purchase option allows you to choose to increase your benefits periodically, such as every second or third year. Each time you buy additional coverage, your premium will go up. If you accept the option regularly and haven't become eligible for benefits, you don't have to show proof of good health. However, if you decline the option a certain number of times — even once with some plans — you may have to provide medical information satisfactory to the insurance company to have access to the inflation increases again. Your initial premium is lower under this option, but it will increase significantly if you take a number of these inflation offers.

Some plans raise your benefits and premiums only if you accept the offer when it's presented. Others raise them unless you decline the offer.

## Question

**How can I get the most for my premium dollar?**

## Answer

Give careful consideration to the factors that affect your premium — daily (or weekly or monthly) benefit amount, benefit period, waiting period, and inflation protection. It is important to have adequate coverage, but not to the extent where paying your premium becomes a hardship. The most important consideration for keeping premium costs down is your age *when you buy the coverage*. The younger you are when you buy, the lower your premiums will be.

## Question

**What happens if I stop paying my premium?**

## Answer

As with most other types of insurance coverage, if you stop paying your long term care insurance premiums, your policy may be cancelled. However, there are some plans that offer a nonforfeiture benefit or a contingent nonforfeiture benefit ("contingent benefit upon lapse"). A nonforfeiture benefit provides protection if you cancel your coverage. A contingent nonforfeiture benefit provides protection if you are no longer able to pay premiums due to premiums being increased to a certain level. Nonforfeiture provides limited benefits, typically based on the amount of time you've had the coverage and the amount of premium you've paid.

## Question

**Will I always be able to renew my coverage?**

## Answer

Tax-qualified long term care insurance plans are required to be "guaranteed renewable". That means your coverage can't be cancelled as long as you pay your premiums — though the premium won't necessarily remain the same.

## Question

**How do I decide whether I should buy long term care insurance?**

## Answer

If you have significant assets or income you want to protect from the high costs of long term care, give serious consideration to long term care insurance — especially if you value staying independent and choosing the type of care you may need.

You should not consider it if you can't afford the premiums now or in the future. If your assets, excluding your home, are less than \$30,000<sup>12</sup>, the premium isn't likely to be a cost-effective way to protect those assets.

What about your income? As a rule of thumb, a long term care insurance premium shouldn't exceed 7% of your total income.<sup>12</sup> If your sole income is from Social Security or Supplemental Security Income (SSI) or if you're struggling to meet your basic monthly living expenses, this coverage may not make sense for you.

Here are some other considerations: Does your family have a history of needing care? Do you have a spouse or another family member who's likely to be ready, willing and able to provide care if you need it, and would be able to provide that care for several years? How's your health? If it's good, you may want to apply while you're still healthy and eligible for coverage at a reasonable rate. Remember, the older you are when you apply, the higher your premium will be. By applying sooner, you'll get the lowest possible premium.

<sup>12</sup> NAIC Long Term Care Insurance Model Regulation, October 2000.

**Q**uestion

**Is the Federal Long Term Care Insurance Program right for you?**

**A**nswer

If you've decided that long term care insurance is right for you, then you should consider the tax-qualified Federal Long Term Care Insurance Program. Because a group as large as the Federal Family has enormous buying power, you'll find the premiums very competitive and the coverage among the most comprehensive available at any price.

More importantly, you'll have the peace of mind that comes from securing an essential part of your financial security.

Some of the advantages offered by the Program include:

- U.S. Office of Personnel Management (OPM) oversight
- An expansive home care benefit that includes informal care
- Innovative inflation option

*It is the only plan with OPM oversight and sponsorship!*

The Federal Program also offers the convenience of payroll and annuity deductions to employees and annuitants, for themselves and/or their qualified relatives. This service is available to most employees and annuitants, and active members and retired members of the uniformed services.

**Q**uestion

**Who offers this coverage?**

**A**nswer

Sponsored by the U.S. Office of Personnel Management, the Federal Long Term Care Insurance Program is offered by John Hancock and MetLife who have been offering long term care insurance for 15 years. The strength and stability of these two insurers are indicated by ratings for financial condition and operating performance of A++ (Superior) and A+ (Superior), respectively, as of December 2002, by the highly respected rating agency A.M. Best. The Program is administered by Long Term Care Partners, LLC.

