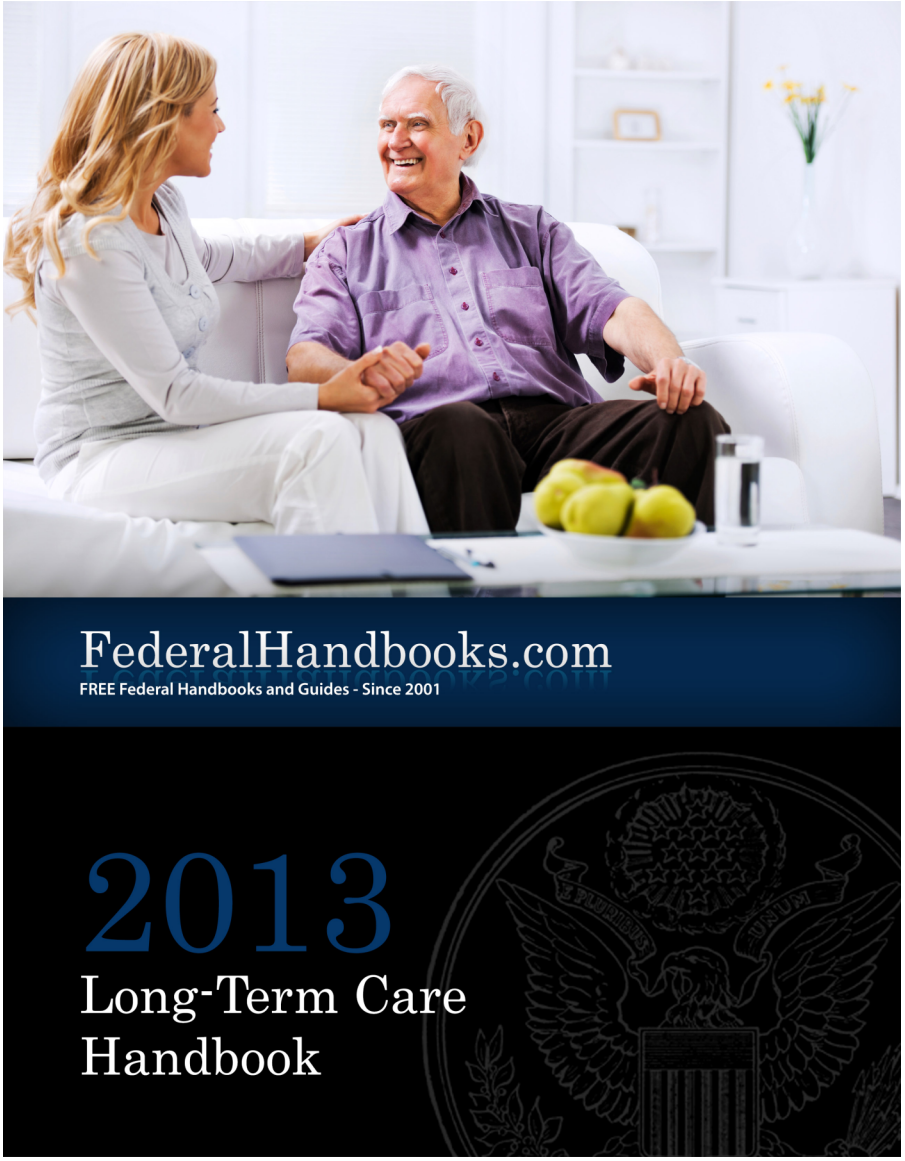

2013 Long-Term Care Planning Handbook

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1

Overview

This handbook is designed to help you – the Federal employee or retiree – understand long-term care and long-term care insurance so that you can make an informed decision about whether you need to purchase this type of insurance, and if so, the factors you should consider when buying a policy.

The handbook is divided into two sections. The first section explains long-term care and long-term care insurance generally – who needs it, how it differs from Medicare, Medicaid and other programs, and the various elements available in most long-term care insurance plans. The second section provides a general overview of the Federal Long-Term Care Insurance Program (FLTCIP), which is available for purchase by those in the "Federal family," and is being administered by the U.S. Office of Personnel Management (OPM).

Defining "Long-Term Care"
Long-term care is the kind of care that you would need to help you perform daily activities if you had a chronic illness or disability. It also includes the kind of care you would need if you had a severe cognitive problem like Alzheimer's disease. It is help with eating, bathing and dressing, transferring from a bed to a chair, toileting, continence, and so forth. Long-term care can also include assistance with such tasks as shopping, transportation, housecleaning, or preparing meals. This type of care isn't received in a hospital and isn't intended to cure you. It is not acute care. It is chronic care that you might need for the rest of your life. It can be received in your own home, at a nursing home, or in another Long-Term care facility. Long-Term care insurance is insurance that helps you pay for Long-Term care services, such as home care or care in a nursing home or assisted living facility.

Many people do not think they will need Long-Term care insurance because they are healthy. However, the odds are that you will need Long-Term care at some point in your life, and you may need it sooner than you think. About 40% of people needing Long-Term care are adults ages 18-64. They may have had an accident, a stroke, developed multiple sclerosis, or some other illness.

Approximately 70% of those Americans who live to the age of retirement will need Long-Term care services at some point in their lives. By 2020, 12 million older Americans will need long-term care. Moreover, the longer you live, the higher the odds that you will need Long-Term care eventually. While more than half of those going into a nursing home will have stays of fewer than ninety days, those who remain in nursing homes will stay an average of 2 ½ to 3 years. This is particularly true for women, who tend to live longer than men, and who consequently often develop chronic disorders that require Long-Term care.

Health Insurance and Long-Term Care
The problem with long-term care is that it can be quite expensive. It can easily exhaust your savings, which is one reason you might decide to buy Long-Term care insurance. It is important for you to know that most health plans do not cover Long-Term care. While health insurance plans generally cover hospital stays and doctors' bill, they often provide limited or no benefits for nursing home care or home health care. And while they may cover some of the skilled medical services you may need when you can't care for yourself after an illness or injury, this is usually for a limited period and only as long as you are showing improvement. Health plans, including the Federal Employees Health Benefits Program (FEHBP) and TRICARE, typically do not cover ongoing chronic care such as an extended stay in an assisted living facility, or a continuing need for a home health aide to help you in and out of bed.

Medicare and Long-Term Care
Medicare typically does not cover Long-Term care. Medicare is a Federal health insurance program for people who are age 65 or older, some people with disabilities under age 65, people with End-Stage Renal Disease (permanent kidney failure requiring dialysis or a transplant), and people with Lou Gehrig's disease (ALS, amyotrophic lateral sclerosis). Medicare will cover the first 100 days of care in a nursing home if: (1) you are receiving skilled care, and (2) you have a qualifying hospital stay of at least 3 days and enter the nursing home within 30 days of that hospital discharge. There

are also some deductibles and copayments (meaning you have to pay part of the cost). Medicare also covers limited home visits for skilled care.

It's very important to realize a few things about Long-Term care versus Medicare's coverage:

1. Most Long-Term care is not skilled care;
2. Most Long-Term care does not take place in a nursing home;
3. Most nursing home stays do not immediately follow a hospital stay;
4. Most people who require care in their home usually need more or different types of care than Medicare covers; and
5. Most people won't start Medicare coverage until age 65.

Therefore, don't expect that Medicare will cover your Long-Term care needs.

Finally, while the Centers for Medicare and Medicaid Services recently made a decision to no longer exclude persons with Alzheimer's disease from accessing Medicare-covered services due to their diagnosis alone, be aware that Medicare still only covers skilled care under certain conditions for a limited period of time. All the restrictions on receiving nursing home care or home care, including a prior hospital stay and need for skilled care, as well as required deductibles and copayments, still apply. Alzheimer's disease is a chronic illness. Persons with this illness typically require non-skilled, custodial care for long periods of time. This type of care is still not covered under Medicare, but the change in Medicare's policy has left many with the impression that it might be.

Medicaid and Long-Term Care

Many people also believe that Medicaid will cover their Long-Term care needs. However, Medicaid (called "Medi-Cal" in California) is a state-based program supplemented by Federal funds that acts as a safety net to provide health services to the poor and impoverished. Medicaid covers Long-Term care services and might cover you if you meet your state's poverty criteria and receive care that meets your state's guidelines. Usually this means expending all but $2,000 of your assets and savings (except for perhaps your house and your car). It also means receiving care from a limited number of state-approved caregivers (mostly institutions like nursing homes) that are willing to accept Medicaid payments. People that you wouldn't consider poor sometimes qualify for Medicaid by "playing the game" and "beating the system," usually with legal help. States usually react with more rules.

If you don't have much in the way of assets and income, Medicaid is probably your best bet for Long-Term care. If you can afford Long-Term care insurance, want to control the type and location of care that you receive, and aren't interested in - or don't want to count on – "beating the system," you should consider purchasing Long-Term care insurance.

Long-Term Care Costs Can Be Staggering

Not only will many individuals and families face prolonged long term care, in-home care and nursing home costs continue to rise. According to the 2012 MetLife Market Survey of Nursing Home, Assisted Living, Adult Day Services, and Home Care Costs national averages for long term care costs are as follows:

- The national average daily rate for a private room in a nursing home is $248, while a semi-private room is $222 up from $239 and $214 respectively in 2011.
- The national average monthly base rate in an assisted living community rose from $3,477 in 2011 to $3, 550 in 2012.
- The national average daily rate for adult day services remained unchanged from 2011 at $70 in 2012.
- The national average: hourly rates for home health aides ($21) remained unchanged, while the homemaker hourly rate increased by 5.3% from $19 in 2011 to $20 in 2012.

