



CALIFORNIA PARTNERSHIP FOR  
**LONG-TERM CARE**

# Understanding the Partnership Policy

*Facts, Features and Options*



**“About 70% of individuals over 65 will require at least some type of long-term care during their lifetime.”**

U.S. Department of Health and Human Services, 2014



# Are You Ready?

We never want to think about the possibility that we'll one day need help with getting dressed, eating or bathing. But when daily activities become too difficult and you or a loved one need long-term care, do you know who will pay for this care?

Paying for long-term care, either for yourself or a loved one, can mean sacrificing a lifetime of savings or losing your financial independence unless you plan ahead.

Two out of three Californians will need long-term care. The California Partnership for Long-Term Care (Partnership), an educational program of the California Department of Health Care Services, is dedicated to helping you protect what's most important to you by providing tools and resources to guide you in one of the most important and personal decisions in your lifetime.

The Partnership works with select private insurance carriers, who meet stringent standards set by the state, to develop insurance policies that protect you and your family from the devastating costs and hardships often associated with long-term care.

Only a Partnership-certified policy comes with inflation and Medi-Cal asset protection, so you will not be forced to spend everything you have worked so hard for on long-term care. Choosing a Partnership policy can truly provide the independence you want when you need it most.

Brenda Bufford, Chief  
California Partnership for Long-Term Care

## section 1

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# PLAN AHEAD

- What exactly is long-term care?
- Long-term care insurance
- What makes a Partnership policy unique?
- What does a Partnership policy cost?

## WHAT EXACTLY IS LONG-TERM CARE?

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Long-term care is personal care, such as help with bathing, eating or dressing, that you require over a lengthy period of time. That is why long-term care can be very expensive. It is not typically covered under health insurance policies, HMOs, Medicare or Medicare supplemental policies.

Long-term care can range from simple assistance with activities in your own home or in a residential care facility, or it can mean highly skilled care in a nursing home.

The possibility of needing long-term care due to an illness or physical disability is something most people would rather not think about. But as we get older and because we are living longer, the likelihood that we will need some kind of assistance is very real.

## LONG-TERM CARE INSURANCE

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For many, the best and most affordable way of paying for long-term care is purchasing long-term care insurance. Long-term care insurance will help you live your life with dignity and with independence.

Like other types of insurance, a long-term care insurance policy provides you with coverage in the event of needing assistance in the future. The California Partnership for Long-Term Care works with select insurance companies to offer Californians high quality, flexible and comprehensive policies that meet stringent state standards.

All Partnership policies include:

- Automatic inflation protection to reduce out-of-pocket expenses to keep pace with the rising cost of care;
- A deductible that must be met only once;
- Waiver of premiums while you receive care in a facility; and
- Care coordination to assist you in planning and securing the services you want and need.



## WHAT MAKES A PARTNERSHIP POLICY UNIQUE?

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What sets Partnership policies apart is the “Asset Protection” feature. This feature assures that catastrophic long-term care expenses will not reduce you to poverty even if you run out of insurance benefits. That’s something non-Partnership policies cannot offer.

How does this special feature work? When you need care, your Partnership policy pays for your care in the same way other policies would. But unlike a non-Partnership policy, each dollar your Partnership policy pays out in benefits entitles you to keep a dollar of your assets should you ever need to apply for Medi-Cal. Read more about this feature in the Asset Protection section of this booklet.

## WHAT DOES A PARTNERSHIP POLICY COST?

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Partnership policies cost approximately the same as other policies that offer similar coverage, but Partnership policies include inflation protection and Medi-Cal asset protection – significant benefits at no additional cost.

Each insurance company offering Partnership policies has its own premium rates. However, the younger you are when you purchase, the less expensive your annual premium. This is a good reason to buy now rather than waiting until later.