**Q**uestion

**Who can apply?**

**A**nswer

Long term care insurance coverage is now being offered through the Federal Program at competitive rates exclusively to:

- Federal and U.S. Postal Service employees and annuitants
- Active members and retired members of the uniformed services
- Current spouses and adult children (at least 18 years old, including adopted children and stepchildren) of living members of the groups above
- Parents, parents-in-law and stepparents of living Federal and U.S. Postal Service employees and living members of the uniformed services
- Surviving spouses receiving a survivor annuity

Qualified relatives can apply even if the person they're related to does not, and even if the person they're related to applies and is not approved for coverage. The Federal Program requires underwriting – that means it will evaluate an applicant's health to determine if the individual is insurable. So, it's smart to apply while in good health.

You may be contacted if additional information is required based on answers you provide on your application.

**Q**uestion

**What are my choices for a daily benefit amount and benefit period?**

**A**nswer

There's a wide range from which to choose your Daily Benefit Amount — anywhere from \$50 to \$300 in \$25 increments. You will also choose a benefit period — 3 years, 5 years or unlimited. Home care (including care by informal caregivers and family members) and adult day care costs are reimbursed up to 75% of your daily benefit amount. When informal care is provided by non-family members who do not normally live with you at the time you become eligible for benefits, it is covered for your Benefit Period. When informal care is provided by family members, it is covered for up to 365 days in your lifetime. Care in a nursing home or assisted living facility, hospice care (inpatient or outpatient), and respite care are reimbursed up to 100% of your Daily Benefit Amount.

It's important to consider the average daily cost for home care or facility care in your area and your asset and income position. Select your DBA with these figures in mind.

You will also choose whether you want your benefits reimbursed on a daily basis or on a weekly basis (7 times your DBA) for greater flexibility.

Question

Answer

**What does the Federal Long Term Care Insurance Program cover?**

The Federal Long Term Care Insurance Program pays benefits for a wide range of services. These include:

- Home care
  - Includes care provided at home by a nurse, home health aide, therapist or other authorized provider. These charges are covered up to 75% of the Daily Benefit Amount you select.
  - Unlike some other plans, our Comprehensive plans also cover approved care provided in the home by friends, family members and other non-licensed caregivers who don't normally live in your home. When informal care is provided by non-family members, it is covered for your Benefit Period (3 years, 5 years or unlimited). When informal care is provided by family members, it is covered for up to 365 days in a lifetime.
- Nursing home care
  - All levels of care are covered, including skilled, intermediate and custodial nursing care. Ancillary items such as drugs and incontinence supplies are covered. These charges are covered up to 100% of the Daily Benefit Amount you select.
- Assisted living facility care
  - You have coverage for services you need in a licensed facility which provides 24-hour maintenance or personal care services, by a trained staff. These services are covered up to 100% of your Daily Benefit Amount.
- Care in the community
  - You have coverage for services received in a licensed adult day care center. These services are covered up to 75% of your Daily Benefit Amount.
- Hospice care
  - Includes care provided in a facility or at home. These services are covered up to 100% of your Daily Benefit Amount (with no Waiting Period).
- Respite care
  - This benefit provides you with temporary care if your informal caregiver (such as a family member) needs to take some time off. This benefit will pay up to 100% of your Daily Benefit Amount per day; limited to 30 times your Daily Benefit Amount per calendar year (with no Waiting Period).

You can choose to purchase either a Comprehensive plan or a Facilities-Only plan. The Facilities-Only plan does not cover care received at home or in the community.