These costs vary significantly by region, and thus it is critical to know the costs where the individual will receive care. For example, the average cost for a private room in a nursing home is the highest in AK ($687 per day) than in OK (only $174 per day).

	Nursing Homes		Assisted Living Communities	Home Care		Adult Day Services
	Semi-Private Room	Private Room		Home Health Aide	Homemaker	
Rate Type	Daily		Monthly	Hourly		Daily
2012 Average Rate	$222	$248	$3,550	$21	$20	$70
2011 Average Rate	$214	$239	$3,477	$21	$19	$70
$/% Increase from 2011	$8 (3.7%)	$9 (3.8%)	$73 (2.1%)	$0 (0%)	$1 (5.3%)	$0 (0%)
2012 Median Rate	$206	$231	$3,324	$21	$19	$65
2012 Highest Average Rate	$682	$687	$5,933	$32	$28	$141
Location	AK—Statewide	AK—Statewide	DC—Washington	MN—Rochester Area	MN—Rochester Area	VT—Statewide
2012 Lowest Average Rate	$131	$147	$2,355	$13	$13	$26
Location	TX—Rest of State	OK—Rest of State	AR—Rest of State	LA—Shreveport Area	LA—Shreveport Area	AL—Montgomery Area
2012 Annual Rate	$81,030	$90,520	$42,600	$21,840	$20,800	$18,200

**Costs are rounded to the nearest dollar.*
Annual rates for home care are based on 4 hours per day; 5 days per week; annual rates for adult day services are based on 5 days per week.

Source: 2012 Market Survey of Long-Term Care Costs:
https://www.metlife.com/assets/cao/mmi/publications/studies/2012/studies/mmi-2012-market-survey-long-term-care-costs.pdf

Long-Term Care By The Veteran's Administration

The Office of Geriatrics and Extend Care which is under 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.

What Long-Term Care Costs

The cost of long-term care depends on where you live and the kind of care you receive. There are generally three kinds of long-term care: nursing home care, assisted living facility care, and in-home care. Nursing home care is the most intensive kind of care, and usually costs the most. Assisted living facility care is for people who do not need nursing home care, but who are unable to remain in their own homes. Home health care is the least expensive kind of care, and is generally for those who can still function well on their own, as long as they have some assistance from a home care worker.

Nursing Home Care

You might want to consider using your savings to cover the cost of your long-term care needs. Unfortunately, even the most well laid out plan is subject to unexpected challenges. In 2011, the national average cost of a semi-private room

in a nursing home was $86,040 annually. With an average stay of 2.4 years, that's more than $206,496 per average stay.

Major metropolitan areas can be expensive for nursing home costs. An average nursing home in the New York City metropolitan area costs are between $96, 180 to $112, 356 annually; Washington, D.C. costs $108, 000; Hawaii costs $116, 760; the Massachusetts area costs $117, 480; New Jersey costs $106, 440; and the Pennsylvania area costs $91, 680.

WAEPA says that the cost of nursing home care will likely rise dramatically over the next thirty years, reaching $275,000 per year.

Assisted Living Facilities

"Assisted living facilities" (which can also be called "Assisted Care Communities" or "Domiciliary Care") are a fairly new form of residential care intended for people who do not require skilled nursing care, but who cannot live on their own safely because they need assistance with their daily activities, such as bathing, dressing, or taking their medications. These types of facilities often bridge the gap between living at home and moving to a nursing home.

Assisted living facilities cover a wide range of possibilities, from group homes in which residents share rooms to luxurious private apartments. While services vary widely, a typical package may include a 24-hour on-call staff to help residents with bathing, toileting, dressing, and so forth; a call button in each unit for emergencies; help with managing medications; laundry and housekeeping services; meal service in a dining hall; and recreational and social activities. Residents who develop health conditions that require closer monitoring may need to move from an assisted living facility to a nursing home.

The cost for assisted living facilities typically runs from approximately $2,000 to $5,000 or more per month. The cost of a facility will depend on its geographic location, the housing environment, and the extent of services provided. Some assisted living facilities offer Alzheimer's care, but others do not.

Home Care

Home care is another option for those who are unable to live at home completely independently. Home care can be an attractive option for those people who are able to function relatively well on their own, but who may need visits several times each week from a home care nurse, nurse's aide, or home worker who can help with chores and other needs. People who require lengthy, daily visits may find it more cost-effective to move to an assisted living facility.

The average annual cost for at-home Long-Term care is currently approximately $20,000. Depending on the number of visits you need and your geographic location, that cost can be substantially higher.

Paying For Long-Term Care

The bottom line is that many of us are going to need Long-Term care at some point, and health insurance, Medicare, and Medicaid are most likely not going to pick up the tab. This means that there are generally three options for paying the cost of Long-Term care – either "self-insuring," which means saving enough so that you can pay for your Long-Term care needs out of your own assets and savings, relying on family members to provide care, or purchasing a Long-Term care insurance policy.

If you are interested in "self-insuring," know that you are going to need to set aside a very large "nest egg" to provide for your Long-Term care needs, as well as your normal retirement expenses. If you are married, be sure to consider the possibility that you or your spouse may eventually need Long-Term care services in a facility, while the other remains at home. Therefore, you need to have enough saved to cover both the cost of a nursing home or assisted living facility and the cost of maintaining your home.

If you are interested in exploring this as an option, you must consult with a financial planning expert – preferably one who specializes in retirement planning - to determine whether you have (or can generate) sufficient savings and assets

to self-insure. Considering the fact that Long-Term care is already fairly expensive, and that these costs are rising, self-insuring is probably not going to be a viable alternative for most people.

Of course, the advantage to self-insuring is that you won't have to pay the cost of Long-Term care insurance premiums. The downside is that you may require Long-Term care services sooner than you expect and before you are able to generate sufficient savings to pay for your care out-of-pocket. Another problem is that you may run out of money to cover your Long-Term care and other retirement needs. Finally, you may exhaust your estate so that you have little to leave to your heirs.

Some people believe they don't need Long-Term care insurance because they plan to rely on their family members to provide this care when the time comes. Unfortunately, this expectation is not always practical. Family members may not have the necessary training to provide such care, particularly if skilled nursing care is needed. Additionally, work schedules or their own ill health may interfere with their ability to provide such care over a lengthy period. There is also the possibility that the anticipated caregiver may die unexpectedly, leaving you too old or ill to qualify for an affordable Long-Term care policy. Relying on family members to provide Long-Term care may seem like a good solution in theory, but may not be the best plan in reality. In any event, if you intend to rely on family members to provide you with Long-Term care, you need to sit down with them and have a frank talk about your expectations and plans. You don't want to be in a situation where you forego purchasing Long-Term care insurance only to discover that your expected caregiver(s) are unwilling or unable to provide you with the necessary care.

The third option is to purchase Long-Term care insurance. The two primary reasons for purchasing Long-Term care insurance are: (1) so you can rest assured that you will receive the necessary care if you develop a chronic illness or disability, and (2) to protect your savings and assets for your own needs, your spouse's needs, if any, and/or for your heirs.

Be aware that there are a wide variety of Long-Term care insurance plans available, so if you decide to buy Long-Term care insurance, you need to spend some time looking for the best plan for you and your budget. Here are just a few general rules to keep in mind:

1. As with any other major purchase, shop around before you buy long-term care insurance. When evaluating different long-term care insurance plans, be sure you are making an "apples to apples" comparison. You need to understand each of the elements contained in the various plans, and how they compare to one another before you choose a particular plan.
2. Make sure that you can afford the premiums for life. It makes no sense to purchase long-term care insurance that you cannot afford after you retire. You do not want to have to drop the coverage just as you approach the time when you may need it most. There is usually enough flexibility in the various Long-Term care insurance plans so that you can structure a plan that will cover your most vital Long-Term care needs while keeping your premiums affordable. For instance, you can often customize your inflation protection or change the length of your waiting period before your benefits begin paying out in order to keep your premium lower, if need be.
3. If you decide to purchase the insurance, be sure you buy from a reputable company that has been in business for a significant period of time and has a good track record. You don't want to buy long-term care insurance from a company that may go out of business just when you need the benefits.
4. If you decide you want long-term care insurance, apply for the insurance while you are still healthy. As with any insurance product, you are not going to qualify for coverage if you need the benefits at the time you apply, or if it is apparent that you will need them shortly thereafter.
5. Lastly, be completely honest and forthright when answering questions about your health. If you lie on your application – or omit pertinent information about your health – the company can deny you benefits and cancel your coverage.

2

Elements of a Long-Term Care Insurance Plan

After consulting with your financial advisor, if you decide you should purchase long-term care insurance, you need to become familiar with all of the different elements that typically make up a Long-Term care insurance plan. This chapter describes each of those elements, so that you can make an informed decision about which kind of plan is best for you.

Here are some terms you need to know when choosing a Long-Term care insurance plan:

- Daily Benefit Amount
- Benefit Period
- Inflation Option
- Elimination Period
- Non-forfeiture Benefit
- Home Health Care
- Alternative Plan for Care
- Spousal Discount
- Gatekeepers, Qualifiers, or Triggering Events
- Premium
- Group versus Individual Plan
- Guaranteed Renewable

Daily Benefit Amount
The daily benefit amount is the amount of money that your long-term care insurance plan will pay for eligible care each day. Generally, when choosing a policy, you will have a choice of daily benefit amounts. They can go up to more than $240 per day for nursing home care, and up to $150 or more a day for home health care. Remember that the higher the daily benefit amount, the higher the cost of the insurance premium.

