

Information Guide



The CalPERS Long-Term Care Program 2005

"Peace of mind begins with a plan."



Welcome From CalPERS!

Welcome to the CalPERS Long-Term Care Program Information Guide. We are happy to provide this resource to help you understand the basics of long-term care and the importance of having coverage for you and your loved ones.

Who Is Eligible?*

As a California Public Employee, Schoolteacher, Retiree, or Annuitant**, you are eligible to apply for this important Program. So are your immediate family members:

- Spouses
- Parents and Parents-In-Law
- Siblings (brothers and sisters age 18 and older)

California Public Employers and Retirement Systems include, but are not limited to the following:

- State of California
- School districts
- University of California
- Legislators' Retirement System
- Cities, counties, special districts, water districts
- California Public Employees' Retirement System (CalPERS)
- California State Teachers' Retirement System (CalSTRS)
- University of California Retirement System (UCRS)
- All other California public retirement systems or California public employers
- State Assembly and Senate
- California State Universities
- Judges' Retirement System

Remember, even if you do not apply for the Program, your eligible family members can still apply. An application kit can be sent to them anywhere in the United States.

**The Program will accept applications from those 79 years old and younger.*

***An annuitant is someone receiving a pension check from any California public retirement system.*

About the CalPERS Long-Term Care Program

The CalPERS Long-Term Care Program (Program) is the nation's only voluntary, self-funded, not-for-profit program helping to protect assets and lifestyles against the catastrophic costs of long-term care. We are proud to celebrate our 10th anniversary with over 175,000 members.

The CalPERS Long-Term Care Program is there when you need it. To date, the Program has approved benefit requests for over 7,000 members and paid over \$200 million in long-term care claims. It is vital coverage that you can count on to help you plan a better future. It is about having the peace of mind that begins with having a sound and secure plan for meeting your long-term care needs no matter when they occur.

The CalPERS Long-Term Care Program is controlled and directed by the CalPERS Board of Administration. The CalPERS Long-Term Care Fund (Fund) has been established to administer and finance the Program. The Fund is a trust fund that is maintained exclusively for the benefit of the Program's covered members.

The Fund receives income from two sources: member premiums and investment returns. Your premiums are designed to remain level over your lifetime. Any change of premiums would have to be approved by the CalPERS Board and would only be made for everyone of the same age with similar coverage. You can never be singled out for a rate increase. Should a rate increase occur, all members would receive a 60-day written notice. You would have the option to obtain modified coverage at your current premium if affordability is a concern for you.



Plan Now: Do Not Limit Your Choices for Care

With the CalPERS Long-Term Care Program you have more options to maintain your independence and enhance your choices for care. Having coverage gives you more control over the decision making for your care. You decide what services and care providers to use and where to receive care.

"Peace Of Mind Begins With A Plan." Now smart planners can feel better about their prospects for the future. We hope after reviewing this information, you will join the more than 175,000 members who are already members of the Program. Please call 1-800-908-9119 if you have any questions or need help with any part of the Program.

Long Term Care Overview: What It Means to You

Today, as escalating medical costs collide with an increase in general longevity, we are faced with difficult choices to make. Those are just some of the reasons why the CalPERS Long-Term Care Program has become very popular. As people assess their family history and financial conditions, more and more of them are seeking coverage based on the likely need for long-term care.

The CalPERS Program has also become a "must-have" for financial planning purposes because it can help reduce the huge financial risk that accompanies the cost of care. Is it right for you and your family? You must weigh the decision based on the factors that are discussed here.

Long-Term Care: What It Is

Long-term care:

- Is the extended care you or a loved one may need when you need help from another person with basic Activities of Daily Living (ADLs) like bathing, dressing, or eating.
- It can occur because of a chronic illness, injury or due to the frailty of old age.
- It can be due to a Severe Cognitive Impairment, such as Alzheimer's Disease.
- It can be provided in the home, an adult day care center, assisted living facility, or in a nursing home.

