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# Long-Term Care Insurance



**BROWN**

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## **Who is RetirementGuard, LLC?**

RetirementGuard specializes in the design of long-term care insurance programs — it's all that we do. We have been providing guidance and support in the long-term care insurance benefit arena for over fifteen years. Our clients include some of the most prestigious organizations in the United States. RetirementGuard's aim is to develop personalized insurance strategies that can help protect assets from the potentially devastating costs associated with long-term care. We believe our client's interests always come first. We pride ourselves on our ability to guide and support people through relatively complex insurance issues. Our clients are very important to us and we value the long-term association and trust we establish. Whether at the time of application or claim — we are here to help.

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## **Independent Brokerage Services**

RetirementGuard is not an insurance company. We are independently owned — and we have no insurance company bias. While the Brown University's discounted rates and insurance company options being offered will be appropriate for most people, no single insurance company can be “best” for everyone. Some individuals may seek unlimited international coverage, while others may have unique underwriting needs. We can provide proposals on insurance products from other leading insurance companies and can illustrate, compare, and recommend other competitive options. We can also analyze your existing coverage — as coverage purchased in the past may not be sufficient to cover future costs. RetirementGuard is available to help potential buyers who simply want peace of mind knowing they are getting the best coverage at the best price for their particular circumstances.

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## Why Now?

*A major financial issue for most of us is one of outliving our assets.*



We view long-term care insurance as an integral part of financial planning. There are many reasons why now is a good time to buy long-term care insurance. **First and foremost: It will never be less expensive than it is today.**

**Your premiums are discounted due to your affiliation with Brown University.** Purchasing long-term care insurance gets more expensive as you get older. As health is more apt to decline in later years, the time to purchase is now, while your health is not a barrier to obtaining coverage.

It is convenient to talk yourself into believing that it won't happen to you or, if it does, you will self-insure. **However, the costs we're talking about are not merely today's figures, but projected costs fifteen and thirty years from now which could exceed millions of dollars.** So why worry about this when you can transfer the risk, or at least share it, with an insurance company?

Long-term care insurance not only helps you to preserve your principal and income, but also your **dignity**. Ultimately, it may also help you preserve your right to make decisions about your money and about your own care and well-being.

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## What is Long-Term Care?

Long-term care is what you will need if a chronic illness, injury, or frailty makes it difficult for you to function independently. It comprises a variety of out of hospital health and social services that are provided to people who are having difficulty taking care of themselves. While we often associate long-term care with nursing homes, **80%** of long-term care insurance claims are paid to insureds at **home** and in assisted living facilities.<sup>1</sup> There are a wide range of providers in this continuum, including registered nurses, nurse's aides, therapists, home health aides, live-in companions and homemakers. Many people also think about long-term care as a 'senior' issue, yet **40%** of long-term care is provided to individuals under age 65.<sup>2</sup>

Plan Today  
For A Secure Tomorrow

## Denial Won't Work — Here's Why

It is certainly convenient to think about it always happening to the “other” person. The awareness and popularity of long-term care insurance has increased dramatically as people in the work force are confronting the realities of taking care of parents, neighbors, and friends. As we get older, the odds of needing care increase exponentially. In fact there is a **60%** chance that you will need some form of long-term care, and a **40%** risk that you will enter a nursing home, at some point during your lifetime.<sup>3</sup> No one **plans** on having a stroke, suffering from a traumatic brain injury, being diagnosed with Parkinson's disease or Lou Gehrig's disease (ALS).

**The bottom line issue is it CAN happen to you and you CAN prepare for it today!**

*You wouldn't consider not insuring your home or your automobile, yet the largest catastrophic financial risk for most people is the potentially devastating costs associated with long-term care.*

Chances you will require  
**LONG-TERM CARE**  
during your lifetime

**1 in 2**

Chances you will use  
**AUTOMOBILE**  
insurance for a major  
accident

**1 in 240**

Chances you will use  
**HOMEOWNER's**  
Insurance to replace  
home and contents

**1 in 1200**

— MetLife Mature Market Institute, July 2004

# Planning for Catastrophes IS Positive Thinking

## Who Doesn't Pay the Bill?



Your **health insurance** is designed to pay for expenses associated with **acute** medical care. It was never designed to pay for extended home care, adult day care, care in assisted living facilities or custodial nursing home confinement. **95%** of long-term care services are custodial in nature and are **not** paid by health insurance.