The national monthly average for nursing home care is now over $7,000. This translates into approximately $233.00 per day ($7,000 divided by 30 days). But remember, this figure is a national average. The cost of nursing home varies widely, depending on your geographic area. Therefore, you need to research the cost of nursing home care in the area in which you plan to use those benefits.

Once you know the cost of nursing home care and home health care in the area in which you plan to use those benefits, you then need to decide how much of those costs you want your Long-Term care insurance policy to cover. For example, if the cost of nursing home care in your area is $155 per day and you want your Long-Term care insurance to cover 100 percent of your costs, then you would need to purchase a policy with a daily benefit amount of $155 or more. Alternatively, you could purchase a policy with a lower daily benefit amount, and plan to make up the difference using your savings.

Again, before choosing the daily benefit amount for your policy, you need to do some research to find out the daily cost for nursing home care and home health care in the area in which you plan to use those benefits. Some areas are much more expensive than others. If you anticipate using your Long-Term care benefits in an area with a high cost of living, then you'll probably want to choose a higher daily benefit amount. A policy with a daily benefit amount of $150 may not cover your costs in a place such as New York City but may be more than enough if you plan to retire in Utah.

Benefit Period
The benefit period is the length of time your Long-Term care insurance will pay benefits. Some plans may pay benefits for just a few years, while others offer a lifetime benefit. Choosing a lifetime benefit is the ideal option. However, the

longer the benefit period, the higher the premium cost. Bearing in mind that the average nursing home stay is just under three years, you should probably choose a benefit period of at least four years. But remember – this is a bare minimum. If you can afford it, you would be much better off choosing a longer benefit period in case you have a lengthy nursing home stay.

Inflation Protection

The cost of Long-Term care is rising. On average, nursing home care now costs $86,040 annually. But the Labor Department estimates that over the next thirty years, that figure is expected to rise to $275,000 per year. That means that while a daily benefit amount of $150 may well cover 100 percent of your nursing home care today, it may only cover 20-25 percent of your nursing home costs 30 years from now, leaving you to pay the difference out of pocket. That's why inflation protection is such an important part of Long-Term care insurance. As the cost of Long-Term care rises, you want to make sure that your daily benefit amount rises too. Inflation protection in a Long-Term care insurance policy is simply a provision that increases your daily benefit amount – or gives you the option to increase your daily benefit amount – to help keep pace with the rising cost of Long-Term care. Therefore, when pricing your policy – or when comparing policies – pay close attention to the kind of inflation protection included in the plan.

The most common kind of inflation protection automatically increases your daily benefit amount by a certain percentage each year. Many plans offer an annual increase of 5 percent each year. You are usually given a choice of whether you want 5 percent simple interest or 5 percent compounded interest. Be aware that the compound interest option will give you more inflation protection than the simple interest option will. (See the table below entitled, "Comparison of Simple versus Compound Interest.") While both will increase your daily benefit amount to help you keep pace with inflation, the compound interest option will result in a higher daily benefit amount over time. Naturally, this means that the compound interest option is going to be more expensive than the simple interest option. Choose the compound interest option if you can afford it. If you can't, choose the simple interest option. Some policies will also permit you to purchase additional insurance in the future – but at your current age rate - so that you can increase your daily benefit amount at a later time. Others will let you purchase additional insurance in the future, but will base the cost on your age at the time you purchase the extra insurance.

Whichever kind of inflation protection you choose, pay attention to whether the policy imposes a cap on the growth of your inflation protection. Some policies will cap growth either through an age limitation or by a particular amount.

If money is no object, the ideal policy would have the compound interest inflation protection with no cap on age or amount. If you can't afford to do that, then choose simple interest or opt for the ability to purchase additional insurance in the future.

If you are over the age of seventy when buying Long-Term care insurance, you may be better off purchasing a policy with a higher daily benefit amount and no inflation protection. If nursing home costs in your area are $93 per day, for example, it may make more sense economically to purchase a policy with a daily benefit amount of $150 and no inflation protection, rather than purchasing a policy with a daily benefit amount of $100 and inflation protection. The extra $50 in the daily benefit amount ($150 versus $100) may be sufficient to cover your inflation protection needs, since presumably you will use the benefits sooner rather than later.

Proceed with caution if you choose this strategy – and be sure to consult with your financial advisor and Long-Term care agent before going this route. And remember - this is not a good strategy for those under the age of 70! Those under 70 may not use their Long-Term care benefits for many years, and no matter how large of a daily benefit amount you choose now, chances are that it won't be nearly large enough to protect you against inflation decades later. Those under 70 must have some kind of inflation protection as part of their policies.

The bottom line is that inflation protection is one of the most important elements of a Long-Term care insurance policy. However, you must be able to afford the premium for the rest of your life. Whichever kind of inflation protection you choose, make sure you can continue to pay the premium.

Comparison of Simple versus Compound Interest			
Year	**$100 Daily Benefit Amount**	**5% Simple Interest**	**5% Compound Interest**
1	$100	$100	$100
2	$100	$105	$105
3	$100	$110	$110
4	$100	$115	$116
5	$100	$120	$122
6	$100	$125	$128
7	$100	$130	$134
8	$100	$135	$141
9	$100	$140	$148
10	$100	$145	$155
11	$100	$150	$163
12	$100	$155	$171
13	$100	$160	$180
14	$100	$165	$189
15	$100	$170	$198
16	$100	$175	$208
17	$100	$180	$218
18	$100	$185	$229
19	$100	$190	$240
20	$100	$195	$252
21	$100	$200	$265
22	$100	$205	$278
23	$100	$210	$292
24	$100	$215	$307
25	$100	$220	$322
26	$100	$225	$338
27	$100	$230	$355
28	$100	$235	$373
29	$100	$240	$392
30	$100	$245	$412

Elimination Period

The elimination period is the period of time for which you need Long-Term care but you do not receive paid benefits. It is something akin to a car insurance deductible. During the elimination period, you must cover the entire cost of your Long-Term care out of your own pocket. When purchasing a Long-Term care insurance plan, you typically get to choose how long you want the elimination period to be. They are generally between zero and ninety days. The longer the elimination period, the lower the premium cost.

It works like this. Say you have a Long-Term care policy with an elimination period of ninety days. The cost of the nursing home you enter is $127 per day, and your stay lasts six months. Under the policy, you would be responsible for paying $11,430 for the stay – that's the daily cost of the nursing home ($127) times the elimination period of 90 days. After ninety days, the Long-Term care policy would kick in, and assuming the daily benefit amount is $127 or more, you would no longer have to pay for your stay.

Thus, the rule is the shorter the elimination period, the better. The ideal policy would have a zero-day elimination period. Be sure to compare the premium cost of a shorter elimination period and a longer elimination period. If the cost of the shorter elimination period is not significantly higher, choose the shorter period.

One final note on elimination periods
Be sure to ask whether the elimination period applies to each stay, or if you need to satisfy it only once. If you have to go in and out of a nursing home or other Long-Term care facility several times, you want a policy that requires you to satisfy the elimination period only once.

Non-forfeiture Benefit
A non-forfeiture benefit is a provision in the policy that says that if you do not use your Long-Term care benefits after a certain amount of time, a portion of your premiums will be returned to you or your heirs. Some people like this benefit because they feel that it protects them from "wasting" their money on Long-Term care insurance. If they don't end up using the Long-Term care benefits, they get some of their money back. Be careful, though. Policies with non-forfeiture benefits can cost substantially more than those without a non-forfeiture benefit. Rather than paying the extra money for the non-forfeiture benefit, you are probably better off saving that money and investing it. Consult with your financial advisor to see what is best for you.

Home Health Care
"Home health care" – or "home care" – is a Long-Term care benefit that covers the cost of visits to your home by a home health care worker, licensed therapist, chore worker, or homemaker. Care can range from visits by a health care worker to someone who cooks meals, does chores like grocery shopping, or helps with bathing or other needs.

Since the vast majority of people would rather receive care in their own homes rather than move to an assisted living facility or a nursing home, you should check to see if the Long-Term care policy you're considering includes this benefit, and how much coverage it provides. Home health care tends to be less expensive than care provided in a nursing home, so most Long-Term care insurance will pay a daily benefit of 50-80 percent of your skilled nursing care coverage for this type of benefit.

You should do some checking to determine how much home care costs in the area where you will likely be receiving benefits. A good rule of thumb is to get a policy that covers a minimum of two years' (or 730) worth of visits.

Alternative Plan for Care
Long-Term care insurance companies often permit you some flexibility in deciding where you will receive care – at home, in an adult day care center, an assisted living facility, a nursing home, or elsewhere. This provision allows you to choose where to receive care as long as you, the insurance company, and your health care provider are all in agreement. It is often a good provision to have in a policy because it gives you additional options for your care.

Spousal Discount
Couples purchasing Long-Term care insurance from the same company can often get a 10 to 15 percent discount on their premiums. Be sure to ask about any spousal discount when shopping for a Long-Term care insurance policy. You may still get the spousal discount even if you and your spouse purchase policies at different times from the same company, so be sure to ask.

Gatekeepers, Qualifiers, or Triggering Events
In order for your Long-Term care policy to start paying benefits, you must satisfy certain requirements. These requirements are frequently called "gatekeepers," "qualifiers," or "triggering events." Some of the most common are:

- Activities of Daily Living (ADLs): The usual ADLs are bathing, feeding, dressing, transferring (which means moving into or out of a bed, chair, or wheelchair), continence, and using the toilet. Many policies require that you not be able to perform two of the six ADLs in order for benefits to begin.