*Long-term care is  
expensive now and costs  
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in the future*

## section 2

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# INFLATION PROTECTION

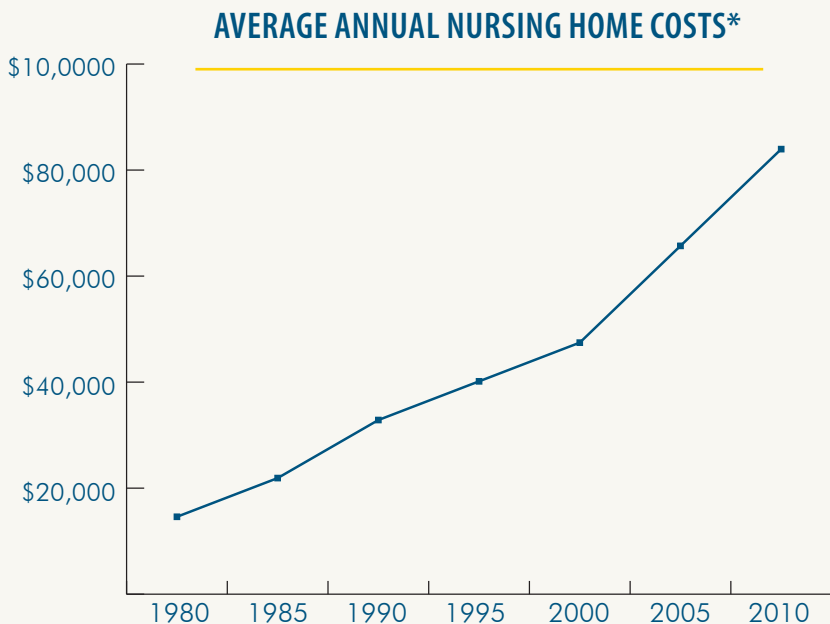
- What is inflation?
- Why is inflation protection so important?
- How does inflation protection work?

## WHAT IS INFLATION?

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Simply stated, inflation means that products or services will cost more in the future than they do today. Long-term care is expensive now and costs will almost certainly rise in the future.

A stay in a California nursing home has risen from an average of \$40 a day (about \$14,000 a year) in 1980 to \$260 a day (about \$94,900 a year) in 2014. The cost of long-term care has risen an average of 5.4 percent annually from 1980 through 2014.



*\*Based on data from California Office of Statewide Health Planning & Development*

## WHY IS INFLATION PROTECTION SO IMPORTANT?

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Without inflation protection in your long-term care insurance policy, you may find yourself with benefits that pay only a small portion of the actual cost of your care. If you purchase a policy without inflation protection and use it 20 years from now, you will need to pay the difference between what the insurance pays, based on costs 20 years earlier, and the actual cost of care.

As the table on the next page shows, it could easily be 20, 30 or more years into the future before you need to use your benefits. Without some inflation protection built into your policy, how would you pay these costs?



AGE TODAY*	LIFE EXPECTANCY	PROJECTED ANNUAL COST OF CARE IN LAST YEAR**
50	37 yrs to age 87	\$577,125
55	33 yrs to age 88	\$474,802
60	28 yrs to age 88	\$372,020
65	24 yrs to age 89	\$306,061
70	20 yrs to age 90	\$251,797
75	17 yrs to age 92	\$217,512
80	13 yrs to age 93	\$178,948

\*Source: California Department of Health Care Services, Center for Health Statistics, Abridged Life Tables for California 2004, Data Summary #DS06 – 1100, November 2006.

\*\*Cost Data: Based on the 2014 \$260 average daily cost of nursing home care and five percent annual inflation.

When you buy long-term care insurance you need to ask yourself if the coverage you buy today will be adequate to pay most of the cost of care when you need it. No one can predict the future, but the table below clearly shows that the cost of failing to prepare can be enormous.

LENGTH OF CARE	TODAY'S COST	FUTURE COSTS*	
		IN 14 YEARS	IN 28 YEARS
1 year	\$ 94,900	\$ 187,900	\$ 372,000
2 years	\$189,800	\$ 375,800	\$ 744,000
3 years	\$284,700	\$ 563,700	\$ 1,116,100
4 years	\$379,600	\$ 751,600	\$1,488,100
5 years	\$474,500	\$ 939,500	\$1,860,100
10 years	\$949,000	\$1,879,000	\$3,720,200

\*Based on projected increases of 5% per year. All numbers rounded to the nearest hundred for clarity.

## HOW DOES INFLATION PROTECTION WORK?

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The built-in inflation protection included in all Partnership policies reduces the risk that you will have to pay large, unanticipated expenses.

Partnership policies:

- Automatically increase your benefits by five percent compounded each year (with the option of choosing simple interest if age 70). The premium you pay does not increase as a result of the increase in benefits.
- Provide opportunities to upgrade your policy to increase your maximum daily benefit should actual long-term care costs increase at a rate greater than the built-in five percent inflation adjustment.

## section 3

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# ASSET PROTECTION

- What is Medi-Cal asset protection?
- Why is Medi-Cal asset protection important?
- How does Medi-Cal asset protection work?

