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**OUR FUTURE, OURSELVES:
A GUIDE FOR WOMEN
AND THEIR ADVISORS IN
PREPARING FOR LONG TERM CARE**



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August 2007

We're pleased that you're reading *Our Future, Ourselves: A Guide for Women and Their Advisors in Preparing for Long Term Care*.

Genworth developed this booklet for these very simple reasons:

- We see long term care as an issue of particular importance to women. Although men, as well as women, require long term care services, women can be impacted on two sides of the issue as providers of care and, ultimately, as recipients of long term care.
- Women tend to be the driving force in family decisions, especially in regard to a relative's need for professional long term care services.
- At Genworth Financial, we view long term care insurance as a vital but underutilized strategy in planning for a retirement that meets your needs without draining your savings. Too often, we know of instances in which the need and uninsured expenses of long term care have exhausted a family's patience as well as its resources.

The idea for developing this guide originated with our field sales representatives, who said that a thorough review of topics related to long term care would help women better understand issues they are likely to face. We hope this booklet meets that objective and that women and their advisors will find it useful in developing a program for a comfortable retirement, not just for themselves but also for others in their families.

Sincerely,

Colleen Goldhammer
Senior Vice President
Independent Channel Sales Long Term Care Insurance, Genworth Financial
Member of the Board of Directors, Alzheimer's Association

Genworth Financial is a proud sponsor of

alzheimer's  association®

the compassion to care, the leadership to conquer

INTRODUCTION

We juggle career and family. We carry health insurance for when we get sick. We insure our homes against fire and other damage. We insure our cars against accidents that result in injuries or repairs. We have life insurance to help our families carry on. We put aside as much money as we can in 401(k)s, IRAs and other plans to provide for a comfortable retirement.

But our planning, as good as it seems, may be incomplete.

A possible gap, which has the potential to deplete years of planning and saving, occurs in the area of long term care. Health insurance pays for medical expenses, doctors and hospital stays. But as we grow older—and survive previously life-threatening illnesses and conditions—the chances grow that we will require long term care beyond the scope of current health insurance plans.

We think, and rightfully so, that we will care for our loved ones, and they will care for us. But it's also fair to think that well-meaning caregivers can get in over their heads and require paid help. Maybe home health aides can provide sufficient help to supplement the family's care. Maybe skilled care will be needed, at home or in a long term care facility. Regardless of the extent of care and where the care is administered, the costs most likely will be higher than expected.

Long term care insurance can help ease this worry. According to Genworth Financial's Mark Gerety, "There are two main things that long term care insurance does. It can help preserve your asset base, and it allows you to have certain choices and flexibility."¹

Wendy Boglioli, a Regional Product Specialist with Genworth Financial, compares preparing a financial strategy that includes long term care insurance with preparing herself for the finals of the women's swimming relay of the 1976 Olympics, in which she and her teammates won a gold medal in world-record time. In a workshop entitled "In the Arms of Women," she says, "It's about commitment. It's about being prepared. I think one of the greatest things we have, as a group of women today, is that we are very committed to almost the same things—almost identical things. No matter what the race is, when the gun goes off, there's nothing like being prepared. So this [issue of long term care planning] is about preparation—are you ready?"²

1 Interview with Mark Gerety, Vice President of Career Marketing, Long Term Care Insurance Division, on August 11, 2005.

2 Telephone presentation by Wendy Boglioli, July 11, 2005, to staff and insurance wholesalers.

WOMEN AS CAREGIVERS

When a loved one requires long term care, chances are a woman is more likely to provide it. Sociologists can debate the reasons, but when faced with a family member who needs care, a woman may be more likely to ask what she can do to help, while a man may be more likely to ask who he can get to help him. Seven in ten unpaid caregivers are women, mostly wives and adult daughters. According to a survey by the National Alliance for Caregiving and the AARP, nearly one of five of these unpaid caregivers (19 percent) provided “constant care” of at least 40 hours of care per week. Of those who provided constant care, 80 percent were women.³

Josefina L. Carbonell, Assistant Secretary for Aging in the U.S. Department of Health and Human Services, estimates that 23 million Americans are providing unpaid care for a relative or friend. She describes the typical caregiver as a married woman in her mid-forties, who provides an average of 18 hours of unpaid caregiving a week.⁴

As women know, the balancing act eventually begins to tip. To continue providing care for those they love, many women find they must take time off from work, pass up transfers, reject promotions or retire early. This can place added strain on themselves, their families and their finances. The National Alliance for Caregiving/AARP survey also found that more than half of employed women who were providing care for a relative had to make accommodations to their job by coming in late, leaving early or working fewer hours, while about one-fifth of employed women had to give up their work temporarily or permanently.⁵

For women business owners, the stakes are even higher. At a woman-owned business— numbering some 10.6 million firms⁶— taking time off to care for a relative might put the ongoing success of the business at risk. The growth of women-owned businesses is a major economic force in America. If a woman business owner becomes focused on providing for a loved one’s long term care needs, the impact on the business could be substantial.