Long-Term Care: What It Is Not

Long-term care is different from short-term or acute medical care. Acute medical care provided by a doctor or hospital works to help cure an individual. By contrast, long-term care focuses on caring for the individual by helping a person cope with a physical or cognitive impairment.

If you have a stroke, while you are in a hospital, your health insurance or Medicare will pay for your expenses until your condition stabilizes. But once you are discharged from the hospital and return home, if you require assistance with daily activities, such as eating and bathing due to physical limitations, but do not require any skilled care, health insurance or Medicare will provide very little, if any, coverage for your expenses. Having a long-term care plan will help you pay for the extended personal care that is needed indefinitely.

When Is Long-Term Care Needed?

Long-term care needs occur when you need help with Activities of Daily Living or ADLs on your own. These are activities we perform on a daily basis that we take for granted. There are six ADLs:

- 1. Bathing:** *The ability to wash yourself in the tub, shower or by sponge bath.*
- 2. Dressing:** *The ability to dress or undress yourself, including needing help with fastening and unfastening buttons or zippers.*
- 3. Toileting:** *Safely getting to and from the toilet and performing basic personal hygiene.*
- 4. Transferring:** *Moving in and out of a bed, chair or wheelchair.*
- 5. Eating:** *The ability to feed yourself. You may need help grasping utensils, getting food to your mouth, and cleaning your face and hands after a meal.*
- 6. Continence:** *The ability to voluntarily control bladder and bowel functions, or care for incontinence if it occurs.*

You can also need long-term care due to Severe Cognitive Impairment. This consists of memory loss, confusion or disorientation, which can result from conditions like Alzheimer's disease. Individuals with these disorders often need supervision to ensure their safety and may also need help performing their ADLs.

With the CalPERS Long-Term Care Program, you qualify for benefits when you need help from another person to perform 2 or more of any of the 6 ADLs or when you have Severe Cognitive Impairment.



Do Not Forget Your Loved Ones

You may think your parents or siblings are covered for long-term care, but chances are, unless they have long-term care coverage, they are not. As you read through this booklet, you will gain a better understanding of what long-term care is and why it is important to have a plan to protect yourself against the high financial and emotional cost of needing long-term care. Your family members also need a plan. Consider the impact a long-term care need can have on your life, how would you cope?

Many of us are already living with a caregiving situation. If you are, you know the financial and emotional impact that can have. Perhaps these facts will help you to realize why you need to tell your spouse, parents, parents-in-law and adult siblings about the CalPERS Long-Term Care Program.

- 21% of all US households are providing unpaid care to an adult age 18 or older.¹
- About 60% of all caregivers are also working, either full-time or part-time.²
- Nearly two-thirds of working caregivers have had to make some type of adjustment to their work life in order to accommodate their caregiving responsibilities.³
- Caregiving has an impact on family and leisure by leaving less time for family or friends; needing to give up vacations, hobbies and social activities; and getting less exercise and time for self.⁴



Having coverage for you and your loved ones can make a real difference. Consider the following:

- Employees who are caregivers for disabled elders with long-term care coverage are nearly two times as likely to stay in the workforce as those caring for non-insured disabled individuals.⁵
- Caring for a loved one who has long-term care coverage reduces the stress and enhances the emotional and social well-being of working caregivers.⁶

The reality is, you may one day find yourself as a long-term caregiver and may want to have some assistance with providing that care. That is where the CalPERS Long-Term Care Program can help. Talk to your family today about the Program because peace of mind — for you and for them — begins with a plan.

^{1,2,3,4} National Alliance for Caregiving and AARP. *Caregiving in the United States*. April 2004.

^{5,6} National Alliance for Caregiving and LifePlans, Inc. *The MetLife Study of Employed Caregivers: Does Long Term Care Insurance Make a Difference?* March 2001.

The Power Of A Plan And Why You Need One

Many of us learn about long-term care the hard way — when a loved one needs care. But some of us may not have first-hand experience with long-term care. So there may be some misconceptions or confusion about it. We hope this information helps provide a useful foundation to give you the facts about this critical topic.