Question

Answer

**What special features does the Federal Long Term Care Insurance Program have?**

- Guaranteed Renewable
  - Your insurance coverage cannot be canceled as long as you pay your premiums. It cannot be canceled due to your individual age or a change in your health. The Federal Program is competitively priced and designed to have stable rates over time. Your premiums can change only with OPM's approval on a group, not an individual, basis.
- Care Coordination Services
  - Our long term care coordinators can arrange for discounted services, monitor the care you're receiving, and assist with altering your plan of care as your needs change. Care Coordination is also available to qualified relatives of enrollees.
- Alternate Plan of Care
  - Under certain circumstances, your long term care coordinator can authorize benefits for services that are not specifically defined as covered under this Program (for example, making your home wheelchair-accessible). The services must meet your needs and be a cost-effective alternative to covered plan services.
- Caregiver Training
  - Our Program will pay up to 7 times your Daily Benefit Amount (with no Waiting Period) to train a family member or any other informal caregiver to care for you.
- Premium Waiver
  - Once you have completed your Waiting Period, you don't have to pay premiums while you are receiving benefits.
- Bed Reservations
  - If you are in an assisted living facility, nursing home or hospice, and need to be hospitalized, your coverage will pay to hold your space for up to 30 days a year.
- Portable Coverage
  - Your long term care insurance coverage under the Program is portable. This means that once you have coverage under the Program and later are no longer a member of an eligible group, you can keep your coverage if you continue to pay the required premium and have not exhausted your Maximum Lifetime Benefit.
- Third Party Review of Claims
  - In the event we initially deny your eligibility for benefits or your claim, and upon subsequent review we uphold our denial and you still disagree with our decision, you may request an independent third party review. All relevant information received will be sent to a third-party mutually agreed to by OPM and Long Term Care Partners. The independent third party will provide a final and binding determination within 60 days.

- Benefits for Services Outside the U.S., its territories and possessions
  - Because this Program was designed exclusively for the Federal Family, it provides coverage for those who may require care in a country outside the U.S. Unlike many other policies, this Program covers care abroad. The Program will calculate benefits in the usual way except that it will pay benefits up to 80% of your Daily Benefit/Maximum Lifetime Benefit amounts. You can use up to 80% of your Maximum Lifetime Benefit for services received outside of the U.S.; the other 20% is for covered services you receive in the United States. For those who have selected an Unlimited Benefit Period, benefits for services received outside of the United States will be limited to 10 years.

**Question**

**How do I qualify for benefits?**

**Answer**

You will be eligible for benefits when a licensed health care practitioner certifies and we agree:

- that you are unable to perform at least two of six Activities of Daily Living (ADLs) without substantial assistance for a period expected to last at least 90 days.

*or*

- you require substantial supervision to protect yourself due to a severe cognitive impairment, such as Alzheimer's disease.

Benefits can begin (after the Waiting Period that you choose) if the covered services are part of an approved "plan of care" developed by a licensed health care practitioner of your choice and approved by us.

There are 6 ADLs: eating, toileting, bathing, transferring (from bed to chair), dressing, and continence.

**Question**

**What is the length of the Waiting Period?**

**Answer**

The Federal Long Term Care Insurance Program offers 30 or 90-day Waiting Periods. The Waiting Period is the number of days you would have to be eligible for benefits and receive covered services before benefits start. During this time, you are responsible for the cost of your care. The longer the Waiting Period, the lower your premium. There is no Waiting Period for caregiver training, respite services and hospice care benefits in the Federal Program.

**Question**

**Does the Federal Long Term Care Insurance Program offer inflation protection?**

**Answer**

Yes. You can choose one of two options: the Automatic Compound Inflation Option or the Future Purchase Option.

**Automatic Compound Inflation Option:**

With this option, your Daily Benefit Amount will automatically increase by 5% compounded every year with no corresponding increase in your premium. And the benefit increases continue even if you are eligible for benefits. While the initial premium is higher with this option, your premiums are designed to stay the same even though your benefits increase year after year.

**Future Purchase Option:**

This option provides additional coverage every two years at an extra cost. The increase in your Daily Benefit Amount is based on increases in the Consumer Price Index for Medical Care (or other index agreed to by OPM and the insurers). You will receive these increases as long as you are not eligible for benefits at the time and have not declined three increases in the past.

With the Future Purchase Option, you can assess the cost of care in the future and make a decision to decline the increased benefits if you cannot afford them. Each time your coverage increases, the premium for that additional coverage will be based on your age and premium at the time the increase takes effect. With each increase, you can switch to the Automatic Compound Inflation Option without proof of good health, as long as you are not eligible for benefits at the time and have not declined three increases in the past.

# Compare the Federal Long Term Care Insurance Program to other policies

## A Comparison Worksheet

Purchasing a long term care insurance policy is an important decision. Choosing the policy that's right for you could seriously affect your future and your family's. You should do research to learn which of the plans you're considering has the benefits and features you value most. Below are the features of the Federal Long Term Care Insurance Program. Compare these against the other plans you're considering to make an educated purchase decision.