Missing work or other responsibilities to care for a loved one can prove stressful, as well as financially damaging. If the patient has some form of severe cognitive impairment, the stress levels for those providing care can be especially high. A study published in *The New England Journal of Medicine* described end-of-life care for people with dementia as “extremely demanding” on family caregivers, leading to an increased risk of illness and mental health issues for the caregivers themselves.⁷

3 AARP Public Policy Institute, Factsheet: Women and Long Term Care.

4 Speech by Josefina Carbonell, U.S. Assistant Secretary for Aging, on April 10, 2003.

5 AARP Public Policy Institute, Factsheet: Women and Long Term Care.

6 National Women’s Business Council, “Fact Sheet: Women Business Owners and their Enterprises,” dated March 2005.

7 Schultz, Richard, Ph.D., Mendelsohn, Aaron, Ph.D., et al. (Nov. 13, 2003), “End of Life Care and the Effects of Bereavement on Family Caregivers of Persons with Dementia,” *The New England Journal of Medicine*.



Dr. Laurel Coleman

Dr. Laurel Coleman, a geriatrician who is a board member of the Alzheimer’s Association, said that it’s not known whether these changes are caused by the stress of caring for someone or because the women caregivers are not focusing on taking care of themselves as they should. Nonetheless, caregivers may find themselves at increased risk of conditions such as heart problems, depression, anxiety or trouble controlling diabetes. “One of the first things that strikes people when they are caring for someone with dementia,” she says, “is how totally consuming it is.... You can’t predict the disease — some people become fairly passive, confused or withdrawn, and they can be a little easier to care for than someone who is argumentative, paranoid or suspicious. With those types of people, you are spending half your time dealing with that and not doing anything productive to move your day forward. So those become real back-breakers as far as caregivers go.”⁸

Long term care insurance can provide the means for much-needed relief and respites for caregivers. When we talk about long term care insurance, “we’re not just talking about impacting the lives of claimants,” said Mike Heard, Senior Vice President of National Claims, Long Term Care Insurance Division. “We’re also impacting the caregivers.”⁹

8 Telephone interview with Dr. Laurel Coleman at her home in Augusta, Maine, on August 15, 2005.

9 Interview with Mike Heard, Senior Vice President of National Claims, Long Term Care Insurance Division, on August 16, 2005.

WOMEN AS RECIPIENTS OF LONG TERM CARE

Women live about five years longer than men—to about 80 years of age vs. 75.¹⁰ Women therefore may be more likely to be widowed as they age. About 45 percent of women aged 65 and above are widowed, which grows to about 80 percent of women aged 85 and above.¹¹

Many times, women help care for their dying husbands and then must live alone as they continue to age and begin needing help to care for themselves and their homes. In 2003, according to Census Bureau data, about half of all women aged 75 and above lived alone, while less than one in four men (22.9%) aged 75 and above lived alone. (See the accompanying chart.)

It's not surprising, therefore, to find that nearly three out of four (72 percent) of nursing home residents are women.¹² Of residents aged 75 and older, 77 percent are women.

According to Genworth Financial's claims experience, for long term care insurance, every dollar paid out in benefits for men, approximately \$2.50 is paid out in benefits for women.¹³ To a large extent, this is attributed simply to the fact that

women live longer than men. For example, the prevalence of Alzheimer's disease—by far the leading health condition that requires long term care—may be slightly higher in women, but the risk increases as age increases, and there are simply more women in their 70s and above than there are men, noted Dr. Bruce Margolis, Medical Director for Genworth Financial's Long Term Care Insurance Division.¹⁴

Dementia, including Alzheimer's, accounts for 24 percent of the Long Term Care Insurance Division's claims filed but nearly 40 percent of the benefits paid. Second is stroke, which accounts for 11 percent of claims filed and 15 percent of the benefits paid.¹⁵

10 National Center for Health Statistics, *National Vital Statistics Report*, Vol. 53, No. 6 (November 10, 2004) Table 12.

11 AARP Public Policy Institute, Factsheet: Women and Long Term Care.

12 Derived from Table 13, the Centers for Disease Control and Prevention, *Vital and Health Statistics*, June 2002.

13 Presentation by Ty Wooldridge FSA, MAA, Senior Vice President and Chief Actuary, Long Term Care Insurance Division, July 21, 2005.

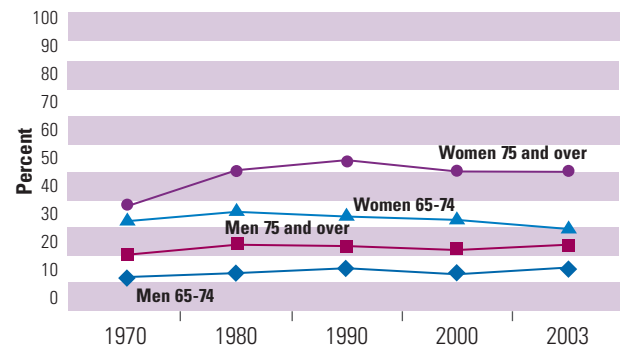
14 Interview with Dr. Bruce Margolis, Medical Director, Long Term Care Insurance Division, on August 11, 2005.