1. Long-Term Care IS Very Expensive

FACT: *In 2005, the average cost of care in a nursing home in California is \$180 per day, or over \$65,000 annually.⁷ Additionally, care that is received at home can cost more than \$20,000 a year.⁸*

Most people do not have the assets and income to cover the cost of long-term care, or they may want to preserve the assets and income they have to maintain a quality lifestyle for themselves and their loved ones. That is why it is important to plan for these needs in advance.

Planning Ahead For Peace of Mind

Without coverage, paying for long-term care can quickly erode even sizeable savings and retirement accounts.



The DVD contains the average cost of care for each state and for each county in California. Learn what care costs where you live or where you plan to retire.

2. Care Needs Can Last For A Long Time

FACT: *The average nursing home stay is 2.6 years.⁹ Couple that with the cost of care, and you could be paying well over \$150,000 for your long-term care needs. Do you have the resources to pay for this care? Do you have family members who are willing to provide this care? Would you want to rely on them for this length of time? What would happen if you had to provide care to a family member for an extended period?*

3. Long-Term Care Needs Can Happen At Any Time

FACT: *Three out of five people over age 65 will need some type of long-term care over their lifetime.¹⁰ 40% of those receiving long-term care are under the age of 65.¹¹ An auto accident that results in spinal cord injury could severely limit a person's physical abilities. Parkinson's Disease, a stroke or similarly debilitating illnesses like multiple sclerosis or Lou Gehrig's can strike adults of all ages. Waiting until you are older to get coverage may be too late. You need to get coverage before you need long-term care.*

4. You Are Not Covered

The biggest misconception people have is that they are already covered for long-term care. Although Medicare, Medigap or health insurance may cover very limited long-term care, these plans were designed to pay for hospital and doctor care — not extended, personal care.

Long-and-short term disability insurance is another area of confusion. These programs replace lost income due to a disability. They were never intended to pay for services you would need as a result of the disability.

Medi-Cal only pays for long-term care after you have exhausted most of your own assets and income.

The reality is, most long-term care is paid for directly by individuals and their families. This means that, without coverage, your hard-earned savings and income are at risk.



If you would like to test your knowledge about long-term care, a simple quiz can be found on the DVD. The answers may help address any confusion you may have.

⁷ California Partnership estimate based on data from the California Office of Statewide Health Planning and Development, 2005.

⁸ Long Term Care Group, Inc. 2002.

⁹ U.S. Department of Labor, Long-Term Care Insurance Gains Prominence. Posted January 2004. (www.bls.gov/opub/cwc/cm20040123ar01p1.htm)

¹⁰ Long-Term Care Insurance, Baby Boom or Bust?, Conning and Company, 1999.

¹¹ "Where does the Population Live and Who Cares for Them? LTC: Diverse, Growing Population Includes Millions of Americans of All Ages," U.S. General Accounting Office 1/01.

Planning for CLOUDY Days Helps Guarantee a SUNNY Tomorrow.



Program Members, John and Brita del Corral with their son, Samuel.

"The CalPERS Long-Term Care Program was offered at the University of California, where I was working. I thought this might be a good thing for me and the premiums were lower at my age, we were in our 40s. I was talking it over with my wife, Brita — she thought it would be a good idea to include her at the same time. The university said they might not offer long-term care insurance another time. I knew that the university plan was probably the best that we could get at the price and I didn't want to have to go through a private insurer. So I felt that this was an opportunity that we might not have again."

John and Brita del Corral looked forward to the birth of their son Sam. But soon after the birth, Brita suffered a stroke. She spent 2 months in a rehabilitation hospital and now needs continuous home care.

"While Brita was at the rehabilitation hospital, I mentioned that she had long-term care insurance. The case manager was shocked. He said it's amazing that someone her age has long-term care insurance. He said this is going to be the best thing for her in the coming months because Brita's going to need in-home care. That's when I came to realize the value of the CalPERS Long-Term Care Program. When you're younger the premiums are lower. The coverage is still the same. You never really know when something catastrophic can happen."