	Federal Long Term Care Insurance Program
Ratings of insurance companies for strength and stability	A.M. Best Ratings: John Hancock: A++ (Superior) MetLife: A+ (Superior) *
Plan Design Options Comprehensive or Facilities-Only	Choice of <ul style="list-style-type: none"> <li>Covers care at home, in adult day care centers, in assisted living facilities, in nursing homes and hospice care (at home and facility)</li> <li>Covers care in assisted living facilities, in nursing homes and facility hospice care only</li> </ul>
Home care coverage	Covered services up to 75% of Daily Benefit Amount (DBA)
Informal care coverage	Up to 75% of DBA for care provided in the home by friends, family members, and other non-licensed caregivers who didn't normally live in your home
Respite care coverage	Both in or out of a facility up to 100% of DBA for 30 days per year
Adult day care coverage	Up to 75% of DBA
Assisted living facility coverage	Up to 100% of DBA
Hospice care coverage	Both inpatient and outpatient - up to 100% of DBA
Nursing home coverage	Up to 100% of DBA
Caregiver training	Up to 100% of DBA per day; up to 7 times of DBA in your lifetime

\* As of December, 2002. A++ and A+ Range Definition: Assigned by A.M. Best to companies that have, on balance, superior balance sheet strength, operating performance and business profile. These companies, in Best's opinion, have a very strong ability to meet their ongoing obligations to policyholders. A++ is the highest of fifteen possible ratings from A.M. Best. The objective of Best's rating system is to provide an opinion as to an insurer's financial strength and ability to meet ongoing obligations to policyholders. Best's opinions are derived from an evaluation of a company's balance sheet strength, operating performance and business profile as compared with Best's quantitative and qualitative standards.

	Federal Long Term Care Insurance Program
Inflation Protection	Choice between two options <ul style="list-style-type: none"> <li>Automatic Compound Inflation Option (5% every year)</li> <li>Future Purchase Option (increase every two years based on medical CPI, or other index agreed to by OPM and the insurers with ability to convert to Automatic Compound Inflation)</li> </ul>
Daily Benefit Amount	Choice of <ul style="list-style-type: none"> <li>\$50 - \$300 per day in \$25 increments</li> <li>daily or weekly reimbursement</li> </ul>
Benefit Period	Choice of 3 years, 5 years or unlimited
Waiting Period	Choice of <ul style="list-style-type: none"> <li>90 days or 30 days of covered services</li> <li>Once per lifetime</li> <li>No waiting period for caregiver training, respite services and hospice care benefits</li> </ul>
Benefit eligibility	2 out of 6 Activities of Daily Living or severe cognitive impairment
Tax-Qualified under Federal tax law (HIPAA)	Yes
Care coordination services	Yes
Care coordination services available to non-covered qualified relatives	Yes
Alternate plan of care	Yes
Coverage for pre-existing conditions	Once enrolled, pre-existing conditions are covered as long as you qualify for benefits.
Premiums waived while receiving benefits	Premiums are waived starting at completion of Waiting Period
International benefit	Paid up to 80% of the Benefit Amounts
Bed reservations	Applies to any facility up to 30 days a year
Other Features	
Portable	Yes
Guaranteed renewable	Yes
Contingent nonforfeiture	Yes

## Glossary of Terms

**activities of daily living (ADLs)** — the basic activities of caring for oneself, such as eating, dressing, bathing, using the bathroom (“toileting”), moving back and forth from a bed to a chair (“transferring”), and remaining continent. Insurance companies use the inability to perform a specified number of ADLs to help determine eligibility for long term care benefits.

**adult day care** — a place that provides a program of activities and services to individuals in need of long term care. It is a helpful option for individuals living at home whose family caregivers work during the day and who require someone to be with them throughout the day.

**acute care** — care provided by a doctor or other health care professional designed to treat or cure an illness, wound, or condition.

**assisted living facility** — a licensed residential facility that provides room, board and 24 hour personal care to individuals with long term care needs. It is an important care option for individuals who are not able to manage at home but do not need the level of skilled care provided in a nursing home.

**automatic inflation option** — a method of protecting the value of insurance over time. It’s a feature or option designed to help premiums remain constant over time while the benefits increase by a fixed percentage each year that may or may not be compounded.