- Cognitive Impairment: You have a mental impairment, such as Alzheimer's disease, that prevents you from caring for yourself without supervision
- Medical Necessity: A doctor certifies that you need the care and makes a request for the care.

Find out what kind of triggering events your policy requires. As a general rule, a policy that allows you to begin receiving benefits when you satisfy any one of the three triggering events described above is best. Be sure to get a copy of the actual policy(ies) you are considering so you can see exactly what the triggering events are and how they are defined by that particular company. Long-Term care insurance companies often vary in how they define triggering events.

Premium

The premium is the amount of money you pay for your Long-Term care insurance policy. The premium will depend on the kind of coverage you choose, your age and health status, and the insurance company you select.

Usually you will be able to choose whether you want to pay your premiums annually, semi-annually, quarterly, or monthly. Before you choose a payment term, do a few quick calculations to make sure you will not pay more if you opt to pay semi-annually, quarterly, or monthly. Since insurance companies usually prefer that you pay annually, some will charge you extra if you pay any other way.

Group versus Individual Plan

It is important for you to know whether you are planning to purchase a group or an individual Long-Term care policy. Many people assume that purchasing a group plan will always be the better deal, but this isn't necessarily the case. Both group plans and individual plans have their advantages and disadvantages, so once again, you need to do your homework to be sure you purchase the best plan for you.

One advantage of an individual plan is that the contract (the insurance policy) is between you (the policyholder) and the insurance company. When you purchase the policy, you and the insurance company agree to particular benefits and requirements at a certain price. Because you are the policyholder, the insurance company cannot make any changes to the policy unless you consent.

In a group plan, however, you are not the policyholder. Rather, the contract is between the insurance company and some third party – usually your employer or an association to which you belong. You are covered under the plan as an "insured" and are listed on a certificate of insurance, but the policyholder is your employer, association, or some other entity. This means that the policyholder – your employer or association - and the insurance company can modify or even cancel the policy without your consent. One other potential problem with group plans is that they typically allow for little flexibility in coverage. Under a group plan, you may have to make due with lengthier elimination periods or less inflation protection than you would prefer.

The point is, if you have the opportunity to purchase a group plan, don't just buy it without shopping around. You still need to do your homework - you may find that you can get better coverage for a lower cost with an individual plan. And if the group plan ends up being the better buy, you can rest easy knowing you got the best deal available.

Guaranteed Renewable

A policy that is "guaranteed renewable" means that as long as you pay your premiums within the specified time frame, you will be insured for life. This is a must in any Long-Term care insurance policy you purchase, particularly if it is a group plan. You want a plan that is guaranteed renewable each year for life.

3

Tips on Choosing a Long-Term Care Insurance Plan

Choosing An Insurance Company

One of the most important decisions you will make when shopping for a Long-Term care insurance plan will be choosing an insurance company. Before you buy any policy, make sure you are working with a reputable company. You are going to spend thousands of dollars to purchase Long-Term care insurance, so do a little digging to make sure you are working with a company that is financially sound. You may not need to start collecting benefits for many years, so you want to make sure the insurance company that sold you your policy is still going to be in business when you need those benefits.

A good rule of thumb is to look for a company that has been providing Long-Term care insurance – and paying claims – for several years. Also, look for a company that has received a good financial rating from two or more of the independent rating services. Some independent rating services are:

- A.M. Best
- Standard & Poor's
- Moody's
- Duff & Phelps

For A.M. Best, you want a company with a rating of "A++". For Standard & Poor's and Duff & Phelps, look for a rating of "AA" or better. For Moody's; look for a rating of "Aa" or better.

The independent ratings services often provide ratings of insurance companies on their websites. The web site addresses for the four independent rating services mentioned above are:

A.M. Best	http://www.ambest.com
Standard & Poor's	http://www.standardandpoors.com
Moody's	http://www.moodys.com
Duff & Phelps	http://www.duffllc.com

Again, always compare several insurance companies, their benefits, limitations, exclusions, and premiums before you purchase a policy. Work only with an agent who answers all of your questions completely, and who makes you feel comfortable. Don't work with an agent who tries to pressure you into buying a policy quickly, or engages in other "hard sell" tactics.

Be sure to ask the agent for an "Outline of Coverage," which highlights the main features of the plan. This document should be provided to you upon your request, without you having to fill out an application or provide any personal information. If the agent or company gives you any trouble about providing you with this document, keep looking. You don't want to buy a policy from them.

Once you collect the "Outline of Coverage" for all of the plans you're interested in, compare the benefits, limitations on coverage, premiums, and any exclusions to see which is best for you.

Choosing a Plan

In addition to the standard elements of a plan covered in the previous chapter, check the policies you are considering to see how they stack up against each other on the following points.

1. Does the policy require a hospital stay before you can begin receiving benefits? The vast majority of policies these days don't, but be sure the ones you are considering don't have this as a precondition.

2. Does the policy cover home care, as well as care in a nursing home or other facility? You don't want to be forced to move to a nursing home or other facility in order to receive care.

3. Does the policy cover both adult day care and "personal care" (sometimes called "custodial care")? You probably want a policy that covers both these kinds of care.

4. Does the policy require that home health care be provided by someone from a certified home health care agency or a professional health care worker in order to be covered? Generally, you don't want this kind of limitation in your policy.

5. Ideally, you want a policy that does not exclude preexisting conditions at all. If you can't get that, then you want a policy that excludes preexisting conditions for no longer than six months.

6. The policy should allow you a "grace period" so that you do not have to pay premiums while you are collecting benefits. Once you are on your feet again (have left the nursing home, for instance, and are no longer collecting benefits), you begin paying premiums again.

7. The policy should require you to satisfy the elimination period just one time. If you have an elimination period of 30 days, for example, and enter a nursing home, you pick up the tab for the first thirty days, during the elimination period. After the 30-day elimination period ends, your Long-Term care insurance benefits kick in, and the insurance company pays for the nursing home care. If you then leave the nursing home, but have to return for a second stay, you don't want to have to satisfy the 30-day elimination period again. You want a policy that requires you to satisfy the elimination period only once, with the insurance company picking up the entire tab if you have to reenter the nursing home (or receive another kind of care) multiple times.

8. Under the policy your premiums should not increase unless the increase is an across-the-board increase for all the insured in a particular area or group.

9. The policy must be "guaranteed renewable," which means that as long as you pay your premiums, you will be covered.

10. Check to see if the policy you are considering qualifies as a tax-deductible policy. You want a policy that is tax-deductible.

11. Look for a "restoration of benefits" feature, if you buy a policy that does not have a lifetime benefit. A restoration of benefits feature allows the full benefit period to be restored if you recover and do not use any benefits for a particular period of time. For example, say you have a policy with a six-year benefit period. You enter a nursing home, your Long-Term care insurance kicks in, and the insurance company pays for your nursing home care for a year, which would normally leave you with five years remaining on your benefit period. After a year, you recover, leave the nursing home, and do not draw on any of your Long-Term care benefits for two years. The restoration of benefits feature would require the insurance company to restore your original full benefit period – six years – since you did not draw on your Long-Term care benefits for that two-year period after leaving the nursing home. Some companies offer policies that will restore your full benefits if you do not use any benefits for a certain period – often 180 days. (Of course, if you purchase a policy with a lifetime benefit, this is not a concern, since your benefits will never run out.)

12. Make sure the policy provides you with a "free look" period. This means that you are given a certain period of time to cancel the policy and get all of your money refunded if you decide you don't want the policy after purchasing it.

13. The policy should have a grace period for paying the premiums. This means that the policy should stay in effect even if you are a little late in paying your premium. This is crucial. You don't want the policy to be cancelled just because you forgot to pay a premium on time.

14. The policy should have a provision that allows you to designate some third party – a family member or your attorney, for instance – to receive notification from the insurance company if you fail to pay a premium. This is a good way to protect yourself from having your coverage dropped in the event you start becoming incapable of managing your own affairs. The designated third party can make sure the payments get made so you maintain your Long-Term care insurance coverage.

Purchasing Your Policy

Some final advice before, you purchase a Long-Term care insurance policy:

1. Be sure you understand all aspects of the written policy before you purchase it. If you don't understand a particular paragraph, make your insurance agent explain it to you to your satisfaction. We say "written policy" because that is what you are actually purchasing. Don't rely on what the agent told you orally – what's important is what is in the written policy. Ideally, there should be no difference between what you were told and what is in the written policy – but read the policy carefully to be sure.

2. Consult with your financial planner and other professional advisors before you purchase the insurance to make sure you will be able to afford the premiums for life, and that you are buying a policy that fits your particular needs.

3. Be completely honest and forthright when answering medical questions. We've said it before, but it's important, so we're saying it again. If you lie on your medical questionnaire and the insurance company finds out about it, they can deny you benefits and cancel your coverage.

4. Never pay your agent in cash. Only make payments by check, and write out the check to the insurance company, not to the agent.

5. Keep a copy of your policy in a safe place, such as a safe deposit box. You want to be able to refer to it if you have any questions or disputes about coverage.

4

The Federal Long-Term Care Insurance Program

The Federal Long-Term Care Insurance Program (FLTCIP) provides Long-Term care insurance to help pay for the cost of care when you need help with activities you perform every day, or you have a severe cognitive impairment, such as Alzheimer's. Over 20 million members of the Federal Family are eligible for the insurance offered through the FLTCIP. This includes Federal and Postal employees and annuitants, active and retired members of the uniformed services and qualified relatives, their qualified relatives, and a few other eligible groups.