"We didn't know how long Brita would need the long-term care coverage and we kept thinking, well it's just under 6 months and she'll be functioning. So, even though Brita's getting better, it's taken a lot longer than we expected. And since our coverage is for an unlimited time, the long-term care coverage has continued and it's been four years now that she's been covered. And we wouldn't be able to afford to do that on our own. We'd have to move in with our family. Or, I don't know what else we could do. I don't know what people do without the long-term care coverage. I've been able to continue to work, which is important for my career because technology keeps changing and I use technology in my work every day. And, our son needs to have care and since we have long-term care coverage that covers my wife, we can afford to send our son to a child care center where he's taken care of."



Brita del Corral with her caregiver.

Understanding Medi-Cal

Medi-Cal will cover long-term care services once you have depleted your assets.

Medi-Cal allows an individual to keep \$2,000 in assets, (or \$3,000 for a couple when both need care) plus a home, car and some personal possessions. In 2005, if either you or a spouse goes into a nursing home, the spouse at home may keep up to \$95,100 in assets and at least \$2,378 in monthly income.

Additionally, Medi-Cal can recover the amount it has paid for your care from your estate after your death.

Most people have assets in excess of these limits and do not want to spend down their financial resources; thereby leaving their spouse with limited resources. Or they want to leave an inheritance to their loved ones. Relying on Medi-Cal means you need to spend your assets first and may reduce, or possibly eliminate, any inheritance you may want to leave.

If you are relying on Medi-Cal, your choices for care can also be limited. The vast majority of the long-term care that Medi-Cal pays for is nursing home care. Medi-Cal provides limited care at home and does not pay for room and board in an Assisted Living Facility.



Planning Ahead

How To Start? Deciding Which Plan Is Best

Now that you understand what long-term care is and why it is important to be covered, the next step is determining which of the CalPERS Long-Term Care plans is right for you. By doing this, you are taking the first step toward long-term peace of mind. Also, because the premiums are based on your age when you apply, the earlier you apply the less you have to pay.

To start, read through the booklet on Plan Options, Features and Benefits. Look over the range of options that you can select from the CalPERS Long-Term Care Program. While it is important to consider costs and your own financial standing, it is also important to think about support from your family and your background/family history. You should also consider the Program for your spouse and tell your parents, parents-in-law and adult siblings about the Program since they are eligible to apply.

To help you with any unfamiliar terms you might encounter, there is an in-depth Glossary. If you have any questions, please call the CalPERS Long-Term Care Program toll free at 1-800-908-9119 to speak with a Long-Term Care Specialist, or visit www.calpers.ca.gov. We look forward to helping you.

The DVD contains an informative Create My Plan tool that provides valuable information to help you through the decision making process. You do not even have to know anything about the coverage choices. We ask you a few simple questions and based on your answers, options are offered. You have the option of fine-tuning your selection and can compare the premiums between different plan choices.



Where Do You Stand?

Protect assets. Preserve choices for care. Reduce stress on family and loved ones. Many factors come into play in the decision about whether or not to participate in the CalPERS Long-Term Care Program.

You Should Plan Now Because:

- You can only purchase coverage before you actually need long-term care. It is like buying fire insurance before the fire.
- Your premium is based on your age when you apply. The younger you are, the lower your cost.
- You may need long-term care at any time. An accident or illness can happen at any age.

Frequently Asked Questions

Q. Why do I need long-term care coverage? How can it help me?

A. Long-term care coverage offers you independence, choice, financial protection and the peace of mind that, should you need care, you can choose the best care options available.

You have more control over where and how you receive care. Coverage helps you preserve your assets for other uses — enjoying retirement living, leaving an inheritance, or ensuring the quality lifestyle you and your family deserve. The premium cost for coverage is small compared to the cost you would pay on your own if you needed care.

Q. I am only 45. Why not wait until I am older to get coverage?

A. You may think you are too young, but here are a few reasons why waiting is not a good idea:

- An injury or illness can happen at any time.
- If you wait to apply, a change in health status may mean you would not qualify for coverage
- The younger you are, the lower the cost. Consider this example.