15 Genworth Financial, "Quick Market Intelligence Claims: LTC Statistics," December 2004.

Dr. Margolis notes, “Long term care insurance generally helps make care available when you need it...and that’s a positive event for both the individual and the family.... If you have long term care insurance, you may be more likely to have someone come to your home [to care for you], a service that isn’t reimbursed under federal programs. You generally stay at home longer, and when you do need to move to another level of care, you may be more prepared financially to do it. This is a positive health event and a positive financial event. It helps give people flexibility and choice.”¹⁴

Who will need long term care in the future? Certainly we’d like to think that only other people — not ourselves or those we love — would need long term care. But the risk is higher than most imagine. Jim Emerman, Senior Vice President of the American Society on Aging, says, “We know that after age 65, Americans have more than a 70 percent chance of needing some form of long term care. This is a real wake-up call for all of us to redouble our efforts to get good information on long term care financing out into the community. ...[don’t] assume you’re covered and leave your health care decisions in someone else’s hands.”¹⁶ ”

Population ages 65 and over living alone



Note: Data refers to civilian noninstitutionalized population
 Source: Older Americans 2004: Key indicators of Well Being. U.S. Census Bureau, Current Population Survey, Annual Social and Economical Supplement.

16 Press release issued by the American Society on Aging, “Americans Fail to Act on Long Term Care Protection,” May 23, 2003.

IMPROVING CARE AND HELPING CAREGIVERS COPE

It's all about having options. A group of Genworth Financial Senior Benefit Analysts gathered to confer on approaches taken to help those needing care.* The range of options they discussed went far beyond processing invoices and making payments. They made a difference by devising creative ways to help improve care for policyholders and offer solutions that help caregivers cope.

Here are some examples they cited:

- A college student had a sick father at home. She planned to cut back on her courses to reduce family expenses and was looking for a job to raise extra money to help her family. Her father was insistent that no one else care for him but her.

The daughter became an employee of a home healthcare service and was assigned to care for him. While family members are typically excluded from being reimbursed, there are certain situations where they are eligible to become paid providers. In this case, long term care insurance allowed a family to make the most of a difficult situation. And since the job provided flexible hours, she could continue taking her normal course load at college.

- A man with Alzheimer's was insistent that he live at home under his wife's care. But the Senior Benefit Analyst suggested he try going to adult daycare three days a week, and he accepted. The daycare was covered under their long term care insurance policy, giving him access to additional services and giving his wife a respite to enjoy time with her friends.

- A wife wanted to care for her husband at home but couldn't continue doing all the chores of running the household. The husband's plan of care provided for homemaking tasks to be performed. The policy paid a homemaking service to provide help with cooking and cleaning, which allowed the wife not only to focus on caring for her husband but also to spread the burden of completing the chores.

- A man caring for his wife wasn't familiar with how to do those household chores and developed anxiety about having to try. Even though he was physically capable of performing the chores, a homemaking service was approved, helping him give his wife the best care he could.

- A couple living in an assisted living facility wanted to return to their home to be with their disabled daughter. With home care, they gave it a try. It lasted only about six weeks until one of them required a higher level of care at a facility again, but they had the option of trying.

*Interview by conference call, August 16, 2004, with Michael Heard, Senior Vice President of National Claims, Long Term Care Insurance Division, and the Senior Benefit Analysts: Alice Brumsfeld, Elin Hyytinen, Michael Jackson, Robyn Torres and Lori Watson.

PAYING FOR THE COST OF CARE

Long term care services might cost more than you expect. According to Genworth Financial's latest Cost of Care Survey (March 2007), the average annual cost for nursing home care in the United States is \$74,806 for a private room. Costs for a home health aide — at a national average cost of \$32.37 per hour — can mount up quickly.¹⁷

Who pays for long term care? As we grow older and qualify for Medicare, the government will take care of us, right?

Generally, Medicare pays only a very small part of long term care expenses—and only under restricted circumstances. Ms. Carbonell, the HHS U.S. Assistant Secretary for Aging, testified before a Senate subcommittee that during 2005, Medicare will pay only 20 percent of the \$129 billion we will spend on paid long term care services.¹⁸ Medicaid, a federal-state program to provide healthcare benefits for the indigent, pays nearly twice as much for long term care services (39 percent) as Medicare does. Private funds, such as savings, will pay for 36 percent as out-of-pocket

expenses. Other sources such as long term care insurance will pay for the remaining balance of 5 percent.¹⁹ So government-funded programs, alone, leave a large gap of nearly \$53 billion in paying the costs of long term care services through savings and insurance. Furthermore, Medicaid limits the scope of care provided. Medicaid recipients have few choices in the type of care they receive, since Medicaid guidelines are skewed heavily in favor of institutional care in nursing homes, according to Ray Dinstel, Chief Underwriter, Long Term Care Insurance Division.²⁰ The former top federal Medicaid

