



A UNIQUE FEATURE ONLY AVAILABLE IN POLICIES
ENDORSED BY THE CALIFORNIA PARTNERSHIP FOR
LONG-TERM CARE

ASSET PROTECTION

A special benefit created for Californians

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*Information you need to
know when considering the
purchase of long-term care
insurance for yourself or
family members*



**CALIFORNIA PARTNERSHIP FOR
LONG-TERM CARE**



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LONG-TERM CARE**

A PROGRAM OF THE CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES

“Failure to prepare for the cost of a nursing facility stay or other long-term care is the primary cause of impoverishment among the elderly.”

The American Health Care Association, 1997



NOW IS THE PERFECT TIME TO PLAN FOR YOUR LONG-TERM CARE

This booklet will provide you with information regarding Medi-Cal Asset Protection, a special feature (provided at no cost) available to Californians who purchase insurance policies certified by the California Partnership for Long-Term Care.

To learn more about the Medi-Cal Asset Protection feature of Partnership policies and the other quality features endorsed by the California Department of Health Care Services, we urge you to speak with a specially trained representative from any of our partner companies at the following numbers:

Bankers Life and Casualty
(888) 2828-BLC

Genworth Financial
(888) 436-9678

John Hancock Life Insurance Company
(800) 377-7311

MetLife
(888) 4CA-PLAN

New York Life Insurance
(800) 224-4582

CalPERS Long-Term Care Program*
(800) 205-2020

Please contact your local County Department of Health and Human Services to obtain full details on Medi-Cal eligibility and estate recovery.

*All California public employees, retirees and their spouses, siblings (age 18 and older), parents and parents-in-law are eligible to apply. Call CalPERS for open enrollment period dates.

The California Department of Aging's Health Insurance Counseling and Advocacy Program (HICAP) has trained, impartial volunteer counselors available to meet with you to discuss your long-term care needs and answer any questions you may have. You can reach HICAP at (800) 434-0222. Appointments and consultations are free of charge.

claim against Janet's estate (her home, plus \$2,000) and recovers \$175,000, the amount of care Medi-Cal paid for Janet.

Evelyn's home is also worth \$200,000, and she has \$150,000 in savings, which is protected, because she received \$406,750 in Asset Protection from the benefits paid by her Partnership policy. Medi-Cal places no claim against Evelyn's estate, allowing Evelyn to leave her home and savings to her heirs.

Janet and Evelyn paid the same premiums. They received the same amount of long-term care. It just cost Jane more.

HOW CAN YOU GET THE CARE YOU NEED WITHOUT SPENDING THE ASSETS YOU WERE TRYING TO PROTECT WHEN YOU PURCHASED LONG-TERM CARE INSURANCE?

The answer: Purchase a long-term care insurance policy (with the logo shown below) certified by the California Department of Health Care Services with benefits equal to the value of the assets you want to protect. Only Partnership policies bear the logo of the California Partnership for Long-Term Care. For more information, please contact a Partnership trained agent in your area or visit the Partnership's website at www.dhs.ca.gov/cpltc.

An Approved Participant In



**CALIFORNIA PARTNERSHIP FOR
LONG-TERM CARE**



HOW CAN LONG-TERM CARE INSURANCE BE OF BENEFIT TO YOU?

One of the most important reasons to buy long-term care insurance is to ensure you will be reimbursed for most of the costs of your long-term care. If you need assistance performing activities of daily living, such as bathing, dressing, or eating, whether provided in a nursing home, residential care facility, or in your own home, the costs will be high. By planning now for your future long-term care needs, you will retain your independence and still meet your long-term care needs.

Another important reason to buy long-term care insurance is to protect your assets so you will not become impoverished by paying the high costs of long-term care. You may also wish to protect your assets in order to leave them to your loved ones or a charity. Medicare (including Medigap) and health plans pay very little, if any, of the costs of long-term care. While Medi-Cal pays for long-term care, a person must spend most of their assets to qualify. In 2010, one year of nursing home care costs an average of \$83,950¹; a cost that will double every 14 years if nursing home costs increase by just 5% a year. Moreover, care at home can cost as much or more. To protect yourself and get the care you want, you should buy a high quality long-term care insurance policy.