## WHAT IS MEDI-CAL ASSET PROTECTION?

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Asset Protection, available only with a Partnership policy, guarantees you get to keep a dollar's worth of assets for each dollar your policy pays out for long-term care services. This feature enables you to purchase less than lifetime coverage with the peace of mind that you won't become impoverished even if your benefits run out while you still need care. It also allows you to protect your assets in order to leave them to your loved ones or a charity.

## WHY IS MEDI-CAL ASSET PROTECTION IMPORTANT?

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For many people, the benefits of their Partnership policy will cover all of the care they will ever need. However, if you exhaust your Partnership-policy benefits and still need care, you can apply to Medi-Cal for assistance. You will not have to spend down all of your hard-earned assets to the poverty level. On the other hand, if you exhaust the benefits of a non-Partnership policy, you must use your non-exempt assets to pay the cost of any additional care you need.

## HOW DOES MEDI-CAL ASSET PROTECTION WORK?

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When qualifying for Medi-Cal, you are entitled to keep assets Medi-Cal normally allows, plus non-exempt assets equal to the amount your Partnership policy has paid out in benefits. Each dollar your Partnership policy pays in benefits protects a dollar of your assets from Medi-Cal's "spend down" rules.\* 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.\*

You may have to apply most of your income toward the cost of your care before Medi-Cal will pay, but the assets you protected by purchasing a Partnership policy remain yours – for you or to leave to your loved ones.

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



The following chart 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 \$260 per day, the average daily cost for care in a California nursing home in 2014.

POLICY CHOICES DAYS OF COVERED CARE	TOTAL BENEFITS PAYABLE/POTENTIAL ASSET PROTECTION	
	VALUE AT PURCHASE	VALUE AFTER 20 YEARS*
1 year – 365 days	\$ 94,900	\$ 251,797
2 years – 730 days	\$184,800	\$ 503,595
3 years – 1,095 days	\$284,700	\$ 755,393
5 years – 1,825 days	\$474,500	\$1,258,989
Lifetime	Unlimited	Unlimited

*\*Annual five percent compound increase*

*It is important to  
talk about realistic  
expectations before the  
need for care arises*

## section 4

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# TAKING THE NEXT STEP

- Start the conversation
- Know your options
- [www.RUReadyCA.org](http://www.RUReadyCA.org)
- Health Insurance Counseling and Advocacy Program
- Partnership-certified insurance companies

## START THE CONVERSATION

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It is not easy to start a conversation with a loved one about long-term care. Whether you're speaking with your parents or letting your spouse and children know about your wishes, the conversation can be emotional and overwhelming. However, it is important to talk about realistic expectations before the need for care arises. This can help avoid the anger, disappointment, guilt and confusion often caused by simple misunderstandings.

Discussing your wishes and options with trusted professionals, such as your financial planner, doctor or clergy, is also recommended.

We have developed a list of questions to help guide you through this difficult topic:

1. Where and how do you want to spend your retirement years?
2. What are your wishes regarding long-term care?
3. What role do you hope your loved ones might play?
4. What role do your loved ones expect to play?
5. Can a family member handle the burden of care giving?
6. If you need long-term care, what kind of setting would you prefer?
7. What financial resources or insurance coverage are in place or might be put in place?

## KNOW YOUR OPTIONS

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Based on your expectations, finances and personal needs, there are several ways you may want to address long-term care planning. The California Partnership for Long-Term Care and the California Department of Aging's Health Insurance Counseling and Advocacy Program (HICAP) are two good places to start.



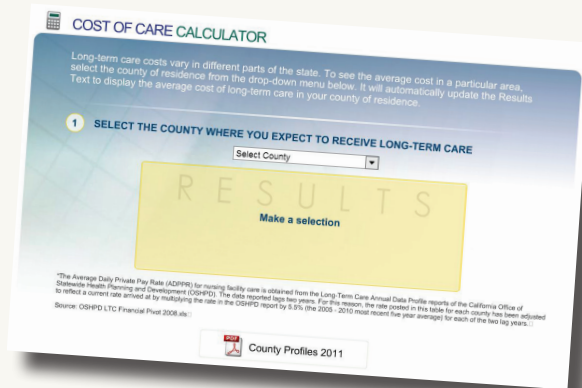
Regardless of how you choose to address your long-term care needs, the California Partnership for Long-Term Care's consumer website, [www.RUReadyCA.org](http://www.RUReadyCA.org), can help you better understand and consider your options.