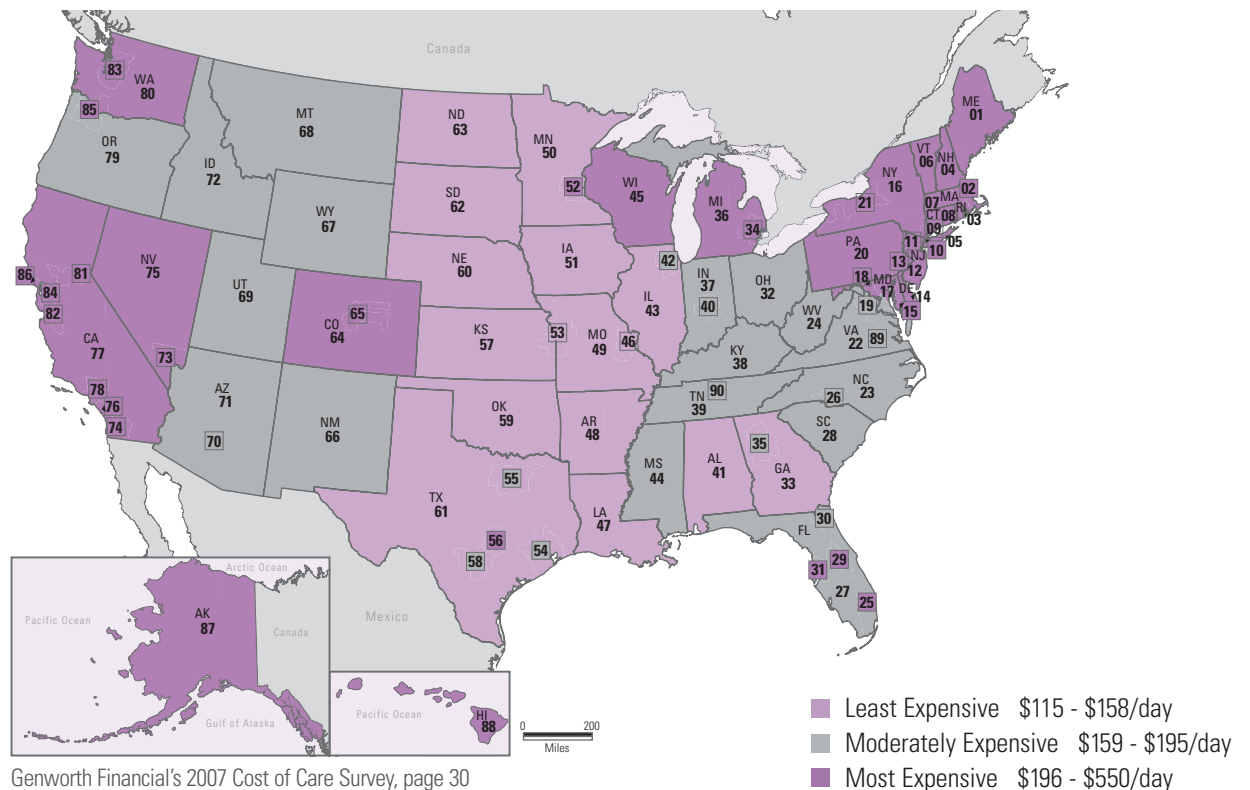
17 Genworth Financial 2007 Cost of Care Survey. Conducted by CareScout an independent research firm, 3/07.

18 Testimony of Josefina L. Carbonell, May 17, 2005, before the U.S. Senate Subcommittee on Security and Aging of the Committee on Health Education, Labor and Pensions.

19 Ibid.

20 Interview with Ray Dinstel, Chief Underwriter, Long Term Care Insurance Division, on August 1, 2005.

Average Daily Rate for a Private Room in a Nursing Home



PAYING FOR THE COST OF CARE CONT.

official, Dr. Mark B. McClellan, acknowledged this in congressional testimony when he said, "Medicaid may be used more as coverage of last resort. Although the specific coverage varies by state, Medicaid programs generally do not cover assisted living, and only some programs cover adult daycare, both of which are coverage options in long term care insurance policies."²¹

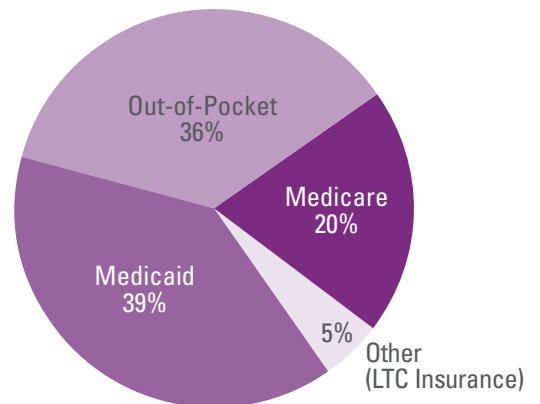
But while Medicaid is the primary source of government funding for long term care services, Medicaid requires recipients to be indigent. As a result, people may have to spend their life's savings before qualifying for Medicaid benefits. They may be able to leave little for their surviving spouse or heirs. "Not enough people are aware that the government can't take care of everyone's long term care needs," Mr. Dinstel says. "You may have to use all your savings and assets before the government helps you pay for long term care."²²

An American Society on Aging study in 2003 found that about half of all Americans aged 45 and above said they know someone who used up their savings paying for long term care services and had to depend on Medicaid.²³ The U.S. Administration on Aging reports that Medicaid supports about two-thirds of all nursing home residents.²⁴

It's important to emphasize what Medicaid and Medicare don't pay. They focus their long term care dollars on providing only skilled care in a nursing facility or in-home services. They generally do not pay for home health aides when a home health aide may be all that is necessary to help a person maintain her independence at home. In contrast with governmental programs, the Genworth Financial companies have found that 75 percent of their long term care claims originated with care at home, to help people remain at home where they want to be as long as possible.²⁵

It should also be noted that while Medicare pays part of the costs of medically necessary care in a nursing home for up to 100 days if preceded by a

Major Sources of Financing for Long Term Care Services



Source: Testimony of Josefina L. Carbonell, the U.S. HHS Assistant Secretary for Aging, before the U.S. Senate Subcommittee on Security and Aging, May 17, 2005.