A 45 year old purchasing the Comprehensive Plan with a \$200 Daily Benefit Amount, Lifetime coverage and Built-In Inflation Protection would pay about \$218 a month. The equivalent coverage is about \$345 a month if you wait until you are 55 years old.



Do Not Let What Happened to This Family Happen to You.

She was days away from applying when her mother needed care.

Nicki was excited to hear about the Program, because she was concerned about her mother. Unfortunately, Nicki has been dealing with the problems of having to take care of her mother for some time now.



Nicki Branch
Laboratory Supervisor
San Elijo Joint
Power Authority

"My mother was widowed for about 4 years and living on her own, two hours away from me. I got the long-term care package from work. I liked the idea. I sent it to my mother and she was reviewing it when she became ill. She's in her late 70s — and she actually became disabled to the point where she did need the long-term care and it came out of the blue — and she didn't have long-term care. We were just within days of getting the long-term care package and we didn't have time to sign up for it. We couldn't take her into our home. She needed skilled nursing care. So I'm a strong advocate of getting long-term care coverage. We should have taken care of it ahead of time because it's going to be a big problem in the future."

To hear more about Nicki's story and other members' experiences with long-term care, watch the DVD that is included in the application kit.



Q. Would I be better off saving on my own for long-term care if I need it?

- A. Probably not! Few people have the discipline to set savings aside. You cannot predict when you will need care or how much you would have to save. What if you need care before you have saved enough to pay for it?

This illustration shows how quickly and dramatically long-term care costs without coverage can exceed the total premiums you would pay for coverage and why saving on your own is not always a wise decision.

<p>Obtain Coverage: \$46,800 Total premiums paid from age 45 through age 75 for Comprehensive, Lifetime coverage (based on a monthly premium of \$130)</p>	<p>Pay for Care On Your Own: \$821,770 Estimated cost for an average nursing home stay (2.6 years) by age 75</p>
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Let us say you are 45 and need long term care when you are 75. The average nursing home stay is 2.6 years and is projected to cost about \$821,770 when you are age 75.

Coverage: Purchasing coverage through the CalPERS Long Term Care Program would cost you \$130 per month for Comprehensive coverage providing for at least 6 years worth of care in a nursing home (as well as care at home) and adjusting automatically for inflation. By the time you are age 75, you would have paid \$46,800 in premiums (assuming you did not need benefits earlier than that since you do not have to pay premiums once you begin to receive benefits.)

Saving on your own: In contrast, without insurance, you would be looking at a nursing home cost of \$821,770 for that “average” stay by the time you are age 75. In order to save this much money on your own, you would have to regularly set aside \$435 every single month in an investment that is guaranteed to earn you at least an 8% annual return. And if you needed this long-term care sooner than age 75, you would not yet have the funds saved to pay for it.

By purchasing coverage, you are giving yourself \$300/month additional that you do not have to set aside “for a rainy day.” Your premium cost of \$130/month will provide for your future long-term care needs more economically than saving on your own.

The DVD contains an easy to use savings calculator to help you determine how much you’ve have to put aside each month in order to save enough to pay for your own long-term care needs in the future. Just put in how much you think you can save each month, and the interest rate you expect to earn. The calculator will tell you if that amount is sufficient to pay for your future care needs.



Q. Can my monthly premium ever be increased?

- A. Yes, but only under certain circumstances and ONLY after approval by the CalPERS Board. Your premiums are designed to remain level over your lifetime. Any change of premiums would have to be approved by the CalPERS Board and be made for everyone of the same age and with similar coverage. You can never be singled out for a rate increase. Should a rate increase occur, all members would receive a 60-day written notice. If you cannot afford or do not want to accept the premium increase, you can instead adjust your coverage to an amount that would let you maintain the premium cost that you had previously been paying.

Q. What if I die before I use the benefit?

- A. The CalPERS Long-Term Care Program has a “Return of Premium Death Benefit.” This means if you die before age 75, all or a portion of your premiums would be returned to your estate, less any benefits paid by the Program. Younger people often find this to be a valuable feature because they are concerned about buying coverage so far in advance of when they believe they will need the benefit.