In December 2001, OPM contracted with John Hancock and MetLife to provide the insurance. They formed a company called Long-Term Care Partners, LLC to administer the FLTCIP. Below the FLTCIP is explained in detail, including who is eligible to apply, and what benefit options you can select.

OPM Awards Long-Term Care Insurance Contract

The U.S. Office of Personnel Management has signed a contract with John Hancock Life and Health Insurance Company to provide insurance for the Federal Long-Term Care Insurance Program's second 7-year contract term.

FLTCIP 2.0

FLTCIP 2.0 was introduced on October 1, 2009, and offers some enhanced features and benefits. Below is a chart that outlines how FLTCIP 2.0 differs from the original plan FLTCIP 1.0 (please note that items shown in bold indicate FLTCIP 2.0 new product features and plan changes):

Key for Comparison: ACIO – Automatic Compound Inflation Rate

- CPI – Consumer Price Index
- DBA – Daily Benefit Amount
- FPO – Future Purchase Option
- MLB – Maximum Lifetime Benefit
- WBA – Weekly Benefit Amount

Plan feature	FLTCIP 1.0	FLTCIP 2.0
Daily benefit amount (DBA)	▶ $50 ▶ $75 ▶ $100 ▶ $125 ▶ $150 ▶ $175 ▶ $200 ▶ $225 ▶ $250 ▶ $275 ▶ $300 DBA choices are in $25 increments Weekly benefit amount (WBA) option=7 times the DBA	▶ $100 ▶ $150 ▶ $200 ▶ $250 ▶ $300 ▶ **$350** ▶ **$400** ▶ **$450** DBA choices are in **$50** increments Current enrollees may choose their current DBA instead of one of the above selections **WBA option is not available**
Benefit period	▶ 3 years (1,095 days) ▶ 5 years (1,825 days) ▶ Unlimited	▶ **2 years** (730 days) ▶ 3 years (1,095 days) ▶ 5 years (1,825 days) ▶ Unlimited
Waiting period	▶ 90 service days, incurred expenses required during that time ▶ 30 service days, incurred expenses required during that time ▶ Only needs to be met once during your lifetime	▶ **90 calendar days, no** incurred expenses required during that time ▶ Same

Plan feature	FLTCIP 1.0	FLTCIP 2.0
Coverage reimbursement levels/ covered services	**Comprehensive Plan** ▶ Nursing home care and assisted living facility covered up to 100% of DBA ▶ Home care and adult day care covered up to 75% of DBA ▶ Informal care provided by family members covered up to 75% of DBA with a 365 day maximum lifetime benefit (MLB). ▶ Informal caregivers can be family members who did not normally live in your home at the time you became eligible for benefits. **Facilities Only Plan** ▶ Nursing home care and assisted living facility covered up to 100% of DBA	**Comprehensive Plan** ▶ Same ▶ Home care and adult day care covered up to **100% of DBA** ▶ Informal care provided by family members is covered up to **100%** of DBA with a **500 day MLB**. ▶ Same **Facilities Only Plan is not available**
Bed reservation	▶ 30 days per calendar year	▶ **60 days** per calendar year
Stay-at-home benefit	▶ Caregiver training is covered up to 7 times the DBA. ▶ Other stay-at-home benefits can be covered under the alternative plan of care feature (see page 4)	The **stay-at-home benefit** is payable up to 30 times the DBA. **Stay-at-home services include:** ▶ caregiver training, payable up to 7 times the DBA ▶ care planning visits ▶ home modifications ▶ emergency medical response systems ▶ durable medical equipment ▶ home safety checks The stay-at-home benefit can be used at any time while you are meeting the benefit eligibility requirements, including during the waiting period. Any benefits paid under this provision will not reduce your MLB.
Hospice care	**Comprehensive Plan** ▶ Care in a hospice facility covered up to 100% of daily benefit amount (DBA). ▶ Hospice care at home covered up to 100% of DBA ▶ No waiting period requirement **Facilities Only Plan** ▶ Care in a hospice facility covered up to 100% of DBA	**Comprehensive Plan** ▶ Same ▶ Same ▶ Same **Facilities Only Plan is not available**

Plan feature	FLTCIP 1.0	FLTCIP 2.0
Inflation protection options	**Automatic Compound Inflation Option (ACIO): 5% or 4%** ▶ On each anniversary of your original effective date (or of the effective date you switch to this option), your DBA/WBA and the remaining portion of your MLB will automatically increase at a rate of 5% compounded annually *Or, starting October 1, 2009, enrollees may elect a 4% ACIO rate* **Future Purchase Option** ▶ Every 2 years we will increase your DBA/WBA and the remaining portion of your MLB unless we receive a written rejection ▶ The increase will be based on the change in the Department of Labor's Consumer Price Index for Medical Care or another index mutually agreed upon by OPM and us ▶ Eligible to switch to ACIO without underwriting at each FPO offer ▶ Offers stop after 3 declines	**Automatic Compound Inflation Option (ACIO): 5% or 4%** ▶ Same **Weekly benefit amount is not available** **Future Purchase Option** ▶ Same **Weekly benefit amount is not available** ▶ The increase will be based on the change in the **Department of Labor's Consumer Price Index for All Urban Consumers (Urban CPI)** ▶ **Not eligible to switch to ACIO without evidence of insurability** ▶ **Unlimited declines**
Benefit triggers	Dependence in 2 or more of the 6 activities of daily living (ADLs), including standby or hands-on assistance with bathing, dressing, eating, transferring, toileting, and maintaining continence due to a loss of functional capacity that is expected to continue for at least 90 days; or separate cognitive impairment trigger	Same
Care coordination services	You can access care coordination services at any time without satisfying the waiting period requirement Our care coordinators are licensed health care practitioners who provide the following services at no additional charge to you: ▶ provide general information about long term care services ▶ assess and approve your need for long term care services ▶ develop a plan for long term care services ▶ monitor and reassess from time to time the long term care services that you receive ▶ provide access to discounts for services, when available	Same

Plan feature	FLTCIP 1.0	FLTCIP 2.0
Respite care	**Comprehensive Plan** ▶ Respite care in a nursing home, assisted living facility, or hospice facility ▶ Respite care by a formal or informal caregiver at home ▶ Respite care at an adult day care center Covered up to 30 times the daily benefit amount (DBA) per calendar year No waiting period requirement **Facilities Only Plan** Respite care in a nursing home, assisted living facility, or hospice facility covered up to 30 times the DBA per calendar year	**Comprehensive Plan** Same **Facilities Only Plan is not available**
Waiver of premium	You will not have to pay your premium if you are eligible for benefits and have satisfied the waiting period requirement. We will also waive your premium if you are eligible for benefits and receiving hospice care.	Same
Tax qualified	Yes	Same
No premium guarantee	Your premium will not change because you get older or your health changes or for any other reason related solely to you. Premiums are not guaranteed. We may only increase your premium if you are among a group of enrollees whose premium is determined to be inadequate. While the group policy is in effect, OPM must approve the change.	Same
Alternate plan of care	An alternate plan of care can be established by mutual agreement if the care coordinator identifies alternatives to the current plan that are both appropriate for your care and cost effective. It may provide benefits for services or treatment not otherwise covered under the plan. Benefits paid reduce the maximum lifetime benefit (MLB).	Same
Portability	Included	Same
International benefits	▶ We will pay benefits for covered services you receive outside the United States. When you receive such services, we will pay benefits up to 80% of the benefit amounts shown on your Schedule of Benefits.	▶ Same
Portability	Included	Same
International benefits	▶ We will pay benefits for covered services you receive outside the United States. When you receive such services, we will pay benefits up to 80% of the benefit amounts shown on your Schedule of Benefits.	▶ Same
	▶ If your Schedule of Benefits shows that you have a 3 or 5 year benefit period, 80% of your MLB can be used for covered services you receive outside the United States; the remaining 20% will be available for covered services you receive in the United States.	▶ Same, with the addition of a **2 year** benefit period
	▶ If your Schedule of Benefits shows that you have an unlimited MLB, benefits payable for any covered services you receive outside the United States will be limited to 10 years. For such services, your MLB will be equal to 3,650 days (10 years) times 80% of your daily benefit amount. Your MLB for covered services you receive in the United States will remain unlimited.	▶ Same

Long-Term care insurance provided under the FLTCIP provides you reimbursement for the costs of care when you are unable to perform at least two Activities of Daily Living for an expected period of at least 90 days, or when you need constant supervision due to a severe cognitive impairment, which is defined as the deterioration or loss of intellectual capacity that requires substantial supervision by another person. The FLTCIP will provide reimbursement based on the benefit options and amounts you are approved for.