¹Aggregate Long-Term Care Facility Financial Data for California, Office of Statewide Planning & Development. Cost projected by The California Partnership for Long-Term Care.

Your accountant, banker or financial planner calls your possessions “assets,” including your home, other real property, automobiles, savings, investments, annuities, etc. The California Partnership for Long-Term Care calls them “your life’s work.” The **Asset Protection** offered in a Partnership long-term care insurance policy helps people maintain ownership of their assets.

WHAT IS ASSET PROTECTION?

Medi-Cal Asset Protection is available in Partnership policies through an alliance between the State of California and select private insurers who agree to market **high quality** long-term care insurance policies. Asset Protection guarantees you get to keep a dollar’s worth of assets for each dollar your Partnership insurance policy pays out for long-term care services. If you use up your long-term care insurance coverage and still need long-term care, you may apply for Medi-Cal. When qualifying for Medi-Cal, you are entitled to keep assets Medi-Cal normally allows, plus assets equal to the amount the Partnership policy has paid out in benefits. This means you can purchase a Partnership policy equal to the amount of assets you wish to protect. The State of California will also disregard these protected assets when making a claim through Medi-Cal Estate Recovery.*



with inflation protection. Evelyn buys a Partnership policy while Janet buys a non-partnership policy.

Twenty years later, Evelyn and Janet both require long-term care and begin to draw their insurance benefits. During that twenty years, the price of long-term care services in a nursing home has increased to approximately \$222,650⁵ a year. Their private insurance coverage runs out after two years and both Evelyn and Janet received \$406,750 in benefits.⁶ Up to this point, their long-term care costs and benefits have been identical. With their insurance benefits exhausted, they both turn to Medi-Cal to help pay for the additional long-term care they need. Because Evelyn’s Partnership policy paid \$445,300 toward her care, she is allowed to keep \$445,300 in assets, plus the \$2,000 allowance when her Medi-Cal eligibility is determined.

Sadly, since Janet did not buy a Partnership policy and Medi-Cal required her to spend almost all of her assets (she gets to keep \$2,000) to pay for the care before she is eligible for Medi-Cal. Both are required to spend almost all of their income towards their care costs before Medi-Cal will pay and are allowed to keep their homes.

Both women continued to receive long-term care services for the remainder of their lives, during which time Medi-Cal paid out \$175,000 for each. At the time of her death, Janet’s savings totalled \$2,000 and her home was worth \$200,000. To recover the cost of the care it paid for, Medi-Cal files a

⁵Assumes costs will increase at a compound rate of 5% annually. The actual costs could be more or less.

⁶With inflation, the \$153,300 in original benefits grew to \$406,750.

*Please check with your local county Office of Health or Human Services for complete details on Medi-Cal spend down and estate recovery exemptions.

Asset Protection is only available with the purchase of a Partnership policy. It enables you to purchase less than lifetime coverage with the peace of mind that even if your insurance benefits run out while you still need care, you won't become impoverished. The assets you choose to protect are yours to keep or do with as you choose.



HOW DOES MEDI-CAL ASSET PROTECTION WORK?

When you need care, your Partnership-certified private long-term care insurance policy pays for your care in the same way as a non-partnership policy. The difference between a Partnership policy and a non-partnership policy occurs if you run out of insurance benefits. If you exhaust the benefits of a non-partnership policy, you must use your assets to pay the cost of any additional care you need. If you use up the benefits of a Partnership policy and still need long-term care services, you can apply to Medi-Cal to pay those costs and keep the assets you protected.