**benefit** — payment an insurance company makes for a service covered under the plan.

**benefit period** — the length of time your insurance will last if you receive care every day at a cost equal to or more than your daily benefit amount. With unlimited coverage, benefits would be paid up to the daily benefit amount throughout your lifetime. There would be no maximum lifetime benefit.

**care coordination services** — services such as information, advice, and arranging of long term care by a professional care coordinator.

**chronic care** — care provided to help maintain daily function. There is no expectation that the care recipient will improve or recover.

**cognitive impairment** — a deterioration or loss in intellectual capacity that results in impairment in some or all of the following: short and long-term memory, orientation to people, place, and time, deductive or abstract reasoning (including judgement), and ability to perform activities of daily living.

**community-based services** — services, such as meals on wheels and adult day care, designed to help people remain independent and in their own homes.

**custodial care** — services aimed at maintaining a person’s health and/or preventing deterioration in the person’s functional status, provided on an extended basis to a person who is chronically ill.

**elimination period (deductible)** — see waiting period.

**future purchase option** — an inflation protection feature that allows you to periodically purchase additional coverage without proof of good health.

**guaranteed renewable** — a feature of tax-qualified long term care insurance plans whereby an insurance company cannot cancel or fail to renew coverage because of a change in a person’s health or age. As long as premiums are paid and benefits have not been exhausted coverage will continue. When a plan is guaranteed renewable, premiums may be changed on a group basis only.

**Health Insurance Portability and Accountability Act (HIPAA)** — Federal health insurance legislation passed in 1996 that specifies conditions under which certain long term care insurance policies qualify for tax advantages.

**home care** — services provided in your home which may include nursing care; occupational, physical, respiratory or speech therapy; personal care; and homemaker services.

**homemaker services** — household chores performed for someone unable to do them on their own.

**inflation protection** — a feature or option that increases the value of benefits over time to keep pace with increasing costs of care.

**informal care** — care provided by an unlicensed caregiver whose services are not arranged and supervised by a home care agency.

**long term care** — personal care and other related services provided on an extended basis to people who need help with basic daily activities. It can be provided at home, in a nursing home, assisted living facility, or an adult day care center.

**Medicaid (Medi-Cal in California)** — the joint Federal-state program that pays for health care services for individuals with low incomes or medical bills that are very high in proportion to income and assets.

**Medicare** — a Federal health care program for most adults age 65 and older and certain disabled individuals.

**Medicare Supplement Insurance (Medigap)** — private insurance to help pay hospital and medical costs Medicare does not cover.

**nonforfeiture** — a feature that provides some value in the event coverage is cancelled. Contingent nonforfeiture is one type of nonforfeiture benefit.

**nursing home** — a licensed facility that provides 24-hour-a-day nursing care and personal care services. Nursing homes also provide medical, therapy, and other health related services.

**personal care** — care to help individuals meet personal needs such as bathing, dressing and eating.

**plan of care** — a plan prescribed by a licensed health care practitioner that identifies ways of meeting your need for long term care services.

**portable coverage** — Once you have long term care insurance coverage, you can keep it, even if you are no longer a member of the eligible group, as long as you continue to pay the required premium and have not exhausted your maximum lifetime benefit.

**premium** — the money paid to an insurance company for coverage. May be paid biweekly, monthly, quarterly, semi-annually or annually.

**respite care** — services by a substitute provider, from a few hours to a few days, to give time off to the regular caregiver. A benefit of some long term care insurance plans.

**spend down** — depletion of income and assets to meet eligibility requirements for Medicaid (Medi-Cal in California).

**substantial assistance** — hands-on or stand-by help required to perform activities of daily living.

**substantial supervision** — continual monitoring of a cognitively impaired person.

**tax-qualified** — conforming to Federal standards that enable the enrollee in a long term care insurance plan to receive Federal tax advantages. See the Health Insurance Portability and Accountability Act.

**underwriting** — the process of reviewing an individual’s health status to determine eligibility for coverage under a long term care insurance plan.

**waiting period** — the time between becoming eligible for benefits and when your long term care insurance actually begins paying those benefits. Sometimes known as an elimination period or a deductible, it helps keep premiums affordable. The waiting period can be measured in a variety of ways.

**waiver of premium** — a policy provision that relieves you of the obligation to pay premiums while receiving benefits.