Eligibility

Several groups are eligible to apply for coverage under the Federal Long Term Care Insurance Program (FLTCIP). This includes Federal employees and annuitants, including members and retired members of the uniformed services, and qualified relatives. Specifically, the following groups are eligible to apply for coverage:

Employees

- Federal employees in positions that convey eligibility for the Federal Employees Health Benefits Program (whether or not they are actually enrolled in FEHB)
- U.S. Postal Service (USPS) employees in positions that convey eligibility for the Federal Employees Health Benefits Program (whether or not they are actually enrolled in FEHB)
- Active Members of the Uniformed Services who are on active duty or full-time National Guard duty for more than 30 days
- Active Members of the Selected Reserve (Members of the Individual Ready Reserve are NOT eligible to • apply)
- Tennessee Valley Authority employees (even though they may not be eligible for FEHB coverage)
- D.C. Government employees who were first employed by the D.C. Government before October 1, 1987
- D.C. Courts employees
- Navy Personnel Command (BUPERS) NAF employees

Annuitants

- Federal or USPS annuitants, including survivor and deferred annuitants
- Retired Members of the Uniformed Services who are entitled to retired or retainer pay
- Retired "Grey" Reservists, even if they are not yet receiving their retired pay
- Separated employees with title to a deferred annuity, even if they are not yet receiving that annuity
- Tennessee Valley Authority annuitants
- Compensationers receiving compensation from the Department of Labor
- D.C. Government annuitants first employed by the D.C. Government before October 1, 1987
- D.C. Courts annuitants
- Navy Personnel Command (BUPERS) NAF annuitants

Qualified Relatives

If you are a qualified relative, as described below, you can apply even if the person you're related to does not apply, or even if the person you're related to applies but is not approved for coverage:

- Spouses of employees listed above
- Spouses of annuitants listed above
- Surviving spouses of active and retired members of the uniformed services who are receiving a Federal survivor annuity
- Parents, parents-in-law, and stepparents of living employees listed above (Parents, parents-in-law, and stepparents of annuitants and retired members of the uniformed services are NOT eligible)
- Adult children (at least 18 years old, including adopted or step children) of living employees or annuitants listed above

Applying for Long -Term Care Insurance

There are two different applications for the Federal Long-Term Care Insurance Program: the Full Underwriting application and the Abbreviated Underwriting application. Which application you can use depends on which group makes you eligible to apply for coverage under the Federal Program.

The Abbreviated Underwriting Application

The persons listed below can apply using the Abbreviated Underwriting Application within 60 days of becoming eligible:

New or newly eligible employees, including:

- Federal employees in positions that convey eligibility for the Federal Employees Health Benefits
    - Program (whether or not they are actually enrolled in FEHB).
    - U.S. Postal Service employees in positions that convey eligibility for the FEHB (whether or not they are actually enrolled in FEHB)
    - Active Members of the Uniformed Services who are on active duty or full-time National Guard duty for more than 30 days
    - Active Members of the Selected Reserve (Members of the Individual Ready Reserve are NOT eligible to apply)
    - Tennessee Valley Authority employees (even though they may not be eligible for FEHB coverage)
    - D.C. Courts employees
    - Navy Personnel Command (BUPERS) NAF employees
    - Employees who transfer from a position that does not convey eligibility for this Program to one that does
    - Employees who return to an eligible position after a break in service of at least 180 days
    - Spouses of Employees listed here
- The newly married spouses of eligible persons in the groups described above (within 60 days from the date of marriage)

The Full Underwriting Application

All applicants, other than those listed above, must use the Full Underwriting Application. You don't have to wait for an Open Season to apply. This is the same level of underwriting applied to those who purchase individual policies in the private market.

Full underwriting requires that you answer more health-related questions than with abbreviated underwriting. It may also include a review of medical records and possibly an interview with a nurse.

Types of Care Covered

The Federal Program provides reimbursement for actual charges you incur for the below covered services up to the following percentages:

Covered Services	Daily Reimbursement Up To
Nursing home, assisted living facility or hospice facility	100% of your Daily Benefit Amount
Bed reservations Home care and adult day care	100% of your Daily Benefit Amount benefits limited to 60 days per calendar year 100% of your Daily Benefit Amount
Respite services	100% of your Daily Benefit Amount limited to 30 times your Daily Benefit Amount per calendar year
Formal caregiver services	100% of your Daily Benefit Amount
Informal caregiver services	100% of your Daily Benefit Amount Benefits for informal caregiver services are limited to those individuals who did not normally live in your home at the time you became eligible for benefits Benefits for care provided by family members are limited to 500 days in your lifetime.
Hospice care at home	100% of your Daily Benefit Amount
Stay-At-Home Benefit	30 times your Daily Benefit Amount

Additional Services

In addition to the choice of inflation options and comprehensive covered services, the Federal Program offers a number of additional services and benefits to meet your needs, including:

- Stay-at-home benefit
- Alternate plan of care
- Informal caregiver provisions
- Caregiver training
- International benefits
- Bed reservations
- Respite care
- No war exclusion
- Third-party review of claims

Stay-at-Home Benefit

The FLTCIP offers a stay-at-home benefit which can pay benefits for numerous options that support care in a home environment such as care planning visits, home modifications, an emergency medical response system, durable medical equipment, caregiver training, and home safety checks.

Alternate Plan of Care

In certain circumstances, care coordinators can authorize customized benefits for services that are not specifically covered under the FLTCIP. For example, under an alternate plan of care, consider a facility that is not normally covered under the FLTCIP if it meets your needs. The flexibility of an alternate plan of care allows the FLTCIP to provide you with benefits for cost-effective care and the services you want and need.

Informal Caregiver Provisions

The FLTCIP covers approved care provided at home by informal caregivers such as friends, family members, and other non-licensed caregivers. When informal care is provided by non-family members, it is covered for the benefit period you've selected (2 years, 3 years, 5 years or unlimited). When informal care is provided by family members, it

is covered for up to 500 days of care in your lifetime. Informal caregivers cannot have lived with you at the time you became eligible for benefits, but they can live in your home after you become eligible for benefits.

Caregiver Training
With the caregiver training benefit, the FLTCIP pays up to seven times the daily benefit amount (DBA) (with no waiting period) to train a family member or other informal caregiver to care for you.

International Benefits
Because this program was designed exclusively for the Federal Family, it features international benefits that provide coverage for enrollees who live or may require care outside the United States. When you receive such services, the FLTCIP pays benefits up to 80% of the benefit amounts shown on your Schedule of Benefits.

If your Schedule of Benefits shows that you have a 2, 3, or 5 year benefit period, 80% of your maximum lifetime benefit (MLB) can be used for covered services you receive outside the United States; the remaining 20% will be available for covered services you receive in the United States.

If your Schedule of Benefits shows that you have an unlimited MLB, benefits payable for any covered services you receive outside the United States will be limited to 10 years. For such services, your MLB will be equal to 3,650 days (10 years) x 80% of your daily benefit amount. Your MLB for covered services you receive in the United States will remain unlimited.

Bed Reservations
If you are in an assisted living facility, nursing home or hospice facility and need to leave that facility for any reason (for example, you need to be hospitalized), the bed reservations feature in your coverage will pay up to 100% of the daily benefit amount for up to 60 days per calendar year to hold your space.

Respite Care
This benefit provides you with temporary care if your caregiver (such as a family member) needs to take some time off. Respite care is covered up to 30 times the daily benefit amount per calendar year and there is no waiting period requirement.

No War Exclusion
Unlike coverage under most long-term care insurance plans, coverage under the FLTCIP does not have a war exclusion. As a result, benefits may be payable for conditions due to war or acts of war, declared or undeclared, or service in the armed forces or auxiliary units.

Third-Party Review of Claims
If your appeal of benefits eligibility or of a claims decision is denied, you may request an independent third-party review. A third party, mutually agreed to by OPM and Long-Term Care Partners, will review the evaluation of your medical condition or functional capacity and will provide a final and binding determination within 60 days after receipt of your request for appeal.

Daily Benefit Amount (DBA)
This is the maximum amount your insurance will pay in any single day. The FLTCIP offers eight DBAs from $100 to 450 in $50 increments.

What DBA is right for you?
If you want your DBA to approximately match the 2008 national average daily cost of nursing home care, you may want to choose a $200 DBA.

If you are able to pay a portion of the cost of care out of your own pocket, (for example, from your savings) or if you live in an area where the cost of care is lower than the national average, you may want to choose a lower DBA.

On the other hand, you may want to choose a higher DBA if you live in an area where the cost of care is higher than the national average. It is important to keep in mind that services can be more costly in metropolitan areas.

Benefit Period
This is the length of time benefits will be paid if you receive benefits each and every day equal to your DBA. You can choose from a 2 Year, 3 Year, 5 Year or unlimited benefit period.

If you receive services that cost less than your DBA or you don't receive services every day, your benefits will last longer than your benefit period.

Which benefit period is right for you?
According to the U.S. Department of Health and Human Services, the average length of stay in a nursing home is 2.4 years. Those who want a basic level of protection or who plan on paying out of pocket for a portion of their long term care needs may wish to consider the 2 year benefit period. The 3 year benefit period corresponds to the average length of stay in a nursing home.

It is important to note that future advances in medical care could mean longer life expectancy and a greater chance of outliving your benefits. For this reason, you may wish to consider the 5 year benefit period or the unlimited benefit period.

What is a maximum lifetime benefit (MLB)?
The maximum lifetime benefit (MLB) is the maximum amount your coverage can pay. To calculate your MLB, multiply your DBA by your benefit period (in days). FLTCIP benefit periods: 2 years (730 days), 3 years (1,095 days), 5 years (1,825 days), or the unlimited benefit period (no maximum lifetime benefit).

Example: The following is the MLB calculation for an enrollee with a DBA of $150 and a 3 year benefit period: $150 x 1,095 days = $164,250 maximum lifetime benefit

Waiting Period
The waiting period under the Federal Program is 90 days. The waiting period is the number of calendar days during which you must be eligible for benefits before benefits are paid.

Benefits are not paid for services you receive during your waiting period, except for hospice care, respite services and the stay-at-home benefit.

You only have to satisfy the waiting period once in your lifetime. Days applied toward satisfying the waiting period need not be consecutive, nor associated with the same episode of care.