3-day hospital stay, the average stay in a nursing home is about two years longer. While 2.5 years is the average length of stay for all nursing home residents, the study indicates that of the residents who remain in nursing homes for more than 3 months, 30% are there 3 months to 1 year; 37% for between 1 and 3 years; and 33% for 3 or more years.²⁶

But these estimates aside, many Americans believe governmental programs such as Medicare will cover them if they require long term care. After commissioning a survey about the American public's knowledge of long term care, the AARP reported bluntly: "Americans aged 45 and older think they know more about long term care costs and how to

21 Testimony of Dr. Mark B. McClellan, former administrator of the U.S. Centers for Medicare and Medicaid Services, April 27, 2005, before the House subcommittee on energy and commerce.

22 Interview with Ray Dinstel, Chief Underwriter, Long Term Care Insurance Division, on August 1, 2005.

23 American Society on Aging, *Long Term Care* study, issued May 23, 2003.

24 U.S. Administration on Aging, "Aging Internet Information Notes."

25 Genworth Financial, "Quick Market Intelligence Claims: LTC Statistics," December 2004.

26 National Nursing Home Survey, National Center for Health Statistics, U.S. Department of Health and Human Services, June 2002.

pay for them than they actually do. And much of what they think they know may be wrong.”²⁷ It’s not surprising, therefore, that according to the National Governors Association, “Nearly 80 percent of workers have not given any thought to financing long term care health care needs...and nearly 90 percent of people ages 45 to 64 are uninsured for long term care.”²⁸

This is especially relevant given the number of working-age adults and the fact that there are more women in the workforce²⁹ than before, and more women own their own businesses³⁰ than ever before. Therefore, it is fair to assume women are accumulating more of their own assets that need protecting. But if a woman must spend her time and money in caring for a sick husband or parent, there’s a potential double-whammy: She could jeopardize her earning power and potentially her career or business. She might even have less money available for her own care in the future if needed. Additionally, a woman business owner should be sensitive to the needs of her employees and be aware of the potential impact that long term care could have on an employee and, as a result, on the business.

Without proper long term care financing, she might have to pay all long term care costs out of her pocket. A troubling thought could easily arise: Will I have enough in savings if I should need long term care, or will I outlive my money? The bear market of 2002-2003 brought home the fact that an IRA, 401(k) and other retirement accounts can drop steeply and quickly in value. So how much is enough?

By reading this guide, you are taking an important first step in educating yourself about these questions and determining whether your current financial strategy is adequate.

Chances are that it may be inadequate if it does not address the issue of long term care. As Cindy Hounsell, Executive Director of the Women’s Institute for a Secure Retirement (WISER), writes in the Late Spring/Summer 2005 edition of the newsletter *WISERWoman*, “About half of all Americans will need long term care services at

some point in their lives, and the number is much higher for women.... Long term care insurance can help you maintain financial independence and choose from an array of care services — including care in your own home.”³¹ Mr. Wooldridge, Chief Actuary, Long Term Care Insurance Division, states emphatically, “No financial plan is complete without at least considering long term care insurance.”³²

THE COST OF LONG TERM CARE: PUBLIC PERCEPTIONS VERSUS REALITY

- Few (15 percent) could accurately estimate the national average cost of nursing home care, within 20 percent of the cost, plus or minus. About half (51 percent) estimated too low, another 9 percent estimated too high, and 24 percent could not offer an estimate.²⁸
- Only 27 percent could come within 20 percent of accurately estimating the cost of assisted living.²⁸
- Among those who offered an estimate of the costs for in-home visits by either a skilled nurse or a home health aide, about half said their estimate was “just a hunch.”²⁸

27 A summary of the survey results was retrieved August 9, 2005, from the World Wide Web at www.aarp.org/research/reference/publicopinions/Articlesaresearchimport-50.html.

28 National Governors Association, “*A Lifetime of Health and Dignity: Confronting Long Term Care Challenges in America.*”

29 Information was retrieved from the World Wide Web at www.bls.gov/emp/emplab05.pdf

30 Information was retrieved from the World Wide Web at www.census.gov/press-releases/www/releases/archives_ownership/005477.html

31 Women’s Institute for a Secure Retirement, “From WISER’s Executive Director,” in *WISERWoman: A Quarterly Newsletter from the Women’s Institute for a Secure Retirement*, dated Late Spring/Summer 2005.

32 Interview with Ty Wooldridge, FSA,MAA, Senior Vice President and Chief Actuary, Long Term Care Insurance Division, on August 2, 2005.

THE GOVERNMENT'S RISING AWARENESS FOR LONG TERM CARE PLANNING

Some governmental agencies have begun making more information available to the public about issues related to long term care.

Programs under the federal Older Americans Act include information and referral services, as well as meals, transportation and other programs for seniors. U.S. Senator Barbara A. Mikulski of Maryland describes these services as "vital to helping seniors navigate the complex financial and healthcare systems. Not all seniors have family and friends who can assist them with complicated decisions, like choosing a long term care insurance plan or a nursing home. These programs put information in terms seniors can understand. These programs are a safety net for many."³³

In announcing that Virginia was among the states participating in a federal program to promote long term care planning, Virginia's Governor noted, "The fact is, the federal Medicare program will not help most older people pay for their long term care needs, and not preparing for the financial, emotional and mental aspects of aging can have a devastating impact on families."