**Medicare** provides coverage for acute medical care to people over age 65. Nursing home benefits reimbursed by Medicare are for a short period of time, usually less than **100** days. This reimbursement will **only** be made after a minimum three-day stay in a hospital, and **only** if care is deemed medically necessary.

**Medicaid** pays for most of the nation's long-term care bill. However, your assets will have to be depleted to welfare levels in order to qualify. It is important to note that Medicaid was not designed as an entitlement program. Many of the legal means individuals have used in the past to qualify for Medicaid will be more difficult to take advantage of in the future. Do you see yourself depending on a government program for care?

If health insurance, Medicare and Medicaid will not pay, who will? Often, **you** will need to use your own assets and income to pay for long-term care should the need arise. In fifteen years, when annual costs for care may exceed **\$200,000**, how much of an impact might these costs have on your retirement assets? Will there be enough money left for your spouse and other loved ones?

**“The additional 20 to 30 years beyond retirement can include a number of financial surprises”...**

*“We know from our research at the Pension Research Council that there is a substantial underestimation of the need for long-term care insurance. People also do not understand what medical costs may be in retirement.” (1)*

(1) Olivia S. Mitchell, from a special report from State Street Global Advisors | Knowledge @ Wharton, entitled **“High Net Worth | High Net Risk: Meeting Retirement Goals”** December 2005

What will your legacy  
look like?

## Why It's No Longer Prudent to Self-Insure!



It is important to focus **not** on what care costs today, but on what care will cost in the future. Assuming current trends continue long-term care could cost **\$250,000** a year - or more - in 25 years. Statistics you may find on the Alzheimer's Association web site ([www.alz.org](http://www.alz.org)) report that nearly 50% of people over age 85 have some form of dementia and average length of care is six years.

While it might be prudent to self-insure a potential \$250,000 long-term care liability, do you really need to self-insure a **\$1,000,000** liability? Is this a prudent risk management decision, especially when the cost to insure, or partially insure, can be so inexpensive?

Because insurance costs are probably lower than you expect, there is no reason not to **transfer** this risk to an insurance company. It need not be an all or nothing proposition. Partially insuring this potentially catastrophic liability is akin to hedging a bet. Self-insure part of the risk and transfer some risk to an insurance company.

RetirementGuard associates can share techniques with you to hedge risk and minimize premium exposure. This might include selecting a larger deductible, or elimination period. We might recommend selecting a lower daily benefit; or benefit duration. You may be surprised how affordable this can be.

Our reality changes as we age, as do our perceptions of acceptability. A living situation which intellectually may seem unfathomable today could be quite acceptable tomorrow. Most of us, when the chips are down, have a tenacious ability to hang on. The point is that even if you do not care, your family will. Caregiving for an Alzheimer's patient can be a 24 hour a day job.

*The goal for most people will be to receive care at home for as long as possible.*

***The average length of an Alzheimer's claim today is 8 years.<sup>4</sup> The average cost is \$1,306,914. The cost in twenty years will average \$3,302,512.***

*Today is not the problem*

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## How Does Long-Term Care Insurance Work?

When you enroll, you choose the size of the pool of money available to you over your lifetime. This is called your **maximum lifetime benefit**. When you qualify for benefits you can begin using this pool of money to pay for your care, regardless of when or where care is needed. The choice can be yours.

You also choose how much money will be available from this pool to pay you for your daily long-term care expenses. This is called your **daily benefit**. Your pool of money and your **daily benefit** can **automatically** increase annually to keep pace with inflation, while your premium is designed to stay level. Your premium is determined by your age, health, marital status and the size of the benefit you select. We can help you determine benefit amounts most suitable for you, depending upon your personal objectives, tolerance for risk, and assets that you wish to protect.

A properly designed long-term care insurance policy should provide funds to pay for most long-term care services you receive at home, in your community, or in assisted living or nursing home facilities. 75% of claims are paid to people at home and in assisted living facilities.

Your premium can never be increased due to changes in your age or health. Insurance companies reserve the right to increase premiums for all insureds on a class basis, but only with approval from your State Insurance Department.