Inflation Protection Option
To help your benefits keep pace with inflation and the rising costs of care, the Federal Program offers two types of inflation protection:

- Automatic Compound Inflation Option; or
- Future Purchase Option

Automatic Compound Inflation Option (ACIO)
FLTCIP 2.0 offers a 4% ACIO and a 5% ACIO. With these options, your DBA and remaining portion of your maximum lifetime benefit (as well as other remaining benefit amounts listed in your Schedule of Benefits) will automatically increase by either 4% or 5% (depending on the percentage shown on your Schedule of Benefits) compounded every year. The increases occur on each anniversary of your original effective date of coverage (or the

date you switch to one of these options). Increases under this option are made even if you are eligible for benefits, without regard to your age, claim status, claim history, or the length of time your coverage has been in effect.

If you select the ACIO, your premium is designed to include all future inflation increases you will receive each year while you are insured. Your premium will not increase with each inflation increase under this option.

Please note: Premiums are not guaranteed. Your premium will not change because you get older or your health changes or for any other reason related solely to you. However, your premiums may increase if you are among a group of enrollees whose premium is determined to be inadequate. While the group policy is in effect, OPM must approve the change.

If it is determined, in the future, that the cumulative actual rate of inflation in the cost of long term care services since the last increase under this provision is significantly higher than the Automatic Compound Inflation Option rate shown on your Schedule of Benefits, compounded annually, OPM and your provider will agree upon a method to allow you, at your option, to adjust your daily benefit amount. This method will account for the higher rate of inflation for an additional premium if you are not then eligible for benefits.

Future Purchase Option (FPO)

With the FPO, every two years there will be an increase in your daily benefit amount and the remaining portion of your maximum lifetime benefit (as well as other remaining benefit amounts listed in the Schedule of Benefits), except as described below. Increases will occur every two years on January 1st. An FPO offer for current enrollees is taking place in the fall of 2009 with a January 1, 2010 effective date. The next increase is scheduled for January 2012. Your coverage must be in effect for at least 12 months in order for you to receive your first increase under this provision. If you do not want the increase, your rejection must be received before the date specified in the increase notice. If you want the increase, you do not have to take any action other than paying the additional premium. The increase will automatically take effect. Increases under this option will be made regardless of your age, but will not increase your benefits under this option if you are eligible for benefits. Increases under this option do not require you to provide evidence of your good health.

Please note: Premiums are not guaranteed. Your premium will not change because you get older or your health changes or for any other reason related solely to you. However, your premiums may increase if you are among a group of enrollees whose premium is determined to be inadequate. While the group policy is in effect, OPM must approve the change.

Pre-Packaged Plans

The Federal Program offers the following pre-packaged plans:

- Plan A
- Plan B
- Plan C
- Plan D

Plan A

Consider this plan if you want protection but are looking for a lower-cost option, if you will be living in an area where long term care costs are low, or if you plan to pay out of pocket for some of the costs of long term care in the future, if needed.

- Daily Benefit Amount: $150
- Benefit Period: 2 years
- Maximum Lifetime Benefit: $109,500
- Waiting Period: 90 calendar days

- Inflation Protection: 4% Automatic Compound Inflation Option, 5% Automatic Compound Inflation Option or Future Purchase Option

Plan B
Consider this plan if you want protection for at least three years, which corresponds to the average length of stay in a nursing home, or if you will be living in an area where long term care costs are low.

- Daily Benefit Amount: $150
- Benefit Period: 3 years
- Maximum Lifetime Benefit: $164,250
- Waiting Period: 90 calendar days
- Inflation Protection: 4% Automatic Compound Inflation Option, 5% Automatic Compound Inflation Option or Future Purchase Option

Plan C
Consider this plan if you want protection for at least three years, which corresponds to the average length of stay in a nursing home, or if you will be living in an area where long term care costs are around the national average.

- Daily Benefit Amount: $200
- Benefit Period: 3 years
- Maximum Lifetime Benefit: $219,000
- Waiting Period: 90 calendar days
- Inflation Protection: 4% Automatic Compound Inflation Option, 5% Automatic Compound Inflation Option or Future Purchase Option

Plan D
Consider this plan if you will be living in an area where long term care costs are around the national average but you want protection for a longer period of time.

- Daily Benefit Amount: $200
- Benefit Period: 5 years
- Maximum Lifetime Benefit: $365,000
- Waiting Period: 90 calendar days
- Inflation Protection: 4% Automatic Compound Inflation Option, 5% Automatic Compound Inflation Option or Future Purchase Option

Customizing Your Own Plan
In addition to providing four pre-packaged plans, the Federal Program allows you to customize a plan based on your needs. If you choose to customize a plan, you must make a choice for each of the following key features:

Daily Benefit Amount (DBA) Choose from:

$100	**$150**	**$200**	**$250**
$300	**$350**	**$400**	**$450**

Benefit Period

- 2 years
- 3 years
- 5 years
- Unlimited

Inflation Protection Option

- 4% Automatic Compound Inflation Option
- 5% Automatic Compound Inflation Option
- Future Purchase Option

Program Cost and Payment Options

What are the premiums based on?
Your premiums are based on your age when you buy the coverage (the younger you are when you buy, the lower the premiums, all else being equal.) Premiums vary based on the options you select and are based on your age on the date that Long Term Care Partners receives your application.

When you choose the automatic compound inflation option, your Daily Benefit Amount (DBA) and the remaining portion of your maximum lifetime benefit will automatically increase at a rate of 5% or 4% (depending on the percentage you choose) compounded annually with NO corresponding increase in your premium. When you choose the future purchase option for inflation protection, your premiums will increase as your benefits increase.

Premiums are the same for all purchasers of the same coverage at the same age – employees, annuitants, and all the other eligible groups.

If you are approved for coverage under the Federal Program, your premium may still be increased in the future. However, the premium may only be increased if you are among a group of enrollees whose premium is determined to be inadequate. Your premium will not change because you get older or your health changes or for any other reason related solely to you. While the Group Policy is in effect, OPM must approve the change.

Does the Federal government contribute a portion of the cost of long term care insurance?
No, by law there is no Government contribution. Enrollees are responsible for paying 100% of the cost. This is typical of private industry practice for this type of insurance.

What is the benefit to purchasing this insurance if the Government doesn't contribute toward the cost of premiums?
One of the real advantages of the Federal Long-Term Care Insurance Program is that it is an employer-sponsored product that OPM considers to be an important part of the Government's overall compensation package.

This means the policy must stay contemporary with the best policies offered by other employers. So you can count on OPM to keep abreast of changes in how long term care services are provided.

You can also feel confident that the OPM-selected Long-Term Care Partners and John Hancock Life & Health Insurance Company as among the best in terms of customer service and financial strength and stability.

If you are retiring and are already enrolled in this Program, will your premiums increase because you're retiring? No. Premiums are the same for all purchasers of the same coverage at the same age. Premiums do not increase just because you're retiring.

This doesn't mean your premium won't increase in the future. However, your premium may only increase if you are among a group of enrollees whose premium is determined to be inadequate. Your premium will not change because you get older or your health changes or for any other reason related solely to you. While the Group Policy is in effect, OPM must approve the change.

Why are there other private sector Long-Term Care policies that are cheaper than FLTCIP?

It is extremely difficult to accurately compare the cost of two different plans. Even if they look similar in most respects, there are usually numerous differences between competing plans that can significantly affect their cost. Make sure that you are comparing the exact same benefits.

Options for Paying Premiums

The Federal Program offers three convenient options for paying your long term care insurance premiums:

1. Payroll or Annuity/Pension Deduction. If you choose this option, premiums will be deducted from your pay or annuity/pension (or the pay or annuity/pension of the person you specify on your application). This option is available to most enrollees. If you are paid biweekly and choose this option, your premiums will be deducted biweekly. If you are paid monthly (or receive a monthly annuity); your premiums will be deducted each month. You will need to know your Payroll Office Identifier number for this option.
2. Automatic Bank Withdrawal. If you choose this option, premiums will be deducted automatically on the third business day of every month from the checking or savings account you specify. ?
3. Direct Bill. If you choose this option, you will receive a monthly bill at your designated mailing address the month before your premium is due.

Changing Your Billing Method

You can change your method of payment at any time and for any reason by submitting a billing change form.

Can You Pay My Long-Term Care Costs and Insurance Premiums Through Your Health Savings Account (HSA)?

Yes, an HSA (health savings account) is an account established to pay for qualified medical expenses, including qualified long term care costs and long term care insurance premiums. Contributions and withdrawals are tax-free for qualified expenses.

When Your Premium May Change

If you select the automatic compound inflation option, your premium is designed to include all future inflation increases you will receive each year while you are insured. Your premium will not increase with each inflation increase under this option. However, your premiums may still increase under the conditions described below.

If you select the future purchase option, your premium will increase for each inflation increase under this option; the additional premium for each increase will be based on your age and the premium rates in effect at the time the increase takes effect. If you switch from the future purchase option to the automatic compound inflation option, your premium will increase based on your age and the premium rates in effect at the time that switch goes into effect. This increase in premium is intended to pay for future increases under the automatic compound inflation option. Once you have switched, your premium will not increase for any subsequent inflation increase.

If you request and receive approval of any coverage increase other than an inflation increase, your premium for the additional coverage will be based on your age and the premium rates in effect at the time the increase takes effect. If you request a decrease in coverage consistent with available Federal Program options, your premium will decrease. The amount of the decrease in premium associated with the decrease in coverage will be computed assuming that the levels of benefits purchased last are discontinued first.

Your premium will not change because you get older or your health changes or for any other reason related solely to you. Your premium may only increase if you are among a group of enrollees whose premium is determined to be inadequate. While the Group Policy is in effect, OPM must approve the change.