The Governor added, "Planning in advance offers several advantages. It gives consumers greater independence and control over their care decisions. More importantly, it gives consumers the peace of mind that they will be able to pay for their long term care needs without going broke or without putting a huge and unexpected financial burden on a spouse or children or other family members."³⁴

He made these comments in announcing Virginia's participation in a program called "Own Your Future," which was developed by the U.S. Department of Health and Human Services (HHS) in cooperation with the National Governors Association and the National Conference on State Legislators. Similar programs were launched in 2005 and 2006 with a total of 16 states participating. HHS is in the process of launching the fourth round of Own Your Future with additional states.

As stated in HHS's 28-page booklet about the "Own Your Future" program, "Long term care is a variety of services that help people with health or personal needs and activities of daily living over a period of time. The fact is, 60 percent of people over 65 will need some type of long term care. Long term care does not mean a complete loss of independence and control over your life. The keys to owning your future are planning early and wisely, knowing your options, and taking action. It is about living well."³⁵

The HHS booklet presents a guideline on who should purchase long term care insurance: "Generally, financial planners recommend considering long term care insurance if you own assets of at least \$75,000 (this does not include your home or car); have annual retirement income of at least \$25,000 to \$35,000 for an individual or \$35,000 to \$50,000 for a couple; or are able to pay premiums without financial difficulty, even if premiums increase over time."³⁶ (The booklet can be viewed by going to the World Wide Web and clicking on www.longtermcare.gov)

The "Own Your Future" program is a significant step forward in affirming the government's support on the need for long term care planning. In this arena, state and federal governments have a lot at stake.

33 Statement by U.S. Senator Barbara A. Mikulski on May 17, 2005, before the Senate aging subcommittee.

34 Press release issued January 5, 2005, by Office of the Governor of the Commonwealth of Virginia.

35 U.S. Health and Human Services Department, Centers for Medicare and Medicare Services, "Own Your Future," dated December 2002.

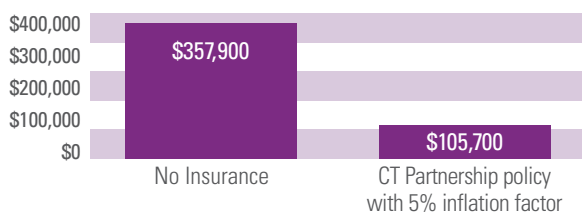
36 Ibid.

While the educational value of the “Own Your Future” program is substantial, government is doing even more to promote long term care planning and the sale of long term care insurance. The federal government as an employer, for example, makes long term care insurance available for all federal employees to purchase under a group policy.³⁷ With the passage of the Deficit Reduction Act, all states can participate in long term care partnerships.

These Partnership programs grew out of an initiative by the Robert Wood Johnson Foundation (www.rwjf.org) in 1987 to create the Program to Promote Long Term Care Insurance. Since the early 1990s, four states, California, Indiana, Connecticut and New York, have participated in this program. The program sought ways to join private insurers with state Medicaid programs “to offer high quality insurance protection against impoverishment from the costs of long term care, which includes both nursing home care and/or home care.” The Partnership programs included ways for consumers to protect at least some of their assets in the event their long term care costs exceed the amount of insurance they purchased.³⁸

- Partnerships are a sound policy solution for the Medicaid funding problem. Just 119 policyholders have accessed medicaid to date.³⁹
- Partnerships have resulted in increased LTC insurance sales. The partnerships offer a strong incentive to acquire long term care insurance. More than 30 percent of policyholders in a recent survey reported that they would not have purchased long term care without the Partnership program.⁴⁰
- Partnerships help ease the burden on state Medicaid budgets. In recent information provided by three of the existing state partnership programs, the California Partnership programs, the California Partnership estimates Medi-Cal has saved \$18.1 million to date.⁴¹ The Indiana Partnership estimates total medicaid savings of \$13.43 million.⁴² Connecticut Partnership projects that by 2016-2020 the partnership could result in annual Medicaid savings of 6.8%, or approximately \$140 million in 2005 dollars.⁴³

Total Out-of-Pocket Cost of Three Years in a Nursing Facility 20 Years from Today



Source: Connecticut Partnership for Long-Term Care

37 For information on the Federal Long Term Care Insurance Program, go to the U.S. Office of Personnel Management.
 38 A report for the Robert Wood Johnson Foundation, which was retrieved August 3, 2005, from the World Wide Web at www.rwjf.org/reports/npreports/elderlye.htm.
 39 United States Government Accountability Office, September 9, 2005; data from CT, CA, IN, NY.
 40 Laguna Research Associates, Inc.; Program to Promote Long Term Care Insurance for the Elderly, National Program Report, February 2001. [Robert Wood Johnson Foundation]
 41 California Partnership for Long Term Care, 4th Quarter Report 2006, Report Number 50.
 42 Testimony of Mary Ann Hack, Insight LTCI Services, U.S. Senate Hearing, October 17, 2006.
 43 The Connecticut Partnership for Long-Term Care, A Progress Report to the General Assembly, January 2006.

THE GOVERNMENT'S RISING AWARENESS FOR LONG TERM CARE PLANNING CONT.