There are two ways to become eligible for benefit. You must either have a severe cognitive impairment, such as Alzheimer's disease, or you must need substantial assistance with two out of six Activities of Daily Living. These are: bathing, dressing, eating, toileting, transferring and continence. Details on becoming eligible for benefit can be found at [www.retirementguard.com/brown](http://www.retirementguard.com/brown) or by calling 888.793.6111.

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## Who is Eligible?

**Employees, spouses, and their family members — to age 84.**

Buying long-term care insurance becomes more difficult and more expensive as we grow older. Your age combined with your health risk are the two primary factors that impact your premiums. Don't wait until it is too late to apply.

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## Underwriting/Qualifying for Coverage?

*Unlike any other type of insurance*

Underwriting is the process of reviewing your health status and lifestyle to determine whether you will qualify for coverage. Underwriting is essentially a risk selection process.

Long-term care insurance is underwritten on the basis of morbidity. Morbidity is the probability of incurring a disabling illness at any particular age. Because of this concern, long-term care insurance underwriters are especially interested in the health background of applicants. Morbidity covers a range of losses (from mild to extreme), but it's possible to be insurable even with a history of medical problems. Questions regarding your health and underwriting can be answered by our staff with strict confidentiality.

Call us toll free at **888.793.6111**.

Visit [www.retirementguard.com/brown](http://www.retirementguard.com/brown) and click on **About the Brown Plan** for more information on underwriting or how to enroll.

*Long-term care risk and not market, interest rate, or geo-political risk could be the single largest threat to your financial well being in the future because costs can run into the millions of dollars.*

*How long could you pay for care before you became financially uncomfortable?*

Do You Have  
a Short-Term Game Plan for  
a Long-Term World?

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## Long-Term Care Insurance A Summary



- Long-term care insurance is a way to transfer financial risk—some or all of it—to an insurance company. Employees of Brown University, as well as their families, have access to a program that offers several choices. For some, long-term care insurance for themselves is a gift to their families, as insurance protects inheritance. As such, long-term care insurance has often been called “asset insurance.”
- The cost of insurance is not insignificant, but you can determine it easily and without obligation. The Brown University program offers discounts, and the premium could be less than you imagine. There are techniques to hedge risk and minimize premium—this need not be an all-or-nothing proposition.
- Your age when insurance begins will impact the amount of your premium payments for as long as you have insurance, so applying for it sooner is better than later. After age 60, “Premiums generally rise 8 or 9 percent for each year you wait to apply.”<sup>5</sup>
- You can’t insure the barn after it burns down, and you can’t qualify for Long-Term Care Insurance after the onset of a condition that may require long-term care.
- Don’t let your health become a barrier to obtaining coverage. Those in very good health can enjoy lower premiums. However, “for applicants in their 70’s, only one in five qualifies for good-health discounts and two-fifths of this age group are denied coverage at any price, according to the American Association for Long-Term Care Insurance.”<sup>6</sup>

Long-Term Care  
Fractures Families

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## Unique Plan Features



- **Cash** — unlike most programs, a component of your benefit can be paid in cash.
- **Calendar days** — benefits are paid after a deductible is met. Your deductible is based very simply upon calendar days; most other options use a restrictive service day definition.
- **Shared Benefits** — If you are married, you and your spouse can “share” benefits. This can reduce your premium, and increase plan flexibility.
- **Buy up** — In the future you can increase your benefit without evidence of insurability.

Planning today  
may help yield meaningful  
financial and emotional  
benefits in the future





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1. Genworth, November 2006
2. Family Caregiver Alliance, October 2004
3. MetLife Mature Market Institute, June, 2004
4. Alzheimer's Association, [www.alz.org](http://www.alz.org), 2007
5. The New York Times, Section 3, page 4, Feb. 25, 2007
6. The New York Times, Section 3, page 4, Feb. 25, 2007

*This booklet is intended to provide a brief overview of long-term care and to highlight major features of long-term care insurance. Complete terms are governed by the policy, if any, issued to you. Please note that different insurance plans have different provisions. In other words, even the general comments in this booklet might not apply to each and every long-term care insurance plan, but they do apply to the plans available through RetirementGuard.*

*RetirementGuard, LLC provides options for Long-Term Care insurance as a voluntary and fully employee paid benefit to Brown employees. While the University has selected RetirementGuard as its referral source for this benefit, employees may elect to use this vendor or any other similar program available through public offerings. Employees should consider their individual family and financial situations before making a determination if such insurance is right for them.*