The website is rich in resources to help you plan for your unique long-term care needs, including:

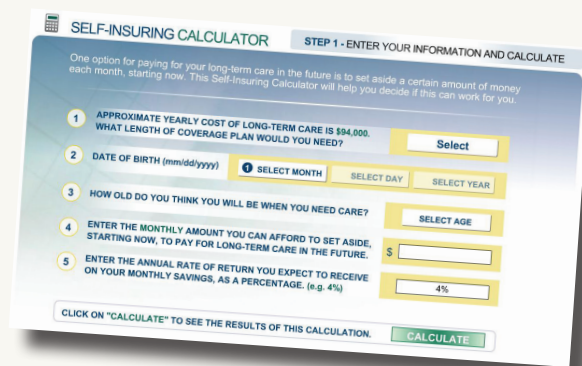
- A user-friendly interface that walks you through the complex issues surrounding long-term care
- Tools to help you better understand your needs, potential costs and different approaches to finance long-term care services. These tools allow you to explore and personalize information based on your income, assets, expectations and location.

- Comparison of Partnership policy rates

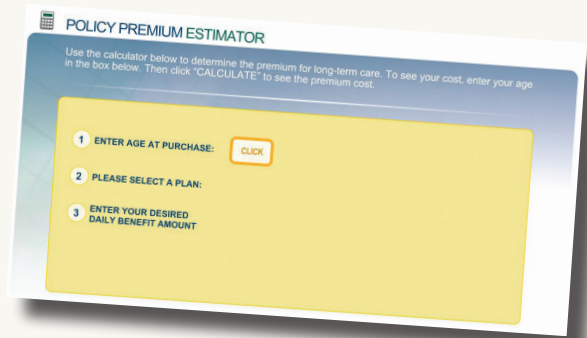
- *Cost of Care Calculator* to find out what long-term care costs in your county



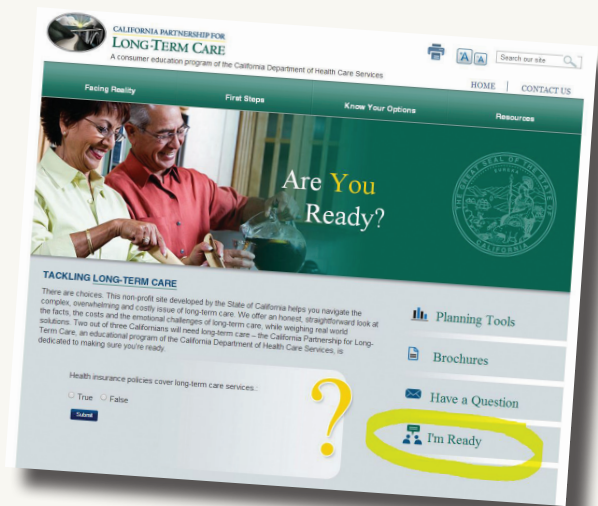
- *Self-Insuring Calculator* to help you estimate how much you would need to put aside to pay for long-term care needs in the future



- *Policy Premium Estimator* to calculate your estimated premiums for long-term care insurance based on your age, the type of plan you might want to purchase and the daily benefit you desire



- Links to other resources and organizations
- "I'm Ready" request form to connect you with a pre-approved Partnership agent who can further discuss your specific needs and help you plan for your future long-term care needs



Visit [www.RUReadyCA.org](http://www.RUReadyCA.org) today. You can also speak with Partnership staff by calling (916) 552-8990.

## HEALTH INSURANCE COUNSELING AND ADVOCACY PROGRAM (HICAP)

The California Department of Aging's HICAP is another good resource to turn to for more information. 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. Appointments and consultations are free of charge. You can reach HICAP at (800) 434-0222.



## PARTNERSHIP-CERTIFIED INSURANCE COMPANIES

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A Partnership-certified insurance agent can discuss your situation with you and help you decide which policy is best for you or your loved one.

For more details on Partnership policies and premium costs, contact any of the following companies:

Bankers Life and Casualty  
(888) 282-8252

Genworth Financial  
(888) 436-9678

New York Life Insurance  
(800) 224-4582

CalPERS Long-Term Care Program\*  
(800) 982-1775

\*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.



CALIFORNIA PARTNERSHIP FOR  
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**[www.RUReadyCA.org](http://www.RUReadyCA.org)**