THE TALE OF EVELYN AND JANET

Evelyn and Janet are both healthy 65 year old Californians. They both have \$150,000 of assets in the bank and each own a home, which is free and clear. They have the same amount of money budgeted to spend for long-term care insurance. They both buy long-term care insurance policies with two years (730 days) of coverage at \$230 a day that provides a “bucket of money” of \$167,900

HOW MUCH INSURANCE IS ENOUGH?

It depends on your financial situation. You should consider the amount of your assets, the amount of assets you want to protect and the level of premium you can afford to pay. All quality long-term care insurance policies offer some protection for your assets, particularly if you buy insurance that will pay for your care no matter how long you may need it, which is called “lifetime” coverage. A lifetime policy with built-in inflation protection is the right choice if you have extensive assets and can afford the cost. Your benefits will never run out and your assets will be protected against the cost of an extended illness. But, many people cannot afford to pay the higher premiums for a quality policy that includes inflation protection with lifetime coverage.

Of those who enter nursing homes, 55% will have total *lifetime use of at least* one year and 21% will have total lifetime use of five years or more.² These figures do not include the time that these people are likely to have been in their own homes receiving formal paid long-term care as well as unpaid care from their families, friends and charitable or volunteer organizations.

Medi-Cal allows a single individual to keep no more than \$2,000 in non-exempt assets.³ Many people have modest amounts of assets, somewhere between \$50,000 and \$250,000. When middle income Californians inquire about qualifying for Medi-Cal, they find they are not eligible for assistance in paying their

²*lifetime Use of Nursing Home Care, Kemper & Murtaugh, The New England Journal of Medicine, 1991.*

³*Your primary residence and some additional minor assets are exempt from Medi-Cal Eligibility, but subject to Medi-Cal Estate Recovery.*



long-term care costs because they have too much in assets. Before Medi-Cal will pay for nursing home or other long-term care services, an individual has to demonstrate they have used all assets to pay for their own care.

WHAT SHOULD MIDDLE INCOME CALIFORNIANS DO?

The answer is simple: buy a Partnership policy. Asset Protection allows you to have lifetime protection of your assets even if you cannot afford a policy with lifetime benefits. Actually, a Partnership policy protects your assets beyond your lifetime. Upon your death, those same assets are still protected from Medi-Cal Estate Recovery.

Want protection of all your assets? Buy a Partnership policy with a total coverage amount equal to your assets. If you can't afford the premiums⁴ to protect all your assets, you can purchase a policy that covers just some of your assets. You control the premium cost of your policy by deciding how much you want to cover. To keep your nest egg intact, you should buy coverage at least equal to the assets you choose to protect, if the premium is affordable. In addition, the value of the policy automatically increases (5% compounded annually) with the inflation protection feature. If your non-exempt assets are greater than the amount of benefits your Partnership policy paid at the time you applied for Medi-Cal, you will have to "spend-down" those assets before you will

⁴*It is recommended that you not spend more than 7% of your income on premiums for long-term care insurance.*

qualify for Medi-Cal. Keep in mind that a Partnership policy only protects your assets, not your income. Once you qualify for Medi-Cal services, you still may have to apply most of your income towards the cost of your care before Medi-Cal will pay.

Chart A illustrates the total amount of benefits and the maximum Medi-Cal Asset Protection you could receive when policies with different durations pay benefits. The daily benefit of the policy used in this example is \$230 per day, the average daily cost for care in a California nursing home in 2010.

CHART A

Policy Choices Days of Covered Care	Total Benefits Payable/Potential Asset Protection	
	Value at Purchase	Value after 20 years*
1 year - 365 days	\$83,950	\$222,744
2 years - 730 days	\$167,900	\$445,488
3 years - 1,095 days	\$251,850	\$668,233
5 years - 1,825 days	\$419,750	\$1,113,721
Lifetime	Unlimited	Unlimited

* Annual 5% compound increase

Chart A also shows that the total value of the policy benefits/potential Medi-Cal Asset Protection automatically increase by 5% each year due to the built-in inflation protection. This feature helps the policy benefits keep up with the rising cost of care and helps the amount of your Asset Protection keep up with increases in the value of your property and investments.