Making Your Long-Term Care Decisions

Learn about available options to help you make decisions about your CalPERS Long-Term Care coverage.

March 2014

CalPERS

Contents

Why is my long-term care plan being subjected to premium increases?

Lifetime Benefits and **Built-in Inflation Protection** were both available Program options at the time you purchased your plan.

Long-term care premium increases have occurred throughout the industry because it is a relatively new product, the pricing of which has been subject to considerable uncertainty.

When you receive your notification letter from us in April, it will contain a number of options we have developed to help you maintain long-term care coverage you can count on when you need it and avoid or minimize the premium increases. In some cases, the options we will present to you will actually decrease your premiums.

We have developed these options for you because we are committed to helping you find alternatives to the upcoming premium increases.

What exactly are the options you will present to me in April?

The table on pages 2–5 summarizes the seven options you will be offered in April. Depending on the option you choose, you may avoid the 2014 premium increase of 5 percent, the 2015-16 premium increase of 85 percent, or both the 2014 premium increase of 5 percent and the 2015-16 premium increase of 85 percent. Each option shows you exactly how it will impact your premium and your coverage in an effort to help you make the best decision possible for your situation.

2014 CalPERS Long-Term Care Program Options

Available Options	Benefit Period
The option below will allow you to retain your coverage in its current form.	
Option 1 Accept the 2014 (5%) premium increase with no change to any of your benefits.	Lifetime
The option below avoids the 5% premium increase for 2014. Your decision on the 85% premium increase beginning in 2015 is deferred for one year.	
Option 2 Avoid the 2014 (5%) premium increase by decreasing your current Daily Benefit Amount by 5% and keeping your current premium the same.	Lifetime
The options below will reduce your current premium and avoid the 5% premium increase for 2014. Your decision on the 85% premium increase beginning in 2015 is deferred for one year.	
Option 3 Avoid the 2014 (5%) premium increase by reducing your Lifetime Coverage to a 6-Year Benefit Period and keeping Built-in Inflation Protection.	6-Year
Option 4 Avoid the 2014 (5%) premium increase by reducing your Lifetime Coverage to a 3-Year Benefit Period and keeping Built-in Inflation Protection.	3-Year

Current Daily Benefit Amount	Inflation Protection	2014 Change to 2013 Premium	2015-16 Premium Increase
No Change	Keep	5% Increase	85% Increase
5% Decrease	Keep	No Change	85% Increase
No Change	Keep	Reduction	85% Increase
No Change	Keep	Reduction	85% Increase

Available Options	Benefit Period
The options below will reduce your current premium, and avoid both the 5% premium increase for 2014 and the 85% premium increase beginning in 2015.	
Option 5 Avoid the 2014 (5%) premium increase by reducing your Lifetime Coverage to a new 10-Year Benefit Period and dropping your Built-in Inflation Protection, while retaining your current Daily Benefit Amount.	10-Year
Option 6 Avoid the 2014 (5%) premium increase by reducing your Lifetime Coverage to a new 6-Year Benefit Period and dropping your Built-in Inflation Protection, while retaining your current Daily Benefit Amount.	6-Year
Option 7 Avoid the 2014 (5%) premium increase by reducing your Lifetime Coverage to a new 3-Year Benefit Period and dropping your Built-in Inflation Protection, while retaining your current Daily Benefit Amount.	3-Year

Current Daily Benefit Amount	Inflation Protection	2014 Change to 2013 Premium	2015-16 Premium Increase
No Change	Drop	Reduction	No Premium Increase for 2015
No Change	Drop	Reduction	No Premium Increase for 2015
No Change	Drop	Reduction	No Premium Increase for 2015

What happens if I choose to drop my Lifetime Benefit?

We realize that you have had this plan and these options for a long time, and that you may be concerned about having a defined, time-limited benefit instead of benefits for life. We hope you will carefully consider the defined benefit options to help mitigate the premium increases. Inflation protection continues to be available with the defined benefit options, but is subject to the 85 percent premium increase.

What happens if I choose to drop Built-in Inflation Protection?

Three of the options you can choose from — options 5, 6 and 7 summarized on pages 2–5 — incorporate the concept of retained inflation. This is an option we have created that allows you to avoid the upcoming premium increases. The retained inflation option allows you to keep the inflation increases that have taken effect up to now, but forego additional increases in the future, in order to avoid a premium increase.

Dropping Built-in Inflation Protection means you will no longer receive automatic annual increases to your Daily Benefit Amount. However, you will be provided with future opportunities to increase your Daily Benefit Amount. This opportunity will be provided, subject to a premium increase, every three years to keep pace with rising long-term care costs. This is called the Benefit Increase Option. The last offering of the Benefit Increase Option was in 2013. It is offered every three years and will be offered again in 2016.