The Connecticut Partnership for Long Term Care (www.CTpartnership.org), a state agency, explains its asset protection program as follows: "The most unique aspect of a Connecticut Partnership policy is the Medicaid Asset Protection feature. This feature provides dollar for dollar protection: for every dollar that a Partnership policy pays out in benefits, a dollar of assets can be protected from Medicaid spend-down rules. When determining Medicaid eligibility, any assets you have up to the amount of Partnership insurance policy paid in benefits will be disregarded. Therefore, if you receive \$200,000 in benefits, you may then apply to Connecticut's Medicaid program for assistance and still keep \$200,000 in assets (in addition to the \$1,600 everyone is allowed to keep). The Partnership Medicaid Asset Protection feature is not available under non-Partnership policies."⁴⁴

The Connecticut Partnership forecasts that in 20 years, the out-of-pocket costs for three years in a nursing facility in Connecticut will be more than \$350,000 for someone without insurance. That is more than three times as much as for someone with one of the Connecticut Partnership policies, even including the costs of paying the long term care insurance premiums for 20 years.⁴⁵

44 Connecticut Partnership for Long-Term Care, "*Frequently Asked Questions*." Retrieved August 3, 2005, from the World Wide Web at www.opm.state.ct.us/pdpd4/ltc/FAQ/FAQ.htm.

45 Connecticut Partnership for Long-Term Care, "*Connecticut Partnership Policies Can Save You Money*," issued April 2005.

PUBLIC POLICY ISSUES

One of the reasons states and the federal government are promoting long term care planning is the growing financial pressure on both the Medicare and Medicaid programs. Medicaid is a state-administered program that receives 57 percent of its funding from the federal government and 43 percent from the states.⁴⁶ Coverage of nursing home care takes a hefty chunk of the Medicaid budget — 35.7 percent of the \$100.5 billion that state and federal governments spent on Medicaid in 2004.⁴⁷ One of three Medicaid dollars goes toward long term care.⁴⁸ Particularly in light of the upcoming retirement of baby boomers in large numbers, government officials acknowledge that long term care insurance policies will help relieve financial burdens on public spending.

While the “Own Your Future” educational initiative is already underway, other programs being proposed to encourage consumers to consider buying long term care insurance policies will require legislation.⁴⁹

1. Extending state Partnership programs and their asset protection features to additional states.

Public-Private Partnership programs were introduced in the early 1990s, and proponents were hoping to replicate them throughout the country. However, legislation enacted in 1993 while exempting the four states with existing programs, required other states to recover assets from estates of persons who received services under Medicaid. A report to the Robert Wood Johnson Foundation noted that, “asset protection is in effect only while the insured is alive and prevents passing assets to heirs, a prime attraction of the Partnership program. The 1993 legislation has effectively stifled interest in designing new Partnerships.”⁵⁰

2. Making the cost of long term care insurance premiums a deductible expense as a separate item on federal tax forms.

Currently, the cost of long term care insurance premiums can be deducted as an itemized expense to the extent that the premiums and all other healthcare-related expenses exceed 7.5 percent of the taxpayer’s adjusted gross income. (Consult your tax advisor for details.)⁵¹ However, few taxpayers qualify for the medical deduction.

Instead, proponents are seeking an “above-the-line” deduction that would be specified on the front of the income tax form. It would therefore be available to all taxpayers, regardless of whether they itemize deductions and regardless of their other healthcare expenses.

3. Providing other tax incentives.

One example would include providing incentives for the purchase of long term care insurance policies tied with nontaxable withdrawals from annuities, life insurance or other investments. Another incentive would permit buying long term care insurance with pretax dollars through flexible spending accounts or other plans.

46 A report for the Robert Wood Johnson Foundation, which was retrieved August 3, 2005, from the World Wide Web at www.rwjf.org/reports/npreports/elderlye.htm.

47 Testimony of Dr. Mark B. McClellan, former administrator of the U.S. Centers for Medicare and Medicaid Services, April 27, 2005, before the House Committee on Energy and Commerce.

48 Kiplinger’s May Issue 2006, Medicaid Gets Tough by Mary Beth Franklin.

49 Telephone interview with Sam Morgante, Vice President Government Relations, Long Term Care Insurance Division, on August 1, 2005.

50 A report for the Robert Wood Johnson Foundation, which was retrieved August 3, 2005, from the World Wide Web at www.rwjf.org/reports/npreports/elderlye.htm.

51 U.S. Chamber of Commerce, “Executive Summary: Women Business Leaders’ Outlook on Health Care 2003.”

PUBLIC POLICY ISSUES CONT.

New legislation is coming from Congress. For example, Representatives Earl Pomeroy (D-ND), Jim Ramstad (R-MN), Allyson Schwartz (D-PA), and Kenny Hulshof (R-MO), along with 20 cosponsors, introduced legislation to expand access to long term care insurance and strengthen consumer protections of these insurance products. The Long Term Care Affordability and Security Act, H. R. 3363, would permit long term care insurance to be included in employer-sponsored cafeteria plans and flexible spending accounts, enabling people to pay long term care insurance premiums using pre-tax dollars.

A study by the U.S. Chamber of Commerce showed that women business owners regard healthcare, including long term care, as a major concern. "Only 9% of smaller women-owned companies and 19% of larger women-owned companies offer long term care insurance to their employees. But if there was a federal tax incentive, another 45% of both smaller and larger businesses said that they would likely offer long term care insurance."⁵²

On the state level, some states are actively investigating ways to improve their long term care systems, including their delivery and financing. A special task force appointed by the Governor of Michigan, for example, completed a yearlong study in May 2005. Finding that "Michigan's current long term care system is not sustainable," the task force developed a series of recommendations. Those dealing with financing included "strategies aimed at increasing the number of people in Michigan who have long term care insurance," such as expanding the long term care insurance program for state employees and examining whether the state should adopt income tax credits and tax deductions for premiums paid for long term care insurance and for out-of-pocket expenses for long term care.⁵³

52 U.S. Chamber of Commerce, "Executive Summary: Women Business Leaders' Outlook on Health Care 2003."

53 The Michigan Medicaid Long Term Care Task Force, May 2005, "*Modernizing Michigan Medicaid Long Term Care.*"

FEATURES OF LONG TERM CARE INSURANCE POLICIES

We've seen that long term care insurance policies can offer options in care that federal programs may not adequately cover — such as easier access to home health services designed to help the patient stay at home.