Coverage Under the Federal Program is Guaranteed Renewable

This means your coverage will not be cancelled as long as you pay your premium on time. However, this does not mean that premiums are guaranteed to remain unchanged.

When Your Premiums May Increase

The Federal Long Term Care Insurance Program reserves the right to increase premiums in the future. However, it is important to note that it cannot single you out and raise your premium because of your advancing age, declining health, claim status or for any other reason related solely to you. The Federal Long-Term Care Insurance Program may only increase premiums if you are among a group of enrollees whose premium is determined to be inadequate. While the Group Policy is in effect, OPM must approve the increase in premium. As a reminder, your premium may also increase if you voluntarily elect to increase your benefits.

Qualifying for Benefits

If you apply for coverage and are approved, you will be eligible for benefits after your coverage becomes effective and when a licensed health care practitioner certifies, and your provider 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) as long as the covered services are part of a plan of care developed by a licensed health care practitioner and approved.

Activities of Daily Living (ADLs):

Bathing:

- getting into a tub or shower; and
- getting out of a tub or shower; and
- washing your body in a tub, shower or by sponge bath; and
- washing your hair in a tub, shower or sink.
- (If you need substantial assistance from another person to complete any one of these activities, you
- are dependent for bathing);

Dressing:

- putting on any necessary item of clothing (including undergarments) and any necessary braces, fasteners or artificial limbs; and
- taking off any necessary item of clothing (including undergarments) and any necessary braces, fasteners or artificial limbs.
- (If you need substantial assistance from another person to complete any one of these activities, you are dependent for dressing);

Transferring:

- getting into a bed, chair or wheelchair; and
- getting out of a bed, chair or wheelchair.
- (If you need substantial assistance from another person to complete any one of these activities, you
- are dependent for transferring);

Toileting:

- getting to and from the toilet; and
- getting on and off the toilet; and
- performing associated personal hygiene.
- (If you need substantial assistance from another person to complete any one of these activities, you
- are dependent for toileting);

Continence:

- maintaining control of bowel and bladder function; or
- when unable to maintain control of bowel or bladder function, performing associated personal
- hygiene (including caring for catheter or colostomy bag).
- (If you cannot maintain control of bowel or bladder function and in addition you need substantial assistance from another person to perform the associated personal hygiene, you are dependent for continence);

Eating:

- feeding yourself by getting food into your mouth from a container (such as a plate or cup), including use of utensils when appropriate (such as a spoon or fork); or
- when unable to feed yourself from a container, feeding yourself by a feeding tube or intravenously.
- (If you need substantial assistance from another person to complete any one of these activities, you are dependent for eating).

Severe Cognitive Impairment
A deterioration or loss in intellectual capacity that (a) places a person in jeopardy of harming him/herself or others and, therefore, the person requires Substantial Supervision by another person; and (b) is measured by clinical evidence and standardized tests which reliably measure impairment in: (1) short or long term memory; (2) orientation to people, places or time; and (3) deductive or abstract reasoning.

Waiting Period
The time between becoming eligible for benefits and when long term care insurance actually begins paying benefits. Sometimes known as an elimination period or a deductible, it helps keep premiums affordable. The longer the waiting period, the lower the premiums. The waiting period can be measured in calendar days or days of service. FLTCIP 2.0 offers a 90-calendar day waiting period.

Plan of Care: A plan that is prescribed by a licensed health care practitioner that identifies ways of meeting your needs for qualified long term care services if:

- you are unable to perform, without substantial assistance from another person, at least 2 activities of daily living for an expected period of at least 90 days due to a loss of functional capacity; or
- you require substantial supervision due to your severe cognitive impairment.

Exclusions
Like most long term care insurance plans, the Federal Program does not pay benefits for any of the following:

- illness, treatment or medical condition arising out of:
- your participation in a felony, riot or insurrection; or
- your attempted suicide, while sane or insane; or
- injuries you intentionally inflict on yourself; or
- care or treatment for alcoholism or drug addiction; or
- care or treatment provided in a government facility, including a Department of Defense or Department of Veterans Affairs facility, unless otherwise required by law; or
- care you receive while in a hospital, except in a unit specifically designated as a nursing home or hospice facility; or
- any service or supply to the extent the expense for it is reimbursable under Medicare or would be so reimbursable except for the application of a deductible, coinsurance or co-payment amount. (This exclusion will not apply in those instances where Medicare is determined to be the secondary payor under applicable law); or
- services or supplies for which you are not obligated to pay in the absence of insurance; or

- services provided by any person who normally lived in your home at the time you became eligible for benefits.

Tax Benefits

Federal Tax Benefits Related to Long-Term Care Insurance
The Federal Long Term Care Insurance Program is designed to be a tax-qualified plan under the Internal Revenue Code. This means that:

- Benefits (claims) are not taxable; and
- You can deduct long term care insurance premiums as medical expenses to the extent that your total qualified medical expenses exceed 7.5% of your annual adjusted gross income. The amount of long term care insurance premiums that you can include in your total medical expenses, to meet the 7.5% threshold, is subject to Internal Revenue Service limits by age. Here are the currently published IRS limits by age:

Your age in years, attained before the close of the taxable year	Maximum long term care insurance premiums you can include - tax year 2012	Maximum long term care insurance premiums you can include - tax year 2011
Age 40 or under	$350	$340
Age 41 to 50	$660	$640
Age 51 to 60	$1,310	$1,270
Age 61 to 70	$3,500	$3,390
Age 71 or over	$4,370	$4,240

Rates are subject to change yearly as per the IRS. Please consult www.irs.gov for the latest tax deductibility information.

You may also wish to refer to Publication 502, Medical and Dental Expenses, published by the Internal Revenue Service, or consult your tax advisor.

This is not intended to provide tax advice. Always consult your tax attorney or CPA when dealing with tax deductibility considerations.

Could the Federal tax treatment of long term care insurance change?
Yes, generally only if the IRS tax code is amended.

Are there state tax benefits for purchasing long term care insurance?
Yes. Many states offer state tax incentives to encourage the purchase of long term care insurance. If you'd like to find out whether your state offers such incentives, please contact your state insurance department directly. Your state insurance department should be listed in the "blue" government pages of your local phone book.

Does the program offer a non-tax qualified plan?
No. The law requires the Program to offer only a plan designed to be tax-qualified.

Can employees pay the long term care insurance premiums on a pre-tax basis (premium conversion)?
No. Section 125 of the Internal Revenue Code specifically excludes from the definition of qualified benefits "any product which is advertised, marketed, or offered as long term care insurance".

Can employees pay their long term care insurance premiums through a Health Savings Account (HSA)?

An HSA (health savings account) is an account established to pay for qualified medical expenses, including qualified long term care costs and long term care insurance premiums. Contributions and withdrawals are tax-free for qualified expenses.

To open up an HSA you must be covered under a High Deductible Health Plan, and meet certain other requirements.

Portability
Your long term care insurance coverage under the Federal Program is portable. This means that you can keep your coverage if you are no longer a Workforce member or Qualified Relative provided you continue to pay your premium and have not exhausted your Maximum Lifetime Benefit.

Same-Sex Domestic Partners
Same-sex domestic partners of Federal and U.S. Postal Service employees and annuitants are now eligible to apply for coverage under the Federal Long Term Care Insurance Program (FLTCIP).

New Regulations
Regulations published in the Federal Register on June 1, 2010, add a new section (5 CFR 875.213) expanding the definition of "qualified relative" to include same-sex domestic partners of eligible Federal and U.S. Postal Service employees and annuitants. Like all "qualified relatives," same-sex domestic partners will be subject to Full Underwriting.

Certification Required
To apply for the FLTCIP, a same-sex domestic partner must check a box on the FLTCIP Full Underwriting Application certifying that documentation of the domestic partnership has been submitted to the employee/annuitant's agency or retirement system, as applicable.

Required Documentation
Before you submit an application for coverage under the FLTCIP, you will need to provide documentation (the Declaration of Domestic Partnership form) that you and your partner meet the definition of domestic partnership.
If you are eligible because your partner is a Federal or U.S. Postal Service employee, you or your partner (the employee) must file the Declaration of Domestic Partnership form with the employee's agency.

If you are eligible because your partner is a Federal or U.S. Postal Service annuitant, you or your partner (the annuitant) must file the Declaration of Domestic Partnership form with the annuitant's retirement system (OPM for most annuitants).

No documentation other than the Declaration of Domestic Partnership form is required. Agencies/retirement systems do not have to ask for proof of the partnership.

Requirements for Same-Sex Domestic Partnership
Domestic partnership is defined as a committed relationship between two adults, of the same sex, in which the partners:

- Are each other's sole domestic partner and intend to remain so indefinitely;
- Have a common residence, and intend to continue the arrangement indefinitely;
- Are at least 18 years of age;
- Share responsibility for a significant measure of each other's financial obligations;
- Are not married to anyone else;
- Are not a domestic partner of anyone else;
- Are not related in a way that, if they were of opposite sex, would prohibit legal marriage in the State in which they reside; and

- Will certify they understand that willful falsification of information within the documentation may lead to disciplinary action, loss of insurance coverage and/or the recovery of the cost of benefits received related to such falsification and may constitute a criminal violation under 18 U.S.C. 1001.

Underwriting

The FLTCIP is medically underwritten and all applicants must answer questions about their health on their application. Certain medical conditions, or combinations of conditions, will prevent some people from being approved for coverage.

For More Information

For more information on Long-Term Care please visit:
http://www.waepa.org/2012%20WAEPA%20LTC%20Insurance%20Guide.pdf