How can I avoid the on-going premium increases?

Our goal is to provide you with meaningful options. These options are designed so that you may convert your coverage and avoid the scheduled premium increases, while still retaining a level of coverage that meets your specific needs. To understand how these options will affect your coverage, **the following four steps have been developed to assist you in your decision-making process:**

Step 1. How much long-term care coverage is needed?

The specific amount of long-term care coverage you may need is dependent upon your individual situation and long-term care plan. Please consult with a financial or other trusted advisor to assess your long-term care needs and financial plans.

Long-term care is costly and is not covered by health plans or government programs, such as Medicare or Medicaid (Medi-Cal in California). The need for long-term care is often associated with the aging process, such as the debilitating effects of a stroke or dementia. However, it could also be the result of something that could affect a younger person, such as a vehicle accident or a fall from a roof. For those who are not prepared, long-term care can change the financial prospects for an individual and a family, draining savings or investment accounts or even resulting in the loss of a home.

As you consider the options, the chart below offers a look at the average costs of long-term care in California in various categories, ranging from care you can receive in your home to care in a facility. It is easy to see from this chart how quickly one's assets could be depleted without long-term care coverage.

Average Cost of Care in California

Type of care	Average rate for care	Average cost of care for 3.4 years
Home care (from a certified home health aide)	$22/hr	**$109,208**
Assisted living facility	$150/day	**$186,150**
Skilled nursing facility:		
Semi-private room	$217/day	**$269,297**
Private room	$323/day	**$400,843**

Source: Univita Health, 2013. The current average time in claim for a CalPERS Long-Term Care Program participant is 3.4 years. Home care is based on four hours of service daily.

Step 2. How much long-term care coverage will a defined benefit period offer me?

The illustration below shows how to determine the amount of long-term care coverage a defined benefit option of three, six or 10 years would offer:

Daily Benefit Amount ($) X years of coverage (3, 6 or 10) X 365 (days a year) = Total Coverage Amount ($)

Your Total Coverage Amount is the amount of money available to you for approved long-term care.

This means that if you change to a 3-, 6- or 10-year minimum defined benefit option, your coverage may not expire in three, six or 10 years. It continues until your Total Coverage Amount is completely used to pay for your long-term care or until you stop paying premiums.

The illustration below is an example of how this calculation works for a hypothetical participant that has a $300 daily benefit amount and a policy with a 10-year benefit period:

$300 Daily Benefit Amount X **10 years** of coverage X 365 (days a year) = **$1,095,000** Total Coverage Amount

This means that this hypothetical participant would have to use their maximum $300 Daily Benefit Amount every day for 10 years to exhaust their benefit.

Step 3. How does my Daily Benefit Amount affect my coverage?

Your Daily Benefit Amount is the specified dollar amount that is the maximum your policy will pay per day for covered services. In the illustration above, the hypothetical policyholder had a $300 Daily Benefit Amount. You can see from the chart on page 7, Average Cost of Care in California, that this Daily Benefit Amount is greater than the average cost of an assisted living facility ($150 per day) and a semi-private room in a skilled nursing facility ($217 per day).

Step 4. How does the minimum Benefit Period affect my coverage?

Your Benefit Period is the minimum number of years of coverage. Even though the 3-, 6- and 10-year options offered to you are specified years, they are described as “minimum” because, based on use, they may last longer than the number of years specified in your plan. The Lifetime Benefit option is no longer offered to new applicants by CalPERS.

The current average length of claim for a CalPERS LTC Program participant is 3.4 years, and, in fact, only 1 percent of CalPERS LTC participants have required coverage longer than 10 years.

An important fact to remember about the minimum benefit period of your plan is that it will likely not be used all at once. You could use eight months and then not use the plan again for years. The cost incurred over the eight months will reduce your Total Coverage Amount balance. Your remaining Total Coverage Amount will continue to be available until it is used for your care. Your benefits are triggered only when you are deemed eligible to file a claim.

How do I contact CalPERS Long-Term Care?

CalPERSltc@ltcg.com
(888) 877-4934 phone
(866) 294-6966 fax
P.O. Box 64902
St. Paul, MN 55164-0902

The CalPERS Long-Term Care Program Customer Service Center is open Monday through Friday from 8:00 a.m. to 5:00 p.m., PT. It is operated by Univita, the CalPERS Long-Term Care Program third-party administrator.

March 2014
2014.03.1