"What long term care insurance provides is a way to provide care in a better way and for a longer time," Mr. Wooldridge said. "[Among other benefits], it allows people to obtain more complicated care and still keep a loved one at home."⁵⁴

Long term care insurance policies differ in a significant way from auto and health policies: Changes in your health status will not cause your premiums to rise. Insurance companies do reserve the right to raise rates based on state and class. And the insurance company cannot fail to renew your policy as long as you pay premiums on time, even if a health condition occurs or worsens, Mr. Wooldridge said.⁵⁵

Long term care insurance does not come in one-size-fits-all. Within and among long term care insurance policies, there are many variations that affect the level and extent of care and pricing. Just as with auto insurance or other forms of insurance, the higher deductible you are willing to accept, for example, the lower your premiums will be. It is not our goal to sell you a particular product. Your best bet is to work with your advisors to determine the level and extent of coverage that may be appropriate for you.

Here are some points to consider should you choose to check further into the possible purchase of a long term care insurance policy.

- Do you live in a state with a Partnership for Long Term Care program?
- Should you buy a long term care policy now or wait until you are older? As the Connecticut Partnership notes, "You should discuss the timing of your purchase with your family, financial and legal advisors and insurance agent. The younger you are at the time you purchase, the less expensive the premium and the greater the likelihood you will be [health-qualified and] accepted for coverage."⁵⁵
- How much protection should you buy? The HHS states in the "Own Your Future" booklet that buying a policy covering three to five years is cost-effective but notes that those who are concerned about Alzheimer's or other forms of dementia may want to consider a longer period of coverage.⁵⁶

54 Interview with Ty Wooldridge, FSA,MAA, Senior Vice President and Chief Actuary, Long Term Care Insurance Division, on August 2, 2005.

55 Connecticut Partnership for Long Term Care, "Planning Today for a Secure Tomorrow," April 2005.

56 U.S. Health and Human Services Department, Centers for Medicare and Medicare Services, "Own Your Future," dated December 2002.

FEATURES OF LONG TERM CARE INSURANCE POLICIES CONT.

- Does the policy have inflation protection? According to the HHS, “If you buy a policy before age 75, you may need this protection.⁵⁶” If so, check how the interest is calculated. A simple rate of 5% would add \$5 each year per \$100 worth of benefits, while a compounded rate would add 5% to the previous year’s amount of benefits.
- How good and how stable is the provider? Insurance, in all its forms, amounts to a promise to provide benefits at some future time when you need them and qualify for them. So you need to consider how stable the company is and how well the insurer fulfills its promises.

As Wendy Boglioli noted at a panel discussion on long term care issues, “When you’re looking at buying a long term care insurance policy, remember these things. Know what you want. Get what you pay for, and make sure it covers everything you want.”⁵⁷

⁵⁷ Telephone presentation by Wendy Boglioli, July 11, 2005, to staff and insurance wholesalers.

“NOW SHE IS HAPPY”

The car accident was terrible. Dealing with the recovery wasn’t easy either. When Joanna Mahoney’s mom was released from the hospital after the accident, she went home for a long recuperation period. Joanna spent all the time with her that she could, and she arranged for her mother’s friends to fill in when she couldn’t. But while Joanna’s supervisors at work were understanding, she told her brother after her mom recovered from the accident that she felt she would lose her job if another instance arose and she had to take off more time.

She and her brother wanted to ensure their mother received good care. And as the executor of her father’s will, Joanna also felt an obligation to honor his wishes not only to care for their mother but also to pass something on to the two children he loved. Joanna and her brother

looked into long term care insurance and purchased a policy for their mother.

The time did come later when her mom needed help again. Their mother was eligible for benefits under her policy. Joanna had Cathy, a care coordinator, on her side to help her find answers to her questions. Joanna hired a daytime companion to be with her mother at home, but before long, her mother needed care in a facility. Joanna was comforted because her mother received the full-time care she needed and soon started to feel better. Joanna, herself, “felt relieved of that fear and worry even depression that I was experiencing, as well.” We were able to provide our mother with a safe place, where she had all her meals and they give her all of her medication. That is very important, because now she is happy.”

CONCLUSION

Deciding that you or a loved one requires professional long term care can be a daunting decision. It's an emotional decision, as well as financial, and sometimes the decision is made at times of a medical emergency. That's the benefit of having a financial strategy, including long term care insurance, help to ensure that you and those you love receive the best and most appropriate care...without breaking the bank or jeopardizing quality of life. That's why we skimp over the years, and that's what we should be able to enjoy in later years. Women are drivers of many purchase decisions for themselves and their families, including those involving healthcare, long term care and long term care insurance. And women want options. We want to make our own, educated choices. We want the ability to determine Our Future, Ourselves.

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